



Wider Opportunities for Women

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**Introduction of *Measuring American Poverty Act* - "Long Overdue"
Current Federal Poverty Level Deeply Flawed**

Wider Opportunities for Women applauds Subcommittee Chairman Jim McDermott for his draft legislation to revise the 55-year-old federal poverty line unveiled today at today's hearing before the Income Security Subcommittee of the House Ways and Means Committee. The draft bill goes a long way toward addressing the deep flaws in the current measure in use since 1964.

In addition, WOW is most pleased with the bill's authorization of a new study by the National Academy of Sciences to determine a definition of a "decent living standard threshold," or "the amount of annual income that would allow an individual to live beyond deprivation at a safe and decent, but modest, standard of income." (Sec. 1150C) Anticipating that this would be a measure of genuine income adequacy rather than the deprivation measured by the new poverty line, it holds great potential for use by individuals, program administrators and policy-makers. We hope it does not get overlooked in the rightful attention that will be given to revising the poverty measure.

The nation requires an official measure of poverty that genuinely helps identify those who are currently and potentially in need of attention and assistance. For many years, WOW and others have advocated an alternative poverty measure that does not rely solely on a ratio based on the cost of food. WOW has also advocated the use of a measure which is geographically specific, reflects families' demographic compositions, incorporates working families' real costs, and responds elastically and periodically to changes in prices. We believe the proposed Modern Poverty Measure (MPM) begins to address each of these essentials.

The new measure aligns the US with most Western democracies, that use a relative measure of poverty in order to take account of changing standards of living standards and to emphasize social inclusion. The OECD has used 50 percent of median income, and Eurostat, 60 percent of median. McDermott's Modern Poverty Measure will adjust the new poverty threshold annually relative to a percentage of food, shelter, utilities and clothing expenses reported in the Consumer Expenditure Survey. It would then determine the number of people below that level by subtracting from a broad measure of income expenses related to work such as transportation, child care and out-of pocket medical expenses. Most

importantly, it will also measure progress against poverty, or lack thereof, by including in a broad definition of income, including government cash and cash-like transfer payments and net taxes.

For more than ten years, WOW has led the Family Economic Self-Sufficiency Project (FESS) in 35 states and the District of Columbia. At the heart of this work, undertaken in conjunction with state and local governments and advocacy groups, is the Family Economic Self-Sufficiency Standard (“the Standard”),¹ a measure of economic security that the proposed decent living standard may resemble. The Standard reflects true, up-to-date, geography-specific costs of living for 70 types of working families. Importantly, the Standard presents minimum income needed to cover families’ basic costs of food, housing, transportation, child care, out-of pocket health care, taxes and miscellaneous expenses (such as household and clothing costs) if they are to live *without public or private assistance*. Such an index of need should be the benchmark of true family need, a societal goal that goes beyond the avoidance of deprivation.

The Self-Sufficiency Standard, with data down to the county level, has been developed and put to use in 35 states and the District of Columbia. It has influenced a range of policies and programs to increase the well-being of low income working families – from child care to tax policies. State laws have been passed that codify the Standard. Workforce boards across the country have used the measure to set goals for job training and education programs. And the Standard has been cited in federal policy including career and technical education policy and the recent Green Jobs Act.

Recently, WOW and the Gerontology Institute at the University of Massachusetts Boston developed the Elder Economic Security Standard™ Index (the Index) providing a similar measure of the income that older adults require to maintain their independence and meet their daily expenses, including affordable and appropriate housing and health care. The Index uses similar data as the Family Economic Self-Sufficiency Standard, but offers a range of costs based on differences in household type, home-ownership and health care status. Within decent living standard measures, differentiation among individuals and couples who own their homes free and clear, those who rent and those who still hold mortgages is critical, as shown by the recent subprime mortgage crisis and the fact that in many states 20% of those 65 and older still hold mortgages. Costs of home- and community-based long-term care are also included in the Index. County-by-county data has been released in five states to date – Massachusetts, California, Pennsylvania, Illinois and Wisconsin and will be calculated for the rest of the country by 2012.

Legislators, state administrators, direct service providers, advocates and seniors themselves have welcomed the Index after years of frustration with policy driven by the antiquated federal poverty threshold. The Index has already had an impact in affecting policy and opinion since it was released. For instance, the data in California was released less than 5 months ago and already the findings of the California Index have made their way into state legislation in support of “shared housing” for special needs housing assistance recipients and reducing their rent to 20% of income - *Assembly Bill 2521*. Drawing on the Index, the Massachusetts state legislature has passed legislation to increase the amount of assets, from \$2,000 to \$10,000, that a senior can retain when applying for public home and community-based long-term care services.

¹The Self-Sufficiency Standard was developed by Dr. Diana Pearce of the University of Washington who at the time was Director of the Women and Poverty project at WOW

Underpinning Chairman McDermott's proposed Modern Poverty Measure is the National Academy of Science's 1995 report on measuring poverty, which properly addressed many of the flawed assumptions and methodology of the current poverty level. In applying these recommendations to a Modern Poverty Measure, we recommend that final legislation:

- 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 families.
- Make the MPM as geographically specific as possible, considering variation, as the NAS report stated, "...to the maximum extent possible." While housing has a disproportionate impact on family income needs, and housing markets vary significantly across the country, the Self-Sufficiency Standard demonstrates that it is possible to identify non-housing expenses and data sources, such as through child care market rate surveys mandated by TANF.
- Account for critical demographic differences reflected in age. Those 65 or older do not have the same work-related expense as working age Americans, and their economic well-being is greatly affected by their housing and health status. The discussion draft's "medical risk index" will address this but outside the framework of a threshold for a decent income.
- Establish a commission to review annual findings that informs the public how many Americans are living at or below the new poverty measure and the proposed "decent standard of living." The Commission should make recommendations on how to close the income gap for those whose income does not equal the "decent standard living." The information should be analyzed for individual cohorts of age, gender and race.

Wider Opportunities for Women (WOW) leads two national networks promoting economic security within the United States: the Family Economic Self-Sufficiency Project (FESS) focusing on the needs of low-income working families and the Elder Economic Security Initiative, addressing what income seniors require to age in place. WOW works in 35 states, the District of Columbia, and at the federal level to promote programs and policies that accurately measure the income and assistance needs of families and the elderly. For more information, please visit www.wowonline.org.