

**Center for  
Economic Opportunity**

**The Unofficial Story:  
What Does an Alternative Measure of Poverty Say  
About the Adequacy of Social Programs  
For the Elderly?**

**Mark Levitan,  
Director of Poverty Research**

# The Official Poverty Measure

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## Threshold:

- Established in the mid-1960s at three times the cost of the USDA's "Economy Food Plan"
- Base year threshold adjusted by annual change in the Consumer Price Index
- Uniform across the U.S.

## Resources:

- Total family *pre-tax* cash income

# National Academy of Sciences' Measure

Thresholds based on annual out-of-pocket expenditures for these necessities:

- Food
- Clothing
- Shelter
- Utilities
- Add a little more for miscellaneous expenses
- Then adjusted for inter-area differences in housing costs

Resources based on annual income available to family to purchase items in threshold:

- Cash income, after taxes
- Add value of subsidies for food and shelter
- Subtract work-related expenses (e.g. child care and transportation)
- Subtract medical out-of-pocket expenses (**MOOP**)

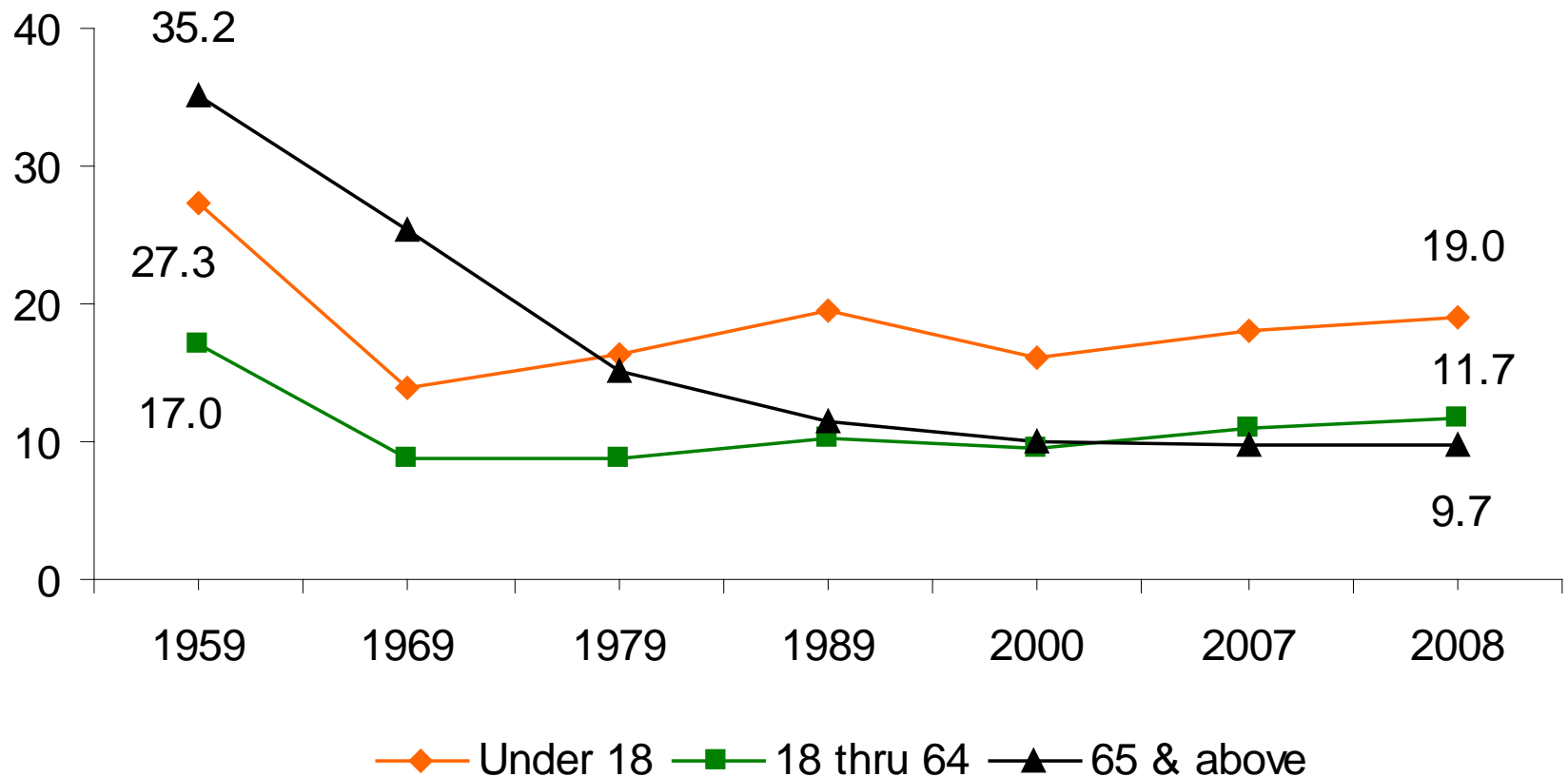
# Superiority of NAS Method:

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- Thresholds are based on wider range of needs
- Thresholds reflect change in standard of living over time
- Thresholds reflect differences in cost of living across the nation
- Definition of income more fully reflects resources available to families
- Definition of income captures more of what government programs do to support families

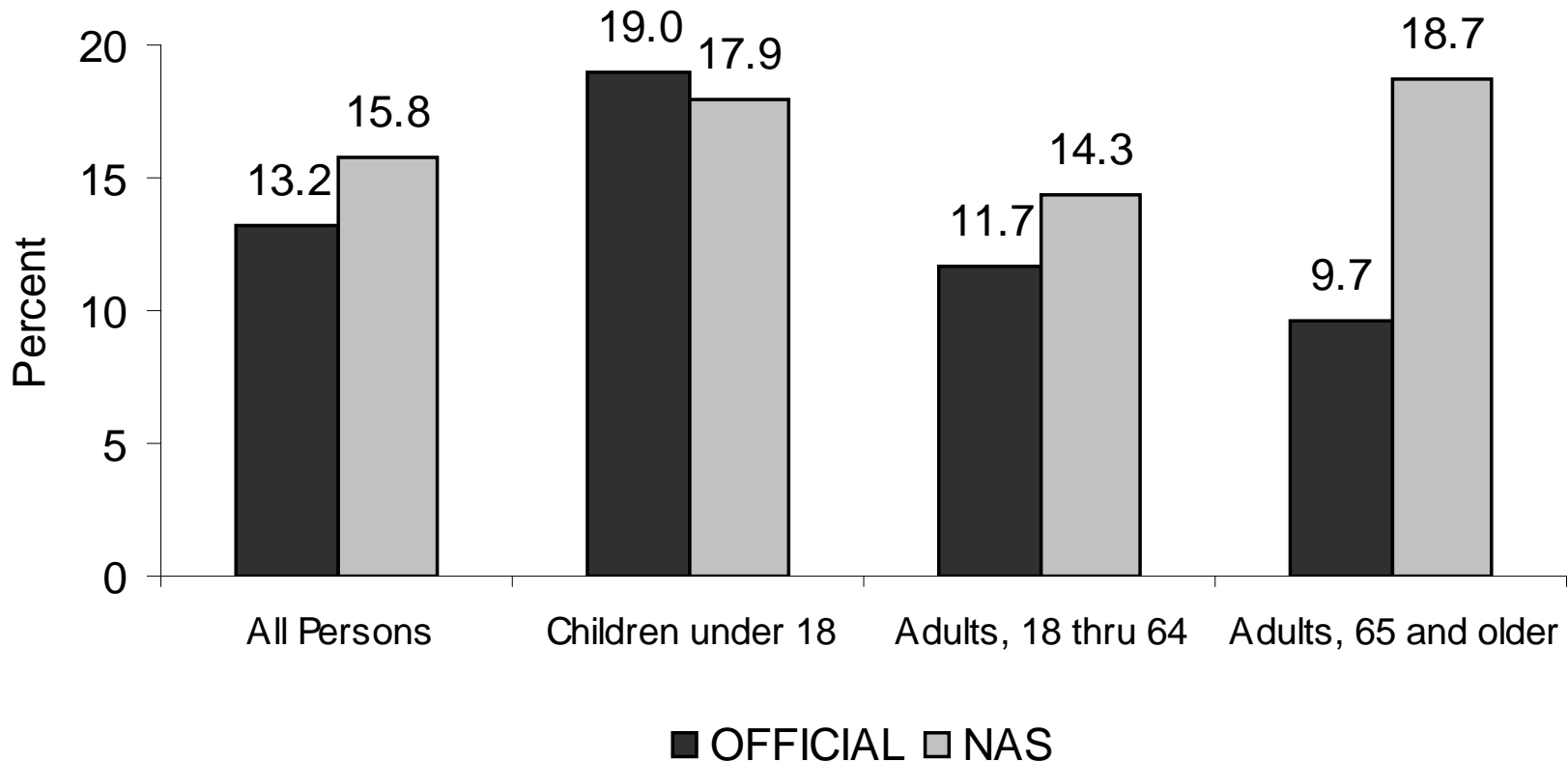
# The Official Story: For the Elderly, “Social Programs Worked”

## Official Poverty Rates in the US, by Age



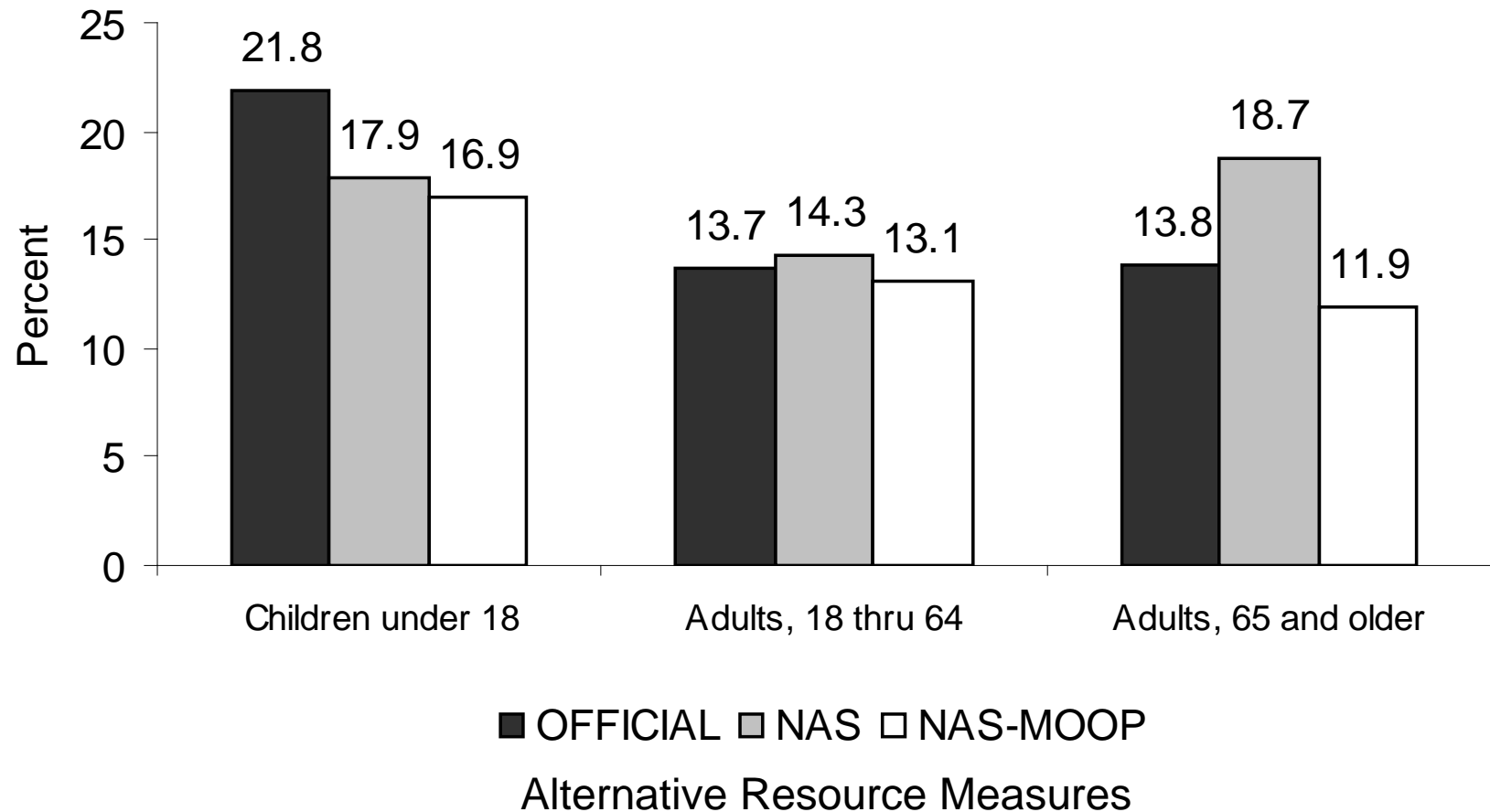
Source: U.S. Bureau of the Census.

# Alternative Poverty Rates for the US, By Age, 2008



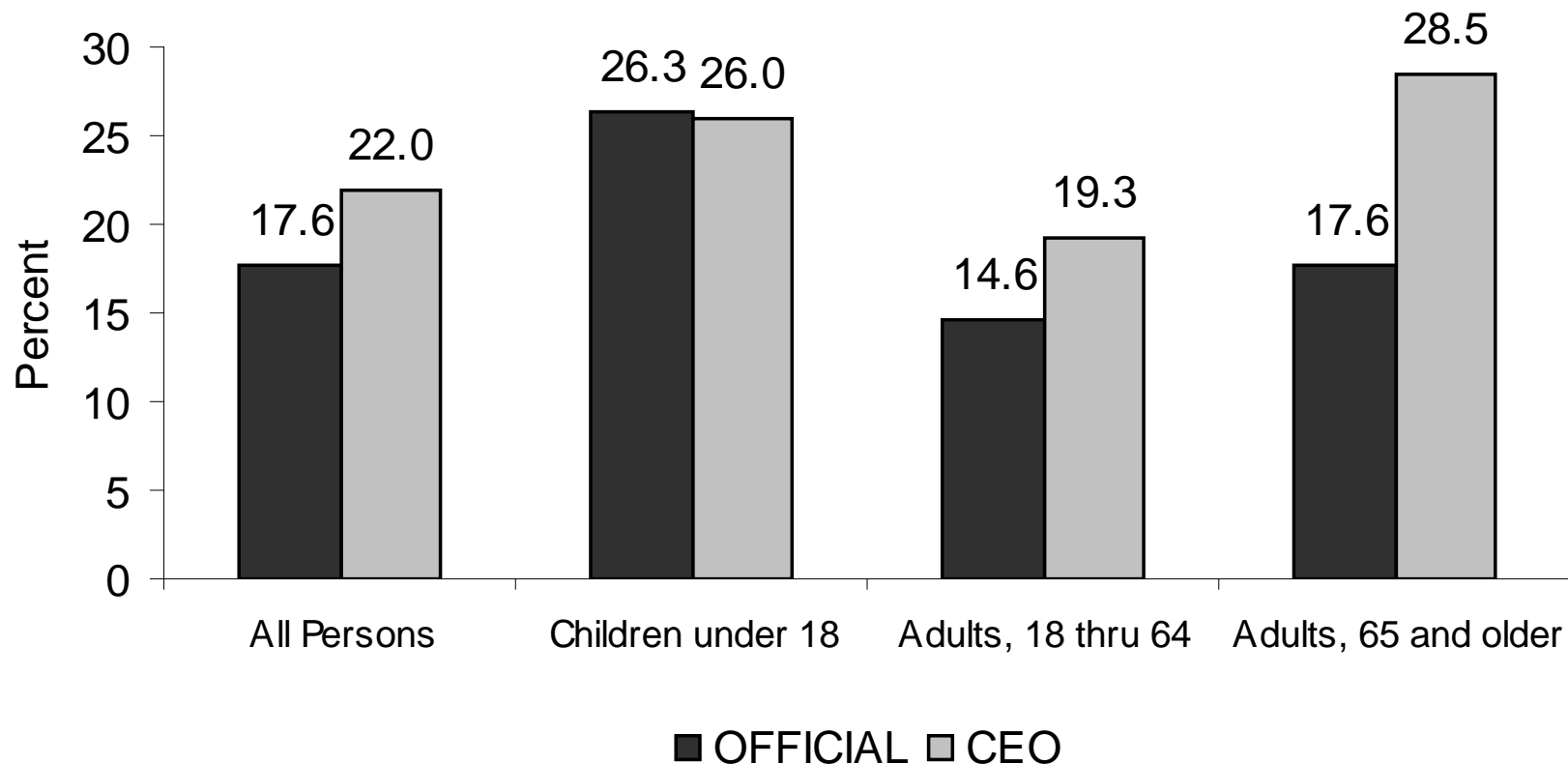
Source: U.S. Bureau of the Census.

# Alternative Poverty Rates for the US, Using the NAS Threshold, 2008



Source: U.S. Bureau of the Census, CPS Public Use Micro Data Files.

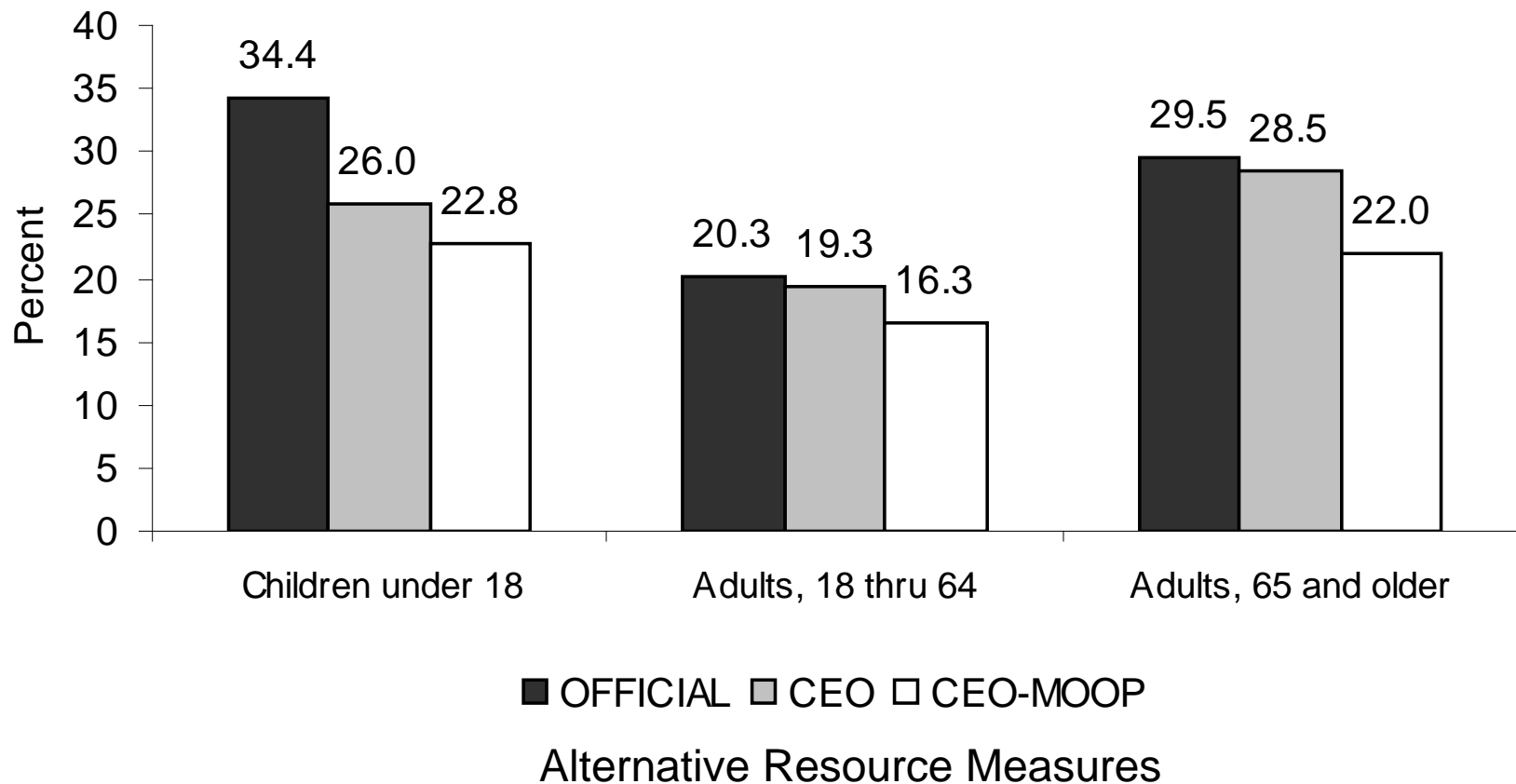
# Alternative Poverty Rates for NYC, By Age, 2008



Source: Tabulated from the American Community Survey PUMS as augmented by CEO.



# Alternative Poverty Rates for NYC, Using the CEO Threshold, 2008



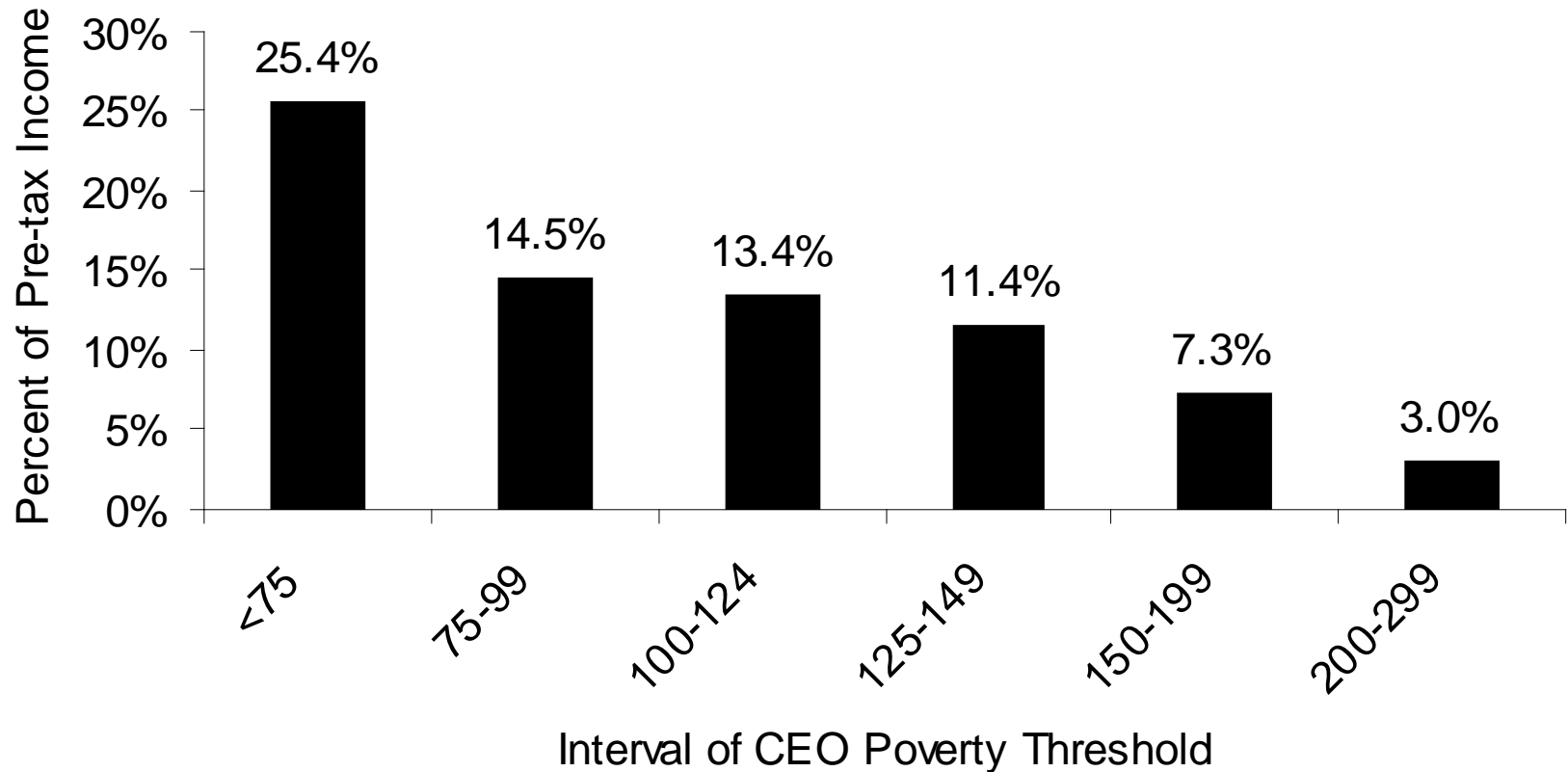
Source: Tabulated from the American Community Survey PUMS as augmented by CEO.

# Median MOOP for NYC Families, By CEO Poverty Status in 2008

Interval of CEO Threshold	Family Head is:	
	Elderly	Non-Elderly
< 75	\$2,253	\$585
75-99	\$2,042	\$719
100-124	\$2,468	\$1,012
125-149	\$3,060	\$1,608
150-199	\$3,349	\$2,255
200-299	\$3,349	\$2,284
300+	\$3,594	\$2,284
Total	\$2,979	\$1,716

Source: Tabulated from the American Community Survey PUMS as augmented by CEO.

# MOOP as a Share of Income, For NYC Families with Elderly Head



Source: Tabulated from the American Community Survey PUMS as augmented by CEO.

# Conclusions:

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- Reasons to doubt the “official story.”
- More inclusive and realistic measure of needs and resources reveals much higher level of economic deprivation among the elderly than commonly supposed.
- Health care reform should strengthen protections for low-income elderly from high out-of-pocket medical expenditures.

# For More Information

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- Mark Levitan, Director of Poverty Research: [levitanm@hra.nyc.gov](mailto:levitanm@hra.nyc.gov)
- CEO Poverty Measurement Report: <http://www.nyc.gov/ceo/>