Poverty Lines and the Self-Sufficiency Standard: How They Inform the Minimum/Living Wage Debate

Presented at the League of Women Voters Forum

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A Preview:

- Federal poverty lines underestimate the cost of living, and even “poverty”

- The Self-Sufficiency Standard for King County basic needs budget is a “bare bones” budget that estimates the minimum cost of living.

- Below Self-Sufficiency, many workers must rely on public and/or private assistance – food stamps, child care assistance, doubled-up housing, and food banks.
Why we have the Self-Sufficiency Standard:

- We all know what we mean by “poverty” – it is not having “enough” to meet your needs.
- But what we *mean* when we talk of poverty and what we *measure* are two very different things.
The Federal Poverty Measure is “Broken”: We Need a Standard of Income Adequacy (One that actually “Runs”)
Median Income Compared to Federal Poverty Line, Family of 4, 1963-2010

The Self-Sufficiency Standard measures the cost of a basic needs budget:

Amount of income required to meet **basic needs** (including taxes) without public subsidies or private/informal subsidies - at a minimally adequate level.

- Public subsidies = Food Stamps, Medicaid, subsidized child care, etc.
- Private subsidies = free baby-sitting by a relative, food provided by churches or food banks, shared housing, etc.
The SSS is a Bare Bones Budget...
THE SELF-SUFFICIENCY STANDARD
Budget Worksheet Exercise

STEP 1:
Make a guess/estimate of the Self-Sufficiency Wage for a single-parent family with a preschooler and school-age child living in your community.

$ __________________ per hour

STEP 2:
Review the back of this sheet for information on the assumptions included in the Self-Sufficiency Standard. For each cost fill in what you think would be the minimum necessary. Do not assume any help—public (such as food stamps) or private (such as a relative providing free or low-cost child care).

ITEM COST | MONTHLY COST ESTIMATE | MONTHLY COST ACTUAL*
---|---|---
Housing (Rent for a 2-bedroom apartment) | | |
Child Care (1 preschooler & 1 school-age child) | | |
Food | | |
Transportation | | |
Health Care | | |
Miscellaneous (Telephone, clothing, etc.) | | |
Taxes | | |
TOTAL | | |

*Actual costs as defined in the Self-Sufficiency Standard for your state.

STEP 3:
Add up costs. Multiply by 12 to get an annual wage. Divide by 2,112 to get an hourly wage.

Total x 12 = Annual Wage
Annual Wage / 2,112 = Hourly Wage

STEP 4:
Use the Self-Sufficiency Standard for your state to fill in the actual costs.
### Self-Sufficiency Standard for King County, 2011, Selected Family Types

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Making Ends Meet on Low Wages
...or Not doing so

- Basically, low wage workers with inadequate income have **three** choices:
- #1 – **Do without** altogether, e.g., don’t go to the doctor or dentist.
#2 – Use substandard services/products, such as child care by less than adequate providers, housing that is overcrowded or doubled-up.
#3 – Get assistance. Starting w/ family and friends, then churches and community (shelters, food pantries), and then public assistance (food stamps, child care, Medicaid/Apple Health, etc.)
Low-wage workers qualify, and many use, public assistance to make ends meet:

- A single parent with one preschooler and one school age child needs $4742 per month ($27/hour) in Seattle to meet her basic needs, at a minimally adequate level.
- At minimum wage, she earns $1640, 35% of what she needs. She qualifies for almost every kind of assistance – child care, housing*, health care, and food stamps ($449).
- At $12/hour, she earns 45% of her needs, and still qualifies for child care, housing*, health care, and food stamps ($336).
- Even at $15/hour, when her salary meets 56% of her needs, she still qualifies for housing*, child care, and food stamps ($209).

*Although qualified, few receive housing assistance unless they are extremely low income.
Eligibility Levels

- Put another way, a family is eligible for assistance well above poverty, even above $15 per hour.
Finally, this is a moving target:

Income inequality continues to increase in Washington state, at a higher rate than the US...

Earnings Have Not Kept Up With Cost of Living Increases, Washington State, 2001 - 2011

One Adult, One Preschooler, and One School-age Child
Where to find resources:

- You can get the 2011 report, and all the data (all family types, all counties) for Washington State at the website [www.selfsufficiencystandard.org](http://www.selfsufficiencystandard.org)

- You can get the Self-Sufficiency Standard for any size family type, any place in Washington, and also find out what benefits a family qualifies for, by going to the online self-sufficiency calculator at [www.thecalculator.org](http://www.thecalculator.org)

- You are also welcome to contact Diana Pearce at [pearce@uw.edu](mailto:pearce@uw.edu), or 206.616.2850, or the Center for Women’s Welfare (Lisa Manzer) at 206.685.5264
The End
Comparing the Growth of U.S. Family Incomes
An infographic by United for a Fair Economy

1947-1979
We grew together.

- Bottom 20%: +118%
- Second 20%: +100%
- Middle 20%: +111%
- Fourth 20%: +114%
- Top 20%: +99%
- Top 5%: +86%

1979-2008
We grew apart.

- Bottom 20%: -7%
- Second 20%: +6%
- Middle 20%: +11%
- Fourth 20%: +49%
- Top 20%: +23%
- Top 1%: +73%
- Top 5%: +224%
What this means for the “middle”:

- The Economic Policy Institute found that between 1979 and 2007, had the income of the middle fifth of households grown at the same rate as overall average household income, it would have been $18,897 higher in 2007—27.0 percent higher than it actually was.

- In other words, rising inequality imposed a tax of 27.0 percent on middle fifth households over this period.

Source: Mishel, The State of Working America, 12th Edition
Percent Growth in Income 1979-2007

Median Hourly Wages vs. Productivity
(Source: Economic Policy Institute, based on BLS data)

Cumulative percent change since 1948

Productivity 254.3%
Hourly compensation 113.1%