

# THE SELF-SUFFICIENCY STANDARD FOR OREGON 2011

## *Press Statement of Diana Pearce*

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### The Self-Sufficiency Standard for Oregon

Today we are releasing *The Self-Sufficiency Standard for Oregon 2011*. A previous edition of the Oregon Self-Sufficiency Standard was released in 2008. *The Self-Sufficiency Standard for Oregon 2011* measures how much income a family of a certain composition in a given place in Oregon must earn to meet their 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.) This press statement briefly describes how the Self-Sufficiency Standard is calculated, how it differs from the federal poverty measure, and some of the findings for Oregon. More detail on all of the topics can be found in the report itself, available at [www.worksystems.org](http://www.worksystems.org) and at [www.selfsufficiencystandard.org](http://www.selfsufficiencystandard.org).

### How is the Self-Sufficiency Standard Calculated?

The Self-Sufficiency Standard is varied by geography and by family composition. The data used in calculating the Standard are calculated using standardized methodology nationwide, obtained from scholarly or credible sources (such as the U.S. Census Bureau), and updated routinely.

The Standard is calculated for 70 different family types for all Oregon counties, ranging from one adult with no children, to one adult with one infant, one adult with one preschooler, and so forth, up to two-adult families with three teenagers. The Standard assumes adult household members work full-time and therefore includes major costs associated with employment (taxes, transportation, and child care for families with young children). After the costs of six basic needs are totaled (child care, food, health care, housing, miscellaneous costs, and transportation), 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 all utilities except telephone) are generally set at the 40th percentile (based on HUD Fair Market Rents); meaning that 60% of the housing in the area is more expensive and 40% is less expensive. The Standard is the economic equivalent of the minimum daily requirements we see on food packages—the Standard 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) is designed to measure income adequacy 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, miscellaneous items, transportation, and taxes—to determine what a minimally adequate income is 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 Portland, OR as in Jackson, MS. In contrast, the Standard *varies geographically*, not only by state, but also by *county*, reflecting the real variation in the cost of living in different places. The Self-Sufficiency Standard for Oregon has been calculated for all 36 counties in Oregon.
- ***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. The Standard has four age categories for children: infants, preschoolers, school-age children, and teenagers.

## **How Much Does it Cost to Meet Basic Needs in Oregon?**

The Self-Sufficiency Standard varies by location and family type across Oregon. For example, a single adult living in Lake County, one of the least expensive areas in Oregon, requires \$7.84 per hour (\$16,550 annually) to meet his/her needs at a minimum level. However, in Washington County, one of the most expensive areas in Oregon, a single adult requires \$11.19 per hour (\$23,641 annually) to meet the same level of basic needs.

The Standard also varies considerably by family type. Families with children require substantially more resources. A single adult in Multnomah County requires \$8.99 per hour (\$18,985 annually) to meet basic needs. The Self-Sufficiency Wage for a single parent with a preschooler living in Multnomah County is more than double that of a single adult without children, requiring a full-time wage of \$19.06 per hour (\$40,250 annually) to meet the total expenses of being self-sufficient. If the family included a single parent with a preschooler and a school-age child, the adult would require a wage of \$23.75 per hour (\$50,164 annually) to be self-sufficient. The Self-Sufficiency Wage for a two-parent working family with a preschooler and a school-age child is \$12.54 per hour for *each* parent (\$52,989 annually) in Multnomah County.

Generally child care and housing expenses account for the largest percentage of budget costs for families with young children, often accounting for over half of the budget. For instance, for a family with one adult, one preschooler and one school-age child in Multnomah County, child care accounts for 34% of costs, while housing is 21%. Food and health care account for 14% and 8%, respectively.

### **How Does Portland, Oregon Compare to Other U.S. Places?**

The study compared the Self-Sufficiency Standard in Portland (Multnomah County) for a single adult with one preschooler and one school-age child to the Standard in ten other places across the country. For this family type and this comparison of cities, Portland is the second most expensive place, where this family type needs to earn \$23.75 per hour to meet basic needs. Seattle (\$24.04 per hour) is the most expensive area in this comparison. The same family type in Vancouver, WA requires about \$2 per hour less (\$21.74 per hour) to meet basic needs than in Portland. The other areas in this comparison are Pittsburgh, PA (\$22.76); Columbus, OH (\$22.24); Sacramento, CA (\$22.16); Phoenix, AZ (\$21.83); Salt Lake City, UT (\$21.64); Denver, CO (\$19.98); Atlanta, GA (\$19.11); and Las Vegas, NV (\$19.01).

### **How has the Standard Changed over Time in Oregon?**

The Self-Sufficiency Standards in Oregon for families with two adults, one preschooler, and one school-age child have risen on average by 1% between 2008 and 2011, with some counties having a higher Standard and some having a slightly decreased Standard since 2008. However, for those counties where the Standard decreased, the decrease is primarily due to changes in taxes and tax credits. The cost of basic needs—excluding taxes and tax credits—has increased in every county in Oregon since 2008. For example, the Self-Sufficiency Standard for two adults with a preschooler and a school-age child increased 8% between 2008 and 2011 in Washington County (from \$60,044 to \$64,603 per year). In Washington County, as well as most other Oregon counties, housing and child care experienced the largest increases in costs over time since 2008. Housing increased 13% and child care increased 23% since 2008 in Washington County for this family type.

### **How does the Consumer Price Index Compare to Changes over Time in the Self-Sufficiency Standard?**

If the 2008 Self-Sufficiency Standard were only updated to 2011 for inflation, using the Consumer Price Index (CPI), it would significantly underestimate the actual costs of what working families need to be self-sufficient. A Standard updated from 2008 to 2011 with the CPI would underestimate the increase in costs for Washington County by over \$5,000.

### **How Does the Self-Sufficiency Standard Compare to Other Benchmarks of Income?**

One adult, one preschooler, and one school-age child in Clackamas County requires \$53,742 per year to be self-sufficient. However, when the Standard is compared to other income benchmarks, we see that:

- Welfare (Temporary Assistance for Needy Families) plus food assistance (Supplemental Nutrition Assistance Program and WIC) only covers 24% of the family's basic needs.
- The Federal Poverty Level provides 34% of the amount necessary to meet this family's needs.
- Similarly, a full-time minimum wage job (subtracting taxes and adding tax credits) only provides 44% of the amount needed to be self-sufficient.
- At the same time, the Standard is less than the median family income of \$64,080 for a three-person family in Clackamas 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.)

### **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 a Self-Sufficiency Wage, especially if they are newly entering or re-entering the workforce or leaving welfare. Throughout Oregon, in both urban and rural counties, Self-Sufficiency Wages for families are considerably higher than the current minimum wage of \$8.50 per hour. However, work supports such as child care assistance and the Supplemental Nutritional Assistance Program (SNAP) can help families meet their needs by reducing costs, especially families with young children.

*The Self-Sufficiency Standard for Oregon 2011* models the impact of several work supports on reducing the costs of meeting basic needs for a single parent family with one preschooler and one school-age child in Lane County. Without the help of any work supports, this family in Lane County requires a Self-Sufficiency Wage of \$22.13 per hour (\$3,894 per month) to meet basic needs. When the family receives work supports the amount needed to cover basic costs is reduced:

- If transitioning off welfare, this family can typically qualify for child care assistance, SNAP (formerly food stamps), and Medicaid (which covers health care for adults as well as children), which reduces the wage the family needs to cover their total expenses to \$10.90 per hour (\$1,918 per month).
- As the family transitions from Medicaid they may be eligible for no- or low-cost health care premiums for the children through Oregon Healthy Kids, Oregon’s Children’s Health Insurance Program (CHIP). The wage needed to cover basic costs with the help of Healthy Kids as well as child care and food assistance is \$14.66 per hour (\$2,580 per month).
- If this family receives housing assistance, child care assistance, SNAP/WIC, and Healthy Kids, then they would be able to cover their total expenses with a wage of \$9.18 per hour (\$1,616 per month).

Looked at another way, a single parent family with one preschooler and one school-age child in Lane County, working at the Oregon minimum wage of \$8.50 per hour, and not receiving any work supports has a “wage adequacy” of only 42%, that is, earnings only cover 42% of the costs of basic needs. With the help of child care assistance, however, this wage would cover 63% of what is needed to meet basic needs. If the family received child care assistance, SNAP, WIC, and Healthy Kids, the adequacy of a minimum wage job is increased to 85%. Receiving housing assistance (in addition to child care assistance, SNAP, WIC, and Healthy Kids) increases the family’s wage adequacy to 106%, meaning the family can afford all of their basic needs.

### **Conclusion**

The Self-Sufficiency Standard documents the income required for families to live independently, without public or private assistance. The Self-Sufficiency Standard shows that, for most parents, earnings that are well above the official Federal Poverty Level are nevertheless far below what is needed to meet their families’ basic needs. The 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 to cover the cost of basic needs. The rising costs of basic needs; the lack of education and skills; welfare time

limits; and restrictions on training and education all add to the problems faced by many parents seeking self-sufficiency.

Reaching Self-Sufficiency involves many stakeholders, not just parents working or employers paying adequate wages and benefits, but also policies and programs that help reduce costs and/or raise resources. The Self-Sufficiency Standard is currently being used to better understand issues of income adequacy, to analyze policy, and to help individuals striving for self-sufficiency. Community organizations, academic researchers, policy institutes, legal advocates, training providers, community action agencies, and state and local officials, among others, are using the Self-Sufficiency Standard.

***The Self-Sufficiency Standard for Oregon 2011*, including county specific information for more than 70 family types, is available online at [www.worksystems.org](http://www.worksystems.org) and [www.selfsufficiencystandard.org](http://www.selfsufficiencystandard.org).**

**For further information about how the Standard is calculated or the findings, please contact Dr. Diana Pearce, at 206-616-2850 (w), 206-852-3759 (cell), or at [pearce@uw.edu](mailto:pearce@uw.edu)**