

Poverty Measures and Program Provision: Solving the Thresholds Problem

By Diana M. Pearce
University of Washington School of Social Work

Prepared for the Annual Meeting of the Association of Public Policy and Management
Washington, D. C.
November 2011

Paper #1972, DataWatch Section, Employment and Training Subsection

One of the more complex policy problems facing public officials and program administrators is that of poverty measurement. Saddled with a measure that dates from almost a half-century ago (Orshansky, 1965; Fisher, 1992), critiques of the federal poverty measure burgeoned two decades ago from all quarters, from academics to service providers (Ruggles, 1990; Renwick and Bergman, 1993). As this audience is well aware, Congress mandated that the National Academy of Sciences analyze the issues with the FPL and make recommendations, resulting in the comprehensive tome, *Measuring Poverty* (Citro and Michael, 1990). Indeed, revising the federal poverty measure was the subject of the Keynote address of APPAM's 2008 President, Rebecca Blank, who is now Acting Secretary of Commerce and Under Secretary of Commerce for Economic Affairs (Blank, 2008). Two decades of work, much of it led by Blank, ultimately resulted in the development of the new Supplementary Poverty Measure (SPM), currently being refined and implemented by the Obama Administration (Interagency Technical Working Group, 2010).

Meanwhile, many of the reports and articles calling for a revision of the federal poverty measure include or are even centered on the issue of the thresholds being too low (Greenberg, 2009). Nevertheless, little attention has been paid to this issue as the process of implementing the NAS recommendations has proceeded. While the SPM approach to poverty measurement has many advantages for measuring and analyzing poverty trends, it does not result in "stand alone" thresholds comparable to the federal poverty measure (or as it is commonly called by program providers, the Federal Poverty line, or the FPL). From the prospective of program providers who sought a new poverty measure that provides new, but improved (and higher, geographically varied) thresholds, the NAS/SPM measure has two major drawbacks: they are intermediate and they are partial.

First, the thresholds are intermediate in the process of determining poverty status. Unlike the FPL, poverty status in the SPM is not determined by simply comparing gross income to the SPM thresholds. Instead, income is first adjusted to reflect taxes and tax credits, cash

and near cash benefits that provide for core essentials (e.g., food stamps or housing assistance), and actual expenditures for work-related expenses and health care (FOCUS, 1995; Garner and Short, 2008). That is, one can have income over the threshold, but have expenses, such as for medical care, that reduces one's income and thus be deemed poor. At the same time, one's cash income may be below the threshold, but when a more robust accounting of resources, such as the value of food stamps received is added, one is no longer counted as poor.

Furthermore, the SPM thresholds are *partial*, that is, they only include the "core essentials" of survival (food, shelter, and clothing) but not needs required to function in society (such as health care or transportation). As some have pointed out, the SPM thresholds are set at a level that is best described as measuring deprivation (Cauthen & Fass, 2008). As a result, the thresholds used by the NAS/SPM are set a level that is only slightly above the current federal poverty level. This is not an accident, but reflects the desire to have the initial count of the poor using the SPM be roughly similar to counts using the current federal poverty measure. By setting it at this level, analysis would reveal how the changes, such as adding in the value of near cash benefits, or subtracting money spent on health care, changes the picture of who is poor.¹ Setting it at this level also had the advantage of not creating the difficult political issue of suddenly substantially increasing the number of the poor—something no administration would want to explain.

In sum, then, this has left the problems of the FPL thresholds unaddressed by the revision of the SPM. Meanwhile, policy makers and program providers still needed functionally equivalent, but improved (e.g., geographically and family composition varied as well as higher/more realistic), thresholds to replace the outdated and inadequate FPL thresholds. In the remainder of this paper, the problem of "too low thresholds" will be described, followed by a very a brief history of various attempts to address this problem, culminating in the development of basic needs budgets, particularly the Self-Sufficiency Standard. The next section of the paper will briefly summarize both how the latter has become institutionalized in various policy arenas, and how it is affecting program implementation, policy and research. Finally, I will describe in more detail how the implementation of the Standard as a measure of income sufficiency, is challenging our understanding of the issues of poverty, income inadequacy and inequality.

¹ If the *level* changed substantially using the SPM, then comparing analyses of poverty with the new (SPM) and old (FPL) measures would be confounded by the two sets of changes (how it is measured, plus the level changes). In effect it would be comparing "apples and oranges", and it would not be clear as to how the new poverty measure changed our understanding of who is poor (and why).

The Federal Poverty Measure Threshold: The Evolution of Alternatives

In spite of objections almost from its inception, there has been widespread usage of the federal poverty measure's thresholds not only for determining program eligibility, but also for assessing program performance and as well as to allocate program resources. Gabe (2007) cites 82 federal programs that use the FPL to either allocate resources or determine program eligibility and/or benefits.

Early on, however, it became apparent that the FPL was inadequate as a measure of need. As a result, policymakers, program directors, and analysts developed some "work-arounds". The most obvious was to use a multiple of the poverty line:

- For eligibility, SNAP uses 130% of the FPL (for gross income), WIC uses 185% of the FPL, Medicaid uses a variety of multiples for different groups, depending on the state.
- To incorporate geographical differences in costs, states use different multiples, e.g., for determining eligibility for child care subsidies, or for CHIP (with the multiples going up to 400% of the FPL). That is, states could determine at what level, in their state, a family had insufficient resources to meet a need, for example, for children's health care.
- For the foundation-funded Working Poor Families Project ² 200% of the FPL is used. Other analysts have used similar multiples, labeling the population "low income" or "near poor", or if limited to those who are in the workforce, the "working poor" (Urban Institute, 2005).

However, such approaches do not address the other limitations of the FPL, particularly the fact that it does not incorporate geographical variation in costs, or variation by family type or circumstances. This is particularly true of the needs for child care and health care which were not salient 40 plus years ago when Molly Orshansky developed the federal poverty measure (Orshansky, 1965; Fisher, 1992).

In order to target scarce resources to those who needed it most, various programs addressed the issue of designing eligibility criteria by using other measures of need. Some examples of these other measures include:

- Federal housing programs used a percentage of area median income – basically a geographically specific relative measure of need, designating 80% of area median

² Funded by Casey, Charles Steward Mott, Joyce, and Ford foundations, see <http://www.workingpoorfamilies.org/about.html>. For description of indicators used, see http://www.workingpoorfamilies.org/pdfs/Framework_of_Indicators.pdf

income as “low income”, 50% as “very low income”, and 30% as “extremely low income”.³

- Federally funded child care programs may use 85% of state median income as an eligibility threshold.

While these approaches go a long way towards incorporating geographical variation into this measure of need, they assume that local median income is a good proxy for local costs of living. This is a questionable assumption, as the literature on housing affordability suggests that there is considerable variation in the proportions of households who have adequate income to afford housing (Fisher, et al, 2007). Moreover, as with “relative” poverty measures that use a percentage of median income (Couch and Pirog, 2010), it has no obvious referent to give it credibility. That is, the designations of 30%, 50%, and 80% of median income are essentially arbitrary.

Finally, recently, the SNAP (food stamps) program has allowed states to raise gross income eligibility up to 200% of FPL, with net income determined by deducting costs for child care, housing, work expenses, etc. (These deductions must bring income down to below 100% of FPL in order to be eligible for benefits). In high cost areas, this makes families eligible who would not have qualified under the 130% of FPL rule, thus making eligibility determination more reflective of both geographical and individual variation in costs. While the food stamps approach avoids the assumptions of the area median income approach, it also has limitations (such as capping deductible housing costs at a very low level.) At the same time, it gets closer than most eligibility standards to determining individual household need, taking into account local variations in costs (albeit in a somewhat tortuous multi-step process that only a computer could love.)

In spite of these “work-arounds”, the fact that the FPL is both too low and does not reflect geographical variation in costs, nor different family circumstances, made it at best an awkward tool to use, even in multiples, and/or with adjustments as described above. This was especially true when trying to use it as a positive tool, for goal and target setting. Whether working with individual clients, or at a group or community level, there is a “disconnect” between a goal of “moving out of poverty” and the actual FPL number. Both program providers and clients instinctively understand that “moving out of poverty” meant a great deal more than

³ Although these income limits are based on 80%, 50%, and 30% of the median income, the final income limit benchmarks are calculated after various adjustments are accounted for, such as high or low housing cost adjustments. Therefore the final income limits are not necessarily an exact percent of the original median income. Most housing assistance is limited to the “Very Low Income” category, and in some instances to the “Extremely Low Income” category. U.S. Department of Housing and Urban Development, “FY 2011 Income Limits Summary, Snohomish County,” FY 2011 Income Limits Documentation System, <http://www.huduser.org> (accessed June 1, 2011).

exceeding the FPL. They also understood that there was a great deal of variation between families in communities in what it took to move out of poverty.

To address these issues, a totally different approach sought to address the limitations of the FPL. Rather than use multiples of the FPL, these approaches went at the problem from the other direction, building up thresholds “from the ground up”. Of course, building budgets based on basic needs was not a new approach, indeed there is a long history (Johnson, Rogers & Tan, 2001; Renwick and Bergman, 1993), but the more recent work took advantage of the availability of data on costs of various needs that did not exist in earlier decades. Several approaches have been tried, including starting with housing costs (using local FMRs), adding to the poverty threshold specific costs, or starting from scratch with “basic needs budgets”.

While the FPL was based on food, the “housing wage” was based on housing costs (DeCrappeo et al, 2010). Created in 1989 by Cushing Dolbeare, (founder of the National Low Income Housing Coalition), it uses the simple formula of assuming that housing costs should constitute no more than 30% of one’s income. Although this sounds like the FPL because it is based on a single cost, by using U.S. Department of Housing and Urban Development (HUD)’s Fair Market Rents (FMRs), this measure had the substantial advantage of being able to be geographically specific (as well as varied by family size). HUD calculates the cost of a modest housing unit available on the market, usually at the 40th percentile, for over 400 housing market areas. The “housing wage” can be used to determine what percentage of renters are able to afford a modest housing unit (without it exceeding 30% of their income). Those who cannot afford a housing unit at the FMR level find housing “Out of Reach”, the title of the annual report that uses this metric.

Much more common is the development of basic needs budgets. Appendix 1 shows a sampling of these budgets. Most are developed by states, such as by their statistical or social welfare departments, or by advocacy organizations. Although they may differ somewhat in details and methods, they are more similar than different, as was noted by Bernstein in his survey of these basic needs budget (based on a conference held in 1999) (Brocht, Bernstein, and Spade-Aguilar, 2000). Indeed, Bernstein developed a version of these budgets, called the “Basic Family Budgets”, which is still calculated and can be found at the EPI website (cites).

However, by far the most extensive and detailed set of family “basic needs” budgets, developed previous to the EPI budgets, is that of the Self-Sufficiency Standard. Originally developed as a program performance measure in federal job training programs⁴, it was intended to replace the current measure. At the time, local entities were deemed to have met

⁴ At the time, these programs were set up under the JTPA – Job Training Partnership Act, with local agencies called Service Delivery Areas; it has now been replaced by the Workforce Investment Act, with local entities usually called Workforce councils or WIA boards/councils.

their performance measure of “self-sufficiency” if the average wage across all clients exceeded a single given level (which was determined by taking into account local labor market wages, unemployment levels, etc.). Of course, such a measure did not take into account the higher level of needs for clients who were supporting families (mostly single mothers) compared to those who were single (often, single men.)⁵ This led advocates to ask for the development of a ‘Self-Sufficiency Standard’ that would be individualized, not only geographically specific, but also specific to the needs of specific family types, reflecting where appropriate the age as well as the number of children, and the number of adults, and would set out what would be needed to meet a given household’s needs at a minimally adequate level.

The resulting Standard was thus created in the context of job training programs, and was explicitly intended to calculate what a given household required to meet not only the necessities of survival (food, shelter and clothing), but also what was minimally required to be employed, including work expenses (transportation and for those with young children, child care), health care, and taxes (including tax credits). Unlike earlier “family budgets”, the amount required for each need is not set arbitrarily or by experts, but whenever possible, at the level determined by government to be minimally adequate. Thus housing costs are set at the level of Fair Market Rents, i.e., the rent levels for those receiving housing assistance. Likewise, child care is set at the level of child care subsidies, which states determine (using surveys of costs) and vary by setting, geography, and child age. When publically determined levels of adequacy are not available, then consumer expenditure data is used, as for transportation. All costs are made as geographically specific as possible, data permitting, and where appropriate, age specific. Data used is consistent across time and place, allowing for comparisons, although as improved data sources become available, these are incorporated into the methodology. (Details of methodology and data sources can be found in the reports for each state, available at www.selfsufficiencystandard.org, summarized in Appendix 2 to this paper.)

The first Standard was calculated for Iowa in 1996, followed by Texas and North Carolina, and then about three or four states per year, funded mostly by the Ford Foundation. By the late 1990s, a consortium of foundations funding work on the implementation of the 1996 welfare reform realized that with reauthorization in 2001, there was a need for the

⁵ Analysis of the data found that using an “average” underserved women and people of color, as it averaged together the higher wages of men (often single) with the lower wages of women clients (who were often single parents) as well as the lower wages of Hispanics and African Americans, both men and women. That is, while in reality to be “self-sufficient” required higher wages for those who had families to support, this was ignored by averaging all wages together. Moreover, In response to pressures coming from welfare reform, as well as women’s and civil rights groups, JTPA was broadening its reach to more women and/or people of color. But because of the lower wages of these groups in the market, the formulas determining the local performance standard wage took into account the proportions of clients served who were women or minorities. This resulted in lowering the overall threshold (performance measure) if the local service area served more women and/or people of color, thus reflecting rather than addressing the lower wages received by women and/or people of color.

“success” of welfare reform to be gauged against a higher standard than the Federal Poverty level, as it was understood that by any common understanding, former welfare recipients with earnings at this level were continuing to struggle, unable to meet their basic needs at this level. Thus Ford Foundation funded the expansion of the Standard to 34 states.⁶

The Institutionalization of the Standard in Social Welfare/Employment Services Programs

As “welfare reform” has faded as an issue over the past decade, and as cash welfare programs (TANF and General Assistance) have become less and less of an effective safety net, the front line of poverty reduction efforts has of necessity turned to employment programs, such as job training, unemployment, or “community action”/community development agencies. The Standard, as a set of thresholds that measure income adequacy has become incorporated in the core of work done in many of these agencies. One way to summarize these myriad uses is to examine how the Standard’s thresholds are used at three levels.

#1. At the *individual level*, the Standard is used with clients to help set wage goals, which in turn drive choices of which occupations/careers to enter and the training/education that is necessary to access the desired wage levels. In some states, this is done with the help of online calculators, which are an efficient and effective “one-stop” tool that provides information on the Standard, benefit eligibility, copays, and links to websites, applications, and other information that connects individuals to resources and benefits⁷. This is much more effective than the old-fashioned referrals that often involve going to many offices, with different hours, rules, and requirements. Moreover, online calculators transform the process: on the one hand, they empower clients, confirming what most know—that no matter how well they budget, they cannot live on the low wages they either currently earn, or are being offered in many jobs—and on the other, it empowers caseworkers with tools to more effectively aid clients by harnessing the power of the web to access a wider range of resources and information that is individually targeted.

#2. At the *agency level*, the Standard is being used to benchmark client progress, and evaluate the effectiveness of programs. Using the Standard, agencies can evaluate

⁶ The effort was funded by Ford, and coordinated by Wider Opportunities for Women, but all the Standards, calculations, and reports were done by the Center for Women’s Welfare at the University of Washington. In the end, welfare reauthorization did not happen until 2005, there were no real hearings held, and it was in essence a “non-event”.

⁷ For Washington State, see www.thecalculator.org. For New York City, go to www.wceca.org; for Colorado, see <http://www.coloradoselfsufficiencystandardcalculator.org/ColoradoCalculator/Home.aspx>; for Oregon, go to <https://www2.prosperityplanner.org/>; for Pennsylvania, <http://egldata.com/db/gsddLHY2/OTBET/flash?save-on-close=SavedInfo&winwm=1>, and for California, go to <http://www.ssscalc.org/ca..>

which strategies are working best, and with which groups of clients. (Online calculators can be used to track client progress. While maintaining client confidentiality, the collection of demographic data, enables agencies to determine which caseworkers and/or which client groups are making the best progress.)

#3. At the *policy level*, the Standard is used to evaluate proposed programs as to whether they will contribute to the effort to achieve economic self-sufficiency. For example, the Standard has been used to evaluate proposed economic development programs, by examining the wages that would be paid to future workers in enterprises seeking to enter a particular state with the aid of tax and other state subsidies and support. Likewise, the Standard is used to aid the "smart" allocation of scarce education and training resources. Beyond public policies and programs, the Standard has been used to advocate directly for higher wages by unions, Living Wage campaigns, and in wage negotiations.

Though it has its roots in the workforce and anti-poverty programs, the Standard has also come full circle to become a tool for research, which is described in more detail in the next section.

How the Standard Challenges Our Understanding of Poverty, Income Inequality, and Income Sufficiency

While the SPM is helping to deepen our understanding of some aspects of poverty and deprivation, the Standard is also challenging long held notions about “poverty” and income sufficiency. This section focuses on three areas where the Standard reveals a different perspective on these issues: the rising costs facing households at the basic needs level, the geographical incidence of income insufficiency when cost of living is taken into account, and the shifting of the burden of income insufficiency unto the backs of adults who are workers, not those who are out of the labor force or even marginal to it.

1. Rising Costs Facing Low Income Families

It is well known that wages and income have been stagnating over the last several decades, and most recently, even falling. What this means for many families, however, depends upon what is happening to costs. That is, if costs were also not rising, or even falling, then languishing incomes would be much less of a problem. But that is far from what people are experiencing; it has been observed at a general level that American families are experiencing a “crunch” (Bernstein, 2008), where wages are not keeping up with costs. With the Standard, it is possible to document this “crunch” on the costs side for families at this minimally adequate income level. Moreover, costs are rising, with some variation, not only faster than incomes, but even faster than is depicted by the official measure of inflation, the Consumer Price Index (CPI).

In Table 1, a comparison is made between using the CPI to update the costs in the Standard versus the actual increase in costs of the Standard over time. After all, if the Standard once calculated could be updated with the CPI that would make things a lot easier. It turns out, however, that using the CPI underestimates the increase in the cost of living, sometimes by a lot, and sometimes less so, as Renwick (1998) had found using generic Basic Needs Budgets in the early 1990s. Table 1 shows the median Standard (of all family types) from two places in each state, with the first county listed being an urban county and the second one for the state being a rural county, at several points in time. For each place, two points in time are compared, showing the percent change in the actual Standards, and then in the second line, the percent change when the earlier Standard is updated using the regional CPI. Note that for this comparison taxes and tax credits are taken out of the Standard, as those are not included in the CPI.

As can be seen in Table 1, average annual increases in the SSS in the early 2000s averaged .4 to 1.7% more than updating the Standard with the CPI (using the regional CPI-U) (except in Grays Harbor, Washington, where the CPI overestimated the change in costs of .2% per year). That is, updating with the CPI underestimates the increase in costs documented in the Standard by .4% to 1.7% per year. In the second set of calculations, the SSS and the CPI updating are compared from the mid-2000s until the most recent calculation (2008-2011). In these more recent years, the gap between the CPI measure of inflation, and the SSS-measured increase in the cost of living, has widened, ranging from .2% to as high as 6.3%. Since these are annualized numbers, this suggests that the CPI is, at least in these places, seriously underestimating the rise in costs facing Americans living at this “bare bones” level.

A gap between updating with the SSS compared to the CPI of even 2% per year quickly adds up. This has an important but largely hidden impact on low income families, as many programs, such as income tax exemptions, SNAP (food stamps) benefits and many others, use the CPI to update the tax brackets or benefit amounts. Each year, and for almost all places, real costs of basic needs as measured by the Standard are rising faster than the CPI-measured rate of inflation, meaning that families are finding not only their incomes, but the aid they are receiving is not keeping up with real costs, even when it is updated for “inflation”.

There are several possible explanations for why the Standard is rising faster than the CPI. One is the way in which the costs are calculated: even though “basic needs budgets” are in theory “absolute” measures of poverty, key components of the Standard are in actuality more accurately characterized as relative than absolute measures. By using a combination of government-determined amounts (such as the Fair Market Rents, which are set at the 40th percentile of housing and utility costs) and consumer expenditure data, the Standard, like the SPM, thus reflects increases in living standards, not just inflation. A second reason is that these

basic costs are rising faster than other goods included in the CPI, but not the Standard, as the CPI encompasses all goods and services purchased by all consumers, and particularly reflects larger and/or more numerous purchases. Some of these “luxury” goods, not included in the SSS but included in the CPI (such as computers, airplane tickets, and cell phones) have seen their real prices experience less inflation or even fall due to deregulation, competition, or introduction of cheaper imported goods.

Note that there is no consistent difference between metro and rural counties in each state. In five of the seven states shown in Table 1 the actual Standard increased faster over the time periods shown than the CPI-updated Standard in the metropolitan compared to the rural county; the exceptions of Ohio and Pennsylvania do not have a clear explanation why costs increased at a greater rate in rural areas. The analysis was also done using all counties in each state, comparing metro and non-metro counties within each state, with the same results (data not shown). Analysis was also done for different family types, which also did not result in consistent differences (data also not shown).

Analysis was also done of the components of the Standard, as to which costs are driving the increase in the Standard. Not surprisingly, health care was the cost that increased the most, or second most, in every state except Montana and non-metro New York (see Table 2), with child care and housing being the next most expensive in most states. Food also increased considerably, but this is in part due to a change in methodology, as more geographically specific data became available and was incorporated into the methodology. Perhaps most surprising, taxes hardly increased at all, while tax credits increased substantially, in every state except California.

While there is some variation across states, typically earnings are not keeping pace with costs. For example, in Washington State, statewide median earnings rose 21% while the median Standard rose 37% over the last decade (2001-2011) (Pearce, 2011).

2. How Using the Standard Changes the Level and Incidence of Poverty/Income Inadequacy

Using the Standard as a measure of income adequacy, and the FPL as a measure of poverty, the level and distribution of income inadequacy/poverty in seven states has been analyzed (see Chart #1).⁸ To do this, each household in the Census 2000 or ACS dataset used was coded with its appropriate Standard, based on family composition (number of adults and number and age of children) and residence. Households headed by elderly and/or disabled adults were excluded as the Standard was not intended to be applied to households in which the adults are not able or expected to be in the labor force. Poverty rates were also calculated

⁸ This data was calculated and reported in seven reports, most titled “Overlooked and Undercounted:...” See the References for citations. All reports are available at www.selfsufficiencystandard.org.

for the same population. Since no Standard has ever been as low as the comparable FPL threshold, with the ration ranging from a low of about 150% of the FPL to over 400% of the FPL (depending on the number and age of children, and the place), one would expect that the proportion of households below the Standard would be higher than the poverty level, but the ratio varies considerably, as shown in Chart 1. In fact the ratio of the percentage of households with income below the Standard to the percentage with incomes below the FPL ranges from 1.8 (Mississippi) to 3.3 (California). In other words, in Mississippi, the number of households with inadequate income as measured by the Standard is not quite double the number below the poverty level, while in California the number of households with income below the Standard is over three times as many as are deemed poor by the FPL.

Perhaps the most surprising result among these seven states is that the rate of income insufficiency is virtually the same in Mississippi as in California. That is, when the cost of living is controlled for, there is almost the same proportion of households with inadequate income in California as in Mississippi. While the poverty of Mississippi is well known, most observers have not seen California as equally impoverished, but these data suggest that this is true.

3. The shifting burden of poverty/income inadequacy: an examination of race/ethnicity, gender and work effort across seven states

An obvious explanation for the high levels of income insufficiency in California and Mississippi is that these numbers reflect the higher levels of income inadequacy among people of color, particularly African Americans in Mississippi and Latinos in California. In Table 3, the rates of income insufficiency (that is, the proportion of households with incomes below their Self-Sufficiency Standard) by race/ethnicity is shown for these seven states. The groups shown are mutually exclusive, i.e., whites are non-Hispanic whites, etc.

In most states, FPL poverty rates are higher or very similar for African Americans compared to those for Latinos. However, in all but one of these seven states, the rates of income inadequacy, of having household income below the Self-Sufficiency Standard, are higher for Latino households, sometimes considerably higher. (The exception is Mississippi, and the difference is only 1%, well within the margin of error.) That is, on average across these seven states, almost half of Latino households lack adequate income to meet their basic needs.

This challenges an implicit political understanding that our society has become “post-racial”. As one increases the number of households between the FPL and the SSS, one would expect that it would become more diverse, with less concentration of minorities. Yet what is apparent here is with the greater concentration of African-Americans and Latinos in cities, with their higher costs of living, these groups experience extremely high rates of income inadequacy. One way to see the difference is examine the difference in poverty rates by race-ethnicity as

measured by the FPL, compared to the difference in income inadequacy rates as measured by the SSS. While there is variation, on average the FPL poverty rates are about 12 percentage points higher for African Americans as well as for Latinos than for whites across these seven states. However the gap in rates increases under the SSS, averaging 22 percentage points higher for African American households than white households and 31 percentage points higher for Latino than white households.

Likewise, an increasing divide in this country in economic fortunes occurs between one-earner and two-earner families, which is largely (though not entirely) a division between single parent and two parent families. In Table 4, the incidence of income inadequacy among households with children is examined, comparing these households by type (married couple and single fathers compared to single mothers), as well as by number of workers, and presence of one full-time year round worker. While there are differences by state, in general it can be said that the rates of income insufficiency are very high, in spite of substantial work effort. Just over one-third of married couple and single father households with one full time year round worker, on average across these states, lack adequate income. In the instance of single mother households with one full-time year-round worker, over half of these households on average, lack adequate income to meet their basic needs.

To the extent to which the number of single parents is disproportionately higher among some racial/ethnic groups, this then increases once again the likelihood of experiencing inadequate income. Thus the rates of income inadequacy for single mother headed households range from 64% (Washington) to 75% for black single mothers (Mississippi) and from 71% (Washington) to 80% (Connecticut) for Latino single mother households.

These trends are in spite of the fact that among all households with inadequate income, the vast majority have at least one worker, ranging from 80-85% in each state, about half of whom are full time workers (data not shown). Essentially, work effort does not differ substantially between those above and below the Standard. Wages, however, do differ substantially. What this means is that the burden of income insufficiency (or some would say poverty) has shifted to those already working, many full time and/or more than one job. Thus, using a measure like the Self-Sufficiency Standard challenges the analyst to examine much more systematically the issue of wages and the role that earnings play in contributing to income inadequacy (Cauthen and Hsien-Hen, 2003).

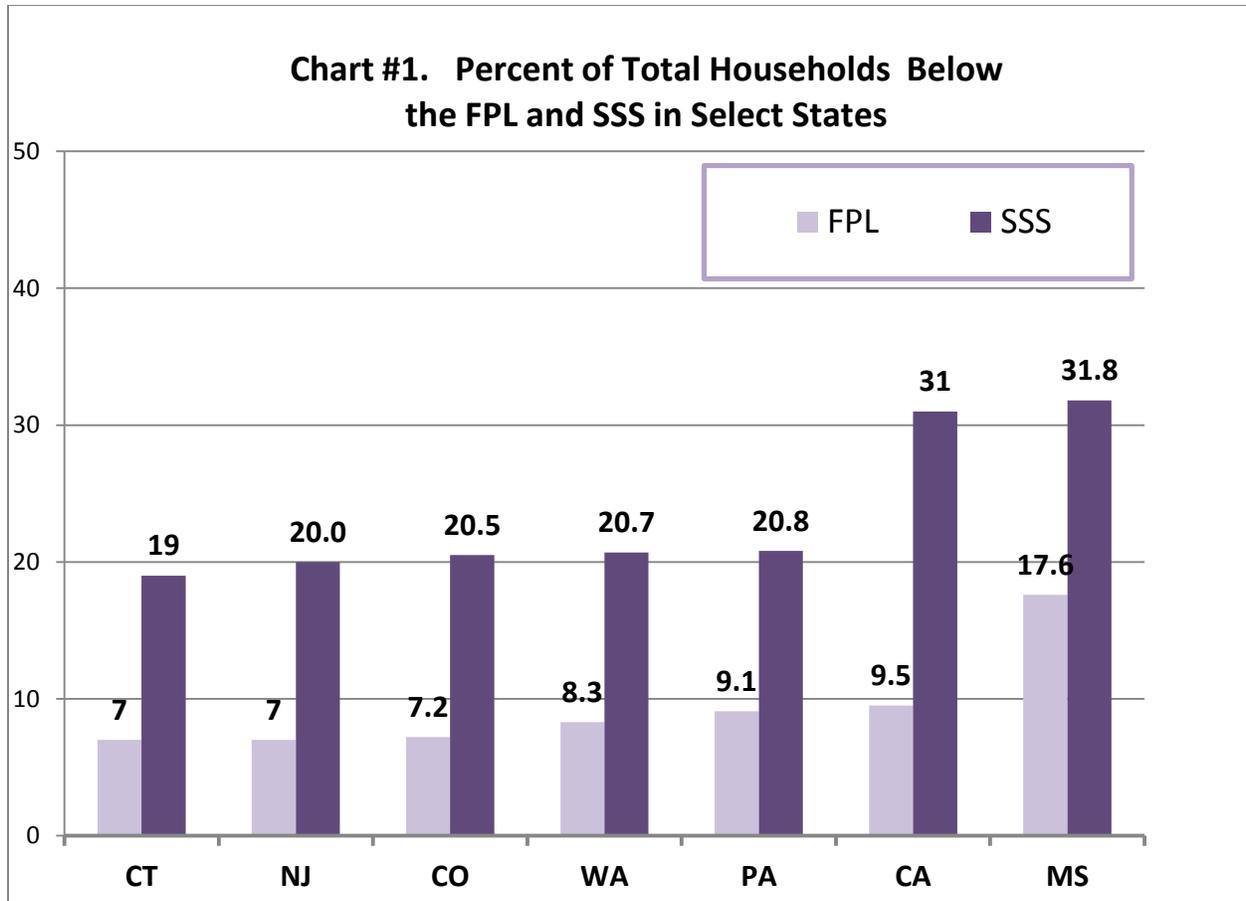
In conclusion, the Self-Sufficiency Standard solves the thresholds problem facing many policymakers, but also challenges researchers to reexamine who lacks adequate income, and why. The more traditional perspective of both poverty program providers and analysts that focuses on the characteristics and motivation of the poor (including chronic illness and disability, lack of education, lack of English-speaking ability, work ethic, and so forth) is

*Draft * Please do not quote without permission * Draft*

contested by the statistics presented here. The highly disproportionate rates of income inadequacy found particularly among Latino and African American households, and/or those maintained by women alone, in spite of high levels of work effort, challenge us to reexamine the role of race/ethnicity and gender in the inequality of wages/earnings that underlies these high levels of income inadequacy.

Draft * Please do not quote without permission * Draft

Table 1. Comparison of Cost Changes Between CPI and SSS						
	State by State Comparisons Years 1999-2003 to mid-2000s			State by State Comparisons Years mid-2000s to 2008-11		
	Total Percent Change Over time	Average Annual Percent Change	Difference in Annual Percentage Change between CPI & SSS Updated Standards	Total Percent Change Over time	Average Annual Percent Change	Difference in Annual Percentage Change between CPI & SSS Updated Standards
NEW JERSEY	1999-2005			2005-2008		
Somerset County SSS	32.8%	3.6%	1.7%	19.0%	6.3%	3.4%
Somerset County CPI	17.5%	1.9%		8.8%	2.9%	
Cumberland County SSS	24.7%	2.7%	0.8%	16.2%	5.4%	2.5%
Cumberland County CPI	17.5%	1.9%		8.8%	2.9%	
PENNSYLVANIA	1999-2006			2006-2008		
Philadelphia County SSS	30.8%	4.4%	1.1%	12.2%	6.1%	4.1%
Philadelphia County CPI	22.9%	3.3%		4.0%	2.0%	
Erie County SSS	26.0%	3.7%	0.4%	16.6%	8.3%	6.3%
Erie County CPI	22.9%	3.3%		4.0%	2.0%	
WASHINGTON	2001-2006			2009-2011		
King County (Seattle) SSS	17.0%	5.7%	1.7%	10.4%	5.2%	2.4%
King County (Seattle) CPI	11.9%	4.0%		5.5%	2.8%	
Grays Harbor County SSS	12.5%	2.5%	-0.2%	5.8%	2.9%	0.2%
Grays Harbor CPI	13.5%	2.7%		5.5%	2.8%	
OHIO				2008-2011		
Hamilton County SSS				10.5%	3.5%	2.9%
Hamilton County CPI				1.7%	0.6%	
Belmont County SSS				11.7%	3.9%	3.4%
Belmont County CPI				1.7%	0.6%	
OREGON				2008-2011		
Washington County SSS				9.6%	3.2%	3.5%
Washington County CPI				-0.8%	-0.3%	
Deschutes County SSS				4.2%	1.4%	1.7%
Deschutes County CPI				-0.8%	-0.3%	
MISSISSIPPI				2003-2009		
Forrest County SSS				33.4%	5.6%	2.8%
Forrest County CPI				16.4%	2.7%	
Desoto County SSS				27.8%	4.6%	1.9%
Desoto County CPI				16.4%	2.7%	



*Draft * Please do not quote without permission * Draft*

Table 2. Average Annual Percentage Difference of Median of Basic Needs between Standards at Point #1 and Point #2, by metro and non-metro counties across all family types.

		HOUSING	CHILD CARE	FOOD	TRANSPOR TATION	HEALTH CARE	MISC	TAXES	TAX CREDITS
		MED	MED	MED	MED	MED	MED	MED	MED
California (2003-2008)	Metro	4.1%	3.6%	9.2%	0.9%	6.6%	4.8%	9.4%	0.0%
	Non-metro	6.9%	6.1%	6.7%	0.8%	7.3%	6.0%	14.1%	-0.1%
Illinois (2000-2010)	Metro	1.7%	4.0%	2.7%	1.3%	4.6%	2.9%	0.8%	8.1%
	Non-metro	3.8%	2.5%	2.7%	1.4%	4.5%	2.9%	0.1%	10.2%
Montana (2002-2008)	Metro	2.7%	5.7%	5.2%	2.1%	0.8%	3.6%	-0.5%	8.7%
	Non-metro	4.3%	4.5%	4.7%	3.7%	0.8%	3.7%	-0.7%	11.2%
New York (2000-2010)	Metro	3.8%	4.6%	4.5%	4.1%	4.7%	4.2%	3.4%	10.3%
	Non-metro	4.8%	5.0%	4.5%	4.0%	4.6%	4.6%	4.1%	10.3%
Oklahoma (2002-2009)	Metro	1.4%	3.2%	2.7%	2.1%	4.9%	2.7%	-2.4%	13.3%
	Non-metro	5.4%	3.2%	2.8%	3.0%	5.2%	4.0%	-0.7%	12.7%
Pennsylvania (2008-2010)	Metro	3.0%	3.0%	4.1%	4.7%	8.7%	4.3%	4.3%	9.5%
	Non-metro	3.0%	4.0%	4.2%	4.8%	9.2%	4.5%	5.1%	9.5%
Average Metro		2.8%	4.0%	4.7%	2.5%	5.1%	3.8%	2.5%	8.3%
Average Non-Metro		4.7%	4.2%	4.3%	3.0%	5.3%	4.3%	3.7%	9.0%

Draft * Please do not quote without permission * Draft

Table 3. Percent of Households Below the FPL and SSS in Select States by Race-Ethnicity

	California		Colorado		Connecticut		Mississippi		New Jersey		Pennsylvania		Washington		Total	
	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS
Total Households	9.5	31	7.2	20.5	7	19	17.6	31.8	7	20	9.1	20.8	8.3	20.7	9.4	23.4
Asian & Pacific Islander	8.7	26	9.6	27.1	11	26	18.6	39.1	6	17	12.4	26.1	12.7	27.8	11.3	27.0
African-American/Black	16	39.2	14.5	34.2	16	39	30.2	49	15	34	22.8	41.2	14.9	34.8	18.5	38.8
Latino/Hispanic	14.5	51.9	16.6	42.7	23	51	20.6	48.2	13	42	24	50.3	19.6	45.9	18.8	47.4
White	5.8	18.4	5.3	16.1	4	14	10.3	21.3	4	13	6.6	16.8	6.8	17.6	6.1	16.7
Native American			13.1	32.9	9	27							16.7	35.4		
Other							12.1	29.7	7	34						
Data Source:	ACS 2007		Census 2000		Census 2000		ACS 2007		ACS 2005		ACS 2007		Census 2000			

Draft * Please do not quote without permission * Draft

Table 4. Percent of Households Below the FPL and SSS in Select States by Household Type and Number of Workers

	California		Colorado		Connecticut		Mississippi		New Jersey		Pennsylvania		Washington		Total	
	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS	FPL	SSS
Total Households	9.5	31	7.2	20.5	7	19	17.6	31.8	7	20	9.1	20.8	8.3	20.7	9.4	23.4
Households with Children	12.1	42.8	8.2	29.2	8	27	22.2	38.3	8	27	11.0	29.1	9.5	28.9	11.3	31.8
Married Couple and Single Father Households	8.2	37.1	5.3	23.9	4	19	10.3	24.3	3	18	5.0	20.5	6.2	23.6	6.0	23.8
<i>Two or more workers</i>	3.5	29.7	1.8	16.7	1	13	4.7	15.9	2	13	2.2	13.9	2.5	16.1	2.5	16.9
<i>One FTYR worker</i>	12.5	49.7	5.4	32.5	2	29	16.3	39.9	3	28	6.1	34.0	4.8	30.9	7.2	34.9
Single Mother Households	26.5	63.5	22	54.1	24	59	46.8	67.8	24	57	31.1	58.1	24.2	52	28.4	58.8
<i>Two or more workers</i>	10.3	50	5.5	32.5	7	36	21.7	45.8	5	37	9.2	32.3	5.9	31.2	9.2	37.8
<i>One FTYR worker</i>	14.9	58.3	7.5	47.6	6	51	31.4	60	13	55	14.5	54.5	6.3	38.6	13.4	52.1
Data Source:	ACS 2007		Census 2000		Census 2000		ACS 2007		ACS 2005		ACS 2007		Census 2000			

References

- Bergmann, B. & Renwick, T. (1993). A budget-based definition of poverty: With an application to single-parent families. *The Journal of Human Resources*, 28 (1), 1-24.
- Bernstein, J. 2008. *Crunch: Why Do I Feel so Squeezed (and other Unsolved Economic Mysteries)*. San Francisco, CA: Berrett-Koehler Publishers, Inc.
- Blank, R. 2008. "Presidential Address: How to Improve Poverty Measurement in the United States." *Journal of Public Policy and Management*, Vol 27, No. 2, p.233-254.
- Blank, R. and Greenberg, M. 2008. "Improving the Measurement of Poverty." The Hamilton Project, Brookings Institution. (December).
- Brocht, C., J. Bernstein and M. Spade-Augilar.. 2000. How Much Is Enough? Basic Family Budgets for Working Families. Economic Policy Institute. Washington, D.C.
- Cauthen, N. K. and Hsien-Hen L. 2003. *Living at the edge, Research Brief 1: Employment alone is not enough for America's low-income families*. New York City: Columbia University, National Center for Children in Poverty.
- Cauthen, N. K. and S. Fass. 2008. "Measuring Poverty in the United States". National Center for Children and Poverty. Milkman School of Public Health, Columbia University.
- Citro, C. & Michael, R. Eds. 1995. *Measuring poverty: A new approach*. Washington, DC: National Academy Press.
- Couch, K. A. and M. A. Pirog. 2010. "Poverty Measurement in the U.S., Europe, and Developing Countries." *Journal of Policy Analysis and Management* (Vol. 29, No. 2), p. 217-226.
- DeCrappeo, M. , D. Pelletiere, Crowley, S., and E. Teater. *Out of Reach 2010*. National Low-Income Housing Coalition. Washington, D.C.
- Gabe, T/. 2007. "Federal Programs That Use the 'Official' Poverty Definition for Determining Eligibility or for Allocating Funds." Memo from the Congressional Research Service to the House Ways and Means Subcommittee on Income Securing and Family Support (October 30). As cited in Blank, R. and Greenberg (2008).
- Fisher, G. "The Development and History of the Poverty Thresholds," *Social Security Bulletin*, Vol. 55, No. 4, Winter 1992.
- Fisher, L., Pollakowski, and Zabel. 2007. Amenity-based Housing Affordability Indices. Downloaded October 19, 2011, http://web.mit.edu/cre/research/hai/pdf/FPZ_021207.pdf
- Focus*, University of Wisconsin-Madison Institute for Research on Poverty. Vol. 17, No. 1, Summer 1995. Measuring Poverty: A new Approach and Assessments of the Panel Report.
- Garner, T. and K. Short, "Creating a Consistent Poverty Measure over Time Using NAS Procedures: 1996-2005"

*Draft * Please do not quote without permission * Draft*

Greenberg, M. 2009. "It's Time for a Better Poverty Measure." Center for American Progress.

Interagency Technical Working Group. U.S. Department of Commerce, Census Bureau. 2010. "Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure," http://www.census.gov/hhes/www/poverty/SPM_TWGObservations.pdf (accessed October 19, 2011)

Johnson, David S., John M. Rogers, and Lucilla Tan. 2001. "A century of family budgets in the United States." *Monthly Labor Review* (May): 28-45.

Orshansky, M. 1965. "Counting the Poor: Another Look at the Poverty Profile." *Social Security Bulletin* 28 (1) 3-29. (Reprinted in *Social Security Bulletin*: 51 (10): 25-51. [1988])

Pearce, D.M. 2007. "Overlooked and Undercounted: Struggling to Make Ends Meet in Colorado" for the Colorado Fiscal Policy Institute, (Center for Women's Welfare, University of Washington School of Social Work).

<http://www.selfsufficiencystandard.org/docs/Colorado%20Demographic.pdf>

_____. 2007. "Overlooked and Undercounted: Wages, Work and Poverty in Washington State" for the **Harry Bridges Center for Labor Studies, University of Washington** (Center for Women's Welfare, University of Washington, School of Social Work).

<http://www.selfsufficiencystandard.org/docs/Washington%20State%20Demographic.pdf>

_____. 2007. "Overlooked and Undercounted: Where Connecticut Stands " for the Permanent Commission on the Status of Women, Connecticut General Assembly, (Center for Women's Welfare, University of Washington, School of Social Work).

<http://www.selfsufficiencystandard.org/docs/Connecticut%20Demographic.pdf>

_____. 2008. "Not Enough to Live On: Characteristics of Households Below the Real Cost of Living in New Jersey" for Legal Services of New Jersey Poverty Research Institute. (Center for Women's Welfare, University Of Washington School of Social Work).

<http://selfsufficiencystandard.org/docs/New%20Jersey%20Demographic.pdf>

_____. 2009. "Overlooked and Undercounted: Struggling to Make Ends Meet in Mississippi" for the Mississippi Economic Policy Center (Center for Women's Welfare, University Of Washington School of Social Work).

<http://www.selfsufficiencystandard.org/docs/Mississippi%20Demographic%202009.pdf>

_____.2009. "Overlooked and Undercounted: Struggling to Make Ends Meet in Pennsylvania" for Pathways PA, Homes, PA (Center for Women's Welfare, University of Washington School of Social Work).

[http://www.pathwayspa.org/PW Over Under lo res.pdf](http://www.pathwayspa.org/PW%20Over%20Under%20lo%20res.pdf)

_____. 2009. "Overlooked and Undercounted 2009: Struggling to Make Ends Meet in California" for United Way of the Bay Area, (Center for Women's Welfare, University of Washington School of Social Work).

<http://www.selfsufficiencystandard.org/docs/CA%20Overlooked%20%20Undercounted%202009.pdf>

_____. 2011. *The Self-Sufficiency Standard for Washington State 2011*. Seattle, WA: University of Washington.

Renwick, T. 1998. "Basic Needs Budgets Revisited: Does the U.S. Consumer Price Index Overestimate the Changes in the Cost of Living for Low-Income Families?" *Feminist Economics* 4(3), p. 129-142.

Ruggles, P. (1990). *Drawing the line: Alternative poverty measures and their implications for public policy*. The Urban Institute, Washington, D.C.

Urban Institute. 2005. "Low-Income Working Families: Facts and Figures: Assessing the New Federalism."

U.S. Conference of Mayors. 2009. "Revising the Federal Poverty Measure" [Resolution] Providence, R.I. June.

U.S. Census Bureau, "Supplemental Poverty Measure Overview," Poverty-Experimental Measures, <http://www.census.gov/hhes/povmeas/methodology/supplemental/overview.html> (accessed October 21, 2011).