DEFINING AND MEASURING POVERTY IN THE NONMETROPOLITAN UNITED STATES USING THE SURVEY OF INCOME AND PROGRAM PARTICIPATION

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ABSTRACT. Because the poor historically have been more prevalent in nonmetropolitan than metropolitan areas in the United States, issues related to poverty (including its definition and measurement) are important to nonmetropolitan people. This study uses the unique monthly data from the Survey of Income and Program Participation (SIPP) to define poverty in different ways. How poverty is defined affects both the measured extent of nonmetropolitan poverty and the groups who are included among the nonmetropolitan poor. Regardless of how poverty is measured, however, nonmetropolitan areas have disproportionately more poor than metropolitan areas. In addition, the nonmetropolitan poor are more likely to be white, aged, disabled, and members of married-couple households than the metropolitan poor under all definitions considered. None of the definitions examined is intrinsically superior. The choice of a definition to use depends largely on the research problem under consideration.

INTRODUCTION

To readers from outside the United States, an article focusing on poverty measurement in the United States may seem irrelevant, because the United States is such a rich nation. Poverty, however, is a severe problem in the United States relative to other Western industrial nations. A recent study found that the United States, the United Kingdom, and Australia had poverty rates ranging from 11.8 to 13.2 percent when the official United States poverty definition was used (Smeeding, et al., 1988). Poverty rates for other countries — Canada, West Germany, Norway, Sweden, and Switzerland — were much lower, ranging from 5.8 to 8.6 percent. Poverty rates among children were particularly high in the United States and Australia.

The need for poverty statistics in the United States became clear during the 1960s. By 1969, the United States established an official poverty definition to use in measuring poverty among its citizens, and
the Census Bureau releases annual poverty statistics based on this definition (U.S. Dept. of HEW, 1976, pp. 5—11). According to the definition, a person is classified as poor if his family's money income is below the official poverty level appropriate for the size and type of his family (U.S. Census Bureau, 1989a, pp. 156—7). Different levels exist for elderly and nonelderly individuals, for two-person families with and without elderly heads, and for families with different numbers of children. The levels are adjusted annually to reflect inflation. No adjustments, however, are made for geographic variations in the cost of living. The poverty level for a family of four with two children was $11,500 in 1987.

Despite extensive poverty research and the existence of an official poverty definition in the United States, debate on the appropriate definition of poverty continues (Schiller, 1984, p. 5). Although the definition of poverty may appear to be a dry and technical issue, the choice of a definition is of practical importance in monitoring the extent of poverty and in formulating antipoverty programs.

An example will make this point clearer. As mentioned above, the current official United States poverty definition considers only money income when determining poverty status; in-kind benefits, such as food stamps, government-provided health care, and subsidized housing, are not counted as income. This omission has become more important over the years, because of the rapid growth of in-kind programs (Watts, 1985, p. 53). Depending on how they are measured, including these in-kind items can greatly reduce the poverty rate (Levitan, 1985, p. 3) and change the nation's perception of poverty as a problem. During the late 1970s, some conservative analysts even argued that poverty would be largely eliminated in the United States if benefits from both money and in-kind programs were considered (Anderson, 1978; Browning, 1975).

In this article, I show how different poverty definitions can affect the measured extent of poverty in nonmetropolitan, or rural, areas. I use data from the Survey of Income and Program Participation (SIPP), a new survey designed to provide detailed information for evaluating government income programs (Nelson et al., 1985, p. 1).

SIPP records people's receipts of income month by month. As a result, the survey can be used to measure poverty on a monthly basis. This contrasts strongly with other surveys that allow only annual