How the "Poverty Line" Hurts Low-Income Workers

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Keywords

federal poverty measure (informally called the *poverty line*) – standard used by the U.S. government to classify people as "poor." There are two versions: *poverty thresholds* and *poverty guidelines*. Both versions vary with family size and ages.

poverty thresholds – standards issued by the Census Bureau for estimating the number of people living in poverty. The thresholds are more detailed than the *poverty guidelines* and are issued in late summer for the previous calendar year.

poverty guidelines – standards issued by the Department of Health and Human Services for measuring eligibility for certain federal programs. The guidelines are based on the *poverty thresholds* but are simpler and more current.

poverty line – an income level that reflects a rough social consensus about the acceptable minimum standard of living.

Drawing the line

There are many reasons why it's useful for the government to draw a "poverty line." On the individual level, such a measurement helps determine who should receive government assistance for food, housing, health care and other necessities. More broadly, it can be used with Census data to measure the proportion of people who are not currently meeting basic needs by themselves. In a similar way, it can reveal geographical and cultural patterns of economic hardship.

Defining poverty is a difficult task. The researcher who developed the *poverty thresholds* called them a measure of "income inadequacy." That is, they reflect a general agreement about how much is *too little* to live on, rather than how much is *enough*.

The poverty line we use today was drawn in the 1960s. The Census Bureau uses the *federal poverty measure* to define the upper income limit of "poor" families. The measure was developed during the so-called "war on poverty" in the mid-1960s.

The *poverty thresholds* are the primary version of the measure, used for compiling detailed poverty statistics. The Dept. of Health and Human Services later introduced a simplified version called the *poverty guidelines* to speed up administration of services for poor people (including CHIP, Food Stamps, Head Start, Legal Services, School Breakfast and Lunch programs, and WIC).

The poverty thresholds reflect old assumptions about families. The typical family in the 1960s included two parents – one a wage earner and the other a homemaker. At that time, most families at all economic levels spent about one-third of their income on food. The creators of the thresholds estimated total household expenses by tripling the cost of model "food plans."

Since the 1930s, the U.S. Department of Agriculture had been recommending food plans to improve nutrition for households at three income levels. The "low-cost" plan covered the most basic food needs. In 1961, the department introduced an "economy plan" suitable for short-term emergency use. This plan does not serve long-term nutritional needs.

The *poverty thresholds* use the economy food plan to figure household expenses. The formula assumes that family members will prepare and eat all meals at home.

Family structures have changed, but the poverty measure hasn't. According to the Census Bureau, 58% of families living in poverty in 2002 were headed by single parents. Statistics show that poverty in two-parent families tends to fluctuate with the economy, while poverty in single-parent families remains more constant.

Family expenses have changed, but the poverty measure hasn't. Other than regular updates for inflation, the *poverty thresholds* ignore critical changes in household economy, including:

- *Child care* – Today's working parents often pay more per year for child care than for food. For families just above the poverty line, the expense can short-change other needs.
- *Food consumption* – A Department of Labor survey in 2000 showed that the average family spends about 42% of its food budget on food prepared away from home. Even for families that prepare all food at home, the more nutritious low-cost plan costs 25% more than the economy plan.
- *Geographical differences* – Similar housing units can now cost five times more in some areas of the country than in others. The poverty line is the same for every location – from rural Alabama to New York City.

How much is enough?

The federal poverty measure hides the plight of thousands of working families who are struggling to get by. In order to break the cycle that pulls low-income Alabamians back into poverty, we must acknowledge that current poverty measures fail to consider the real cost of basic needs. Policymakers can then examine more realistic measures, such as the Self-Sufficiency Standard *(see reverse),* to help identify roadblocks to true economic independence.

The Self-Sufficiency Standard Measures Real Need

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living wage – locally legislated hourly pay that promotes workers' ability to meet their basic needs.

minimum wage – the lowest wage that federal or state law permits employers to pay. The federal minimum wage is currently $5.15 per hour. Alabama does not have a state minimum wage.

Self-Sufficiency Standard – a measure of income necessary for meeting a family's basic needs without public or private subsidies. The standard was developed as an alternative to the *federal poverty measure* by Diana Pearce, professor of social work at the University of Washington, in conjunction with Wider Opportunities for Women (*www.WOWonline.org*). Standards for 33 states are available online at *www.sixstrategies.org*. See the complete Alabama Standard at *www.alarise.org*.

Rethinking the "poverty line"

Despite hard work and frugal living, many Alabama families are barely getting by:

- The annual income for a full-time *minimum wage* job is $10,712. For the working parent of a preschooler and a school-age child, that's nearly $4,000 below the $14,494 *poverty threshold* (see reverse).
- A family of four with both parents earning minimum wage falls about $3,000 above the $18,244 *poverty threshold*. But, even with health benefits, an annual income of $21,424 doesn't cover the family's basic needs – food, clothing, housing and transportation, plus child care and out-of-pocket medical expenses.
- For families moving from welfare to work, rising above the "poverty line" is struggle enough. Becoming – and staying – self-sufficient can be even harder.

Self-sufficiency means more than "getting by." The government's assessment of who's poor and who's not reflects an outdated understanding of "income inadequacy." By answering the question "How much is too little?," *poverty thresholds* identify income levels that provide a clearly unacceptable standard of living.

In 2003, Alabama Arise and Wider Opportunities for Women (WOW) released a study that answers a different question – "How much is enough?" The study found that full-time employment with benefits is no guarantee of economic independence. Rather, self-sufficiency requires a *living wage* that covers actual basic expenses.

Around the country, living wage campaigns have won pay increases for low-wage workers in Arlington, Va.; Bozeman, Mont.; Camden, N.J.; Chicago; Dayton, Ohio; New Orleans; Omaha; and more than 100 other cities. Some 72 campaigns are currently underway in cities, counties and states nationwide, including Florida, Georgia, Mississippi and Tennessee.

The real cost of living

WOW has developed a *Self-Sufficiency Standard,* which measures what families of all types and locations need in order to live without public or private assistance. It should be noted that the Standard does *not* provide for either "rainy day" or long-term savings.

The Standard differs from the federal poverty measure in several important ways:

- Instead of the USDA's "economy" food plan, the Standard uses the more nutritious "low-cost" plan to calculate food costs. It estimates other household expenses independently.
- The Standard measures the needs of families in which all adults work full-time.
- Because Alabama has invested little in public transportation, the Standard assumes that every working Alabamian requires a car. It calculates transportation costs by adding the fixed costs of owning a car (insurance, monthly payments, repairs, taxes, etc.) to the monthly variable costs (gas, oil, maintenance, etc.).
- The Standard assumes that working parents need child care services. It addresses variations in cost by locality, type of facility and age of child.
- The Standard is calculated for 70 different family types in each of Alabama's 67 counties and major cities.

Examples of variation in the Self-Sufficiency Standard:

County	1 adult + 1 infant	2 adults + 1 school-age child + 1 preschooler
Rural Cherokee	$16,814	$28,153
Suburban Autauga	$21,982	$36,903
Urban Jefferson	$25,863	$40,940

The Standard raises many questions about the adequacy of wages and services for low-income Alabamians. By refusing to recognize the cost of basic needs, the state has subjected thousands of families to the pinch of poverty *above* the "poverty line."

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