

How the Standard Differs from the Federal Poverty Measure

Many turn to the federal poverty measure to determine that a family is “poor” if their income is below the appropriate threshold and “not poor” if it is above that threshold. The federal poverty measure, however, has become increasingly problematic as a measure of income adequacy. The most significant shortcoming of the federal poverty measure is that for most families, in most places, it is simply not high enough. That is, there are many families with incomes above the federal poverty measure who nonetheless lack sufficient resources to adequately meet their basic needs. As a result, many assistance programs use a multiple of the federal poverty measure (usually referred to for programmatic purposes as the [Federal Poverty Level](#), or FPL) to measure need..

While both the Self-Sufficiency Standard and the official federal poverty measure assess income adequacy, the Standard differs from the official poverty measure in several important ways:

- *The FPL is based on 2-parent family model, assumes only 1 parent works in 2-parent families & no workers in single-parent families*
- **The Standard assumes that all adults work full-time, includes costs of working, i.e. transportation & taxes, & for families with young children, child care**
In 2003, both parents were employed in 61% of two-parent families with children.⁶ In these families, there are many new costs associated with employment including taxes, transportation, and, most significantly, child care for those families with young children. Additionally, not only do a majority of two-parent families have two wage earners, but many single parents are wage earners. Thus, assuming unpaid child care is not available, for both one- and two-parent families, child care costs are often a necessary expense.
- *The FPL is based on the cost of food and assumes that food is 1/3 of the family budget*
At the time that it was developed, over four decades ago, families spent about one-third of their income on food. The food budget was then multiplied by three to determine poverty thresholds. Since the federal poverty measure was first developed and implemented in the early 1960s, it has only been updated to reflect inflation. Also, it has not taken into account the fact that nonfood costs, such as housing and health care, have risen much faster than food costs.
- **The Standard is calculated based on costs of all basic needs, determined independently, which allows each cost to increase at its own rate.** The Standard also includes the net effect of taxes and tax credits.
- *The FPL only distinguishes by the number of children*
- **The Standard varies costs by the age of the children-especially important for child care, but food and medical care costs also vary by age.**
- *The FPL assumes costs are the same, no matter where you live*
Although some geographical variation in costs was accounted for three decades ago, differences in the cost of living between areas have increased substantially over time, particularly in the area of housing. Indeed, housing in the most expensive areas of the country costs nearly five times as much as the same size units in the least expensive areas.
- **The Standard varies by geographical location-most important for housing, but also geographic variation in costs of child care, health care & transportation**
Unlike some approaches suggested for a revised poverty measure, however, the Standard does not assume a fixed ratio of urban to rural costs, but uses actual costs. Although rural areas and small towns usually have lower costs than the metropolitan areas in a given

state, cost ratios vary and there are exceptions. For example, living costs in rural areas that have become desirable tourist or second-home locations are often as high as or higher than in a state's urban areas. Availability of housing in rural and urban areas can also affect costs.

While the Standard does not allow for longer-term needs (such as retirement savings or college tuition), purchases of major items (such as a car), emergency expenses, or even items such as school supplies or birthday gifts, the Standard's income adequacy is set at a level that would allow a family to meet minimum needs (e.g., proper nutrition, or housing that is not substandard or overcrowded).

Self-sufficiency means maintaining a standard of living that does not require choosing between basic necessities such as whether to meet one's need for child care but not for nutrition, or for housing but not health care. Self-Sufficiency Wages are family-sustaining wages.