Self-Sufficiency Standard

The Federal Poverty Measure, developed in the 1960s, is based on outdated methodology and data. States are adopting the Self-Sufficiency Standard as an alternative that assesses a family's real costs of living, state-by-state.

Self-Sufficiency Standard

Summary

- **At $18,400 for a family of four, the Federal Poverty Measure is the same for Sioux Falls as it is for New York City.**
- **The Federal Poverty Measure, developed in the 1960s, is based on outdated methodology and data.**
- **The one-size-fits-all approach to poverty measurement does not even come close to assessing accurately the income needs of working families today.**
- **The Self-Sufficiency Standard provides an alternative to the Federal Poverty Measure, assessing a family's real costs of living, state by state.**
- **The Self-Sufficiency Standard has already been calculated for 34 states.**
- **States are adopting the Self-Sufficiency Standard as an official measure of the cost-of-living.**
- **Voters understand that basic costs for families far exceed the Federal Poverty Measure.**

At $18,400 for a family of four, the Federal Poverty Measure is the same for Sioux Falls, South Dakota as it is for New York City. [1]

Despite overwhelming evidence to the contrary, the Federal Poverty Measure assumes that living costs are the same across the continental United States. (It is higher for Alaska and Hawaii.) The poverty measure utterly fails to assess accurately both poverty and the income needs of working families. Yet this measure is used to determine eligibility for numerous programs for low-income Americans, including TANF, food stamps, child care, Medicaid, and other work supports.

The Federal Poverty Measure, developed in the 1960s, is based on outdated methodology and data.

The official U.S. measure of poverty was developed in 1963. It is based on the thrifty food plan, published by the U.S. Department of Agriculture, which estimated that a family of two adults and two children spent about $1,033 per year on food. A 1955 household food consumption survey estimated that a typical family spent one-third of its income on food. So $1,033 was multiplied by three to establish the baseline poverty measure for 1963 at $3,100 for a family of four. Today's poverty measure of $18,400 for a family of four is essentially the 1963 measure adjusted for inflation.

The one-size-fits-all approach to poverty measurement does not even come close to assessing accurately the income needs of working families today.

The Federal Poverty Measure has never been updated to account for social and economic changes. For most families today, food costs constitute less than one-fifth of their budgets. Housing, transportation and utilities are a much bigger percentage of family costs today than they were 40 years ago. Moreover, the poverty measure was calculated based on a two-parent family model with one stay-at-home parent. That model doesn't accurately describe contemporary families, and is particularly off-base for low-income families with a single working parent. For working families, there are costs associated with employment—transportation and child care—that the Federal Poverty Measure either underestimates or ignores entirely.

Because of the way it is calculated, the Federal Poverty Measure is far below the income needed just to survive.

In almost any city, town or suburb, an annual income of $18,400—the poverty measure for a family of four—is nowhere near enough to cover housing, food, clothing, child care, transportation, and taxes. For example, in one of the least expensive areas of the nation, Southwest Tennessee, a family of four needs about $29,000 a year just to survive. In contrast, in a more expensive area like Trenton, New Jersey, a family needs at least $53,000.

The Self-Sufficiency Standard provides an alternative to the Federal Poverty Measure, assessing a family's real cost of living, state by state.

The Self-Sufficiency Standard is calculated for 70 different family types, and for each jurisdiction within a state. By including the costs of housing, food, child care, health care, transportation, and taxes (including tax credits), the Self-Sufficiency Standard provides an accurate measure of the income needs of families at the most minimal level—no Happy Meals, take-out pizza, or cable TV are figured in the calculation.

The Self-Sufficiency Standard has already been calculated for 34 states.

Wider Opportunities for Women (WOW) has calculated the Self-Sufficiency Standard for 34 states (AL, AZ, CA, CO, CT, DE, FL, GA, HI, IL, IN, IA, KY, LA, MD, MA, MS, MO, MT, NE, NV, NJ, NY, NC, OK, PA, SD, TN, TX, UT, VA, WA, WV, WI) and the District of Columbia.[2] In a number of states, the process of calculating a Standard has convinced agencies to use it as a policy tool for making more effective program decisions for low-income families.

States are adopting the Self-Sufficiency Standard as an official measure of the cost-of-living.

The state of Connecticut first legislated the calculation of a self-sufficiency measurement in 1998, and in 2001 the state required this measurement to be recalculated biannually. Since then, the Self-Sufficiency Standard has been used to expand job training opportunities to low-income and displaced workers, by accurately defining who "underemployed" and "at-risk" workers are. In Pennsylvania, welfare and workforce development caseworkers are using the Self-Sufficiency Standard as a counseling tool to help clients understand what jobs or career paths will pay wages that will help them move toward self-sufficiency. In Illinois and Pennsylvania, as well as Seattle, Tulsa and the District of Columbia, Workforce Investment Boards (WIB) are using the Self-Sufficiency Standard to determine who is eligible for training services through One-Stop job sites. Using the Standard to determine eligibility—rather than the Lower Living Standard Income Level, the minimum measure that may be used by WIBs—steers training services to those who need it most.

Voters understand that basic costs for families far exceed the Federal Poverty Measure.[3]

A poll of registered voters in Massachusetts found that over 63 percent believed families in the state need more than $40,000 annually to meet their basic needs. This figure is in sync with the Self-Sufficiency Standard for Massachusetts, but not the Federal Poverty Measure.

The goal of any family support program must be to help families achieve economic independence.

Policymakers on both sides of the aisle say that government must move families to self-sufficiency. The Self-Sufficiency Standard, a benchmark that provides an accurate measure of the income a family requires to meet its most basic needs—food, shelter, health care, child care, transportation, taxes, and other necessities—is absolutely essential to translate good intentions into a workable program.

This policy summary relies in large part on information from Wider Opportunities for Women.

Endnotes

[1] U.S. Department of Health and Human Services, 2002 Federal Poverty Guidelines.

[2] To review a Self-Sufficiency Standard report for any of the 34 states, see www.sixstrategies.org.

[3] Opinion Dynamics Corporation, "A Survey of Voter Attitudes: Welfare, Self-Sufficiency and Making Ends Meet," April 2001.

Self-Sufficiency Standard

For more information...

Center for Policy Alternatives
1875 Connecticut Avenue NW, Suite 710
Washington, DC 20009
202-387-6030
www.stateaction.org

Economic Policy Institute
1660 L Street NW, Suite 1200
Washington, DC 20036
202-775-8810
www.epinet.org

Wider Opportunities for Women
1001 Connecticut Avenue NW, Suite 930
Washington, DC 20036
202-464-1596
www.sixstrategies.org

Establishment of a Self-Sufficiency Standard Act

SECTION 1. SHORT TITLE

This Act shall be called "Establishment of a Self-Sufficiency Standard Act."

SECTION 2. ESTABLISHMENT OF A SELF-SUFFICIENCY STANDARD

(A) DEFINITION—In this section, "self-sufficiency standard" means a calculation of the income an employed adult requires to meet his or her family's needs, including, but not limited to, housing, food, dependent care, transportation, and medical costs.

(B) SELF-SUFFICIENCY STANDARD

1. The [Office of Policy and Management] shall contract with a private consultant to develop a self-sufficiency standard by January 1, 2005. This standard shall take into account geographical variations in costs, the age and number of children in a family, and any state or federal public assistance benefit received by a family.

2. Not later than March 1, 2005, the [Office of Policy and Management] shall distribute the self-sufficiency standard to all state agencies that counsel individuals who are seeking education, training or employment. Those state agencies shall use the self-sufficiency standard to assist individuals in establishing personal financial goals and estimating the amount of income such individuals may need to support their families.

3. The self-sufficiency standard shall not be used to analyze the success or failure of any program or determine eligibility or benefit levels for any state or federal public assistance program.

SECTION 3. EFFECTIVE DATE

This Act shall take effect on July 1, 2004.

NOTE: After a self-sufficiency standard is established, the state can apply the measurement as a substitute for the Federal Poverty Measure in appropriate situations. For example, Connecticut has used the self-sufficiency standard to define the terms "at-risk worker" and "underemployed worker," as follows:

1. "At-risk worker" means a worker who may lose employment due to factors including, but not limited to, an announced layoff, business shut-down or relocation, a new job skill requirement for which the worker is not trained, a change or reduction in wages, hours or benefits such that the worker must seek other employment in order to meet the self-sufficiency standard calculated by the [Office of Policy and Management], or a change or reduction in available transportation such that the worker is forced to seek new employment.

2. "Underemployed worker" means a worker whose education and skill level limits such worker's earning capacity to an hourly wage below 100 percent of the self-sufficiency standard calculated by the [Office of Policy and Management].

Self-Sufficiency Standard

Connecticut also used the self-sufficiency standard and the revised definitions of "at-risk" and "underemployed" based on the measurement to define the mission of a state workforce development plan:

The plan shall, at a minimum, include:

a. Determination of whether individuals are eligible to receive assistance under Subtitle B of the Workforce Investment Act of 1998, P.L. 105-220, as from time to time amended;
b. Outreach, intake and orientation to the information and other services available through the one-stop delivery system;
c. A uniform assessment procedure for screening adults and dislocated workers which shall include, but not be limited to, initial assessment of skill levels, aptitudes, abilities and supportive service needs based on the self-sufficiency standard calculated by the [Office of Policy Management].

[The plan shall include] development of incumbent worker, vocational and manpower training programs, including customized job training programs to enhance the productivity of state businesses and to increase the skills and earnings of underemployed and at-risk workers, and other programs administered by the regional workforce development boards. The [State Department of Labor], in collaboration with the regional workforce development boards, shall implement any incumbent worker and customized job training programs developed by the [Commission] pursuant to this subdivision.

The recommendations shall be consistent with the workforce development plan, for (1) job-related vocational, literacy, language or numerical skills training; (2) underemployed and at-risk workers.