

THE SELF-SUFFICIENCY STANDARD FOR GEORGIA

Press Statement of Diana Pearce

FOR RELEASE: NOVEMBER 10TH, 2008

Press Statement of Diana Pearce, PhD
Author, *The Self-Sufficiency Standard for Georgia*
Director, Center for Women's Welfare, and
Senior Lecturer, University of Washington School of Social Work

The Self-Sufficiency Standard for Georgia

Today we are releasing the 2008 Update of the Self-Sufficiency Standard for the State of Georgia (the first report was completed in 2002). The Self-Sufficiency Standard is a measure of income adequacy that gives detailed information on what it costs to live in different parts of Georgia, for families with different compositions. Today, I will briefly describe what the Self-Sufficiency Standard is, how it differs from other poverty measures, how it is calculated, some of the findings for Georgia, and finally, the implications of this report for Georgia. More detail on all of the topics can be found in the report itself.

What is the Self-Sufficiency Standard?

The Self-Sufficiency Standard measures what it costs to meet one's most basic needs, without public or private subsidies. (For example, public subsidies include Medicaid and Section 8 Housing, while private subsidies include doubled-up housing or babysitting by relatives at little or no cost.) The Standard is the economic equivalent of the minimum daily requirements we see on food packages—this is the *minimum* needed to adequately meet a family's most basic needs.

How does the Self-Sufficiency Standard Differ from the Federal Poverty Level?

While the Federal Poverty Level (FPL) was designed over four decades ago to measure poverty, it is now outdated and inadequate. The Self-Sufficiency Standard (SSS) has been designed to measure income-inadequacy using the most up-to-date methodology and data available, and to address the shortcomings of the poverty measure. Thus it contrasts sharply with the FPL in several ways:

- ***The SSS Measures the Costs of Families with Working Adults:*** The FPL is based on a demographic model developed in the 1960's which implicitly assumes that one parent works in a two-parent family and no adults work in a one-parent family. In contrast, the Self-Sufficiency Standard assumes that *all adults work*—both parents in a two-parent family and one parent in a one-parent family. This assumption reflects both the reality of a family's economic choices today as well as the reality of the “work-first” welfare system. This model also necessitates work-related costs such as child care, transportation, and taxes.
- ***The SSS is Built on the Costs of ALL of a Family's Basic Needs:*** The FPL is derived from multiplying the USDA emergency food budget by three (when the Federal Poverty Level was created, families spent an average of one-third of their budget on food). In contrast, the Self-Sufficiency Standard is *built from the ground up*, using costs for all of a family's major basic needs—housing, child care, food, health care, transportation, and taxes—to determine what is a minimally adequate income for a given family, in a given place.
- ***The SSS Varies Geographically:*** With the exception of Hawaii and Alaska, the FPL is the same everywhere in the country—the same number in New York City as in Atlanta, GA. In contrast, the Standard *varies geographically*, not only by state, but also by *county*, reflecting the real variation in the cost of living. The Self-Sufficiency Standard for Georgia has been calculated for all 159 counties in Georgia.
- ***The SSS Varies by the Age as well as Number of Children:*** The FPL assumes the same costs for all children, regardless of age. The Self-Sufficiency Standard varies costs based on the age of children, which is particularly important for child care, as well as health care and food costs.

How is the Self-Sufficiency Standard is Calculated?

The Self-Sufficiency Standard uses geographically varied and annually updated data that has been calculated using a national or standardized methodology by the government or credible, disinterested sources. It reflects the level at which goods/services obtained are minimally adequate. After the various costs are totaled, taxes and tax credits are calculated.

The result is a set of “bare-bones, no frills” budgets: the food budget has no take-out or restaurant food-not a pizza, Happy Meal, or latte. Likewise, housing costs (which include utilities except telephone) are generally set at the 40th percentile (based on HUD Fair Market Rent’s), meaning that 60% of the housing in the area is more expensive and 40% is less expensive.

What are the Results for Georgia?

The Self-Sufficiency Standard varies by family type and location. For a single adult, to meet his/her needs at a minimum level requires at least \$6.90 per hour (\$14,566 annually) in Baker County, but at least \$11.49 per hour (\$24,261 annually) in Fayette County.

However, families with children require substantially more resources. The amount needed by a single parent with a preschooler ranges from a low of \$9.60 per hour (\$20,280 annually) in Baker County to a high of \$19.93 per hour (\$42,086 annually) in Fayette County. The Self-Sufficiency Wage for a two-parent working family with an infant and preschooler ranges from a low of \$7.78 per hour for each parent (\$32,862 annually) in Baker County, to a high of \$14.09 per hour (\$59,511 annually) for the same family in Fayette County.

Generally child care and housing costs account for the largest percentage of budget costs for families with children, often accounting for over half of the budget. For instance, for a family with one adult, one preschooler and one schoolage child in Chatham County, child care accounts for 24% of their costs, while housing is 28%. Food and health care account for 16% and 13%, respectively.

A family with one adult, one preschooler and one schoolage child in Bibb County requires \$30,611 to be self-sufficient. However, when we compare this amount to other income benchmarks, we see that:

- Welfare (Temporary Assistance for Needy Families) plus food assistance (Supplemental Nutrition Assistance Program/Food Stamps and WIC) only covers 29% of the family’s basic needs;
- A full-time minimum wage job (subtracting taxes and adding tax credits) only provides 58% of the amount needed to be self-sufficient;
- Similarly, the Federal Poverty Level is set at only 57% of the amount necessary to meet this family’s needs; and
- At the same time, the Standard is about 62% of median family income of \$49,500 for a three-person family in Bibb County. (Note that the U.S. Department of Housing and Urban Development designates those with incomes between 50% and 80% of the median area income as “low income” and eligible for housing assistance.)

How Does Atlanta Compare to Other Places?

Comparing the Self-Sufficiency Standard for a single adult with a preschooler and a schoolage child living in Atlanta to eleven other cities, we found that the cost of living for Atlanta is greater than Indianapolis, IN and New Orleans, LA. At the same time, Atlanta is less than Las Vegas, NV, Orlando, FL, Denver, CO, Baltimore, MD, Louisville, KY, Miami, FL, Washington D.C., Los Angeles, CA, and Boston, MA. The results are also the same for a two-parent family with a preschooler and a schoolage child living in Atlanta.

How Have Costs Increased Overtime in Georgia?

The Self-Sufficiency Standards in Georgia have risen significantly between 2002 and 2008 for most family types and in most counties. The increase in the Self-Sufficiency Standards is a result of rising costs, especially health care premiums.

What is the Impact of Work Supports?

While the Self-Sufficiency Wage may accurately reflect the actual amount needed for a particular family type in a particular area, it is not realistic to expect that all parents are able to earn their Self-Sufficiency Wage, especially if they are newly entering or re-entering the workforce or leaving welfare. Throughout Georgia, in both urban and rural counties, Self-Sufficiency Wages for families are higher than the current federal minimum wage of \$6.55, some of them considerably higher. *However, work supports such as child support, child care assistance and Supplemental Nutritional Assistance Program (SNAP) can help families meet their needs, especially families with young children.*

We modeled several work supports for a single parent family with one preschooler and one schoolage child living in Bibb County and found that:

- If this family receives the average child support in Georgia, the wage required to meet basic needs is reduced from \$16.50 per hour with no assistance to \$14.98 per hour with child support.
- If this family receives child care assistance as well as the average child support amount, the hourly wage needed is reduced to \$11.97.
- If transitioning off welfare, this family can typically qualify for child care assistance, SNAP (food stamps), and Medicaid, which reduces their wage to \$7.14 per hour.
- As this family type transitions from Medicaid (which covers adults as well as children) to Georgia PeachCare for Kids, the needed wage increases slightly to \$8.68.
- If this family receives housing assistance, child care assistance, WIC, health care (PeachCare for Kids), and child support, the wages required to meet basic needs is cut in half — from \$16.50 to \$7.00 per hour.

Looked at another way, a single parent family with one preschooler and one schoolage child in Bibb County, working at the 2009 federal minimum wage of \$7.25 per hour, has a “wage adequacy” of only 47%, that is, earnings only cover 47% of the costs of basic needs. With the help of child care assistance, however, this wage now covers 61% of what is needed. Adding SNAP, WIC and Georgia PeachCare for Kids increases the adequacy of a minimum wage job to 80%, and adding housing assistance (in addition to child care, SNAP, WIC and Georgia PeachCare for Kids) increases it to 92%.

Conclusion

The Self-Sufficiency Standard tells us that families have a hard time meeting basic expenses not because they lack responsibility, work ethic, or budgeting skills, but because they lack enough income. Reaching Self-Sufficiency involves many stakeholders—not just parents working or employers paying adequate wages and benefits, but also the state providing work supports to reduce costs and absent parents paying child support.

For further information about how the Standard is calculated or the findings, please contact the author, Dr. Diana Pearce, at 206-616-2850 (W), 206-852-3759 (cell), or at pearce@u.washington.edu.