Wider Opportunities for Women

Statement of Joan A. Kuriansky
Executive Director, Wider Opportunities for Women

Submitted for the Record
Subcommittee on Income Security and Family Support
Committee on Ways and Means
Hearing on Measuring American Poverty
July 17, 2008

Wider Opportunities for Women (WOW) applauds Chairman Jim McDermott for releasing draft legislation, the Measuring American Poverty Act, that would establish a Modern Poverty Measure to replace current federal poverty guidelines in use since 1964. That same year, 1964, is when WOW was founded as a women employment rights organization. We continue to work nationally and in our home community of Washington, DC, to help women and all workers achieve economic security for themselves and their families.

The discussion draft goes a long way toward addressing the deep flaws in the current poverty measure. In addition, WOW is most pleased with the bill's proposal for a new study by the National Academy of Sciences to define 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." (Section 1150C) Anticipating that this will be a measure of genuine income adequacy rather than the deprivation measured by the new poverty line, it holds great potential for use by policy makers at all levels, service providers and others who seeking to help families and individuals obtain employment and income supports necessary to meet their basic income needs both today and into retirement.

We hope the Decent Living Standard does not get overlooked in the rightful attention that will be paid to revising the poverty measure. WOW stands ready to work with the subcommittee and the National Academy of Sciences, as described later in my testimony, to help inform the methodology for a Decent Living Standard based on our experience operating two national initiatives centered on measures of true income needs, the Family Economic Self-Sufficiency Standard (Family Standard) [1] and the Elder Economic Security Standard™ Index (the Elder Index). [2]

[1] The 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

[2] The Elder Economic Security Standard™ Index (the Index) was developed by WOW and the Gerontology Institute at the University of Massachusetts Boston.

Comments on the Proposed Modern Poverty Measure

The United States deserves an official measure of poverty that genuinely identifies the level of distress for those in society in dire need of assistance. For many years, WOW and others have advocated an alternative poverty measure that does not rely simplistically on a ratio based on the cost of food. The original ratio of three times the cost of food is sorely outdated as food, according to the Consumer Expenditure Survey, now consumes less than 15 percent of budgets and the cost of housing and fuel have taken on much greater proportions. WOW has long advocated the use of a broader measure and one that is geographically specific, reflects family size and age, incorporates families' real costs, and responds elastically and periodically to changes in prices. We believe the proposed Modern Poverty Measure, moves in this direction and we would like to work with you on any refinements along these lines.

Underpinning the proposed Modern Poverty Measure is the National Academy of Science's 1995 study of alternative poverty measures, which addressed many of the flawed assumptions and methodology of the current poverty level. The Modern Poverty Measure will adjust the new poverty threshold annually relative to a percentage (somewhat less than the median) of food, shelter, utilities and clothing expenses reported in the Consumer Expenditure Survey. It would then determine the number and percentage of people below that level (the new poverty rate) by subtracting from a broad measure of after-tax income and the expenses related to work such as transportation, child care and out-of pocket medical costs. Most importantly, it will also measure progress in the fight against poverty, or lack thereof, by including in a broad definition of income, including government cash and cash-like transfer payments and net taxes.

One concern we have is that basing the new poverty threshold solely on the cost of food, shelter, utilities and clothing will lead to the impression that this total is sufficient to enable a family to get by in today's world. The costs of even a minimal level of child care, health care and transportation are not taken into account as part of the threshold. Granted, such work related expenses and taxes are accounted for in determining the poverty *rate*, but the threshold itself will not be wholly reflective of current living standards. Combining two goals – setting a threshold or standard of need and adding in how people pay for those costs –does not provide an accurate measure. One's expenses are more a reflection of what one can afford than what are the actual costs of meeting a minimal need. In addition we are concerned that calculating costs such as health care only secondarily in the calculation of the poverty *rate* diminishes the extent to which health care is a realistic expectation in modern society. The discussion draft's "medical risk index" will address this to some extent but outside the framework of either the poverty threshold or rate. Expenses such as child care and transportation, while not universal, are nevertheless essential to the economic viability any family. WOW is interested in helping clarify these issues.

As the committee moves ahead with this legislation, WOW would be happy to work with you and the Census Bureau to ensure that health care and other expenses are addressed in the best way possible and that:

- The Modern Poverty Measure and the Decent Living Standard will be geographically specific "to the maximum extent possible" as stated in the draft legislation and the NAS report. This is important because housing has a disproportionate impact on family income needs, and housing markets vary significantly across the country. It is also essential to identify geographically-based data sources for child care and other goods and services.

- The methodology accounts for age and other demographic differences. Those age 65 and over do not have the same work-related expenses as working age Americans, and their economic well-being is greatly affected by their housing and health status. In fact, extraordinary costs that some elderly face for long term care and housing may warrant a separate measure.

- Consideration is given to creating a commission to review annual findings that inform the public about how many Americans are living at or below the new poverty measure and the proposed "Decent Living Standard." Such a commission should make recommendations on how to close the income gap for those whose income does not reach the decent living standard. The information should be analyzed for individual cohorts of age, gender and race.

Comments on the Decent Living Standard

The Decent Living Standard as currently proposed properly focuses attention on a "threshold" as opposed to the rate at which the population falls below that line. As a result, it holds greater promise of describing what income is genuinely required to meet basic needs. Since 1994, WOW has used this sort of standard to conduct our Family Economic Self-Sufficiency Project (FESS) which now operates in 35 states and the District of Columbia. At the heart of FESS, undertaken in conjunction with state and local governments and nonprofit partners, is the Family Economic Self-Sufficiency Standard ("Family Standard"). More recently, WOW developed a second project, the Elder Economic Security Initiative, based on a similar measure of income adequacy for seniors age 65 and over, the Elder Economic Security Standard™ Index ("Elder Index"). We would hope that the proposed Decent Living Standard will be patterned on the Family Standard and Elder Index in order to become the benchmark of true family need and to be compatible with work already under way across the nation.

Both the Family Standard and Elder Index reflect true, up-to-date, geographically-specific costs of living. The Family Standard distinguishes between 70 sizes and configurations of working families. The Standard presents the minimum income needed to cover the basic costs of seven items, including: food, housing (including utilities), transportation, child care, out-of pocket health care costs under an employer-based program, net taxes and miscellaneous household expenses (such as telephone and clothing costs), assuming both parents work and the family is to live *without public or private assistance* of any kind. Calculated down to the county level, the Family Standard distinguishes between families of different sizes and the age of children since, for example, the cost of child care varies by age of the child. The miscellaneous expense is assumed to be a modest ten percent of other costs, a minimal amount that allows for no recreation, eating out or major purchases. Taxes include the payroll tax, state and local income taxes, the Earned Income Tax Credit, Child and Dependent Care Tax Credit and Child Tax Credit.

The Elder Index establishes a similar measure of the income that adults aged 65 and over require to maintain their independence and meet their daily expenses, including affordable and appropriate housing and health care. The Elder Index uses similar data as the Family Standard, but it offers a range of costs based on differences in household type, housing tenure, and health status. It differentiates between individuals and couples and those who own their homes free and clear, those who rent and those who still hold mortgages. The latter category is critical, as evidenced by the recent subprime mortgage crisis and the fact that in many states 20 percent of those 65 and older still hold mortgages. Costs of home- and community-based long-term care are also included in the Elder Index.

Both measures use official or reliable private data sources such as HUD's Fair Market Rent, the USDA Low-Cost Food Plan, sub-state child care market rates published by state TANF agencies, local public transportation fares where widely available, the IRS mileage allowance, and, for out-of-pocket health costs, the Medical Expenditure Panel Survey (MEPS), and the U.S. Department of Health and Human Services and Kaiser Family Foundation data on Medicare premiums. Home and community-based long term care costs for seniors are determined using a methodology designed by the Gerontology Institute at the University of Massachusetts Boston in consultation with leaders in the aging field which covers four different levels of need.

The following table illustrates the two measures against the current federal poverty level for the home county of Ranking Member Weller. Very roughly speaking, the Family Standard and the Elder Index approximate 200 percent of the current poverty level except in very high cost housing markets and for seniors with poor health status.

Table 1: Selected Standards of Economic Well-Being for LaSalle County, IL, 2007

Standard	1 Adult	1 Adult + Infant	2 Adults + 2 School age	Elder Individual	Elder Couple
Self-Sufficiency Standard*	$15,718	$26,599	$37,936	-	-
Elder Economic Security Standard Index	-	-	-	$18,701	$27,596
Federal Poverty Level	$10,210	$13,690	$20,650	$10,210	$13,690

Sources: Pearce, Diana, Brooks, Jennifer, *The Self-Sufficiency Standard for Illinois* (Washington, DC: Diana Pearce, Wider Opportunities for Women, and Women Employed, 2001). Figures inflated to 2007 using the CPI for the North Central/Midwest region; Russell, Laura Henze, Bruce, Ellen A., and Wider Opportunities for Women, *The Elder Economic Security Standard™ Index for Illinois* (Washington, DC: Wider Opportunities for Women, 2008); *Federal Register*, Vol. 72, No. 15, January 24, 2007, 3147–3148.

Note: Self-Sufficiency Standard figures assume all adults are working and incur work-related expenses such as childcare and work-related transportation. Self-Sufficiency Standard and Elder Economic Security Standard Index figures are for renters.

The above table shows the level of income needed to make ends meet with no public or private support such as welfare, health benefits or babysitting provided by family member. These factors are taken into account by state partners in secondary studies once the threshold has been established.

Akin to the poverty rate, the percentage of population beneath the Family Standard is calculated by some of our state partners in "Overlooked and Undercounted" reports. These studies use income data from the Decennial Census, American Community Survey and Current Population Survey to show the share of the state's population that is unable to meet basic living costs determined in their most recent updates of the Family Standard. We recommend that partners update their Family Standards at least every three years, using Current Price Index updates in intervening years.

The following table shows the percentage of households with incomes below the Family Standard in selected states. Deeper analysis yields interesting observations. In California, "*Households maintained by women raising children alone—of all racial and ethnic groups—have high levels of substandard incomes, yet some of the highest levels of income inadequacy are also found among Latino and African American married-couple and male-headed families.*"[3]

---

[3] "Overlooked and Undercounted: a New Perspective on the Struggle to Make Ends Meet in California," Diana Pearce, Wider Opportunities for Women and the National Economic Development and Law Center.

Table 2: Total Households with Incomes Below the Local Self-Sufficiency Standard, Selected States

State	% Below the Family Standard	Year of Study
California	30%	2003
Washington	21%	2007
Colorado	20%	2007
Connecticut	19%	2007
New Jersey	20%	2008

Another way that income is considered once the Family Standard and Elder Index have been established in a state is to model the impact of work and income supports such as food stamps, low-income prescription drug assistance, SSI, TANF, state and federal health programs, child care for families and energy assistance. Table 3 shows how federal assistance programs interrelate to affect the degree to which a senior reaches economic security (federal programs such as food stamps and the federal prescription assistance Low Income Subsidy are frequently supplemented and renamed at the state level). Even with housing assistance and an array of other supports, an older woman living on the average Social Security payment falls short of economic security by $154 a month.

Table 3: The Impact of Supports on Monthly Costs and Economic Security for a Single Elder Renter Living on Average Social Security for Women ($931/mo, $11,168/yr) in Marathon County, WI, 2008

While Public Support Programs Reduce Expenses, Wisconsin Elders Still Fall Short of Economic Security						
		Income Plus…				
Average Monthly Social Security Income	$931					
Elder Economic Security Index (Total Monthly Expenses)	$1,527	FoodShare	FoodShare + **Rx Assist.**	FoodShare + Rx Assist. + **Medical Assist.**	FoodShare + Rx Assist. + Medical Assist. + **Energy Assist.***	FoodShare + Rx Assist. + Medical Assist. + Housing Assist.
Monthly Shortfall	-$596	-$596	-$544	-$448	-$391	-$154
% Economic Security Attained	61%	61%	63%	68%	70%	86%

Scenario modeled from: Wider Opportunities for Women, *Elders Living on the Edge*: *When Meeting Basic Needs Exceeds Available Income in Wisconsin* (Washington, DC: Wider Opportunities for Women, 2008). * Utility expenses are included in housing expense. Utility assistance calculations are based on the 2007 WHEAP benefit standard.

How the Family Standard and Elder index Are Used

Advocates, policymakers and direct service providers demonstrate great interest in not only an improved basic measure of poverty, but a decent living threshold. The Family Standard and the Elder Index are employed in various ways across the country by governors' offices, elected officials at all levels, state and local administrators, community-based direct service providers, private industry, advocates, and individual citizens. They welcome the Standard and the Index after years of frustration with policy driven by the outdated federal poverty measure.

The Family Standard has been calculated for 35 states and the District of Columbia. Most are sponsored by WOW's nonprofit partners who form coalitions in their states that today represent more than 2,000 state and local organizations nationwide and comprise WOW's national Family Economic Self-Sufficiency (FESS) network. They have in common a clear desire and need for a decent living threshold while they design, conduct, advocate for and evaluate programs and policies that move low-income families toward economic independence.

Connecticut was the first state to require the calculation of a Self-Sufficiency Standard in 1998. In 2001, the state legislature passed legislation requiring the measure to be recalculated biannually. The Hawaii, Illinois and West Virginia state legislatures have adopted the Self-Sufficiency Standard as official income and program benchmarks. The Wyoming Governor's Planning Office supported development of a Standard for the state and subsequently created the online Colorado Self-Sufficiency Calculator. Thirteen Workforce Investment Boards – in Arizona, California, Connecticut, Illinois, Maine, Maryland, Massachusetts, Minnesota, Montana, Oregon, Pennsylvania, Washington and Wisconsin – have defined and implemented the concept of self-sufficiency for economic and workforce development purposes.

At a time when policy makers on both the federal and state level are struggling with decreasing resources an income standard using concrete costs, supplemented by an analysis of the impact of different public benefits, can help policy makers compare and assess the value of different benefits in helping those individuals and families in need. Policy makers can use this information to answer the questions about how best to support individuals while they pursue long-term strategies to becoming self-sufficient.

A number of states have put the Family Economic Self-Sufficiency Standard on-line, some of them creating a dynamic tool accessible to the public. [4] The most sophisticated allow the user to test out different scenarios to show how a family can move closer to (or further from) meeting their basic income needs if they, say, decide to have another child, get a different job, move to another county or obtain a benefit such as food stamps for which they appear eligible based on current program rules. Legislators and program administrators can use the on-line calculators to see the impact of various policy changes they may be considering. Landlords can use them to assess whether applicants have sufficient income to pay a certain rent. Guidance counselors can show clients career paths that will lead to income adequacy for their families.

In 2003, 36 percent of local Workforce Investment Boards reported using the Self-Sufficiency Standard as they implemented WIA in responses to a survey conducted by Wider Opportunities for Women and

[4] *California:* www.insightcced.org/index.php?page=calculator

Illinois: www.ides.state.il.us/calculator/default.asp

Indiana: www.region4workforceboard.org/calculator/selfsuffcalc.cfm

New York City: www.wceca.org

Massachusetts: www.liveworkthrive.org/calculator.php

New York State, Erie County: www.everywoman.org/index.php

Washington State: www.thecalculator.org

Wyoming: www.wyomingworkforce.org/resources/tools_sscalc.aspx

Washington, D.C: www.dcmassc.org

Colorado: www.coloradoselfsufficiencystandardcalculator.org the WIA-authorized National Association of Workforce Boards. The survey found that more than one-third of local workforce boards around the country use the Self-Sufficiency Standard or a similar measure to determine eligibility standards, direct training dollars and establish goals for local programs. The Seattle-King County Workforce Board, for example, integrated the Self-Sufficiency Standard into virtually every facet of its program, using it to counsel job-seekers, track pre- and post-program income and measure program success. T

The Standard is also used by state government entities and nonprofits to establish wage and other workforce standards. Colorado College (www.coloradocollege.edu) uses the Self-Sufficiency Standard to set entry-level wages for all of their food and janitorial services employees. Additionally, all of their sub-contractors for these services are required to use these entry-level wages with their employees.

The U.S. Department of Health and Human Services Office of Community Services has included the Family Standard in its reporting requirements for state Community Services Block Grant administrators and the over 1,000 community action agencies that are overseen by state administrators. The U.S. DHHS Office of Community Services uses the data in its Program Assessment Rating Tool and Government Performance and Results Act reports to the Office of Management and Budget. Finally, the Family Standard has been referenced as goals in federal policy, such as the Carl T. Perkins Career and Technical Education Act and the recent Green Jobs Act.

The Elder Index has already had an impact on policy and opinion since it was released. To date, WOW, the Gerontology Institute and statewide partners have released the Elder Index for five states, California, Pennsylvania, Illinois, Massachusetts and Wisconsin. Research is underway in four additional states, Connecticut, New Jersey, Michigan and Minnesota.[5] Our lead state partners work in collaboration with statewide coalitions which include over 300 organizations.

In Massachusetts, drawing on concepts and tools of the Elder 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. The State Secretary of Elder Affairs is drafting a letter encouraging the state's Area Agencies on Aging to incorporate the Index into planning and programming. The Elder Index has been cited by a statewide committee working to assure equitable access to the Low Income Home Energy Assistance (LIHEAP) program for low-income families and individuals. Our partner in Massachusetts has used the Elder Index in training service providers to recognize common risk factors for housing foreclosure. Additionally, the Elder Index has served as a tool to educate seniors on the availability of income support programs and to reduce the stigma and other barriers to their enrollment through a messaging campaign: *"It's Not Your Fault".*

In California, the data was released less than 5 months ago and already the findings of the California Elder 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*. In addition,

[5] State partners include Pathways PA in Holmes, PA; Health and Medicine Policy Research Group in Chicago, IL; the Insight Center for Community and Economic Development (formerly NEDLC) in Oakland, CA; the Massachusetts Association of Older Americans, Inc.; the Wisconsin Women's Network; the New Jersey Foundation for Aging; the Connecticut Permanent Commission on the Status of Women; Elder Law of Michigan, Inc.; and the Minnesota Women's Consortium in partnership with the Legislative Office on the Economic Status of Women, the Minnesota Dept. of Human Service (including the Office of Economic Opportunity and the state Board on Aging), the Minnesota Community Action Partnership, and the University of Minnesota Center on Aging.

Assembly Member Beall of San Jose, Chair of the Human Services Committee, invited our state partner to work with the statewide coalition on drafting a bill for California to adopt the Elder Index. The Chair of the California Senate Aging and Long-term Care Committee is exploring the cost of updating the Elder Index annually as a line-item in the state budget. The Mayor of Los Angeles has issued a letter promoting use of the Elder Index in local policy and program planning. The Elder Index has been used as a tool to illustrate why legislators need to lift the state's freeze on Cost of Living Adjustments (COLA) for Supplemental Security Income (SSI). The Elder Index informs United Way of the Bay Area strategic planning. It also has been incorporated as a measure of economic vulnerability for direct service providers in case management programs administered by Area Agencies on Aging. Our California partner is currently researching the number of California seniors living on incomes above and below the Elder Index and regularly uses the data in testimony ranging from hearings on local issues to the global food crisis.

In Pennsylvania, the Secretary of the Department on Aging issued a statement supporting the Elder Index. The Elder Index informs Area Agencies on Aging and Pennsylvania Department on Aging strategic planning by illustrating the the restraints facing community-based service providers. Our state partner cites the Elder Index to inform advocacy efforts pertaining to the state's Family Caregiver Support Program and Options, a community-based long-term care program. The Pennsylvania Elder Index has been described at international, national and state venues to audiences ranging from seniors to policy makers.

In Illinois, the Elder Index has received statewide and regional media coverage following its recent release. The Elder Index is regularly presented at state and regional venues, including local Area Agencies on Aging, for a range of audiences, such as seniors, service providers, policy makers and advocates.

In Wisconsin, Senator Herb Kohl, Chair of the Senate Special Committee on Aging, along with Lieutenant Governor Barbara Lawton, issued statements supporting the Elder Index. The Elder Index is presented at state and regional venues, including the annual convention of the Coalition of Wisconsin Aging Groups and local Area Agencies on Aging, for a range of audiences including seniors, service providers, policy makers and advocates. In addition, our state partner was invited to present the Elder Index to staff at the Wisconsin Department of Health Family Services.

In conclusion, this rich body of knowledge and experience is capable of informing the Subcommittee on Income Security and Family Support as it considers refinements to the Chairman's discussion draft, a starting point in the discussion of establishing alternatives to the current poverty measure. The proposal for a Decent Living Standard offers an opportunity for the federal government to set goals that recognize the true cost of living beyond a level of impoverishment and deprivation. We encourage you to model the definition of this modest living standard on the existing Family Economic Self-Sufficiency Standard and Elder Economic Security Standard™ Index that already have been embraced by so many across the country.