

## Policy Brief

January 2011

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### The Self-Sufficiency Standard: How Can it be Used?

#### ***What is the Self-Sufficiency Standard?***

The Self-Sufficiency Standard (Standard) measures how much income a family of a certain composition in a given place needs to adequately meet their basic needs—without relying on public or private assistance. It takes into account local variances in expenses as well as family configuration (e.g., children less than 5 years old who are going to require child care if the parent is working) and other factors.<sup>1</sup> The Standard has been calculated for 37 states and jurisdictions, including Indiana. The online Self-Sufficiency Standard calculator ([www.indianaselfsufficiencystandard.org](http://www.indianaselfsufficiencystandard.org)) can quickly calculate the Standard for any county and 70 family types in all 92 counties of Indiana and is a powerful tool when applied and utilized in a variety of settings, as will be outlined below.

#### ***Why is the Self-Sufficiency Standard Important?***

The Standard is an updated, more accurate reflection of the real income needed to pay for a working family's expenses in today's economy. It is an alternative to the Federal Poverty Guidelines (FPG) which were developed in the 1960s and are based on the price of food. In 2010, the U.S. Census Bureau announced it would begin producing a new supplemental poverty measure, which considers food as well as other factors in measuring a household's relative economic condition. This measure will be used as a supplement, not a replacement to the Federal Poverty Thresholds.

The Standard remains unique and relevant because it is an absolute versus relative measure; it concretely measures distinct costs. It also takes into consideration multiple and location-specific factors that affect household economic stability, such as age of children and state-specific tax laws (e.g., whether the state has a state Earned Income Tax Credit (EITC) in addition to a federal EITC). Lastly, it is a measure of self-sufficiency, not deprivation, so its fundamental approach is different compared to other measures.<sup>2</sup>

#### ***How Can the Self-Sufficiency Standard be Used as a Comparative Measure?***

The Self-Sufficiency Standard can be used in a variety of ways to demonstrate differences in various income benchmarks, such as minimum wage or the FPG. It can demonstrate the relative costs of various family configurations – such as differences in the wages needed to care for an infant. It can also be used to measure the necessary

wages living in different cities and states. The following figures represent these examples.

**Chart 1** outlines the specific expenses for two different family types in Marion County and how those expenses translate into a Self-Sufficiency Wage for the specific type.

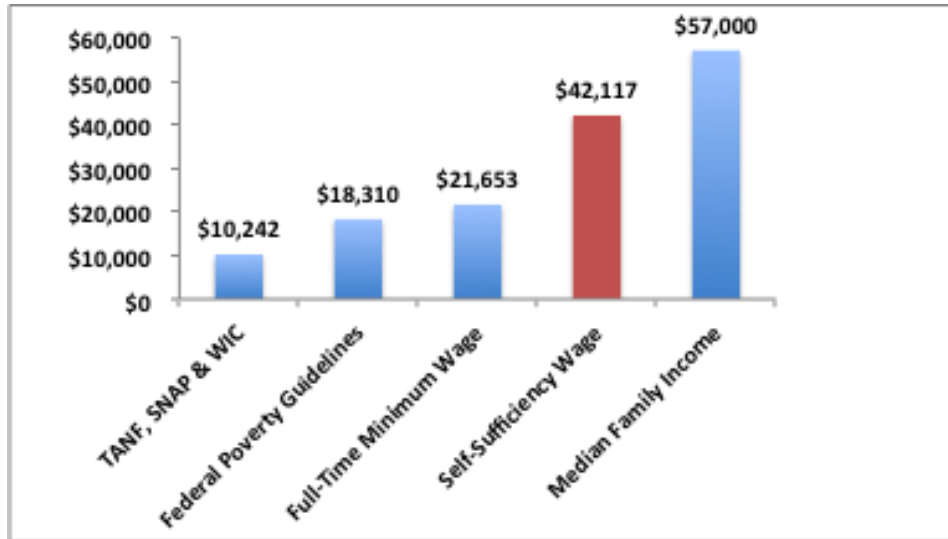
**Chart 1**  
**The Self-Sufficiency Standard for Select Family Types in Marion County, 2009**

Monthly Costs	One Adult		One Adult, One Preschooler	
	Cost	%	Cost	%
Housing	\$624	40	\$741	25
Child Care	\$0	0	\$694	24
Food	\$210	13	\$318	11
Transportation	\$241	15	\$248	9
Health Care	\$148	9	\$348	12
Miscellaneous	\$122	8	\$235	8
Taxes	\$253	16	\$510	18
Earned Income Tax Credit (-)	\$0	0	(\$9)	0
Child Care Tax Credit (-)	\$0	0	(\$63)	-2
Child Tax Credit (-)	\$0	0	(\$83)	-3
Making Work Pay Tax Credit (-)	(\$33)	-2	(\$33)	-1
<b>TOTAL PERCENT</b>		100		100
<b>Self Sufficiency Wage</b>				
Hourly	\$8.89		\$16.51	
Monthly	\$1,564		\$2,906	
Annual	\$18,770		\$34,875	

Source: 2009 Self Sufficiency Standard for Indiana.

**Chart 2** outlines selected benchmarks of economic stability as compared to the Standard. A family of three, with on adult, one preschooler, and one school-aged child in Indianapolis, Indiana must earn an income of \$42,117 to reach the Self-Sufficiency Standard.<sup>3</sup>

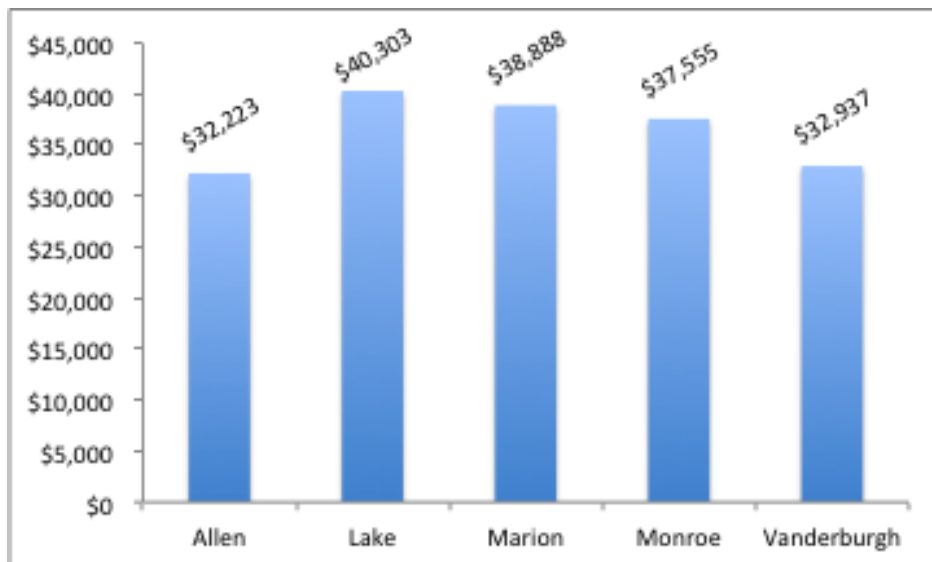
**Chart 2**  
**The Self-Sufficiency Standard Compared to Other Benchmarks, 2009**  
**One Adult, One Preschooler, and One School-Aged Child**



Source: 2009 Self Sufficiency Standard for Indiana.

*Chart 3* details the Standard for a single parent household with two children – one infant and one school-aged living in five different counties in Indiana.

**Chart 3**  
**The Self-Sufficiency Standard for Five Indiana Counties, 2009**  
**One Adult, One Infant and One School-Aged Child**

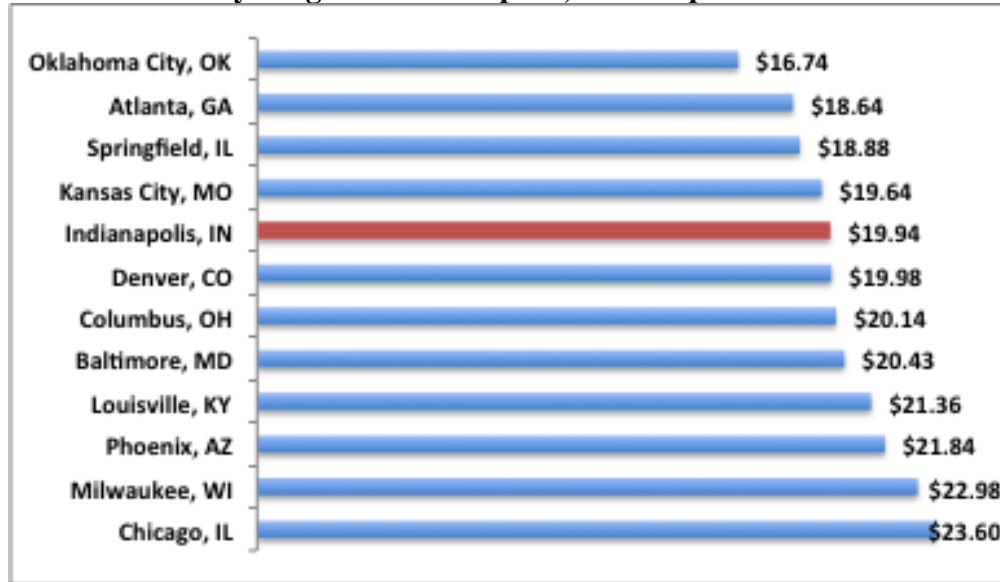


Source: 2009 Self Sufficiency Standard for Indiana.

As mentioned above, the Standard has been calculated for 37 states, plus Washington, D.C. *Chart 4* demonstrates how the Self-Sufficiency Wage for an Indianapolis family with one adult, one preschooler, and one school-aged child compared to other U.S. cities.

**Chart 4**

**The Self-Sufficiency Wage for Indianapolis, IN Compared to Other U.S. Cities**



Source: 2009 Self Sufficiency Standard for Indiana.

***What are Some Specific Examples of How the Standard Can Be Used?***

There are several innovative ways that the Standard can be used, ranging from benchmarking, evaluation, education, and within workforce development for job training and career matching. Below are examples excerpted from the 2009 Self-Sufficiency Standard for Indiana.<sup>4</sup> State and local governments, not-for-profit organizations and education and training entities in Indiana should strongly consider the application of the Standard in the following ways, where appropriate.

**1. Assessment of Public Policies**

The Standard has been used as a tool to evaluate the impact of current and proposed policy changes. The Standard can be used to evaluate the impact of a variety of work supports (SNAP, Medicaid, etc.) or policy changes (changes in child care co-payments, tax reform, or tax credits) on family budgets.

**2. Evaluation of Economic Development Proposals**

The Standard has been used to evaluate state and local level economic development proposals. Using the Standard can help determine if businesses seeking tax breaks or other government subsidies will or will not create jobs that pay “living wages.” If the jobs to be created pay wages that are below the Standard so that the employees will need public work supports to be able to meet their basic needs, the new business is essentially seeking a “double subsidy.”

Economic development proposals can be evaluated for their net positive or negative effect on the local economy, as well as on the well-being of the potential workers and their families.

**3. Targeting of Job Training Resources**

The Standard has been used to target job training resources. Using a “targeted jobs strategy,” the Standard helps to match job seekers with employment that pays Self-Sufficiency Wages. Through an evaluation of the local labor market and available job training and education infrastructure, the skills and geographic location of current or potential workers are evaluated and job seekers are matched to employment with Self-Sufficiency Wages. Through this analysis it is possible to determine the jobs and sectors on which to target training and education resources.

**4. Evaluation of Employment Program Outcomes**

The Standard can be used to evaluate outcomes for clients in a range of employment programs, from short-term job search and placement programs, to programs providing extensive education or job training. By evaluating wage outcomes in terms of the Standard, programs are using a measure of true effectiveness. Such evaluations can help redirect resources to approaches that result in improved outcomes for participants.

**5. Targeting Education Resources**

The Standard helps demonstrate the “pay off” for investing in education and training – such as postsecondary education and training, including training for occupations that are non-traditional for women and minorities.

**6. Determination of Need for Services**

The Standard has been used to determine which individuals are eligible and/or most in need of specific support or training services.

**7. Counseling Tool for Participants in Workforce and Training Programs**

The Standard has been used as a counseling tool to help participants in work and training programs access benefits and develop strategies to become self-sufficient. Computer-based counseling tools allow users to evaluate possible wages, then compare information on available programs and work supports to their own costs and needs. Computer-based Self-Sufficiency Calculators, for use by counselors with clients and the public, have been developed for Illinois, Indiana, New York, Oregon, Pennsylvania, Washington State, the Bay Area in California, Colorado and Washington, DC. Indiana’s online Self-Sufficiency Standard calculator can be found at <http://www.indianaselfsufficiencystandard.org/>.

These tools integrate a wide variety of data not usually brought together, allowing clients to access information about the benefits of various programs and work supports that can move them towards self-sufficiency. Through online calculators,

clients are empowered with information and tools that allow them to develop and test out their own strategies for achieving self-sufficient incomes.

### **8. Public Education**

The Standard has been used as a public education tool. As an education tool, the Standard helps the public at large understand what is involved in making the transition to self-sufficiency. The Standard shows employers the importance of providing benefits, especially health care, which help families meet their needs. The Standard also demonstrates to service providers how the various components fit together, helping to facilitate the coordination of a range of services and supports. For policy makers and legislators, the Standard shows both the need for and impact of work support programs on low-wage workers' family budgets.

### **9. Create Guidelines for Setting Wages**

The Standard has been used as a guideline for setting wages. By determining the wages necessary to meet basic needs, the Standard provides information for setting wage standards.

### **10. Support Research**

Because the Self-Sufficiency Standard provides an accurate and specific measure of income adequacy, it is frequently used in research. The Standard provides a means of estimating how poverty differs from place to place and among different family types. The Standard also provides a means to measure the adequacy of various work supports, such as child support or child care assistance, given a family's income, place of residence, and composition.

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**Policy Brief Made Possible Through Generous Funding From:**



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<sup>1</sup> Pearce, D. (2010). 2009 Self Sufficiency Standard for Indiana. Online: <http://www.incap.org/documents/FINAL%202009%20Indiana%20SSS%20Report%2010-26-09.pdf>. Accessed 1/4/2011.

<sup>2</sup> See <http://www.selfsufficiencystandard.org/spm/> for a more thorough description of the differences between the supplemental poverty measure and the Standard.

<sup>3</sup> Indiana's online Self-Sufficiency Standard calculator can be found at <http://www.indianaselselfsufficiencystandard.org/>.

<sup>4</sup> See the 2009 Self Sufficiency Standard for Indiana report's Appendix B for more examples.