



**Wider Opportunities for Women**

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Wider Opportunities for Women**

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### **Self-Sufficiency: An Alternative to the Poverty Line**

Across America a growing number of working families and seniors are struggling to stretch their wages and savings to meet rising costs for basic necessities. At the same time, public assistance from federal, state and local resources are dwindling. These trends give new urgency to the question of economic independence beyond the poverty line. Although many of these families and seniors are not poor according to the official poverty measure, their incomes are inadequate to meet the most minimal needs. Today, through its Family Economic Self-Sufficiency Project (FESS), Wider Opportunities for Women (WOW) is working with organizations around the country to use the Self-Sufficiency Standard<sup>1</sup> to help policy makers and individuals answer the question of how to *measure* the circumstances and obstacles facing low-income families trying to become economically self-sufficient.

WOW and our FESS partners appreciate the attention Rep. James McDermott has drawn to the inadequacy of the poverty line by holding a hearing today before the Subcommittee on Income Security and Family Support of the House Ways and Means Committee, which he chairs.

The Self-Sufficiency Standard provides a conceptual framework as well as real numbers to address a range of policy issues: the kinds of jobs, education, training, work supports, retirement savings, and income assistance needed to make ends meet given the cost of living in particular local economies and depending on the composition of the family. Today, the Self-Sufficiency Standard has been developed and is utilized in 35 states, New York City, and the District of Columbia. It has been drawn on by other states, national organizations and think tanks in their efforts to establish a more relevant and credible measure of income adequacy to use in making policy and program decisions. Recently WOW and its national research partner developed an income adequacy measure for seniors: the Elder Standard™ index that will be in computed for the entire country by 2012.

Currently, the federal poverty level (FPL) is used to guide a host of federal and state policies and to set eligibility thresholds. And it has inadvertently and inappropriately been interpreted to define income adequacy. This is damaging for a number of reasons, but perhaps one no greater than that the FPL is a flawed measure, based on assumptions about costs and family structure that are out-of-date with the social and economic realities of today's families. The use of the FPL has a pernicious impact on women in particular. For instance, the official poverty measure assumes that women do not work outside the home and that single heads of households do not work.

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<sup>1</sup> The Family Self-Sufficiency Standard was developed by Dr. Diana Pearce when she was employed at WOW as director of the Women and Poverty Project. The WOW- GI Elder Economic Security Standard™ index was developed by the Gerontology Institute of the University of Massachusetts/ Boston in conjunction with WOW.

The Self-Sufficiency Standard measures how much income is needed for a family of a certain composition in a given place to adequately meet its minimal basic needs *without public or private assistance*. Among its key assumptions are that all adults in the household work full-time and, thus, have work-related expenses such as taxes, transportation and child care when children are present. The Self-Sufficiency Standard takes account of differing costs not only by family size and composition (as does the official poverty measure), but also by the ages of children. It includes seven categories of expenses and is a no frills budget. The Self-Sufficiency Standard draws on publicly recognized and credible data such as HUD's Fair Market Rent, the Medical Expenditure Panel Survey and the USDA Low-Cost Food Plan.

The Self-Sufficiency Standard is developed through a national methodology that is adapted to the costs of not only individual states, but for each county within the state thus allowing a mechanism for federal policy and program goals to be easily translated on a local level. The Self-Sufficiency Standard makes clear the inaccuracies of the FPL. For instance, while the poverty level is based on one factor – that of food multiplied by three, the Self-Sufficiency Standard tells us that on average families expend 10-19% of their income on food. From a pure dollar and cents point of view it is clear that too many families either cannot afford their basic daily/monthly needs or are a single adverse event away from disaster. Families are often one broken car from job loss; one job layoff away from foreclosure, or as we have more publicly seen, one hurricane away from financial disaster.

Today, more than 2,000 local and state agencies and a variety of organizations are part of WOW's national Family Economic Self-Sufficiency (FESS) network. FESS partners include workforce development boards, state agencies, women's commissions, community action agencies, child advocates, job training programs, welfare rights groups, and state fiscal policy organizations.

And the concept of self-sufficiency is embedded in several federal laws, but only recently has it been defined to truly serve as a framework for policy setting with the potential of being used as an outcome measure. WOW's Self-Sufficiency Standard is also a recommended tool within federal program implementation including in the Community Services Block Grant program and in the Family Self-Sufficiency (FSS) program of the Department of Housing and Urban Development.

Many states have put state Self-Sufficiency Standards to official use. In 1998, Connecticut became the first state to require the calculation of a self-sufficiency standard by law. In 2001, the state called for the measure to be recalculated biannually. Since then, Hawaii, Illinois and West Virginia have adopted a state Self-Sufficiency Standard by state legislation. The Wyoming Governor's Planning Office supported development of a Self-Sufficiency Standard for the state and subsequently created an online Self-Sufficiency Calculator. Fourteen state Workforce Investment Boards have defined and implemented the concept of self-sufficiency for economic and workforce development purposes. States have used the Self-Sufficiency Standard to assess the impact of tax proposals, allocation of public support dollars, eligibility and outcome measures for publicly and privately funded programs. The Self-Sufficiency Standard is often used as a benchmark that enables policy makers to assess trends and to set goals with the understanding that success in fulfilling the goals is a slow and evolving process.

The Elder Economic Security Standard™ index, piloted in Massachusetts in 2006, uses a similar conceptual framework and data sources as the Family Economic Self-Sufficiency Standard. The data differentiates, however, among individuals and couples who own their homes free and clear, those who rent and those who still hold mortgages. It also differentiates by health status – poor, good, and excellent. Currently the senior poverty level threshold is even lower than that designed for working families because the U.S. Department of Agriculture calculations assume that older adults have lower caloric requirements than younger adults. Elder Standard™ indexes are under development in California and Illinois, and will be calculated for the rest of the country by 2012.

We salute Congressman McDermott for taking on the challenge of raising the issue of the inadequacy of the current federal poverty level. As a country we cannot shy away from facing the facts of what it costs to live in the United States today. Although, in the short run, some will find it uncomfortable to acknowledge that more people are struggling to meet their daily costs of living, in the long term a new measure will lay the basis of sound policy and program development for the future. The incorporation of the Self-Sufficiency Standard in a wide range of policy, program, and direct service implementation in a critical mass of states reflects the fact that states and local governments are succeeding in using an alternative to the federal measure. We encourage the federal government to develop both a tool and a framework to guide federal policy that reflects a higher, more accurate measure of economic security at all stages of life.

*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](http://www.wowonline.org)*