



CENTER FOR WOMEN'S WELFARE

UNIVERSITY of WASHINGTON

School of Social Work

The Self-Sufficiency Standard: Estimating the Cost of Living

Teaching Guide

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www.selfsufficiencystandard.org

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Exercise Description

The Self-Sufficiency Standard describes how much income is needed for a family of a certain composition in a given place to adequately meet their basic needs, without public or private assistance. Specifically, each Standard calculates the cost of housing, child care, food, transportation, health care, miscellaneous expenses, taxes, and tax credits (earned income tax credit, child care tax credit and child tax credit) at a minimally adequate level for over 700 family types in every county in a state. Through the estimation of the cost of minimally adequate needs, this exercise addresses the fundamental question of *how much it really costs to meet basic needs, by place and family type*.

Target Audience

Instructors developing college-level courses and lessons on poverty and inequality

Course Objectives

- Demonstrate the cost of meeting basic needs for multiple family types
- Illustrate the shortcomings of the Official Poverty Measure
- Engage students through an intimate appeal to their own individual budgets and increase understanding of the real costs of their current/future clients
- Promote understanding of the methodology of the Self-Sufficiency Standard and market basket measures in general
- Encourage utilization of basic needs budgets, such as the Self-Sufficiency Standard, in community and policy work

Suggested Facilitation Questions

1. The Official Poverty Measure of a single adult in 2021 is \$12,880, equivalent to about \$1,073 per month. How does that compare with your single adult, monthly budgets?
2. How much can governmental work supports increase wage adequacy? For example, how much does a child care subsidy reduce someone's monthly costs? What are the eligibility thresholds for a child care subsidy in the student's locality?
3. What are the biggest costs in this monthly budget – how much do those vary by location?
4. Imagine you missed a couple of shifts at work this month because you or your child was sick. How would you cut 10% from the budget?
5. How do you define essential needs? Are there any other needs that you would add to this budget? Considering the framework of social inclusion versus exclusion, are people gaining the opportunities and resources necessary to participate fully in economic, social, political, and culture life?¹
6. Once the Self-Sufficiency Standard budget exercise is complete, have students compare the resulting wage with the local minimum wage.

¹ <https://www.un.org/esa/socdev/rwss/2016/chapter1.pdf>

Background

The best-known measure of income adequacy, the *Official Poverty Measure (OPM)*, is not only too low in general but its underlying methodology has become increasingly problematic. In the more than five decades since its original development, societal changes have not been reflected in the measure's calculation. For example, the OPM was developed presuming a two-parent model, in which one parent—usually the mother—stayed at home and provided child care if the other parent was employed, while single parents were presumed to be on welfare. However, since then, not only have the numbers of single parents increased, but now social policy is based on the expectation that all parents (as long as they are able) are employed. For single parents, as well as many two parent-families, employment requires child care. In addition, taxes are a much larger expense for families than five decades ago.

Equally important, the cost of living now varies geographically much more, with costs in the larger cities, particularly on the East and West Coasts, increasing faster than those in smaller cities, rural areas, and the South. This is especially true for two major costs: housing and child care. At the same time, tax cuts and increased tax credits for families with children have offset some of these cost increases.

As costs have risen, they have done so in an uneven way, not only geographically, but also in relation to each other. Indeed, almost every cost has risen faster than the cost of food, particularly housing. Thus the 2:1 relationship between food and all other costs that is presumed in the poverty measure no longer holds, and indeed keeps changing. Not only is food far less than one-third of most families' budgets but also the proportion that goes for housing, child care, health care and other costs varies from place to place, from family to family, and from time to time.

Given these many problems, various solutions have been proposed.

- The National Research Council convened panels of academics and commissioned studies, publishing their findings and recommendations in *Measuring Poverty: A New Approach* (Constance F. Citro and Robert Michael, editors; National Academy Press, Washington, D.C, 1995). As a result, there have been a number of efforts to implement these recommendations, first as “NAS” or experimental poverty measures (by the Census Bureau) culminating in the Supplementary Poverty Measure developed by the Obama Administration. While the Supplemental Poverty Measure has been implemented as an alternative to the OPM, it does not provide usable thresholds set at a realistic level.
- Various agencies have attempted to develop alternatives to, or variations on, the poverty measure. Thus the U.S. Department of Housing and Urban Development uses area median income as an approximation of the local cost of living and therefore as an indication of the need for housing assistance. Other state and federal programs have sometimes used multiples of the poverty level, such as 133% or 185% of the poverty line.

That is, there remains a need for a much more accurate and specific description of the real and actual cost of living by family type and location than any of the approaches proposed or now in use would provide. It is for this reason that the Self-Sufficiency Standard was developed.

What is the Self-Sufficiency Standard?

The Self-Sufficiency Standard describes how much income is needed for a family of a certain composition in a given place to adequately meet their basic needs, without public or private assistance. Specifically, each Standard calculates the cost of housing, child care, food, transportation, health care, miscellaneous expenses, taxes, and tax credits (earned income tax credit, child care tax credit and child tax credit) for over 700 family types in every county in a give the state.

The family budgets that constitute the Standard are built up using costs from federal and state programs that set the minimum necessary to meet a given need. For example, the food budget uses the U.S. Department of Agriculture Low-Cost Food Budget, housing costs are based on Fair Market Rents (used to determine levels of housing assistance by the U.S. Department of Housing and Urban Development), and child care costs are based on child care assistance levels, as determined by each state. Other sources used are ones that are calculated with consistent methodology, over time and place, preferably by national and/or federal sources such as the Census Bureau, the Consumer Expenditure Survey, and so forth. The result is “bare bones” budgets, set at the minimally adequate level to meet a given need. For example, the food budget has no take-out or restaurant food expenditures, not a pizza or a latte.

For examples of family budgets for different family types and places, please see recent reports, available online at www.selfsufficiencystandard.org.

Instructions

Develop an estimate of the cost of living for two households

Step 1. Pick a location

Pick an area where you live now or your hometown—someplace you can find out the living costs.

Step 2. Make a Wage Estimate

Estimate what you *think* the hourly or monthly wage needs to be for an individual and a family to meet basic needs, at a minimally adequate level. Do this for two types of households:

- a single person living alone in a 1-bedroom apartment
- a single parent with two children living in a 2-bedrom apartment
 - Assume one child is school-age (8-years-old) and one is a preschooler (4-years-old).

Assume that both adults are working full time and they need to cover the costs of working. For example, work means commuting costs, income is taxed, and children need child care (assume the preschooler in a child care center full time and the school-age child is in before and after school care).

There is no right answer, just put down your best guess, before you do the rest of this exercise.

Step 3. Estimate Costs

Using the place selected in step 1, estimate the **monthly** cost for each of the following basic needs. Try to be as realistic as possible by using real numbers—take a look at your own costs, look online for rental ads, or asks persons you know with children this age. Fill in the chart on the other side of this page with the following assumptions:

- **Housing:** Assume that the single person needs a 1-bedroom unit and the single parent needs a 2-bedroom unit. Include the total of rent and utilities (such as heat, gas, electric, water, sewer). Do not include telephone or cable.
- **Transportation:** Do you assume public transportation or a car? If car, include car payments, registration and taxes, repairs and maintenance, insurance, gas, and oil. If public transportation, assume a monthly pass for the bus/train/ferry, as applicable.
- **Food:** Assume all food is prepared at home. Do not include pre-prepared, fast food, take-out or restaurant food.
- **Health care:** Assume that the adult and the family have health insurance through an employer, and they the premium and out-of-pocket costs (e.g. prescriptions and co-pays).
- **Miscellaneous:** Include clothing, telephone, personal items, household supplies (cleaning, paper products, stamps, etc.), entertainment, etc.

Try to determine the cost of “*minimally adequate*”, for your community, of these costs for each household type.

Step 4. Compare

Sum the monthly expenses and compare your initial wage estimate to your final cost estimate.

Self-Sufficiency Standard Budget Exercise

Your Name _____

Step 1. Place _____

	Single Person	Single Parent with Preschooler & School-age child
Step 2. Enter Estimated Monthly Wage <i>Best Guess – there’s no right answer</i>	\$	\$
Step 3. Estimate Monthly Costs		
Housing <i>Rent plus Utilities</i>		
Child Care	xxx	
Food <i>Home cooked meals only</i>		
Transportation <i>Commute + weekly grocery trip</i>		
Health Care <i>Employer provided + OOP costs</i>		
Miscellaneous <i>Telephone, clothing, etc.</i>		
Step 4. Total <i>Add up all monthly expenses</i>		