



HISTORY OF POVERTY THRESHOLDS

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THE DEVELOPMENT AND HISTORY OF THE U.S. POVERTY THRESHOLDS — A BRIEF OVERVIEW

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In view of the recent major proposal to revise the way in which the United States measures poverty, it may be useful to review the development and subsequent history of the current official poverty thresholds.

The poverty thresholds were originally developed in 1963-1964 by [Mollie Orshansky](#) of the Social Security Administration. She published an analysis of the poverty population using these thresholds in a January 1965 **Social Security Bulletin** article. Orshansky based her poverty thresholds on the economy food plan — the cheapest of four food plans developed by the Department of Agriculture. The actual combinations of foods in the food plans, devised by Agriculture Department dietitians using complex procedures, constituted nutritionally adequate diets; the Agriculture Department described the economy food plan as being "designed for temporary or emergency use when funds are low." (Orshansky also developed a second set of poverty thresholds based on the Agriculture Department's somewhat less stringent low-cost food plan, but relatively little use was ever made of these higher thresholds.)

Orshansky knew from the Department of Agriculture's 1955 Household Food Consumption Survey (the latest available such survey at the time) that families of three or more persons spent about one third of their after-tax money income on food in 1955. Accordingly, she calculated poverty thresholds for families of three or more persons by taking the dollar costs of the economy food plan for families of those sizes and multiplying the costs by a factor of three — the "multiplier." In effect, she took a hypothetical average family spending one third of its income on food, and assumed that it had to cut back on its expenditures sharply. She assumed that expenditures for food and non-food would be cut back at the same rate. When the food expenditures of the hypothetical family reached the cost of the economy food plan, she assumed that the amount the family would then be spending on non-food items would also be minimal but adequate. (Her procedure did not assume specific dollar amounts for any budget category besides food.) She derived poverty thresholds for two-person families by multiplying the dollar cost of the food plan for that family size by a somewhat higher multiplier (3.7) also derived from the 1955 survey. She derived poverty thresholds for one-person units directly from the thresholds for two-person units, without using a multiplier. The base year for the original thresholds was calendar year 1963.

Orshansky differentiated her thresholds not only by family size but also by farm/nonfarm status, by the sex of the family head, by the number of family members who were children, and (for one- and two-person units only) by aged/non-aged status. The result was a detailed matrix of 124 poverty thresholds, although the figures generally cited were weighted average thresholds for each family size.

In her January 1965 article, Orshansky presented the poverty thresholds as a measure of income inadequacy, not of income adequacy — "if it is not possible to state unequivocally 'how much is enough,' it should be possible to assert with confidence how much, on an average, is too little."

While the poverty thresholds had been calculated on the basis of after-tax money income, they were applied to income data — the Census Bureau's Current Population Survey — that used a before-tax definition of money income; this was done because when the thresholds were being developed, the Current Population Survey was the only good source of nationally representative income data. Orshansky was aware of the inconsistency involved, but there was no other alternative; she reasoned that the result would yield "a conservative underestimate" of poverty.

In April-May 1965, it was decided to set farm poverty thresholds at 70 percent of the corresponding nonfarm thresholds, and to update the thresholds for annual price changes by the yearly change in the per capita cost of the economy food plan. In May 1965 — just over a year after the Johnson Administration had initiated the War on Poverty — the Office of Economic Opportunity adopted Orshansky's poverty thresholds as a working or quasi-official definition of poverty.

As early as November 1965, Social Security Administration policymakers and analysts began to express concern about how to adjust the poverty thresholds for increases in the general standard of living. (There is extensive historical evidence from the U.S. and other countries that successive poverty lines developed as absolute poverty lines show a pattern of getting higher in real terms as the real income of the general population rises; this evidence is discussed in the author's "[Relative or Absolute — New Light on the Behavior of Poverty Lines Over Time](#)," in the Summer 1996 issue of this newsletter.) In 1968, the Social Security Administration tried to take a very modest step towards raising the poverty thresholds to reflect increases in the general standard of living. The Bureau of the Budget (the predecessor of the Office of Management and Budget) prohibited the modest increase in the poverty thresholds, but initiated an interagency Poverty Level Review Committee to re-evaluate the poverty thresholds. This Committee decided to adjust the thresholds only for price changes, and not for changes in the general standard of living. In 1969, the Committee decided that the thresholds would be indexed by the Consumer Price Index instead of by the per capita cost of the economy food plan, and that farm poverty thresholds would be set at 85 percent rather than 70 percent of corresponding nonfarm thresholds. In August 1969, the Bureau of the Budget designated the poverty thresholds with these revisions as the federal government's official statistical definition of poverty.



In 1973, three interagency subcommittees were formed to conduct a thorough review of federal income and poverty statistics. The Subcommittee on Updating the Poverty Threshold recommended that the poverty thresholds be updated every ten years using a revised food plan and a multiplier derived from the latest available food consumption survey; this would generally have resulted in higher poverty thresholds at each decennial revision. The Subcommittee also recommended that the definition of income used to measure overall income should also be the income definition used to calculate the multiplier for revised poverty thresholds. No changes were made in the poverty definition as a result of the 1973 review of poverty and income statistics.

In 1974, in response to a Congressional requirement, an interagency Poverty Studies Task Force was established to undertake an intensive review of the current poverty measure and alternative measurement schemes. A final report, **The Measure of Poverty**, was submitted to Congress in 1976 along with seventeen Technical Papers. This report thoroughly explored the issues involved in developing and revising poverty measures, but did not recommend specific changes in the current poverty measure.

In 1981, several minor changes were made in the poverty thresholds in accordance with recommendations of an interagency committee. The farm/nonfarm differential was eliminated by applying nonfarm poverty thresholds to all families. The distinction between thresholds for "female-headed" and "male-headed" families was eliminated by averaging. The poverty threshold matrix was extended to make the largest family size category "nine persons or more" rather than "seven or more persons." These changes reduced the number of thresholds in the detailed matrix of poverty thresholds from 124 to 48.

During the 1980s, there were extensive debates about poverty measurement — particularly about proposals to count government noncash benefits as income for measuring poverty without making corresponding changes in the poverty thresholds. (For comments on these proposals, see pp. 9, 65-66, 205, and 227-231 of the report cited in the next paragraph.) However, no changes were made in the official poverty definition during the 1980s.

In 1990, a Congressional committee requested a study of the official U.S. poverty measure by the National Academy of Sciences/National Research Council to provide a basis for a possible revision of the poverty measure. In 1992, the NRC's Committee on National Statistics appointed a Panel on Poverty and Family Assistance to conduct this study. In May 1995, the Panel published its report of the study (Constance F. Citro and Robert T. Michael (editors), **Measuring Poverty: A New Approach**, Washington, D.C., National Academy Press, 1995). In the report, the Panel proposed a new approach for developing an official poverty measure for the U.S. — although it did not propose a specific set of dollar figures. The Panel's proposal has been summarized and discussed in a number of sources, including earlier issues of this newsletter.

*(This article is a summary of Gordon M. Fisher, "[The Development and History of the Poverty Thresholds](#)"  [Exit disclaimer, explains you are leaving this web site.](#)" **Social Security Bulletin**, Vol. 55, No. 4, Winter 1992, pp. 3-14; the **Bulletin** article was condensed from a 75-page unpublished paper. [This unpublished paper — subsequently revised to 88 pages — is available on the [Census Bureau's Poverty Measurement Web site](#)  [Exit disclaimer, explains you are leaving this web site.](#)] For additional information, you may contact Gordon Fisher by telephone (202-690-6143) or e-mail gordon.fisher@hhs.gov. The views expressed here are those of the author, and do not represent the position of the Department of Health and Human Services.)*

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