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Briefing Report to Congressional Requesters

April 1986

NONCASH BENEFITS

An Evaluation of the Census Bureau's Measurement Conference

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROGRAM EVALUATION
AND
METHODOLOGY DIVISION

April 17, 1986

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The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

The Honorable Robert Garcia
Chairman, Subcommittee on Census
and Population
Committee on Post Office and Civil
Service
House of Representatives

The Honorable James V. Hansen
Ranking Minority Member
Subcommittee on Census and
Population
Committee on Post Office and Civil
Service
House of Representatives

This report responds to your request for an assessment of the December 12-14, 1985, Bureau of the Census conference on the measurement of noncash benefits. In particular, in your letter of October 16, 1985, you asked us to address four questions:

- What issues were addressed in the formal and informal sessions?
- Were the presentations technically sound?
- Is there further study needed on any of the issues that were investigated?
- Are there other important issues that were not addressed at the conference?

In answering these questions, we relied on two types of procedures. The first procedure was on-site observations of the conference. The second was content analysis of various conference products. Specifically, our staff attended the conference as observers, gathered materials, took notes, and tape-recorded sessions to check the conference transcripts. We used content analysis as a tool for examining invited papers and conference

transcripts, in order to identify the issues that were raised (and not raised) and to determine the frequency of participation by conference attendees.

With regard to the first question on what issues were addressed, our analyses show that four broad topical areas were covered. These include (1) concerns about the Bureau's methods for valuing noncash benefits, (2) suggested solutions to some of these concerns, (3) general measurement principles, and (4) suggestions for future research.

In the area of measurement concerns, conference participants raised 75 percent of the conceptual, operational, and computational concerns (i.e., 39 of the 52) we had identified and reported on in our October 31, 1985, testimony before the Subcommittee on Census and Population. In addition, over a dozen new concerns were raised in either the invited papers or discussions. The conference focused principally on conceptual issues; less attention was devoted to operational and computational considerations surrounding the measurement of income.

Conference participants also proposed solutions to some of the concerns that were raised about the Bureau's methods. For many of the issues, several proposed solutions were offered; although no votes were taken, there appeared to be a diversity of opinion on the viability of any particular solution. However, there were some areas where there appeared to be some agreement. Specifically, in principle, the exclusion of taxes, the inclusion of employer benefits, the need to consider revising the poverty threshold, and the importance of properly counting medical benefits seemed to be generally agreed upon.

Further, we identified four measurement principles frequently used by participants to support their points. These might be useful in guiding future policies or decisions about measuring noncash benefits. These principles include consistency, validity, completeness, and equity or the fairness of the procedures used to estimate poverty. Conference participants also suggested directions for future research. Generally, participants expressed the need for more empirical research on technical concerns that have been identified.

With regard to your second question on the technical adequacy of the presentations, we were not able to complete a thorough assessment of the technical adequacy because of the nature and scope of the papers. That is, rather than present new empirical work on topics assigned by the Bureau, the formal presentations were focused primarily on conceptual issues. When evidence was presented, there was insufficient detail on the research procedures to allow an assessment.

In light of the numerous calls at the conference for research on major technical issues, along with the similar calls we made in testimony prior to the conference, it is not obvious why a greater emphasis on new empirical analysis was not stressed, either by the authors or by the Census Bureau in its original charge to the authors it selected. This is especially regrettable in that the invited papers represented the only opportunity at the conference to empirically reduce some of the uncertainties surrounding these major technical issues.

Judgments about the need for further study and whether important issues were not examined (questions 3 and 4) depend on the depth and breadth of the conference discussions that generated the list of issues. To characterize the depth and breadth, we examined the roster of those who attended the conference, what opportunities existed for preparation and participation, who the major participants were, and the diversity of views that were expressed.

With regard to attendance, the 104 individuals represented an array of government and other public and private sector organizations. However, over half the attendees were economists. All the formal presentations were made by economists selected by the Bureau. Further, the invited papers were not made available until on-site registration, leaving little opportunity to review the issues raised in these papers. Similarly, participants were given little opportunity to prepare for the two specific questions to be discussed in the small group sessions; these questions were not announced until the beginning of the sessions. About half the conference time was devoted to presentations; the balance allowed opportunities for individuals to participate.

With respect to actual participation, 45 of 104 individuals made major contributions at the conference. Half the major contributors were experts in general noncash benefits or in the statistical definition of income, over 60 percent were economists, and only 4 percent of the major participants were experts in poverty among minorities. Further, 40 percent of the small group discussion was contributed by 2 to 3 individuals per group.

In summary, we believe the conference discussion may underrepresent the views of some concerned groups. The breadth of opinions expressed in conference discussions represents a lower bound on the diversity of views that may actually exist. Therefore, although conference participants raised many issues for consideration, we urge caution in the development of poverty measurement policy or a research agenda based upon any perceived consensus on the issues discussed at the conference.

Oral comments received from officials contacted at the Bureau of the Census have been incorporated into the body of this

briefing report. These officials noted that some of the concerns that we identified as not having been covered at the conference involved the poverty threshold and the definition of poverty. They stated that the Office of Management and Budget, not the Bureau of the Census, has responsibility for defining poverty and the thresholds.

The principal recipients of this report are the members of the House Committee on Post Office and Civil Service and the Subcommittee on Census and Population. Copies of the report will also be made available to conference participants and others who request them. If you would like any additional information, please call me (202-275-1854) or Dr. Lois-ellin Datta (202-275-1370).

Eleanor Chelimsky
Director

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FOREWORD

OUR STUDY QUESTIONS AND METHODOLOGY

- In December 1985, the Bureau of the Census held a 1-1/2 day conference to present its methods of valuing noncash benefits and to seek advice from a representative group of persons concerned with income and poverty data on the best way to measure the recipiency and value of noncash benefits.

- The House Committee on Post Office and Civil Service and the Subcommittee on Census and Population asked that the Program Evaluation and Methodology Division of the U.S. General Accounting Office (GAO) evaluate the conference. We were asked to address four questions:

  --What issues were covered in the formal and informal sessions?

  --Were the formal presentations technically adequate?

  --What important issues were not covered?

  --What areas need further study?

- Four GAO staff members attended the December conference as observers (i.e., we did not participate in formal discussions), took notes, gathered conference materials, and recorded sessions for purposes of checking official conference transcripts. We did not monitor informal discussions during dining or at receptions, mixers, or breaks.

- We used content analysis to study the transcripts of plenary sessions, group discussions, and papers presented in the formal sessions, in order to determine what issues were and were not discussed. The conference transcripts were coded to indicate frequency of participation by various individuals attending the conference.

- In determining the technical adequacy of the presented papers, we assessed issue coverage by comparing issues discussed in each paper to the issues suggested by the Bureau for paper presentations, and we examined the basis for any recommendations.

- In this briefing report, we first describe the issues discussed at the conference in terms of participants' concerns about the Bureau's methods, their views on possible solutions, implicit measurement principles, and suggestions for future research directions. Concerns about the Bureau's methods are organized according to coverage of previously raised concerns (our previous list of 52 concerns; see appendix II) versus new concerns identified at the conference.

- We then discuss the technical quality of conference papers, issue noncoverage, and other potential considerations affecting the use of the conference to set measurement and research policy. Key elements in determining the nature of conference discussions and their usefulness are who attended the conference, what opportunities attendees had to prepare and to participate, who the major participants were, and the diversity of views.

1. ABOUT THE CONFERENCE

- The conference was held by the Bureau of the Census in Williamsburg, Virginia, during December 1985.

- The Bureau's stated purpose in convening the conference was to assemble a representative group of technical and nontechnical persons with a strong interest in income and poverty data, to inform them about the Bureau's methods, and to seek their advice on the best way of measuring the recipiency and value of noncash benefits (Keane, April 1985). The Bureau's October 31 testimony before the Subcommittee on Census and Population indicated that one of the primary goals for the conference was to achieve consensus on key issues and to receive guidance on measurement and research policy in the areas of noncash benefits, income, and poverty assessment.

- In his opening remarks at the conference, Dr. Keane stated that the Bureau of the Census does not define poverty.

- The agenda for the conference included

  1. an evening plenary session in which the Bureau welcomed participants and presented an overview of the conference,

  2. a formal morning session featuring presentations of four invited papers and discussants' comments,

  3. an afternoon of five concurrent discussion groups, each assigned two specific "discussion points" and two general discussion questions, and

  4. a morning "wrap-up" session, which included summary reports from representatives of the five discussion groups and an "open-mike" segment in which any conference participant could address the entire assembly.

- Four major issue areas, announced in advance and assigned as topics for each of the four papers, concerned (1) the definition of income, (2) methods of measuring noncash benefits, (3) statistical and data comparability, and (4) poverty statistics in federal laws.

- Five "discussion points," announced at the conference and assigned to the working groups, focused on counting medical benefits, counting employer benefits, the treatment of taxes, misreporting income, and using the recipient value and poverty budget shares methods.

- Participation was by invitation; 104 persons attended.

2. WHAT WAS DISCUSSED

Question 1: What issues were discussed in the formal and informal sessions?

- The committee's first question to us was

  Question 1. What issues were discussed?

  We answered this question by examining

  --concerns expressed about the Bureau's methods of measuring noncash benefits, income, and poverty;

  --new measurement strategies proposed or discussed as solutions to these concerns and related measurement problems;

  --measurement principles that emerged during conference discussions; and

  --suggestions for future research.

CONCERNS ABOUT THE BUREAU'S METHODS

Conference participants discussed numerous concerns about the Census Bureau's methods of measuring noncash benefits, income, and poverty. Briefly, the Bureau's official income measure is based on cash income; poverty status is determined by comparing cash income to poverty thresholds that are set by the Office of Management and Budget according to family size. Recently, the Bureau has derived alternative poverty estimates based on assigning dollar values to noncash benefits and counting these as income. Three alternative valuation methods have been used by the Bureau: the market value, recipient value, and poverty budget share methods.

Generally, the concerns about the Bureau's methods voiced by participants reflected the four major issue areas chosen by the Bureau for paper presentations: the statistical definition of income, methods of valuing noncash benefits, statistical and data comparability, and federal laws in relation to the poverty indicator. We assume that the Bureau will testify about or report on concerns raised at the conference in line with the selected topics. In this section, we discuss concerns raised at the conference in comparison to the 52 conceptual, operational, and computational concerns that we enumerated in testimony before the committee on October 31, 1985, based on our review of the literature (see appendix II).

Previously raised concerns

- Of the 52 concerns based on previous literature, which are listed in appendix II, 39 (75 percent) were addressed at the conference. (See figure 1.)

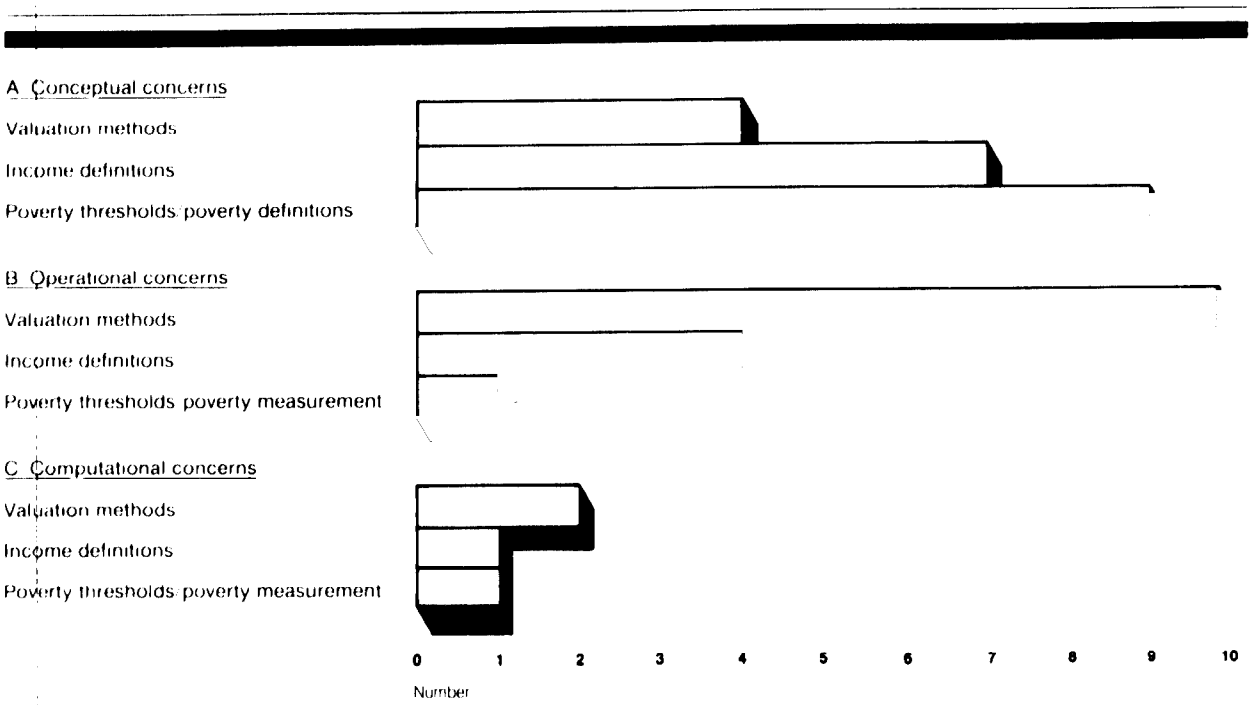
- Of these 39 concerns, 20 were conceptual, 15 were operational, and 4 were computational:

  --9 of the 20 conceptual concerns dealt with poverty or poverty threshold definitions, 7 dealt with income definitions, and 4 dealt with valuation methods;

  --10 of the 15 operational concerns addressed valuation methods, 4 addressed income measurement, and 1 addressed poverty or poverty threshold measurement;

  --2 of the 4 computational concerns dealt with valuation methods, 1 dealt with income measurement, and 1 dealt with poverty or poverty threshold measurement.

Figure 1: Measurement Concerns Covered at the Conference



New measurement concerns and new categories of concern

- Fourteen new conceptual, operational, and computational concerns about the Bureau's methods were voiced by participants. Six additional issues were raised in new categories of concern. (See figure 2.)

- The new conceptual concerns include, among others, that

  --valuation methods applied separately to food stamps, housing benefits, and medical benefits fail to take account of the increasing budget constraints imposed by the receipt of multiple noncash forms of income;

  --to the extent that measured noncash benefits substitute for previous, unmeasured (e.g., charitable, state, or local) benefits, trends in income and poverty are distorted;

  --income from capital is not adequately or consistently accounted for;

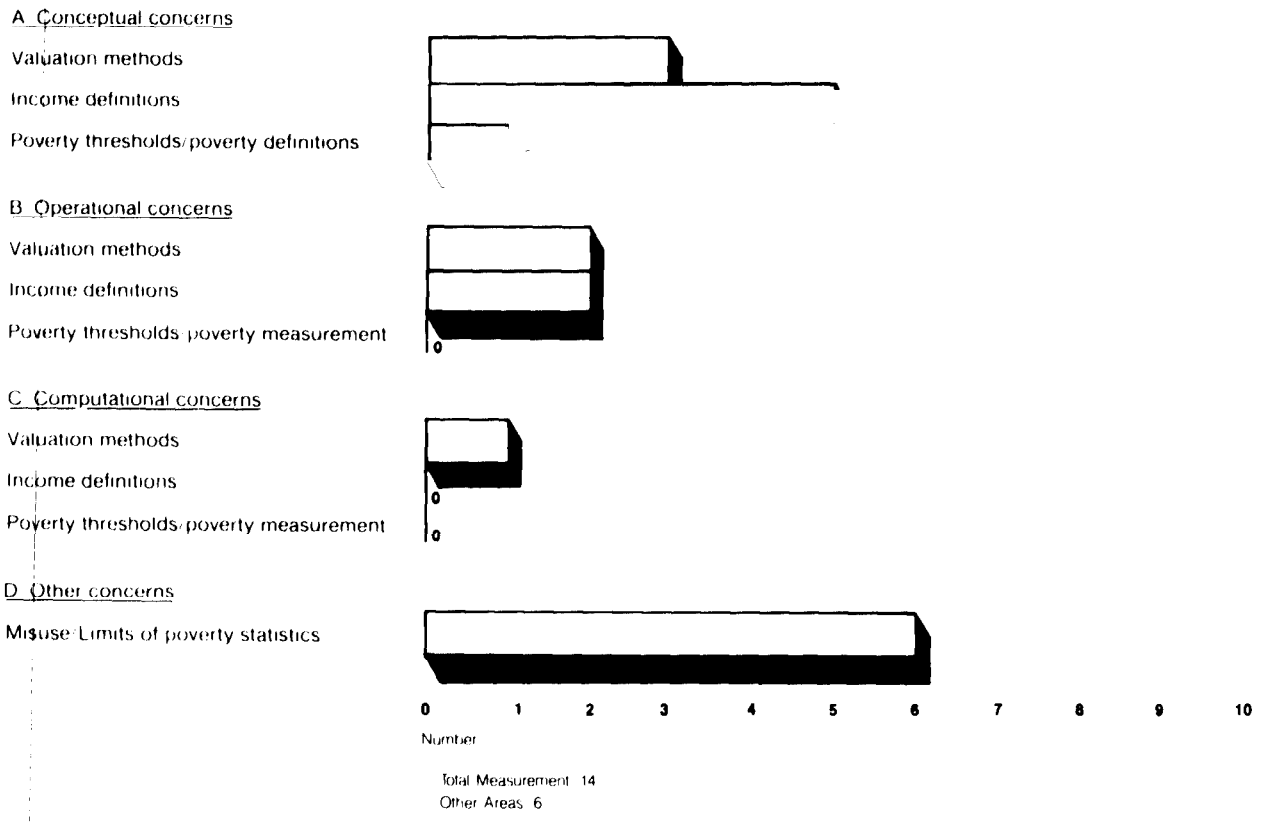
  --values for nonsharable benefits received by a single family member have been treated as if they benefited all family members (e.g., values for single member benefits have been assigned upper limits or "caps" based on total expenditures for all family members).

- New operational and computational concerns include, among others, the failure to measure income from the underground economy and the use of a medical insurance model that differs from private market practices (i.e., cost of most family policies does not vary with the number of children).

- Six issues were also raised in new categories of concern; these primarily regard the use and misuse of official or proposed income and poverty statistics.

- Three of these 6 relate to the Bureau's targeted focus on (1) data comparability concerns (e.g., comparability of decennial census data on poverty with data from the current population survey) and (2) concerns regarding federal laws that use poverty statistics for allocation of program funds and as program eligibility criteria.

Figure 2: New Concerns About the Bureau's Methods Raised at the Conference



o Other new categories of concern regard

--the impact of changing statistical definitions on political perceptions of who should be helped,

--the insensitivity of the indicators to the effects of programs that may increase the well-being of the very poor without raising them over the poverty threshold, and

--various problems (such as reader confusion) resulting from changing definitions or the use of different definitions in different reports.

SOLUTIONS DISCUSSED

A substantial portion of conference discussions centered on possible solutions to perceived measurement problems--i.e., answers to the concerns about the Bureau's methods outlined in the foregoing subsection.

Discussion of possible solutions tended to cluster around four of the Bureau's suggested five "discussion points":

--various aspects of counting medical benefits (i.e., the inclusion of medical expenditures or benefits in income and poverty definitions, the use of the medical insurance concept, and the inclusion of institutional medical benefits),

--whether to count employer benefits,

--the treatment of taxes, and

--use of the poverty budget shares method.

A fifth area in which solutions were discussed regards comparability of poverty thresholds with income definitions that include noncash benefits. In each of these areas, many different opinions were expressed.

Counting medical benefits (income and poverty definition)

o Suggested new solutions in this area included

--exclude all medical benefits from income and subtract out-of-pocket expenditures (Ellwood & Summers paper);

--exclude catastrophic medical expenditures but include "normal care" (discussion group 3);

--create a two-gate poverty definition (i.e., a person would be considered poor (a) whose income fell below a poverty threshold for nonmedical needs or (b) who lacked health insurance coverage or other resources to provide for medical needs; the Aaron-Burtless suggestion);

--match medical benefit values that the Bureau adds to income with corresponding values added to poverty thresholds separately for each risk group (e.g., elderly and nonelderly; discussion groups 2 and 5).

o Various objections to these remedies were expressed. For example, excluding all medical expenditures ignores the fact that a healthy person with a medical insurance policy has an increased sense of security and well-being relative to a similar person who lacks coverage for medical care.

Counting medical benefits (insurance concept)

- An alternative solution was suggested in terms of procedures used to operationalize the insurance concept for medical benefits: Use a very broad risk pool, based on type of coverage only, so that the same value of medical benefits would be assigned to all beneficiaries. (Al Rees, group 2).

- A similar alternative would be to extend the "risk pool" to include all persons who might qualify if a need arose (extreme medical need or extremely reduced circumstances; group 4).

- Yet another version involved including as beneficiaries other-generation relatives of the direct recipient who do not live in the same household (group 4).

- Broad risk-pool approaches were criticized because (1) they assign values for medical benefits to persons who have little chance to benefit during the period for which income is measured (the year) or (2) they assign values to persons outside the income-accounting unit or (3) they do not account for real differences in the value of insurance to persons in different risk groups.

Counting medical benefits (institutional benefits)

- Since institutionalized persons are not included in the Bureau's count of the poor, it was suggested that it may be more appropriate to omit institutionalized benefits from the medical valuation.

- A divergent view was that counting such benefits is not inconsistent with the insurance concept.

- Yet another view was that given the 1-year accounting period, inclusion of institutionalized benefits for surveyed persons involves an inconsistently long-range timeframe.

Counting employer benefits

- Concerns about counting only a subset of noncash benefits (i.e., government benefits for low-income persons) and resulting distortions of comparisons across the income distribution prompted the Bureau's efforts to value employer benefits.

- In principle, participants did not disagree with counting employer benefits as income.

- However, a wide variety of employer benefits exist and it may not be feasible to measure all or most of these.

One suggestion was to assign priority to the employer benefits that correspond most directly to government benefits that are counted.

- Another opinion was that if the primary concern is to measure poverty, costs of measuring employer benefits may outweigh gains.

Using the poverty budget shares method

- The poverty budget shares method assigns upper dollar limits or "caps" to benefit values, based on current poverty thresholds and expenditures by families at or near the poverty line.

- Concerns about limitations of the poverty budget share method prompted suggestions that its use be discontinued.

- A divergent view was that despite its limitations, the poverty budget share method is the only method that is consistent with the present poverty threshold and, thus, is the only justifiable method--unless the threshold can be changed.

Treatment of taxes

- There appeared to be agreement that the definition of income should not ignore taxes; however, participants did not agree on how taxes should be considered or treated.

- Extensive discussion of the treatment of taxes focused on the appropriateness of including or excluding various taxes--federal, state, local, property, payroll, sales, and capital gains taxes.

- Based on maintaining consistency with other aspects of the income definition or on avoiding the subtraction of taxes that are not measured as income, diverse views were expressed regarding sales taxes, property taxes, payroll taxes, and federal, state, and local income taxes.

- Using the example of state and local taxes,

  --one view was that state and local taxes should be subtracted to yield income available for consumption;

  --a divergent view was that state and local taxes should not be subtracted from income unless state and local noncash benefits are added in.

Revising poverty thresholds to include noncash benefits

- Conference participants appeared to agree that poverty thresholds and income definitions should be consistent.

- One view was that poverty thresholds should now be recalculated using data that are relatively current.

  --current data on noncash benefits are needed to reflect current norms and programs (e.g., current norms for medical care have led to the creation of large noncash medical benefits).

  --current data are also needed because in the earlier era, some benefits (e.g., medical benefits to the poor and uninsured) were "hidden" in state programs, local public hospitals, and various charity efforts.

- A divergent view was that recalculation of the poverty threshold to include noncash benefits should be conducted using data from the 1955-60 era (the thresholds have since been updated via the consumer price index, but have not been subject to major revision).

  --this would preserve the definition of poverty used by the Bureau since the 1960's as an "absolute" definition.

  --since few noncash benefits were available during the 1950's, the recalculation would make little difference in the threshold levels.

Other solutions discussed

- Other potential solutions suggested and discussed include

  --valuing benefits: use government cost ("prudent purchaser" price) and treat all means-tested benefits as insurance policies;

  --income definitions: count imputed rent for owner-occupied housing, count energy assistance, deduct interest paid, account for savings and dissavings, lengthen the income-accounting period, and use simulation methods to estimate taxes paid;

  --poverty definitions and thresholds: calculate poverty rates on a longer term.

MEASUREMENT PRINCIPLES

Conference discussions that addressed concerns and possible solutions included explicit or implicit reference to four key principles for decisions about how to measure noncash benefits, income, and poverty.

Consistency

- Components used in measuring poverty should be consistent.

- For example, poverty thresholds should be consistent with income definitions; taxes subtracted should be consistent with taxable income counted.

Validity

- Components used in the measurement of poverty should be valid, such that the procedures adequately reflect the principles upon which they are based.

- For example, the operationalization of the recipient value method developed by the Bureau of the Census (i.e., "normal expenditures approach") is a poor proxy for the theoretical notion of the recipient's own valuation or utility.

Completeness

- Components used in the measurement of poverty should not omit important elements.

- For example, proposed alternative definitions are incomplete in the sense that only selected noncash benefits have been considered for inclusion.

Equity and fairness

- Components used in the measurement of poverty (e.g., the income distribution) should be fair in that either they account for all persons and all benefits or appropriate principles are used to define a subset of persons or benefits.

- For example, a proposed change to the official definition of income used in the measurement of poverty involves the inclusion of noncash benefits to only the poor and not the near poor or nonpoor. If all benefits cannot be included, then appropriate principles such as "fungibility" would be necessary to ensure fairness. (A noncash benefit such as health insurance would be considered fungible if it freed up resources that recipients could then use for other purposes.)

SUGGESTIONS FOR FUTURE RESEARCH

Conference participants provided an abundance of suggestions and recommendations of issues for future research. Those identified by three or more conference participants are outlined below.

Valuation methods

1. Improve all the valuation methods, concentrating especially on (a) negative housing subsidy values and (b) selection bias.

2. Explore alternative medical benefit value definitions and approaches.

3. Explore valuing employer benefits and fringe benefits to the poor and nonpoor.

Income

1. Produce pretax, pretransfer estimates as well as posttax, posttransfer estimates.

2. Estimate the impact of underreporting of income on the poverty index.

3. Investigate the effect of using alternative accounting periods.

4. Reexamine imputation and editing procedures.

Poverty definitions

1. Explore alternative definitions and conceptualizations of poverty.

Poverty thresholds

1. Explore changing the threshold to be consistent with the income definition being used.

2. Reestimate the number of persons in poverty using a low-income consumer price index adjustment.

3. CONSIDERATIONS AFFECTING THE USE OF CONFERENCE DISCUSSIONS

Remaining questions from the committee:

Question 2. Were the presentations technically sound?

Question 3. Is further study needed on any of the issues?

Question 4. Are there other important issues?

Additional subquestions:

Who attended the conference?

What were the opportunities for preparation and for participation?

Who were the major participants?

How wide was the diversity of opinion?

In this section, we highlight considerations affecting the use of conference discussions. The committee asked us to answer the following questions relating to use:

Question 2. Were the presentations technically adequate?

Questions 3 and 4. Is further study needed on any of the issues? Are there other important issues?

We answer question 2 on the basis of our analyses of the papers presented at the conference. We believe the answers to questions 3 and 4 depend, in part, on the following two issues and related subquestions:

- The breadth and depth of the conference discussions that generated the specific issues reported in the previous section. Three subquestions relate to this issue:

  --Who attended the conference?

  --What opportunities were there for preparation and participation?

  --Who were the major participants?

- Whether a diversity of opinion or consensus exists with respect to relevant issue areas. This is informed by

  --How wide was the diversity of views?

Below, we address each question in turn.

TECHNICAL ADEQUACY OF THE CONFERENCE PRESENTATIONS

- The committee's second question concerned the technical adequacy of the presentations. Given the topics assigned to the papers' authors by the Bureau of the Census, we expected that the formal presentations and accompanying papers would include substantial new empirical analyses. Therefore, we intended our technical assessment to focus on the appropriateness and technical adequacy of the research procedures used by the authors in their assessments (i.e., the research design, sampling scheme, the data collection methods, and statistical procedures).

- The formal presentations, however, were focused primarily on conceptual issues. While some results from empirical analyses were presented to illustrate an author's point, authors relied on previously published estimates (principally from the Census Bureau), and these analyses were not the main focus of the papers. Further, when evidence was presented, there was insufficient detailed description of the research procedures to allow a thorough technical assessment.

- Therefore, our review focused on a less technical aspect of the adequacy of the presentations. We examined whether the authors addressed the topics assigned by the Census Bureau (see appendix III for a complete listing of the topics assigned by the Bureau for each paper). The following is a short summary of the topical coverage of the presented papers, principal conclusions reached by the authors, and basis for these conclusions.

Paper I on statistical definition of income

- The first paper was supposed to address issues related to the statistical definition of income. The authors (Ellwood and Summers) covered the Bureau's topical areas, concluding that the current income definition should be altered.

- They used two conceptual criteria to guide their conclusions on which noncash benefits should be included in the definition of income. In their opinion, a benefit ought to be included if it (1) provides for immediate material consumption or (2) frees up resources that then become available for material consumption (fungibility).

- Given these criteria, they suggested omitting taxes from income, adding nonmedical in-kind benefits for the poor, and omitting medical costs. They did not endorse the inclusion of income from capital and durable goods, pension income, or values for owner-occupied housing.

- No empirical data were presented to show how the poverty rate would be affected by alternative definitions of income.

Paper II on methods of measuring noncash benefits

- The second paper was to be devoted to assessing methods of measuring noncash benefits. The author (Chiswick) covered most of the assigned topics with the major exception of discussing methods for valuing noncash benefits other than those of the Census Bureau.

- He examined the three approaches currently used to value noncash benefits (i.e., market value, recipient value, and poverty budget share) using a mixture of conceptual and operational considerations. He concluded that although not perfect, the market value estimates are "conceptually most sound." He argued that the recipient value approach is flawed because it bases the assignment of noncash benefit values to program participants on information obtained from nonparticipants and ignores possible differences between the groups. He further concluded that the poverty budget shares approach is "conceptually groundless" and should be discarded.

- No new empirical analysis of the issues was provided.

Paper III on statistical comparability using alternative methodologies

- The third paper was supposed to focus on the statistical comparability of poverty and income measures when alternative methodologies are used. The author (Ward) concentrated on a subset of issues assigned by the Bureau.

- He concluded that the current poverty statistic does not always do a good job of monitoring society's progress in eliminating deprivation but that problems of comparability should not deter proper accounting of noncash benefits.

- The author's arguments were largely conceptual, but he did illustrate his position with an empirical demonstration.

Paper IV on the use of poverty statistics in federal laws

- The Bureau asked the authors (Hanushek and Williams) to discuss the use of poverty statistics in federal laws. The authors covered all of the issues prescribed by the Bureau.

- They concluded that to the extent noncash programs vary across areas solely because of cost differences, the inclusion of noncash benefits in determining federal resource allocation would tend to penalize individuals living in high-cost areas. They also argued that areas providing more benefits for low-income residents would be penalized by the inclusion of noncash benefits to the extent that federal dollars flowing into the area were reduced by such an alteration.

- The authors made their points mostly on conceptual grounds, but they included some empirical work to illustrate them.

- In summary, the papers generally covered the topics assigned by the Bureau.

  --In general, the invited papers seemed to present logical arguments and reasonably balanced summaries of issues.

  --The arguments for the authors' positions on the major issues were generally made on conceptual grounds.

  --Conceptual arguments are important. But in light of the numerous calls at the conference for research on major technical issues, along with the similar calls we made in testimony prior to the conference, it is not obvious why a greater emphasis on new empirical analysis was not stressed, either by the authors or by the Bureau in its original charge to the authors it selected. This is especially regrettable in that it was the only opportunity at the conference to empirically reduce some of the uncertainties surrounding these major technical issues.

THE NEED FOR FURTHER STUDY AND NONCOVERAGE OF ISSUES

To answer questions about the need for further study and noncoverage of issues, we compare concerns about the Bureau's methods that were raised at the conference to concerns that have been previously listed.

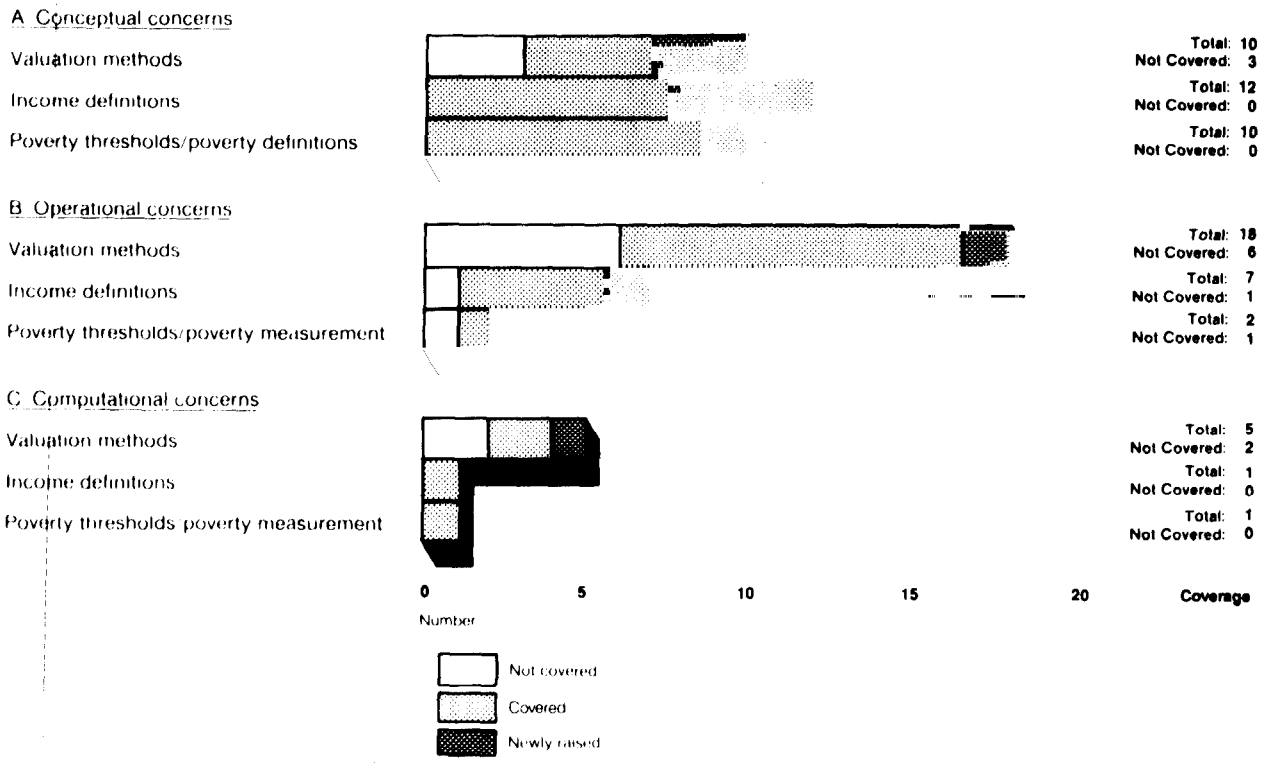
- A total of 66 measurement concerns have been identified to date, including (a) the 52 concerns we listed earlier (see appendix II) and (b) the 14 new measurement concerns raised at the conference.

- Of these 66 concerns, 13 were not covered at the conference. (See figure 3.)

- Noncoverage of concerns occurred primarily in the area of valuation methods--i.e., 11 out of 13 noncovered concerns pertained to valuation methods.

- For specific concerns that were not covered, see appendix II.

Figure 3: Measurement Concerns: Not Covered, Covered, and Newly Raised at the Conference



WHO ATTENDED THE CONFERENCE

- Of the 201 persons invited to the conference, 104 persons attended (52 percent). Of those attending the conference,
  - --44 percent were nongovernment researchers,
  - --17 percent were from the Bureau of the Census,
  - --14 percent were from executive agencies,
  - --12 percent were congressional staff, and
  - --11 percent were from other groups interested in the measurement of noncash benefits. (See table 1.)

Table 1

Invitees and Attendees by Organization and Expertise Group (Proportion)

	Invitees	Attendees
Organization		
Census Bureau	21 (0.10)	18 (0.17)
Nongovernment research	89 (0.44)	46 (0.44)
Congress	40 (0.20)	11 (0.11)
Executive agency	24 (0.12)	15 (0.14)
Other[a]	27 (0.13)	14 (0.13)
Total	201	104[b]
Expertise group		
Bureau executive	c	8 (0.08)
Noncash benefits in general	c	17 (0.16)
Specialists	c	20 (0.19)
Federal laws	c	11 (0.11)
Statistical definition of income and poverty	c	25 (0.24)
Poverty among minorities	c	7 (0.07)
General economics and demography	c	16 (0.15)
Total	201	104[b]

[a]Includes representatives of state and local governments, advocacy groups, and other organizations.
[b]This number includes 4 substitutes and does not include the 4 GAO staff members who attended the conference.
[c]The area of expertise of some invitees who did not attend is unknown.

- The distribution of attendees was approximately the same as the distribution of invitees.

- Approximately 60 percent of conference attendees are identified as economists (by job title or by membership in the American Economics Association).

- Given the Bureau's classification of the invitees' areas of expertise, persons attending the conference represented general technical expertise in the noncash benefits area and in the definition of income and poverty; there were also various specialists in particular noncash benefits such as housing, persons knowledgeable about poverty among minority groups, and persons knowledgeable about federal laws related to income and poverty statistics.

OPPORTUNITIES FOR PREPARATION AND PARTICIPATION

Opportunities to prepare for conference discussions

- Opportunities for most attendees to review invited papers and to prepare for conference discussions were limited.

  --The four papers presented at the conference were distributed when conference attendees arrived in Williamsburg; this limited the time attendees had to review these documents.

  --The five specific "discussion points" were given to participants upon registration in Williamsburg.

  --The two points to be discussed in each of the assigned groups were announced shortly before the groups were convened. (Participants were not given a choice of which group to attend.)

Opportunities to participate

- The conference sessions and times on the official agenda indicated that participants would spend

  --half the time listening to presentations by Bureau staff and invited speakers and

  --half the time in sessions that allowed some participant discussion.

- The sessions that allowed invitees some opportunity to participate included

  --five concurrent group discussions (planned for 210 minutes each, or a total of 1050 minutes) and

  --an open-mike plenary session (planned for 120 minutes).

- If the time allocated for sessions that allowed participants the chance to contribute had been equally distributed across all participants, each participant would have had about 11 minutes to speak.

- If the time available for the small group discussions (totaled across all five groups, 5 x 210 minutes) had been equally distributed across all conference participants, each participant would have had roughly 10 minutes to speak. (These sessions were planned and led by the Bureau.)

- If the "open-mike" time were divided equally among attendees, each could have spoken for a little more than 1 minute. (This session was designed to be open to the participants, with no interference or guidance from the Bureau.)

- There was, in addition, time designated for informal discussion during breaks, meals, and "mixers."

WHO THE MAJOR PARTICIPANTS WERE

- We define "major participants" to include

  --invited plenary session speakers (6 authors and presenters, 8 discussants, and 3 speakers who represented the Bureau);

  --participants each of whom contributed more than 10 percent of the remarks in their discussion group (more than 20 minutes, on the average);

  --rapporteurs who summarized the five group discussions in the wrap-up plenary session; and

  --all speakers in the "open-mike" portion of the wrap-up plenary session.

- Some persons qualified as major participants in more than one of these categories. Net major participants were therefore defined as persons who qualified in one or more categories. There is no double-counting of persons who, e.g., presented an invited paper and also spoke in the "open-mike" session.

- Minor participants in the small-group discussions are defined as persons who contributed less than 10 percent of the remarks in their groups but did make some contribution to the discussion.

- Nonparticipants in the small-group discussions attended but made no substantive remarks.

Who were the designated plenary session speakers and rapporteurs?

- Of the 18 designated plenary session speakers, 13 (72 percent) were nongovernment researchers, 4 (22 percent) were Census

Bureau persons, and 1 (6 percent) was a congressional representative. (See table 2.)

- All the presenters of papers and discussants (14 of the plenary speakers) were economists.

- Five additional persons, designated group-discussion "rapporteurs," summarized group discussions in the final plenary session.

- Three of the 5 rapporteurs were nongovernment researchers; 2 represented executive agencies.

Table 2

Designated Plenary Session Speakers and Rapporteurs by Organization and Expertise Group (Proportion)

	Attendees	Designated plenary speaker	Rapporteurs
Organization			
Census Bureau	18 (0.17)	4 (0.22)	0
Nongovernment research	46 (0.44)	13 (0.72)	3 (0.60)
Congress	11 (0.11)	1 (0.06)	0
Executive agency	15 (0.14)	0	2 (0.40)
Other[a]	14 (0.13)	0	0
Total	104[b]	18	5
Expertise group			
Bureau executive	8 (0.08)	3 (0.17)	0
Noncash benefits in general	17 (0.16)	5 (0.28)	1 (0.20)
Specialists	20 (0.19)	1 (0.06)	2 (0.40)
Federal laws	11 (0.11)	3 (0.17)	0
Statistical definition of income and poverty	25 (0.24)	4 (0.22)	1 (0.20)
Poverty among minorities	7 (0.07)	0	0
General economics and demography	16 (0.15)	2 (0.11)	1 (0.20)
Total	104[b]	18	5

[a]Includes representatives of state and local governments, advocacy groups, and other organizations.
[b]This number does not include the 4 GAO staff members who attended the conference.

Who were the major participants in the small group discussions?

- There were 13 major speakers in the small group discussions.

- These 13 participants (2 or 3 per group) accounted for over 40 percent of the remarks made in the group discussions.

- Group leaders from the Bureau and nongovernment researchers accounted for 76 percent of the 13 major participants in the small groups, while executive agency attendees accounted for the remaining 23 percent of the major participants. (See table 3.)

- No congressional or "other organization" attendees were major participants in the small groups.

- Eighty-five percent of the major participants in the small group discussions were experts from the areas of noncash benefits in general and the statistical definition of income. (See table 3.)

- For experts in the areas of federal laws, poverty among minorities, general economics and demography, and specialists in particular noncash benefits (such as Medicaid and housing),

  --major participation in the group discussions was lower than would be expected on the basis of attendance,

  --8 percent of the major small-group discussants were members of these expertise groups, and

  --81 percent of those who did not participate in the small group discussions were members of these expertise groups.

- Seventy-four attendees can be considered "minor" participants in the group discussions.

- Eleven persons who attended group sessions were nonparticipants.

Table 3

Level of Participation in the Discussion Groups by Organization and Expertise Group (Proportion)

	Attendees	Group discussions[a] Major	Minor	None
Organization				
Census Bureau	18 (0.17)	5 (0.38)	6 (0.08)	3 (0.27)
Nongovernment research	46 (0.44)	5 (0.38)	36 (0.49)	3 (0.27)
Congress	11 (0.11)	0	9 (0.12)	2 (0.18)
Executive agency	15 (0.14)	3 (0.23)	12 (0.16)	0
Other[b]	14 (0.13)	0	11 (0.15)	2 (0.18)
Total	104[c]	13	74	11
Expertise group				
Bureau executive	8 (0.08)	1 (0.08)	1 (0.01)	2 (0.18)
Noncash benefits in general	17 (0.16)	7 (0.54)	10 (0.14)	0
Specialists	20 (0.19)	1 (0.08)	18 (0.24)	1 (0.09)
Federal laws	11 (0.11)	0	7 (0.09)	4 (0.36)
Statistical definition of income and poverty	25 (0.24)	4 (0.31)	21 (0.28)	0
Poverty among minorties	7 (0.07)	0	5 (0.07)	2 (0.18)
General economics and poverty	16 (0.15)	0	12 (0.16)	2 (0.18)
Total	104[c]	13	74	11

[a]Six persons who attended the conference did not attend the group discussions.
[b]Includes representatives of state and local governments, advocacy groups, and other organizations.
[c]This number does not include the 4 GAO staff members who attended the conference.

Who were the speakers in the "open-mike" plenary session?

- Twenty persons participated in the open session on the last day of the conference.

- Of the open-session speakers

  --40 percent were from nongovernment research,

  --30 percent were from "other organizations" (state government, advocacy groups, etc.),

  --15 percent were congressional staff,

  --10 percent were from executive agencies, and

  --5 percent were from the Census Bureau. (See table 4.)

- Relative to the proportion of attendees from each of the groups, representatives from "other organizations" were more likely to participate in the open session. (See table 4.)

- Fifty percent of the open discussion speakers were persons with expertise in the areas of federal laws and poverty among minorities and specialists in noncash benefits. (See table 4.)

Table 4

Speakers in the "Open-Mike" Plenary Session by Organization and Expertise Group (Proportion)

	Attendees	Open session
Organization		
Census Bureau	18 (0.17)	1 (0.05)
Nongovernment research	46 (0.44)	8 (0.40)
Congress	11 (0.11)	3 (0.15)
Executive agency	15 (0.14)	2 (0.10)
Other[a]	14 (0.13)	6 (0.30)
Total	104[b]	20
Expertise Groups		
Bureau executive	8 (0.08)	0
Noncash benefits in general	17 (0.16)	4 (0.20)
Specialists	20 (0.19)	5 (0.25)
Federal laws	11 (0.11)	3 (0.15)
Statistical definition of income and poverty	25 (0.24)	6 (0.30)
Poverty among minorities	7 (0.07)	2 (0.10)
General economics and demography	16 (0.15)	0
Total	104[b]	20

[a]Includes representatives of state and local governments, advocacy groups, and other organizations.
[b]This number does not include the 4 GAO staff members who attended the conference.

Overall, who were the major participants?

- Overall, 45 persons met one or more of the major participation criteria stated above. We considered these persons to be major contributors to the conference discussions.

- Of the 45 (net) major participants,

  --49 percent were nongovernment researchers,

  --18 percent were Census Bureau persons,

  --13 percent were representatives of other organizations,

  --13 percent were executive agency attendees, and

  --7 percent were congressional attendees.

- Experts from the areas of general noncash benefits and the statistical definition of income had a higher rate of participation than would be expected if all individual attendees had participated equally. (See table 5.)

- Participation by members of these two groups accounts for 53 percent of the net major participants at the conference.

- Only 4 percent of the major participants were persons knowledgeable about poverty among minorities; this is fairly consistent with the relatively small number of such persons attending the conference (7 percent of all attendees).

Table 5

Net Participation by Organization and Expertise Group (Proportion)

	Attendees	Net major speakers
Organization		
Census Bureau	18 (0.17)	8 (0.18)
Nongovernment research	46 (0.44)	22 (0.49)
Congress	11 (0.11)	3 (0.07)
Executive agency	15 (0.14)	6 (0.13)
Other[a]	14 (0.13)	6 (0.13)
Total	104[b]	45
Expertise group		
Bureau executive	8 (0.08)	4 (0.09)
Noncash benefits in general	17 (0.16)	10 (0.22)
Specialists	20 (0.19)	7 (0.16)
Federal laws	11 (0.11)	5 (0.11)
Statistical definition of income and poverty	25 (0.24)	14 (0.31)
Poverty among minorities	7 (0.07)	2 (0.04)
General economics and demography	16 (0.15)	3 (0.07)
Total	104[b]	45

[a]Includes representatives of state and local governments, advocacy groups, and other organizations.
[b]This number does not include the 4 GAO staff members who attended the conference.

HOW WIDE THE DIVERSITY OF OPINION WAS

- Because of the uneven levels of participation noted above, conference discussions may underrepresent the views of some concerned groups. Therefore, the full potential range of relevant opinion may not have been expressed at the conference.

- The breadth of issues raised and opinions expressed in conference discussions represents a lower bound on the diversity of views that may actually exist.

- Conference participants seemed to use general principles to support their arguments on how to measure noncash benefits, income, and poverty. These included

  --consistency

  --validity

  --completeness

  --equity and fairness.

- There was also apparent agreement (or at least a lack of disagreement) on four very general points:

  1. In principle, taxes should be subtracted from measured income.

  2. In principle, employer benefits should be added to income.

  3. Poverty thresholds and income definitions should be consistent.

  4. Questions of whether and how to count medical benefits are very important, since potential distortions are large.

- The degree of diversity of opinion varied for specific suggestions on what benefits to include as income and how to value those benefits. Although formal votes were not taken, it appeared that virtually no specific suggestion raised at the conference was unanimously supported. Numerous examples of diversity of opinion include differences on

  --which kinds of taxes should be subtracted from income,

  --the relative costs and benefits of measuring employer benefits,

  --what data should be used to revise poverty thresholds to include noncash benefits, and

  --the appropriate approach to dealing with medical benefits.

See the discussion of "solutions discussed" in section 2 for information on diversity of opinion on specific suggestions for changes in procedures.

4. GAO CONCLUSIONS

The Bureau's stated purposes in convening the conference were to assemble a representative group of (technical and nontechnical) persons with a strong interest in income and poverty data, to inform them of the Bureau's methods, and to seek their advice on the best ways of measuring the recipiency and value of noncash benefits (Keane, April 1985). The Bureau's October 31 testimony before the Subcommittee on Census and Population indicated that one of the primary goals for the conference was to achieve consensus on key issues or to receive guidance on measurement and research policy in the areas of noncash benefits, income, and poverty.

The conference was successful in expanding the breadth and depth of issue discussion in the area of noncash benefits, income, and poverty measurement. In addition to covering the majority of concerns previously raised about the Bureau's methods, conference participants voiced a number of new concerns. Participants also suggested a number of specific new solutions to measurement problems. Conference discussions revealed four measurement principles that participants frequently used to support their points.

The conference discussions generally represent the views of economists, who constituted 60 percent of those attending and all the invited authors and discussants. The conference discussions also emphasize the views of technical generalists and persons with expertise in the definition of income rather than specialists or persons knowledgeable about poverty among minorities or federal laws. Clearly, the conference provides a good deal of in-depth information on economists' and general technical experts' views on issues identified by the Bureau and in previous literature.

Certain other groups present at the conference were represented by fewer persons or were less likely to contribute to the discussion. The opportunities for discussion of issues other than those specified by the Bureau were limited. Opportunities for participants to prepare for issue discussion were limited. The conference discussions may not be representative of all concerned groups and perspectives. Thus, the full spectrum of concerns, solutions, and opinions may not have been fully represented.

Taken alone, input from the conference (1) can provide useful but limited input to the planning of future research directions and (2) is not sufficient to guide policy on what should be included in income and how poverty should be measured.

WILLIAM D. FORD, MICHIGAN, CHAIRMAN

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House of Representatives
Committee on Post Office
and Civil Service
Washington, DC 20515

TELEPHONE (202) 225-4054

October 16, 1985

Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

During the past year, the House Subcommittee on Census and Population has devoted considerable attention to monitoring the Census Bureau's review and re-evaluation of the poverty index. On December 12-15, the Census Bureau plans to hold a conference on issues surrounding the valuation of noncash benefits. For a variety of reasons this is an important conference. As such, the Subcommittee would like to request that the Program Evaluation and Methodology Division conduct, in addition to its current work on methods for evaluating poverty indicators, an assessment of this conference.

In particular, the Subcommittee would like to know:

(a) What issues were addressed in the formal and informal sessions?

(b) Were the presentations technically sound?

(c) Is further study needed in any of the issues that were investigated?

(d) Are there other important issues that were not addressed at the conference?

To facilitate your assessment, the Subcommittee requested the Census Bureau to have a verbatim transcript prepared. We realize that you will need to arrange for two of your project staff members to be at the conference to monitor the activities that transpire. We will inform the Bureau of the Census of the need to make this arrangement.

Mr. Charles Bowsher
October 16, 1985
Page Two

The Subcommittee has been working closely with the Bureau of the Census and other organizations in an effort to understand the strengths and weaknesses of methods for valuing noncash benefits. It would, therefore, be helpful to have a briefing on your assessment of this conference, and to receive the findings of your full review as soon as possible.

If you have any questions, please call Lillian Fernandez, subcommittee staff director, on 226-7523.

Sincerely,

WILLIAM D. FORD
Chairman
Committee on Post Office
and Civil Service

Robert Garcia
Chairman
Subcommittee on Census
and Population

James V. Hansen
Ranking Minority
Member

FIFTY-TWO CONCERNS ABOUT THE BUREAU'S METHODS, GAO TESTIMONY, OCTOBER 31, 1985

Coverage[a]	A. Conceptual concerns
C	1. Market value method overvalues benefit worth, especially medical benefits for the elderly
C	2. Medical market values for the elderly "eliminate" the elderly from counts of the poor in some states
C	3. Market value method lacks "caps" (limits) for need/benefit categories (especially medical)
NC	4. Recipient value method undervalues transfers relative to earned income
NC	5. Recipient value method overestimates benefit worth because normal expenditures are calculated at a resource level that equals money income plus the market value of all types of noncash transfers
NC	6. Poverty budget share captures the "substitution" effect but not the "income" effect of in-kind benefits
C	7. Public or government noncash benefits should or should not be included in official definitions of income
C	8. Private noncash benefits should or should not be included in official definitions of income
C	9. Calculation of income should be on a pretax (vs. posttax) basis
C	10. Medicaid expenditures for institutionalized populations should or should not be included in the income of the noninstitutionalized
C	11. Absolute definition of poverty ignores the well-being of poor relative to national norms
C	12. Poverty thresholds should be consistent with income definitions
C	13. Current food-to-income "multiplier" is not appropriate when noncash benefits are included in income definitions

[a]C = covered; NC = not covered.

Coverage[a]	Conceptual concerns
C	14. Consumer price index does not adequately reflect changes in cost-of-living for the average low-income person
C	15. Changes in medical costs may be independent of changes in services
C	16. Assets are not included in official definitions of income
C	17. Adjustments for work expenses, leisure, etc. are not included in official definitions of income
C	18. Lifetime income should or should not be a basis for official income definitions
C	19. Current definition of poverty ignores other conceptualizations (consumption, subjective, sociocultural)
C	20. A single national threshold may be less appropriate than a set of separate thresholds for geographic areas
C	21. Medical needs of the elderly should be included in threshold for the elderly
C	22. Same valuation methods should be used to (a) determine need and (b) value noncash income
C	23. Official minimum-needs standards may be inaccurate and out of date

Coverage[a]	B. Operational concerns
C	1. Insurance value is used for medical benefits (vs. services consumed)
NC	2. Medical goods comparable to Medicare and Medicaid are difficult to identify in private market
C	3. Persons categorically eligible but not enrolled are not accounted for when the "population at risk" is estimated as persons ever enrolled or covered under Medicaid
C	4. Normal expenditures are a weak approximation of a utility function
C	5. Family (cell) matching procedure used to estimate normal expenditures risks selectivity bias
NC	6. Constructing an adequate counterfactual group is difficult
NC	7. Recipient value and normal expenditures method assumes that benefits in excess of normal expenditures have a value of zero
C	8. Consumer expenditure survey data used for recipient values are of poor quality
C	9. 1960-61 consumer expenditure survey data used to calculate poverty budget share values are out of date
NC	10. Quantity and quality of available benefit data are questionable
C	11. Quality of HCFA Medicaid data is poor
C	12. No adjustment is made for Medicaid benefit differences by race or residence
NC	13. Private as well as public school children were counted in current population survey as participants in the hot lunch program
C	14. Income is underreported in the current population survey
NC	15. Program participation is underreported in the current population survey

[a]C = covered; NC = not covered.

Coverage[a]	Operational concerns
C	16. Household (vs. family) should or should not be used as income unit
C	17. Multiplier used to calculate threshold may be inaccurate under current consumption patterns
C	18. Time period for which income is measured (short-term vs. long-term) may affect results
NC	19. "Market basket" has been restricted to private goods and services
C	20. All persons receiving cash assistance have been counted as "recipients" of Medicaid regardless of whether they have received benefits or say they are covered
C	21. Medical benefits paid to deceased persons are included in average benefit value assigned to recipients
C	22. Current population survey population coverage may not be adequate
NC	23. For most programs, the current population survey data make no distinction between part-year and full-year participation

Coverage[a]	C. Computational concerns
NC	1. Variance of normal expenditures is suppressed in cell-matching approach (limitation of number of cells)
NC	2. Some regression R^2 values are low (e.g., medical values for persons under 65 years old, $R^2 = 0.07$)
C	3. Imputation methods--missing data and benefit value--may not be adequate for poverty population
C	4. Poverty rate ignores the extent of income fluctuations around the poverty line
C	5. Average (mean) medical benefit may be less appropriate than alternative measures of central tendency
C	6. Negative values for housing subsidies were assigned a value of zero

[a]C = covered; NC = not covered.

CONFERENCE MATERIALS: AGENDA, OUTLINE AND PAPER TOPICS, AND DISCUSSION POINTS

Statement of Purpose

One of the most important responsibilities of the Census Bureau is the collection and publication of data on the income and poverty status of the U.S. population. These data are widely regarded as being among the most useful data available to measure the distribution of economic well-being.

From the beginning, the income and poverty data published by the Census Bureau were based on money income only. In the past few years, however, analysts have recognized that the U.S. population receives very substantial amounts of noncash income. At the direction of the U.S. Congress, the Census Bureau published in 1982 a technical paper that, for the purpose of estimating the number of persons in poverty, assigned dollar values to certain government noncash benefits. Because there was no "best" method of valuing benefits, the Census Bureau published nine different estimates based on three different groupings of benefits and three different methods of valuing the benefits.

Although attention has been focused on poverty estimates, the issue of valuing noncash benefits is important for all measures of the distribution of income. The implications of adopting revised methods of preparing income and poverty estimates are very great, and it is essential that all present and potential users of income and poverty data have the opportunity to comment and counsel us on this issue.

This conference is designed to provide a wide variety of academic, private sector, and government researchers, as well as representatives from public interest groups and interested Congressional committees, an opportunity to learn about the issues involved and to make their own views known to the Census Bureau. An outline of the conference will be presented at our Thursday evening session. The Friday morning session will feature presentations of papers on four primary issues. Each paper will be formally discussed by two discussants. The Friday afternoon session will be comprised of five concurrent workshops, and a plenary session devoted to group discussion will be held Saturday morning. The design was adopted to ensure that all conference attendees will have an opportunity to express their views and get those views into the record.

BUREAU OF THE CENSUS

Conference on the Measurement of Noncash Benefits

DECEMBER 12—14, 1985

FORT MAGRUDER INN & CONFERENCE CENTER
WILLIAMSBURG, VIRGINIA

APPENDIX III

Thursday, December 12, 1985

3:00 p.m.—6:30 p.m.	REGISTRATION	*LOBBY*
6:30 p.m.—8:00 p.m.	DINNER	*HILL'S REDOUBT*
8:00 p.m.—9:00 p.m.	EVENING SESSION	
	PRESIDING	**Gordon W. Green, Jr.** Assistant Division Chief Population Division Bureau of the Census
	WELCOME ADDRESS	**John G. Keane** Director Bureau of the Census
	STATEMENT OF PURPOSE AND REVIEW OF PAST WORK	**William P. Butz** Associate Director for Demographic Fields Bureau of the Census
	OVERVIEW OF CONFERENCE AGENDA	**Gordon W. Green, Jr.**
9:00 p.m.—10:00 p.m.	RECEPTION	*GRANT'S REDOUBT*

Friday, December 13, 1985

7:30 a.m.—8:30 a.m.	BREAKFAST	*VERANDA DINING ROOM*
8:00 a.m.—9:00 a.m.	REGISTRATION	*LOBBY*
8:30 a.m.—12:30 p.m.	PLENARY SESSION	*JEFFERSON DAVIS AMPHITHEATER*
	FACILITATOR	**Gordon W. Green, Jr.**

INTRODUCTION OF AUTHORS AND DISCUSSANTS

"STATISTICAL DEFINITION OF INCOME"

8:30 a.m.—8:55 a.m.	AUTHORS	**Lawrence Summers** Department of Economics Harvard University **David Ellwood** John F. Kennedy School of Government Harvard University
8:55 a.m.—9:05 a.m.	DISCUSSANT	**Alan Blinder** Department of Economics Princeton University
9:05 a.m.—9:15 a.m.	DISCUSSANT	**Albert Rees** Sloan Foundation
9:15 a.m.—9:20 a.m.	AUTHORS' REJOINDER	

"METHODS OF MEASURING NONCASH BENEFITS"

9:20 a.m.—9:45 a.m.	AUTHOR	**Barry R. Chiswick** Department of Economics University of Illinois
9:45 a.m.—9:55 a.m.	DISCUSSANT	**Henry Aaron** Brookings Institution
9:55 a.m.—10:05 a.m.	DISCUSSANT	**Edgar K. Browning** Department of Economics Texas A & M University
10:05 a.m.—10:10 a.m.	AUTHOR'S REJOINDER	
10:10 a.m.—10:30 a.m.	COFFEE BREAK	

APPENDIX III

Friday, December 13, 1985 — CONTINUED

"STATISTICAL COMPARABILITY USING ALTERNATIVE METHODOLOGIES"

10:30 a.m.—10:55 a.m.	AUTHOR	**Michael Ward** Unicon Research Corporation
10:55 a.m.—11:05 a.m.	DISCUSSANT	**Eugene Smolensky** University of Wisconsin
11:05 a.m.—11:15 a.m.	DISCUSSANT	**June O'Neill** Urban Institute
11:15 a.m.—11:20 a.m.	AUTHOR'S REJOINDER	

"USE OF POVERTY STATISTICS IN FEDERAL LAWS AND PROGRAMS"

11:20 a.m.—11:45 a.m.	AUTHORS	**Eric Hanushek** Congressional Budget Office **Roberton Williams** Congressional Budget Office
11:45 a.m.—11:55 a.m.	DISCUSSANT	**Wendell E. Primus** House Ways & Means Committee
11:55 a.m.—12:05 p.m.	DISCUSSANT	**Kenneth Clarkson** Law and Economics Center University of Miami
12:05 p.m.—12:10 p.m.	AUTHORS' REJOINDER	
12:10 p.m.—12:30 p.m.	ASSIGNMENT TO AFTERNOON SESSIONS	**Gordon W. Green, Jr.**
12:30 p.m.—2:00 p.m.	LUNCHEON	*HILL'S REDOUBT*

Friday, December 13, 1985 — CONTINUED

2:00 p.m.—5:30 p.m.	FORUM		
	GROUP 1	LEADER Conference Room	**Roger A. Herriot** *JEFFERSON DAVIS AMPHITHEATER*
	GROUP 2	LEADER Conference Room	**Gordon W. Green, Jr.** *KEARNY'S LOUNGE*
	GROUP 3	LEADER Conference Room	**John F. Coder** *LEE'S REDOUBT*
	GROUP 4	LEADER Conference Room	**John M. McNeil** *JACKSON'S REDOUBT*
	GROUP 5	LEADER Conference Room	**Katharine J. Newman** *GRANT'S REDOUBT*
5:30 p.m.—6:30 p.m.	CONFERENCE MIXER (Cash Bar)		*GRANT'S REDOUBT*
6:30 p.m.—8:00 p.m.	DINNER		*VERANDA DINING ROOM*

APPENDIX III

Saturday, December 14, 1985

7:30 a.m.—8:30 a.m.	BREAKFAST	*VERANDA DINING ROOM*
8:30 a.m.—12:30 p.m.	PLENARY SESSION	*JEFFERSON DAVIS AMPHITHEATER*
	PRESIDING	**Gordon W. Green, Jr.**
	GROUP REPORTS	
8:30 a.m.—8:45 a.m.	GROUP 1	
8:45 a.m.—9:00 a.m.	GROUP 2	
9:00 a.m.—9:15 a.m.	GROUP 3	
9:15 a.m.—9:30 a.m.	GROUP 4	
9:30 a.m.—9:45 a.m.	GROUP 5	
9:45 a.m.—10:15 a.m.	COFFEE BREAK AND CHECK OUT	
10:15 a.m.—12:15 p.m.	OPEN DISCUSSION AND COMMENTS	
12:15 p.m.—12:30 p.m.	CLOSING REMARKS	**C. Louis Kincannon**
12:30 p.m.—1:30 p.m.	LUNCHEON	*VERANDA DINING ROOM*

BUREAU OF THE CENSUS

John G. Keane, Director

C. Louis Kincannon, Deputy Director

William P. Butz, Associate Director for Demographic Fields

Bryant Benton, Associate Director for Management Services

Barbara A. Bailar, Associate Director for Statistical Standards and Methodology

Charles A. Waite, Associate Director for Economic Fields

Roland H. Moore, Associate Director for Field Operations

CONFERENCE COMMITTEE

Roger A. Herriot, Senior Demographic and Housing Analyst

Gordon W. Green, Jr., Conference Director

Arno I. Winard, Assistant Conference Director

Katherine Italiano, Conference Secretary

Eleanor Baugher, Assistant Conference Secretary

Earle Gullins, Conference Coordinator

Mary F. Henson, Conference Coordinator

APPENDIX III

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of the Census
Washington, D.C. 20233

OFFICE OF THE DIRECTOR

OCT 2 3 1985

Dear

The Bureau of the Census invites you to attend a conference on the measurement of noncash benefits to be held at the Fort Magruder Inn, in Williamsburg, Virginia, December 12-14 (see enclosed brochures).

The Census Bureau collects and publishes the Nation's official statistics on income and poverty. During the past several years, the Census Bureau has expanded its efforts to collect and analyze data on noncash benefits. Our work has increased in response to the substantial growth during the past two decades in Government noncash benefits such as food stamps, school lunches, public or subsidized housing, medicare and medicaid; and private sector "fringe" benefits such as employer contributions for pension and health plans. The official estimates of income and poverty include only money income and do not include noncash benefits of any kind. In recent years, noncash benefits have grown dramatically for persons all along the income distribution. The Census Bureau's official estimates of income distribution give a less complete picture of economic well-being because of the failure to count noncash benefits.

In September 1980, Congress directed the Secretary of Commerce to expedite efforts to collect data on noncash benefits, develop procedures to value these benefits, and show their effect on income and poverty estimates in Census Bureau publications. In response to this request, the Census Bureau conducted extensive research on the valuation of noncash benefits and published data for 1979 in Technical Paper 50. We published updated estimates for 1980-1984 in Technical Papers 51, 52, and 55. (We are enclosing a copy of Technical Paper 55.) Each of these reports employs the same set of methods and shows nine different estimates of the number of people in poverty (given the Office of Management and Budget definition) if income is defined to include the value of selected noncash benefits. To date, there is no consensus on the best methodology to be used for valuing noncash benefits.

The purpose of the conference is to allow persons outside the Census Bureau to review the methodologies used in these technical papers and, more specifically, to address the following issues:

1. What types of cash receipts and noncash benefits should be included in the Census Bureau's definition of income?

2. What are the most appropriate methodologies for valuing various noncash benefits?

3. If income is defined to include noncash benefits, what are the issues of data comparability for the current income and poverty measures?

4. What are the implications for Federal laws requiring the use of poverty data in allocating funds to states and local areas?

We are enclosing a more complete outline of the conference agenda, together with a list of designated authors and discussants for the papers.

To provide the greatest possible range of views, the Census Bureau is inviting to the conference a wide variety of academic, private sector, and government researchers, as well as representatives from advocacy groups and appropriate Congressional committees.

We extend this invitation to you personally because of the special contribution you can make in these discussions. If you cannot attend, please do not substitute another person's name. We need to receive the enclosed form by November 1 showing whether you will attend. The Census Bureau is exploring the possibility of obtaining funds to pay travel and lodging expenses; however, we are not certain yet that this will be possible. Our conference coordinator, Dr. Gordon Green, Assistant Chief, Population Division, (301-763-7444), will provide you with the administrative details at a later date. He also will provide you with a set of background materials.

I hope that you will be able to attend this conference and I look forward to seeing you.

Sincerely,

John G. Keane

JOHN G. KEANE
Director
Bureau of the Census

Enclosures

9/85

DRAFT OUTLINE

Offsite Conference on the Measurement
of Noncash Benefits

First Day

Evening session

I. Introductory remarks

II. Overview of Census Bureau's work on noncash benefits

III. Four major issues to be explored at this conference:

A. Statistical Definition of Income

1. What should income measure as a statistical concept?

2. Which noncash benefits should be included as income?

Food stamps and school lunches?
Public housing?
Energy assistance?
Free or subsidized health insurance or medical care?
Free or subsidized education?
Employer contributions for social security, medicare, and unemployment compensation?
Employer contributions for pensions and health plans?
Business lunches and entertainment?
Return on equity in own home?

3. Should the Census Bureau prepare income estimates for both before and after taxes?

B. Methods of Measuring Noncash Benefits

1. The three methods used by the Census Bureau to value noncash benefits are: (1) market value, (2) cash equivalence, and (3) poverty budget share. Are there conceptual problems with any of these techniques? How serious are the practical problems of implementing each of the three approaches?

2. Are there other approaches that should be explored? Are there other methods of implementing the approaches used thus far that might produce more satisfactory results?

3. The choice of a method to value medical care has a great effect on poverty estimates. Why is the gap so large between the valuation obtained from the market value approach and that obtained from the other two approaches?

C. Statistical Comparability Using Alternative Methodologies

1. If the Federal Government adopts a revised income definition, what changes should be made in the Census Bureau's basic series on income distributions? Is it likely that we would end up with several alternative definitions of income? (We now have nine experimental estimates of the extent of poverty in addition to the official one.)

2. The current measure of poverty is based on money income only and on the cost of a food plan and a multiplier that takes into account nonfood requirements. The multiplier was estimated by using the relationship between food expenditures and cash income. What are the statistical implications, if any, of comparing income including noncash benefits against poverty thresholds based on money income only?

3. Given that private and government programs change over time, and given the possibility that valuation techniques may change over time, are there potentially serious problems in maintaining data comparability over time?

4. Given that surveys vary in design and content, are there potentially serious problems in maintaining data comparability among surveys (e.g., Current Population Survey, Survey of Income and Program Participation, decennial census) if the definition of income is modified to include certain types of noncash benefits? Because of space limitations, it may be especially difficult to collect data on an expanded list of income sources in the decennial census.

D. Use of Poverty Statistics in Federal Laws

The definition of income used by the Census Bureau has no effect on eligibility for government programs that distribute benefits to individuals. However, if an alternative income definition was used, how would it affect Federal laws that require the use of poverty data in allocating funds to states and local areas?

Second Day

Morning session

Presentation of papers on the first three major topics (A, B, C). For each of the topics there will be one invited paper and two discussants.

Afternoon session	Assignment of individuals to three concurrent sessions
	Meeting of the three concurrent sessions
Evening session	Report on each of the three sessions and open discussion

Third Day

Morning session	Presentation of fourth paper (D) and open discussion
	Concluding remarks

APPENDIX III

GENERAL DISCUSSION POINTS: NONCASH INCOME CONFERENCE

(To be considered by each working group)

1. What were the main issues identified by this morning's authors and discussants? What is your position on these issues? Are there any important issues that were not identified in this morning's session?

2. What are the most important things that the Census Bureau should do in pursuing its program on valuing noncash benefits, (a) in the short run?, (b) in the long run?

SPECIFIC DISCUSSION POINTS: NONCASH INCOME CONFERENCE
(Each working group to be assigned two discussion points)

I. ISSUE: Counting medical care benefits.

BACKGROUND

The counting of medical care benefits has a large effect on experimental estimates of the number of persons in poverty. The inclusion of medical care benefits and the way in which they are counted have been the subject of some controversy. First, there has been much discussion about the theoretical desirability of including medical care benefits in the definition of income. Second, it has been noted that the "market value" approach assigns medical care benefit values in some states that are large enough to lift persons above the poverty line regardless of their other resources. Third, it has been argued that the Census Bureau should not use a procedure that counts the cost of medical care received by the institutionalized population as part of the income received by noninstitutionalized persons.

QUESTIONS

1. Should medical care benefits be counted as income: For the purpose of calculating the distribution of income? For the purpose of estimating the number of persons in poverty?

2. If medical care benefits are counted as income, what method should be used to determine their value?

3. Should the cost of medical care received by institutionalized persons be counted as income received by the noninstitutionalized?

II. ISSUE: Counting employer-provided benefits.

BACKGROUND

Employer-provided benefits make up the bulk of noncash income but we have not yet developed methods for including the value of these benefits in a definition of income. The major employer benefits include contributions to health and pension plans, contributions to social insurance plans (social security, unemployment compensation, worker's compensation), and more specialized benefits such as the use of a company car, tuition payments, and "expense account" benefits in the form of meals and entertainment. A complicating factor is the lack of knowledge on the part of survey respondents concerning employer-provided benefits. In the absence of direct information from employers, estimates of the value of benefits received by employees will be very imprecise.

QUESTIONS

1. Which employer-provided benefits should be counted as income:
   For the purpose of calculating the distribution of income?
   For the purpose of estimating the number of persons in poverty?

2. How should the Census Bureau balance off the desire for a more comprehensive measure of income with the problem of data quality?

III. ISSUE: Misreporting of income.

BACKGROUND

The Census Bureau regularly publishes data comparing our survey estimates of income with benchmark estimates. The extent to which the survey estimates agree with the benchmark estimates varies by type of income, but there are serious problems of survey under-reporting for certain income types such as property income and transfers. There has long been an interest in trying to determine what the income distribution would look like if there were no problems of misreporting.

QUESTIONS

1. Should the Census Bureau devote resources to the development of methods to adjust survey estimates so that they agree with benchmark estimates of total income and income by type?

IV. ISSUE: Implementing the "recipient value" and "poverty budget share" approaches by measuring the normal expenditures of unsubsidized persons.

BACKGROUND

Technical problems exist with the "recipient value" and poverty budget share" methods of assigning dollar values to noncash benefits. In order to implement the former approach, it is necessary to measure the normal expenditure on the particular good or service made by an unsubsidized person who otherwise has the same characteristics as the subsidized person. To implement the latter approach, it is necessary to measure the normal expenditures of an unsubsidized person at the poverty level. In some instances, it is virtually impossible to obtain a valid measure of the normal expenditures of unsubsidized persons. For example, it is virtually impossible to obtain a valid estimate of normal expenditures on medical care made by unsubsidized persons 65 years or over (not covered by medicare). As a result, the values assigned by the "recipient value" and "poverty budget share" approaches can be seriously biased.

QUESTIONS

1. Are data problems of this sort sufficiently explained in Census Bureau publications?

2. Are the conceptual and empirical data problems sufficiently severe to argue for the cessation of the estimates?

V. ISSUE: Comparing before-tax income measures to poverty thresholds based on after-tax income.

BACKGROUND

Poverty status is determined by comparing the income of a family or person to the appropriate poverty threshold. The poverty thresholds were adopted during the 1960s and are updated each year to account for price changes. The thresholds were calculated on the basis of the cost of certain food plans and the proportion of after-tax income spent on food. The Census Bureau's official estimates of poverty have always been prepared by comparing before-tax income to the thresholds. This procedure has been followed because neither the CPS or the decennial census collects data on taxes. In recent times, the Census Bureau has prepared estimates of after-tax income by simulating the tax payments of CPS households. This has raised the question of whether poverty estimates should in fact be prepared by comparing the simulated after-tax income with the poverty threshold. If such a procedure were adopted, it is important to note that estimates of after-tax income would become available several months after the regular CPS income data (to obtain after-tax data sooner would require additional assumptions in the simulation process).

QUESTIONS

1. Should poverty status be determined by comparing thresholds against simulated after-tax income or by comparing thresholds against the income figures as they are reported in the survey?

2. If a decision is made to use simulated after-tax income in determining poverty status, poverty reports will either be delayed or will be based on a simulation model in which assumptions will not be based on the most current information. What are your recommendations on this issue?

(973601)

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