



Wider Opportunities for Women

Elder Economic Security and Alternative Poverty Measures

OCTOBER 2008

Measuring American Poverty Act of 2008 (H.R. 6941 and S. 3636)

The Federal Poverty Level (FPL), the measure most often used for planning, research, programming and evaluation for low-income populations, is an outdated and flawed representation of economic need among Americans. To this end, WOW is pleased to see Congressional leadership in the area of revising FPL. WOW is particularly interested in the new “decent living standard” threshold discussions as we know from our work that using a measure of deprivation alone will not move workers, elders and their families to economic security.

Issue Overview

The Federal Poverty Level (FPL) is an inadequate and outdated baseline measure in the following respects:

- ***FPL assumes that food costs account for one third of an individual's or family's budget and is calculated by multiplying that cost by three.*** As such, FPL fails to take into account the cost of the other basic needs, such as housing, health care and transportation. *Findings from the national averages of the Elder Economic Security Standard™ Index (the “Elder Index”) show that FPL provides only 53 percent of what's needed for an older renter in good health to be economically secure.*
- ***FPL fails to account for geographic variability in the cost of basic goods.*** The Elder Index is calculated on county-by-county basis and captures additional cost differences based on housing and health status.
- ***FPL does not consider variability in costs due to personal or economic circumstances.*** For instance, expenses related to illness, the loss of a family member, or caregiving needs apart from raising children are not incorporated. In addition, in today's struggling economy, the rising costs of basic goods, including food and gasoline, make it even more difficult for individuals to make ends meet. As a result, the FPL underestimates actual expenses necessary for even a bare-bones existence.

Despite these shortcomings, FPL guides much, if not all, federal and state policies and programs related to low-income issues, including, but not limited to, allocation of resources, performance outcomes, income eligibility, and strategic planning and evaluation. In addition, decades of research on the economic well-being of families relies on FPL as the sole income benchmark.

WHAT IS THE ELDER ECONOMIC SECURITY STANDARD™ INDEX?

Developed by the Gerontology Institute at the University of Massachusetts Boston and Wider Opportunities for Women, the Elder Economic Security Index is a new geographically-based measure of income adequacy for elders that incorporates the cost of housing, food, health care, transportation and home and community-based long-term care services.



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Strengthening the Measuring American Poverty Act (H.R. 6491)

A reliable and realistic base-measure of a minimum economic security is increasingly necessary as national and state policy debates intensify and resources become scarcer over the next few years. The Measuring American Poverty Act offers a step in the right direction. To strengthen the final legislation, WOW recommends the following:

- Include the cost of health care, child care and transportation as part of the threshold for the reference family rather than as a subtraction from income. While not universal, such expenses are critical and often determinate of financial viability for working Americans.
- Make the Modern Poverty Measure as geographic as possible. Consider variation in costs to the maximum extent possible, incorporating more than differences in housing costs. The Elder Index demonstrates that it is possible to identify data sources that incorporate costs differences for additional basic needs, such as health care and transportation.
- Account for critical demographic differences reflected in age. Those age 65 and older do not have the same work-related expenses as working age Americans, and their economic well-being is greatly impacted by their housing and health status.
- Assure that the “medical risk index,” referenced in the bill accounts for long-term care expenses, including the home and community-based services quantified by the Elder Index.
- Establish a commission to review annual findings that informs the public how many Americans are living at or below the Modern Poverty Measure and the proposed “decent standard of living.” Importantly, this second measure required by the legislation would establish an actual threshold beyond which an individual could maintain a safe, decent but modest standard of living. The commission should make annual recommendations on how to close the income gap for those whose income does not equal the “decent standard of living” that includes analyses according to individual cohorts of age, gender and race.

In sum, the Measuring American Poverty Measure Act presents the opportunity to more adequately capture true economic hardship and impoverishment. Similarly, the proposal for a “decent standard of living” offers an opportunity to set policy and program goals that recognize the true cost of living.

WOW encourages members of the U.S. Congress to support modeling the definition of this modest living standard on the existing Family Economic Self-Sufficiency Standard and Elder Economic Security Standard™ Index that are already embraced by so many across the country.

WHAT IS THE ELDER ECONOMIC SECURITY INITIATIVE™?

The Elder Economic Security Initiative™ is a multi-year effort combining coalition building, research, advocacy and media outreach at the national, state and community levels to promote the economic well-being of elders and their families.