



# MEASURING UP

ASPIRATIONS FOR ECONOMIC SECURITY IN THE 21ST CENTURY

MARCH 2013 | FULL REPORT

## ABOUT THE INSIGHT CENTER

The Insight Center for Community Economic Development is a national research, consulting, and legal organization dedicated to building economic health and opportunity in vulnerable communities. The Insight Center recognizes that successful communities define themselves by their strengths, capabilities and assets. We believe this way of thinking is the foundation of any successful community development strategy.

We build on this foundation in multiple ways, including: identifying and supporting economically productive community assets such as high quality early childhood education; tailoring education and job-training policies and programs to align worker skills with the sectors that need them; supporting inclusive business practices; advocating for policies that encourage wealth building through removal of structural impediments; assembling networks of experts who recognize the value of both an income and asset-based perspective and can influence opinion and legislative action; and directly engaging the untapped human capital that has been bottled up, neglected or simply overlooked.

For more information on the Insight Center, visit our website at [www.insightcced.org](http://www.insightcced.org).

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## EXECUTIVE SUMMARY

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As the nation's demographics change and the first generation of "majority minority" babies are already being born<sup>1</sup>, we historically and continually struggle with conflicting attitudes when it comes to promoting the economic and social inclusion of: people of color, immigrants, women, older adults and low income people.

Metrics assessing economic security and opportunity matter, in part, because they help us define who has the chance to participate fully in the economic life of this country. What we count or don't count reflects our values; what we choose to acknowledge, address, or ignore; and where and how we target our resources.

The acknowledgement that a great majority of people need more to live securely and reach their full potential can lead us to better and more inclusive public policies and practices. Addressing economic security and disparities are also critical to promoting and sustaining a vibrant, 21st Century economy.

The good news is that new measures are gaining steam that not only address the shortcomings of the federal poverty measure but more broadly address economic security and opportunity, particularly at the local and state level, indicating an opportunity to

acknowledge broader trends and influences affecting our lives.

This report, written at a time when a growing number of American families are stuck with low incomes or unemployed in a jobless recovery,<sup>2</sup> will summarize the ways in which the government and other groups frame, measure and shape the public conversation about what it takes for individuals, families, and communities to be economically secure in the U.S.

We describe metrics that go beyond the inadequate Federal Poverty Thresholds and explain how various leaders are applying these new metrics to advance the economic and social conversations of our day. Whenever possible, we use a racial, gender and age lens to highlight organizations promoting metrics that more precisely portray how various communities are faring. In essence, this report attempts to draw a landscape—albeit an ever-evolving one—of the ways people attempt to assess who is included and excluded in the economic and social fabric of the country.

The report includes a literature review and information gathered from 67 interviews<sup>3</sup> with an array of people who are involved in:

- Developing alternative metrics;
- Lifting workers' wages, income and/or job quality;
- Helping people who've hit hard times get basic needs: food, shelter, health care and enough resources;
- Helping middle and working class people build assets; and
- Closing racial and gender wealth gaps.

This Executive Summary covers the following topics in brief; the full report goes into greater detail.

- I. Framework Debates in the Field: Poverty, Economic Security, Social Inclusion and Racial Equity
- II. Flaws of the Federal Poverty Thresholds and Guidelines
- III. Alternative Income Measures
  - Measures Describing Poverty
  - Measures Describing Economic Security
- IV. Income and Asset Indices
- V. Multi-Dimensional Indices
- VI. Next Steps in Advancing Alternative Metrics

This report is part of a multi-phased and multi-year effort to increase our collective impact through peer learning, shared strategies, and collaboration. After publishing this “landscape of the field” report, the Insight Center for Community Economic Development will work with allied leaders to establish a learning network of people framing, measuring and promoting economic security for all. The network will include national and state voices from organizations developing and using alternative economic measures and indicators, as well as those interested in the intersections between basic needs, work and wages, economic and racial justice, and asset-building.

## *I. Framework Debates in the Field: Poverty, Economic Security, Social Inclusion and Racial Equity*

There are many debates advocates and others in the field consider in deciding what framework to use to describe economic well-being. The most common frames focus on: poverty, economic security, racial equity and/or multiple dimensions of social inclusion. A few common debates regarding these various frames are summarized below.

**POVERTY:** Some in the field argue that we need a measure of income deprivation—a poverty rate of some sort—to define and benchmark what is too low for basic economic survival.<sup>4</sup> These advocates are in favor of poverty measures but want to see improvements to the methodology behind the official measure.

**ECONOMIC SECURITY:** Others say the focus of national policymaking and programming should be more forward-looking, defining what we want, i.e. economic security, broadly shared prosperity, etc., instead of what we don't want.<sup>5</sup>

**SOCIAL INCLUSION:** Others, pointing to the United Nations (UN) and various nations for their adoption of measures that track social inclusion<sup>6</sup> rely on a much broader, multi-dimensional framework that focuses on alleviating disparities in a host of domains.<sup>7</sup> In the United Kingdom, for instance, the government tracks relative poverty by assessing who has a household income of less than 60% of median household income while also mapping 37 different

indicators across seven economic, social and housing dimensions.<sup>8</sup> Government analysts then assign a single deprivation score to geographic areas throughout the nation, and government resources are targeted with these scores in mind. Some groups in the U.S. have taken a similar approach.

**RACIAL EQUITY:** An important component of social inclusion for many, especially in the U.S. context, necessitates a race lens and race-targeted solutions.<sup>9</sup> Advocates using racial equity cite centuries of past and present day exclusionary policymaking, whereby the government helped create a mostly white middle class while erecting roadblocks for people of color that continue to separate many from opportunity and prosperity.<sup>10</sup> These advocates insist that the government and other decision-makers begin to use equity as a guiding principle to help address persistent disparities.

To be clear, one measure and one “frame” cannot serve all purposes. But, if we choose as a nation to define and assess poverty, we should do so based on our best research methodologies and data sources, and with input from diverse communities. And, even if government officials create an improved measure of deprivation, we would still need one or more measures of economic well-being—what it takes individuals, families, communities and our nation to become economically secure. Our nation shouldn't shy away from setting an economic security vision, with multiple benchmarks, and working toward it over time.

Fortunately, there are precedents and conceptual replacements for the Federal Poverty Thresholds—and a growing number of advocates and policymakers who support the development and use of alternative, more visionary metrics—that we can build on.

II. *Why are the Federal Poverty Thresholds and Federal Poverty Guidelines Inadequate?*

The **Federal Poverty Thresholds** (used to calculate U.S. poverty rates) and the **Federal Poverty Guidelines** (used to determine eligibility for a variety of public programs) are the U.S. government’s official, primary measures for judging income adequacy. And yet, there is widespread agreement from stakeholders at every level that the federal government’s current poverty measurement system is inadequate.

2013 FEDERAL POVERTY GUIDELINES

PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE
1	\$11,490
2	\$15,510
3	\$19,530
4	\$23,550
5	\$27,570
6	\$31,590
7	\$35,610
8	\$39,630

*\*For families/households with more than 8 persons, add \$4,020 for each additional person.*

Source: HHS

Common critiques include:

- The federal government’s methodology for calculating the Federal Poverty Thresholds is outdated, since it is based on 1950s spending patterns.
- The Thresholds are very low when compared to median incomes and don’t change in light of changing standards of living. (For example, the Federal Poverty Thresholds represented 50% of median income for a family of four in 1959 while in 2007 they represented only 30% of median income for a family of four.<sup>11</sup> In relative terms, the thresholds have eroded over time.)
- The measurement system focuses solely on cash income flows, and overlooks a host of other indicators that contribute to improving outcomes for an individual, family or members of a community (e.g. assets, social capital, educational attainment, health).
- The Thresholds capture only pre-tax, cash income which means it does not enable policymakers or others to evaluate how public policy (i.e. the safety net, taxes or tax credits) impacts poverty.
- The methodology does not reflect local variation in the cost of living or cost differences by family composition.
- Also, the official measure was created without public input.
- Finally, there is a common critique that since the federal threshold is focused solely on poverty, it doesn’t inspire, guide or aid policymakers, community leaders or

the American public in devising and applying strategies for creating broad economic growth.

The rest of this Executive Summary provides a basic overview of a wide array of alternative measures and concepts—spanning income, assets and more—and the various groups that promote them. We categorize measures into the following three overarching categories: Alternative Income Measures; Income and Asset Measures; and Multidimensional Measures. For each type of metric, we first define the category, and then briefly indicate why this kind of metric was developed and how it is generally used.

### *III. Alternative Income Measures*

Income is generally defined as a flow of money from employment, investments or a government transfer spent on consumption for current necessities.<sup>12</sup>

**What are alternative income measures generally trying to do?** They are an attempt to account for the realities of today's household budgets and changing demographics. Income measures account for one or more of the following factors:

- Women are disproportionately in need of public assistance compared to men
- Official poverty thresholds do not adequately address healthcare or childcare cost burdens facing many working families or differences in the cost of living from one part of the country to the next

- An aging baby boomer population facing retirement insecurity and high out-of-pocket health-care costs
- Persistent child poverty rates
- Work does not guarantee economic security.

**How have they been put to use?** Alternative income measures have gained traction in numerous ways but the most visible pathways to adoption have occurred:

- Legislatively, particularly to guide program eligibility for workforce development opportunities;
- Strategically, to guide planning and evaluation for philanthropies and governments allocating resources OR for organizers to use in living wage campaigns or building coalitions; and
- Practically, through the development of online calculators, to assist striving families, case managers and organizations in quantifying, tracking and evaluating income adequacy and supports.

### *Some Income Measures Define Poverty*

There is a growing movement to develop nuanced, experimental poverty measures—the best known being the **Supplemental Poverty Measure (SPM)**, released by the U.S. Census Bureau beginning in 2011. However, these measures were not created to replace the

official poverty measure and are not used to determine eligibility for federal government programs.

- Inspired by a 1995 National Academy of Sciences (NAS) expert panel, these poverty measures employ an updated methodology that includes more types of income—including in-kind benefits from safety net programs—and expenses when contrasted to the official poverty measure.

- Proponents cite that the SPM can be applied to measure how safety net programs and tax policies impact poverty. Detractors point out that income thresholds in the SPM are close to that of the official measure and are still very low when compared to median household incomes.

- NAS or SPM poverty measures are not available for most states or localities, although some pioneers have built their own regional versions to understand how state and local safety net and tax policies impact populations in need. Groups creating new poverty estimates include:

- The New York City Center for Economic Opportunity (CEO)
- The New York State Office of Temporary and Disability Assistance (OTDA)
- The Institute for Research on Poverty (IRP), University of Wisconsin–Madison
- The Urban Institute (estimates for several states)
- The Stanford Center on Poverty and Inequality in partnership with the Public Policy Institute of

California (estimates for California and its counties will be released in September 2013).

**There are government precedents for using measures other than the official poverty line, including (but not limited to):**

- The federal Workforce Investment Act (WIA) of 1998 mandates that state and local Workforce Investment Boards and Governors use the **Lower Living Standard Income Level (LLSIL)**, designated annually by the **Department of Labor (DOL)**, to determine baseline income eligibility for job training services and for the Work Opportunity Tax Credit. An eligible participant has income at or less than 70% of the latest DOL LLSIL guideline.

- The methodology for LLSIL originated at the now defunct family budget program at the **Bureau of Labor Statistics (BLS)**, which last published family budgets in 1981. Since then, the DOL derives its annual LLSIL thresholds by adjusting 1981 BLS figures for inflation, family size and metropolitan statistical area or major geographic area (e.g. South, West, Midwest, Northeast or Guam, Alaska and Hawaii).

- The **U.S. Department of Housing and Urban Development** uses varying percentages of **Area Median Income (AMI)** to determine if an applicant is: extremely low income, very low income, lower income, median income or moderate income. Eligibility for its subsidized housing programs is based on these income categories. Thresholds are adjusted

in part by family size and county.

### *Some Income Measures Define Economic Security*

**Family Budget research, also known as basic needs budgets, measures the minimum amount of income needed for a family to achieve a modest but adequate standard of living.**

Over the past 17 years, a handful of researchers at various public policy organizations and universities have constructed family budgets to fill a void created when the BLS stopped producing them. There are similarities across family budgets:

- Developers generally include local costs for housing, food, child care, transportation, out of pocket health care expenses, miscellaneous necessities, taxes and tax credits.
- These budgets also reflect variations in family size, regional differences in prices and variations in family members' ages.
- Overall, this type of research generally proves that achieving a basic level of income security—the amount needed to cover basic needs—is anywhere from 1.5 to 4 times the Federal Poverty Threshold, depending on a family's location.
- Two consistent findings: family budgets show that most struggling families have at least one

worker and that work does not guarantee economic security<sup>13</sup> In terms of costs, they highlight how work-related expenses, i.e. transportation and child care, can consume more family income than rent for most living below their thresholds.<sup>14</sup>

There are also differences across family budgets:

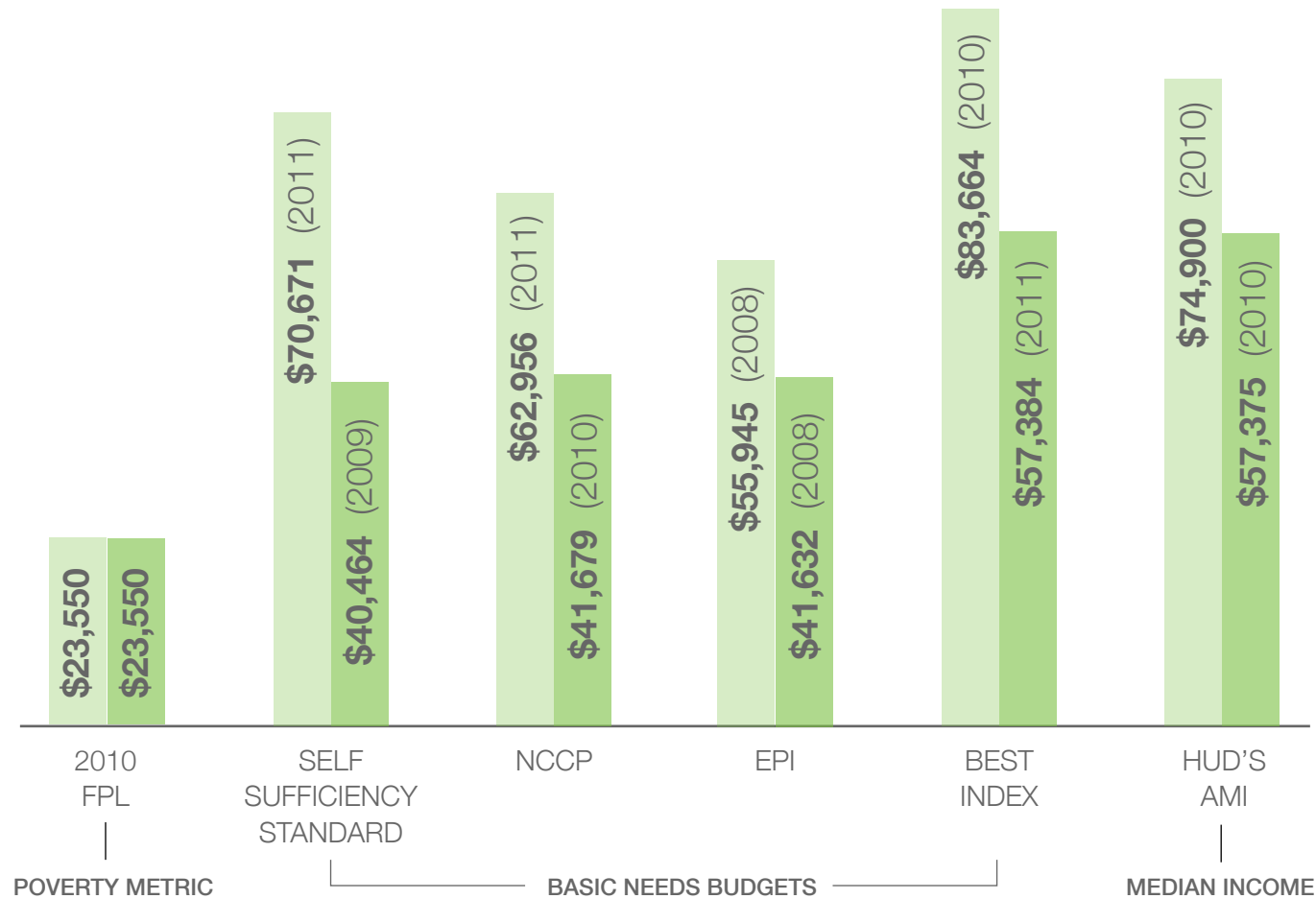
- Some creators of family budgets believe they need to be “basic” and include only income and a family's immediate consumption needs. Others, especially those who are in alignment with proponents of asset-building strategies, consciously include amounts for saving and/or repaying debt.

**The following family budgets describing income security are profiled in the full report** (listed chronologically based on when they were developed):

- The **Self-Sufficiency Standard (SSS)**, calculated by the **University of Washington's Center for Women's Welfare (CWW)**, provides self-sufficiency incomes for 70 to 156 different family types at the county level for 37 states, Washington DC and New York City. Probably its most extensive use has been in the workforce system, often with online calculators that provide clients with an evaluation of the current “wage adequacy” of their present employment and calculate eligibility and copays for various benefit programs. Currently, CWW is developing new research—i.e. optional calculations that complement its traditional SSS—to prepare users for the added costs of saving for emergencies.

## FEDERAL POVERTY GUIDELINES VS. FAMILY BUDGETS\* AND AREA MEDIAN INCOME

FOR SAN DIEGO, CALIFORNIA & JACKSON, MISSISSIPPI (2 ADULT, 2 CHILD HOUSEHOLD\*\*)



\*The various family budgets are not calculated on an annual basis. The author used most recent data for these and the base year 2010 for the FPL and AMI.

\*\*One child in preschool and one child in elementary school.

Source: Insight, EPI, NCCP, WOW, CWW, HUD, HHS

■ SAN DIEGO, CALIFORNIA

■ JACKSON, MISSISSIPPI

■ The **Economic Policy Institute (EPI)**, a prominent think tank based in Washington D.C., developed what it calls **Basic Family Budgets**, which list income adequacy for six different family types in 521 local regions. EPI is well-regarded by organized labor; various interviewees representing unions mentioned EPI's budget series as a go-to source when conducting background research on living wage campaigns. EPI helped to elevate the field, particularly in the 2000s, by having several illustrious economists contribute to its basic budget series.

■ The **National Center for Children in Poverty (NCCP)** at **Columbia University** offers a user-friendly **Basic Needs Budget Calculator** for more than 100 localities in 26 states. Users accept default budget values calculated by NCCP or input their own estimates for housing, child care, food, out-of-pocket medical expenses, debt and other basic expenses. The organization also offers a **Family Resource Simulator** so a family member can learn about the impacts of work supports, such as EITC and child care assistance, for which they might qualify.

■ **Wider Opportunities for Women (WOW)** offers the **Elder Economic Security Standard™ Index (Elder Index)** to benchmark what it costs people 65 and older to age in place and meet basic needs for one year. Developed with the **Gerontology Institute** at **UMASS/Boston**, it takes into account variances in a person's household size, housing status, transportation needs, health status and geography.

WOW also launched an **Elder Economic Security Initiative** that now includes a network of 550 collaborators in 17 states. Participating organizations use the Elder Index to support policy and program goals at the state and national levels. For example, the Insight Center for Community Economic Development led a coalition in California that fought successfully to win enactment of the Elder Economic Planning Act of 2011, a first in the nation law which requires the government's Area Agencies on Aging to use the Elder Index in planning for the needs of the state's older adult population.

■ **WOW** and the **Center for Social Development** at **Washington University** in St. Louis jointly developed the **Basic Economic Security Tables™ (BEST) Index**. BEST offers budget standards for more than 400 family types. It is the first family budget to include, as part of its core definition, savings for retirement and emergencies—expenses which comprise about 3 to 6% of the total Index.

WOW promotes BEST to a wide variety of organizations and networks across the country as a policy advocacy tool and as an income and benefits benchmark for direct services. For example, *Opportunity Hartford*—an initiative spearheaded by Mayor Pedro Segarra, the Connecticut Association of Human Services and other local partners—uses BEST to track how their campaign connects residents to jobs and greater income, instead of an FPL-based poverty frame.

#### *IV. Some Indices Account for Income & Wealth*

Wealth or assets are generally defined as stocks of resources that people accumulate over time and use for: consumption needs during a rough patch or retirement; financing/purchasing a home, business, higher education, or other investments; and/or relaying status and/or opportunity to children and grandchildren.

**What are wealth measures generally trying to do?** Michael Sherraden, a pioneering academic who launched the asset-building field with the 1991 book *Assets and the Poor*, argues that asset development and asset measures are necessary because income supports alone do not lift people out of poverty.<sup>15</sup>

Building upon Sherraden's work, leaders in the asset development field use asset measures to:

- Change common understandings about who is economically insecure since asset poverty touches many more families than does income poverty.
- Assess whether and how America offers equal opportunity to all, especially to women and people of color.
- Understand which assets in what amounts are likely to deliver long-term benefits.

#### **How have wealth measures been put to use?**

Common asset measures (net worth and liquid assets) are used to raise awareness that wealth

gaps are growing, particularly in the aftermath of the Great Recession, exacerbating inequality and insecurity in America.

Scorecards and indices focused on wealth have helped state coalitions,<sup>16</sup> government agencies, human service providers, financial institutions, national organizations and the public make the case for:

- Creating more wealth by building pathways and policies, especially for low income populations. Currently, most advocates point out that wealth building policies overwhelmingly benefit middle- and upper-income earners.
- A focus on gaping racial economic differences and targeted interventions.
- Protections for the assets that low-income people already have.

Indices and organizations focusing on income and assets include:

■ The **Economic Security Index (ESI)** is a tool for educating the public about how many Americans are facing distressing drops in income without sufficient savings to help them get back on their feet. **Jacob Hacker**, a prominent Yale University professor, and a network of researchers created it to describe the “dynamic experiences of Americans as their economic standing has changed from year to year amid a turbulent economy.”<sup>17</sup> The ESI provides national and state-level assessments which have

been the basis for dozens of local media stories. By ESI standards, economic insecurity reached a record 20.5% share of all American households in the aftermath of The Great Recession.

■ Researchers at the **Institute on Assets and Social Policy (IASP)** at **Brandeis University**, in partnership with **Demos**, a New York-based policy and advocacy organization, devised the **Senior Financial Stability Index (SFSI)** in 2009. The SFSI is an income and assets measure that looks at “the long-term economic security of senior households throughout their retirement years,” according to a joint report. Moreover, IASP and Demos use it to highlight how inequitable income and asset-building policies and structures, both past and present, have exacerbated racial and gender disparities. The SFSI sets thresholds in five critical areas: retirement assets, household budget, health expenses, home equity and housing.

**CFED** offers the multi-dimensional **Assets & Opportunity Scorecard (Scorecard)**, a state-by-state analysis of whether households can build and protect assets.<sup>18</sup> In 2013, in its eleventh edition, it took into account 102 policy and outcome indicators in five categories: income and assets; businesses and jobs; housing and homeownership; healthcare; and education. CFED uses it to provide state policymakers and advocates with a ranking of how their policies and practices compare to other states.

## *V. Multi-dimensional Indices Go Beyond Household Finances.*

These indices tell a multi-faceted story about well-being and opportunity. They take into account a range of indicators in various domains such as health, education, income, safety. We will feature measures that highlight opportunities at the community or state level and that have a strong focus on measuring poverty or economic security.

**What are multi-dimensional measures generally trying to do?** By their nature, they focus on what it takes to promote opportunity and dignity at the intersection of multiple, inter-related domains. People promoting social inclusion often use them with aspirational calls to action that aim to address a wide variety of issue areas.

Harvard Professor and Nobel Laureate Amartya Sen, who co-developed the first-ever Human Development Index (HDI) in 1990 through the United Nations, proposed that humans can shape their lives to the fullest depending on whether they have the capabilities at hand to pursue opportunities, choice and freedom.

**How have they been put to use?** While more prevalent internationally, in the U.S., multi-dimensional measures are used to:

- Track and rank economic, health, education and other issues requiring action.
- Articulate the importance of paying attention to economic and social inclusion across the entire income distribution.

- Identify and reduce inequalities, sometimes using visual maps.
- Build broad coalitions across issue areas.
- Inspire place-based or other targeted actions or investments often using lenses focused on geography, race, age or gender.
- Articulate the importance of indicators at the household level but also those at the broader community or geographic levels.
- Present policymakers with reference information on a range of topics using a variety of indicators.

#### **We feature the following multi-dimensional indices:**

■ In 2008, **Measure of America** introduced the **American Human Development Index**, the first for a wealthy nation. It assesses four social and economic indicators (e.g. life expectancy, school enrollment for people age 3 and older, degree attainment for people age 25 and older, and median income) and develops a composite score. Measure of America offers updated rankings annually for 50 states, 435 congressional districts, various counties, and reports on the status of women and men, youth, and racial and ethnic groups. The Index itself tracks economic security through one indicator (e.g. median income) although reports and recommendations may refer to many more.

■ The **Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University** offers **Opportunity Mapping**. This tool utilizes geographic information systems (GIS), a racial equity lens, and a wide variety of positive and negative indicators—e.g. poverty, vacant properties, home appreciation rates, incidences of emergency room visits, etc.—to describe and display spatially the unequal distribution of opportunity in communities.<sup>19</sup> Its designers highlight that “inequality has a geographic footprint.”

The U.S. Department of Housing and Urban Development partners with the Kirwan Institute to integrate Opportunity Maps into HUD’s multi-million dollar Sustainable Communities Initiative.

■ **Opportunity Nation** hired Measure of America to generate the annual **Opportunity Index**, a geographic snapshot made up of 16 community-level indicators in three realms—jobs and the local economy, education, and community health and civic life. “The Index reflects the reality that the environment into which a person is born and grows up plays a large role in determining the person’s chances for upward mobility.”<sup>20</sup> Consisting of 250 coalition members, Opportunity Nation uses the Index to garner media attention and to bolster coalition building. In fact, the campaign has issued a challenge: “Over the next ten years, Opportunity Nation wants to see Opportunity Scores in all 50 states increase by at least 10 percent.”<sup>21</sup>

The Opportunity Index tracks economic security through seven indicators: unemployment rates, median income, poverty rates, income inequality, banking institutions per 1,000 residents, percentage of house-

holds spending less than 30% of income on housing, and percentage of residents with internet access.

■ **Demos** promotes state adoption of the **Genuine Progress Indicator (GPI)**. First developed by Redefining Progress, the GPI measures a region's economic activity and takes into account environmental and social inputs and outputs not generally counted in its better-known predecessor, Gross Domestic Product. For example, Maryland's GPI tracks 26 economic, social and environmental indicators.

■ The **Annie E. Casey Foundation** launched the national **KIDS COUNT Index** in 1990 to bring attention to children's well-being. In 2012, the Casey Foundation unveiled a revamped methodology which tracks 16 indicators in four domains: Economic Well-Being, Education, Health, and Family and Community. Grantees in 50 states, the District of Columbia, Puerto Rico, and the US Virgin Islands also release regional information under the KIDS COUNT name, choosing their own indicators and advocacy strategies to elevate children's issues in their region.

According to its creators, the revised KIDS COUNT reveals that: "While [kids'] academic achievement and health improved in most states, their economic well-being continued to decline."<sup>22</sup> The KIDS COUNT Index tracks economic insecurity using four indicators: percent of children in poverty, percent of children whose parents lack full-time, year-round work, percent of children in households with a high housing cost burden and percent of teens not in school and not working.

## *VI: Next Steps in Advancing Alternative Metrics*

To facilitate widespread, shared growth, our nation needs to elevate new tools, practices and policies that allow people from all walks of life economic security and dignity. Understanding what it takes to achieve a decent life and eliminate common gaps that hurt people's chances can produce tangible results for our struggling economy.

Despite differences in approaches, (see page 20-21 for *Seven Healthy Debates in the Metrics Field*), those using the metrics and indices profiled in this report have common concerns about the economic security of our nation. They also hold a common belief that new and improved measures will lead us to better, more inclusive public policies and practices.

On the whole, alternative metrics help identify the millions of (mostly working) Americans who are struggling to make a better life for themselves and their children. Approximately 40% of Americans experience setbacks that make it hard to attain the assets one needs to save for emergencies, retirement, a business, a child's education or a home. Multidimensional indices go beyond household finances and point us toward broader solutions.

Opportunities exist for thinkers, practitioners and families to work together to develop collective ideals that can inspire millions more people to push for economic mobility for all. As an economic security field and as a nation, we need to grapple with the following questions:

## HOW DO RACIAL EQUITY LEADERS INTEGRATE RACE INTO ECONOMIC SECURITY FRAMEWORKS?

*They...*

- Discuss race and ethnicity overtly
- Expand racial and ethnic categories when possible and disaggregate race and ethnicity data, including by sub-groups within major racial and ethnic categories
- Analyze and present information on racial disparities with a structural frame that points to the need for change in policy and practice
- Identify solutions, assets and champions when presenting data on disparities
- Examine how to expand the cultural relevance of one's reports, data, services, and campaigns
- Increase accountability to the communities one's institution is describing
- Diversify staff and boards
- Increase capacity in partner communities
- Partner with groups and organizations led by and for people of color
- Commit to developing, funding and promoting an equity framework with timelines, goals, and resources
- Identify common, racialized tropes, stereotypes and practices in institutions, ideology, behavior and history as well as unconscious biases and work to dismantle them
- Focus on reducing poverty by expanding prosperity
- Commit to focusing on the long-haul
- Focus on equitable outcomes—not just on intent<sup>23</sup>

**THE FOLLOWING** *are some pioneering thinkers and organizations that use racial equity principles in their economic security work and are profiled in this report:*

- John A. Powell, Director of the Haas Diversity Research Center at UC Berkeley, and the conceptual inventor of Opportunity Mapping
- The Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University
- Thomas Shapiro, Director of the Institute on Assets and Social Policy Research at Brandeis University, a sociologist and author of a seminal book on the racial wealth gap, *Black Wealth/White Wealth*
- The National Asset Scorecard Project, coordinated by the Research Network on Racial & Ethnic Inequality at Duke University
- The Closing the Racial Wealth Gap Initiative, led by the Insight Center for Community Economic Development
- The Annie E. Casey Foundation, which is grappling with how to advance racial equity through its KIDS COUNT Index in the coming years
- The Coalition of Communities of Color, a local organization in Portland, Ore., which has commissioned its own research to improve racial and ethnic equity and prosperity through improved services and funding
- The Food Chain Workers Alliance, a coalition of worker-based organizations organizing to improve wages and working conditions for all workers who plant, harvest, process, pack, transport, prepare, serve, and sell food

- Is lifting people out of poverty too low a goal for our nation to set?
- How do we, ultimately, engage millions more in setting an aspirational, forward-looking, and inclusive economic security vision?
- What economic security solutions need broader support and how can we build them over time?
- How can we foster private, public and social sector innovation and collaboration when addressing economic security?
- How do we elevate / measure equitable solutions?
- Do we need to agree on a common frame, metric or principles to make progress toward common goals? If so, how can we foster a unified voice?

Collaborating to address common economic concerns using a broad framework can result in significant successes, even in the short term. While we don't anticipate to answer all of the challenging questions raised or settle upon one specific measure or indicator of success, we do believe strongly that joint conversations will set the stage for future cross-collaboration, movement-building, and, ultimately, greater impact. Developing guiding principles and values can bring us together as we develop new tools, evidence, strategies practices and policies for increasing investment in families and communities.

The time to come together is now.

## HOW ALTERNATIVE METRICS ARE USED

### PUBLIC EDUCATION

- Making the “invisible more visible” by illustrating how people, especially vulnerable groups or communities, are faring (i.e. providing a media hook to journalists to cover the well-being of children, working people living on the edge, older adults, or immigrants, for example)
- Understanding how specific factors such as race, age, age of children, occupation, marital status, intergenerational households, employment patterns, geography, citizenship, education and gender impact one’s chances at security or mobility
- Projecting how proposed public policies or programs can bolster or hinder the economic security or well-being of individuals, families and communities
- Building public will for policies that can help low-income populations make ends meet or become upwardly mobile
- Providing guidance for how researchers, policymakers, organizers and citizens can conceptualize and measure poverty, economic security, social inclusion, equity and other outcomes
- Acquaint the public with indicators at the household level but also those at the community level.

### PROGRAM INNOVATION/ EVALUATION

- Updating eligibility standards for public and private programs
- Measuring the return on program investment in grant-making or in government spending
- Career counseling
- Fundraising to expand programmatic capacity to help more people make ends meet.

### ADVOCACY

- Advocating to reform the official poverty measure
- Budget advocacy and policy-making
- Organizing coalitions or partnerships around mobility or equity frameworks
- Advancing civil rights and equity

# Seven Healthy Debates in the Metrics Field

## *1. Selecting a framework (poverty vs. economic security).*

Organizations advancing economic security (sometimes preferring terms such as opportunity or mobility) tend to select at least one positive, aspirational indicator (e.g. income adequacy, median income, business creation rate, liquid wealth, etc.). Those eradicating poverty often use more negative indicators (e.g. poverty rate, dropout rate, crime rate, asset poverty rate, etc.).

Several organizations track indicators across the poverty to economic security spectrum, pointing, in some cases, to a paradox: while there is wide consensus that the official poverty measure isn't an appropriate indicator of adequacy, it is often integrated into benchmarking, even if only one indicator among many, because it is a widely-recognized reference point. At the same time, the field needs to use and promote alternative measures to help catalyze widespread recognition of a different reference point.

## *2. Measuring poverty or economic security in absolute or relative terms.*

Should what is considered minimally adequate stay the same over time (i.e. an absolute measure) or keep pace with evolving standards set by households with median- or even high-incomes and wealth (i.e. a relative measure)? This debate is a particularly robust one in wealthy nations.

## *3. Promoting a one-dimensional, income metric vs. a multi-dimensional index.*

By their nature, one-dimensional metrics tell an important and easy-to-understand story about income adequacy, while broader indices point toward a greater variety of data, stories, leverage points, interventions and policies. One interesting trend in the realm of multi-dimensional indices is a growing focus on economic security and other forms of well-being on the community level (using a demographic, geographic, social capital and/or equality lens) as opposed to the household level alone.

#### *4. Institutionalizing the metric (government reform vs. widespread, public use)*

While government reforms in measurement exist (e.g. see sections on the Supplemental Poverty Measure, Self-Sufficiency Standard, Genuine Progress Index, Lower Living Standard Income Level, Elder Index and Opportunity Mapping), most of those with alternative metrics focus instead on building a user base or garnering media and thought-leader attention. Nearly all groups have interactive websites so the public can access and customize data and find reports as well.

#### *5. Connecting life stages and/or multiple generations*

Various measures profiled place an important focus on children, working adults, and older adults in ways that the official poverty measure does not. Increasingly, some are connecting life stages to track and predict economic security across the life span.<sup>24</sup> For example, several indices benchmark how many families can earn adequate levels of income to build a nest egg or send their children to preschool or college. Other measurement systems incorporate indicators showing how a child's future chances are predicted by the economic standing and the educational attainment level of his or her parents.<sup>25</sup>

#### *6. Employing racial equity principles*

Most researchers generally rely on existing government data rather than creating new metrics. However, government data can be problematic in that it can undercount or obscure what is going on for children, undocumented citizens, people of color and older adults, as examples. Groups such as the Coalition of Communities of Color, the Kirwan Institute for the Study of Race and Ethnicity, and Duke University's Research Network on Racial & Ethnic Inequality investigate inequities by setting new standards for how data can be collected and put to use.

#### *7. Striving for Consistency and Innovation*

Innovation is important in an evolving field. However, once an organization has a methodology, they have to consider the cost, time, and risks and rewards of revising it. Consistency is important in understanding trends over time but so too are the benefits of having a relevant measurement. For example, the Insight Center for Community Economic Development, the lead promoter of WOW's Elder Index in California, is expanding the Elder Index to account for grandparents raising grandchildren and adult children living with their aging parents, family types that are important in many communities of color.

# SUMMARY OF METRICS

■ INDICATOR TYPE    
 ■ GEOGRAPHIC LEVEL    
 ■ USES

Sets Income  
 Poverty  
 Thresholds or  
 Includes Income  
 Poverty Indicators

Sets Income  
 Adequacy  
 Thresholds or  
 Includes Income  
 Adequacy Indicators

Sets Asset  
 Poverty or  
 Insecurity  
 Thresholds

Sets Wealth  
 Adequacy  
 Thresholds at  
 Household Level

Federal Poverty Line (U.S. Census)	✓			
SPM (U.S. Census)	✓			
New York City CEO's (SPM- aligned) measure	✓			
Urban Institute's (SPM-aligned) measure	✓			
Institute for Research on Poverty's (SPM-aligned) measure	✓			
Lower Living Standard Income Level (DOL)	✓ (albeit higher than official FPL thresholds)			
Area Median Income (HUD)		✓		
Self Sufficiency Standard (CWW)		✓		
Basic Family Budgets (EPI)		✓		
Basic Needs Budgets (NCCP)		✓		
Elder Economic Security Standard Index (WOW)		✓		
Basic Economic Security Tables Index (WOW)		✓		
Economic Security Index (ESI)				✓
Senior Financial Security Index (IASP/DEMOS)		✓		
Assets and Opportunity Scorecard (CFED)	✓	✓		✓
American Human Development Index (SSRC)		✓	✓	✓
Genuine Progress Indicator (Redefining Progress)				
Opportunity Mapping (Kirwan Institute)	✓	✓		
Opportunity Index (Opportunity Nation)	✓	✓		
KIDS COUNT Index (Annie E. Casey Foundation)	✓	✓		

Includes Non-Financial Multi-dimensional Indicators	Offers Analyses by City, County, Con- gressional District, or Metropolitan Region	Offers State- specific Analyses	Offers National Analysis	Determines Eligibil- ity for at Least One Public Program (whether local, state, or federal)	Developers Focus on Educating Policymakers	Developers Focus on Pitching Re- sults to the Media or Results Garner Media Attention	Used in Case Management	Promoters Focus on Coalition- building
			✓	✓	✓	✓	✓	✓
			✓		✓	✓		
	✓ (NYC only)				✓	✓		
		✓ (GA, IL, MA, MN, CT, WI)			✓	✓		
		✓ (WI)			✓	✓		
	✓			✓	✓		✓	
	✓			✓	✓			
	✓	✓ (in 37 states where commissioned to do so)		✓	✓	✓	✓	✓
	✓				✓			
	✓				✓			
	✓	✓ (in 17 states)	✓		✓	✓	✓	✓
	✓	✓ (7 states and DC)	✓		✓	✓	✓	✓
		✓	✓		✓	✓		
		✓ (MA)			✓	✓		
✓	✓ (has issued reports on 18 cities)	✓	✓		✓	✓		✓
✓	✓	✓	✓ (on some indicators)		✓	✓		✓
✓	✓	✓ (MD, VT)	✓		✓	✓		✓
✓	✓ (where commis- sioned to do so)				✓	✓		✓
✓	✓ (where commis- sioned to do so)				✓	✓		✓
✓	✓ (through state partners)	✓ (through state partners)	✓		✓	✓		✓

Source: Author's categorization

“One of the central issues in the history of our country has been determining who belongs or who we are.”

john a. powell

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## INTRODUCTION

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Civil rights expert john a. powell recently wrote: “One of the central issues in the history of our country has been determining who belongs or who we are.”<sup>26</sup> Telling the story of who belongs in America necessarily touches upon conceptions of economic opportunity: who is economically secure and who is not? Who has a shot at upward mobility and who faces heavy roadblocks?

In the early 1960s, Mollie Orshansky, a Social Security Administration economist, developed income thresholds to determine whether a family is in poverty. Her calculations were the prototype for what is now the Federal Poverty Thresholds (used to calculate US poverty rates), and the Federal Poverty Guidelines (used to determine eligibility for a variety of public programs).<sup>27</sup>

Orshansky would later express significant dismay that her calculations had become the basis for decades of subsequent government policymaking, eligibility determination, and resource allocation.<sup>28</sup>

Many others have also critiqued the Federal Poverty Thresholds. They narrow our nation’s conversation about how people are faring and limits our ability to create a more inclusive and sustainable economy. The methodology hasn’t changed in 50 years even

though our economy, needs, and standards have.

As the nation's demographics change and the first generation of "majority minority" babies are already being born,<sup>29</sup> we historically and continually struggle with conflicting attitudes when it comes to promoting the economic and social inclusion of: people of color, immigrants, women, older adults, and low income people.

Metrics assessing economic security and opportunity matter, in part, because they help us define who has the chance to participate fully in the economic life of this country. What we count or don't count reflects our values; what we choose to acknowledge and address; where and how we target our resources; what issues we address or what issues we ignore.

The acknowledgement that a great majority of people need more to live securely and reach their full potential can lead us to better and more inclusive public policies and practices. Addressing economic security and disparities are also critical to promoting and sustaining a vibrant, 21st Century economy. The good news is that new measures are gaining steam that not only address the shortcomings of the federal poverty measure but more broadly address economic security and opportunity, particularly at the local and state level, indicating an opportunity to acknowledge broader trends and influences affecting our lives.

This report, written when a growing number of American families are stuck with low incomes or unemployed in a jobless recovery,<sup>30</sup> will summarize

the ways in which the government and other groups frame, measure and shape the public conversation about what it takes for individuals, families, and communities to be economically secure in the United States.

It will describe alternative metrics to the Federal Poverty Thresholds and explain how various leaders are applying these new metrics to advance the economic and social conversations of our day. Whenever possible, we use a racial, gender and age lens to highlight organizations promoting metrics that more precisely portray how various communities are faring. In essence, this paper attempts to draw a landscape—albeit an ever-evolving one—of the ways people attempt to assess who is included and excluded in the economic and social fabric of the country.

The report includes a literature review and information gathered from 67 interviews with an array of advocates, practitioners, policymakers, researchers, and organizers throughout the United States who are involved in:

- Developing alternative metrics;
- Lifting wages, income and/or job quality for workers;
- Helping people who've hit hard times get basic needs: food, shelter, health care and enough resources to get by;
- Helping middle and working class people build assets; and
- Closing racial and gender wealth gaps.

The opportunity and challenge is getting advocates, who often work in silos (for a variety of valid reasons) and are often forced to compete with one another for funding and public attention, to work together to renew calls for the government to replace its out-of-date poverty measure and/or create new benchmarks of economic security along a continuum of economic indices and mobility. We also need to unite to educate the public about why we need to define well-being differently and promote policy reforms and best practices to move towards the greater goal of helping all Americans reach their potential.

Toward that end, this paper is a first step in forming a national network to discuss how alternative metrics fit into the conversation moving forward. By building off the work of pioneering thinkers and organizers, who have spent decades developing a robust array of metrics and campaigns to expand the conversation about economic and social inclusion, this budding network will gather those who want to work together to enable millions more Americans to achieve economic security, and who want the nation to appreciate its assets broadly, and inclusively.

While this paper doesn't delineate which metric(s) should replace the Federal Poverty Thresholds, it does attempt to showcase measures that may provide advocates with a sense of what is possible and outline next steps.

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## SECTION I: FRAMEWORK

### DEBATES IN THE FIELD: POVERTY, ECONOMIC SECURITY, SOCIAL INCLUSION AND RACIAL EQUITY

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Some advocates engage in heated debates when deciding whether to focus on poverty, economic security, racial equity and other dimensions of social inclusion.

One ongoing debate within the field pits those using the term “poverty” (and the FPL) against those promoting terms such as “economic security” or “social inclusion” (and related measures for each concept). On the one hand, proponents using the term “poverty” believe reducing poverty is achievable.<sup>31</sup> Others interviewed believe that avoiding the term allows conservatives to define “the poor” in negative ways that reduces support for safety net programs.<sup>32</sup> Wherever one stands, most acknowledge that the FPL is not a useful signpost. Half in Ten, a visible anti-poverty campaign, says:

“...A family earning one dollar above the federal poverty measure is not economically secure. We therefore emphasize the importance of using the poverty measure with other indicators such as food insecurity, and support development of a decent living standard so that we can measure the number

of families about to gain a toehold on the bottom rungs of the middle class.”<sup>33</sup>

Even though there is a general consensus that the official measure needs to be either replaced or counterbalanced with a measure of economic security, some reject poverty as an organizing concept that does more harm than good:

“As long as the problem is defined as poverty, the public and political will cannot be developed to support comprehensive initiatives that address it, regardless of how it is defined. Instead of designing initiatives and establishing national goals based on what we oppose, we should decide what we want.”<sup>34</sup>

Some opt to mediate between the two poles, such as sociologist Nancy K. Cauthen, who uses the poverty and economic security frames of reference:

“Perhaps what we need is a series of overlapping agendas, where there is room for fighting poverty, promoting opportunity and mobility, and reducing risk and providing security. Given the reality of U.S. politics, it’s not as if any single agenda is going to be adopted wholesale. So let’s optimize what we have—and resist the temptation to fight among ourselves.”<sup>35</sup>

Others point to the United Nations (UN) and various nations for adopting multi-dimensional measures of social inclusion that assess whether a person has access to opportunity in a variety of realms.<sup>36</sup> In the United Kingdom, for instance, the government tracks relative poverty by assessing who has a household

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SOCIOLOGIST NANCY CAUTHEN

income of less than 60% of median household income while also using the English Indices of Deprivation, which uses census and administrative data to map 37 different indicators across seven economic, social and housing dimensions.<sup>37</sup> Government analysts assign a single deprivation score to each small area in the nation and government resources are targeted with these scores in mind.

Any evaluation of social inclusion in the United States must necessarily include a race lens. Ann Chih Lin and David R. Harris edited a book that submits that poverty is a cumulative and layered process whereby one type of disadvantage breeds further types of disadvantage.<sup>38</sup> They cite studies that point to the ways race increases or restricts access to advantages such as employment, wealth, quality health care, quality education and social capital.

For example, contributing authors find that states with more blacks and Latinos are more likely to impose lower caps on public benefits and stricter work requirements for mothers with children than those with a more homogenous population. They also discuss other public policies that codify racialized notions, exacerbating social cleavages even more. What's their solution? Implement multi-dimensional, race-specific interventions that address intergenerational poverty.

Others, including Matthew Desmond, an assistant professor of sociology at Harvard, believe that poverty may have a single cause that many don't want to name—the systemic, present-day exploitation of people of color. Cited at length in the *New York Times*, Desmond calls for people to place “the concept

of exploitation to a more central position within the sociology of inequality.” Specifically, he said:

“For who could argue that the urban poor today are not just as exploited as they were in generations past, what with the acceleration of rents throughout the housing crisis; the proliferation of pawn shops, the number of which doubled in the 1990s; the emergence of the payday lending industry, boasting of more stores across the U.S. than McDonald's restaurants and netting upwards of \$7 billion annually in fees; and the colossal expansion of the subprime lending industry, which was generating upwards of \$100 billion in annual revenues at the peak of the housing bubble?

“And yet conventional accounts of inequality, structural and cultural approaches alike, continue to view urban poverty strictly as the result of some inanity. How different our theories would be—and with them our policy prescriptions—if we began viewing poverty as the result of a kind of robbery.”<sup>39</sup>

To be clear, one measure and one “framework” cannot serve all purposes. As we have seen, some argue that we do need a measure of income inadequacy—a poverty rate of some sort—so that we can define and eradicate income deprivation. However, that measure should be based on our best research methodologies, data sources and input from diverse communities. But we also need one or more measures of economic well-being, of what it takes to thrive economically. Our nation shouldn't shy away from setting an economic security vision, with multiple benchmarks, and working towards it over time.

## IN FOCUS

### INTERVIEWS AND LITERATURE REVIEWS

*exposed philosophical and tactical differences between people specializing in human services, workforce development, community or labor organizing, asset-building and racial-equity:*

Most **human needs providers** use a poverty framework (and corresponding income metrics) and have seen caseloads increase and funding decrease in the post Great Recession period. Nonetheless, we found examples of human services providers who integrate social change, human rights, civic engagement, self-sufficiency/economic security, asset-building, advocacy or equity frames into their work.<sup>40</sup>

**Workforce advocates** measure success in terms of the number of jobs available, job placements, job retention, and also tend to use income-based measures. A smaller group in this field—many advocating for women, children and families—focuses on job quality (i.e. does a job offer sick time, paid leave, benefits, economic security and/or career ladders?) and race and gender equity.

**Labor advocates and community organizers** often use a power framework (i.e. how can we mobilize the political will and/or build alliances to win at the ballot box or in negotiations?). Emerging labor-community groups and low-wage worker alliances are pioneering new tactics, integrating principles of racial and economic justice. Many already use alternative income-based standards defining economic security. In doing so, they generally assert that employers have a responsibility to provide living wages and benefits.

**Asset-builders** have traditionally relied on research, ties to influential decision-makers and policy demonstrations. Increasingly, they are partnering with civil rights and human needs organizations to devise new policies and practices. Most mainstream asset groups are adopting a partial race-lens (e.g. disaggregating data by demographic groups), some others want to discuss structural racism, e.g. past and present asset-building policies that exclude racial and ethnic minorities in a systemic fashion (e.g. the GI Bill, Social Security, and prime mortgage-lending). They advocate for greater racial inclusion as new policies are developed.

**Racial-equity groups** are gaining steam with demographic change on their side and a growing number of coalitions and funders interested in their work and successes. Ethnic and racial groups increasingly work together to build sustainable movements. But these

groups must still contend with a number of challenges: a lack of disaggregated data for Native Americans and sub-groups within broad racial categories (e.g. Asian-American); pervasive societal preferences for individualism; the myth that we are in a post-racial period of history; widespread misunderstandings that past and present government income and asset-building programs and institutions are universal in principle and practice; a contention that framing solutions in terms of racial equity erodes any potential political support; and discomfort in talking about race.

Nonetheless, **examples of collaboration among these different groups and approaches exist.** For example, many of the above groups have generally supported tax credits for the working poor, citing how “making work pay” in the present may better enable poor and very low-income populations to build assets and improve their children’s mobility in the future.

Studies confirm this stance: Jimmy Charite, Indivar Dutta-Gupta, and Chuck Marr at the Center on Budget and Policy Priorities highlighted in 2012 a wide variety of research showing that the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) encourage work, reduce poverty, provide a short-term safety net, and improve children’s school performance and increase their work effort and earnings as adults.



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## SECTION II: THE PROBLEMATIC FEDERAL POVERTY THRESHOLDS AND FEDERAL POVERTY GUIDELINES

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Middle class, TV-watching Americans were shocked to see images of malnourished children and seniors transmitted to their living rooms in the 1960s. President Johnson subsequently initiated the “War on Poverty” in 1964 to address what was a great national shame, and the federal government adopted Orshansky’s poverty thresholds as a working definition of poverty in 1965. In 1969, an interagency Poverty Level Review Committee decided to adjust the thresholds only for price changes (indexing them to inflation as determined by the Consumer Price Index) and not to attach thresholds to reflect upward trends in the general standard of living.<sup>41</sup> This final decision holds true today.

### *Applying Federal Poverty Thresholds*

Widely considered by scholars and policymakers to be problematic and inadequate, the poverty thresholds nonetheless determine eligibility and benefits for economic support programs at the federal, state and local level. To illustrate, the Census Bureau sets

poverty thresholds annually using a nationally representative survey and then the Department of Health and Human Services (HHS) simplifies the thresholds to set a Federal Poverty Guidelines (FPL), with adjustments for family size, to dictate eligibility for government programs. Medicaid, Temporary Aid to Needy Families (TANF) and Supplemental Nutritional Assistance Program (SNAP) all use it—or a multiple of the FPL—to determine who qualifies for public aid when household income isn't enough to meet basic needs. The FPL also determines resource allocations to state and local governments and provides an official benchmark for how effective we are at combating poverty.

An income measure, the FPL has had profound consequences on the flow and shape of low-income

people's resources. As Robert Haverman, a poverty scholar, stated many years ago: "Defining poverty is not just a matter of measuring things in the right way; it also requires fundamental social judgments, many with moral implications."<sup>42</sup>

### *Why are the Federal Poverty Thresholds and Federal Poverty Guidelines Inadequate?*

For those advocating for a more equitable society where race doesn't correlate with one's position in American society, Federal Poverty Thresholds and the patch-work of social policies in which they are entrenched represent, in the words of John A. Powell, a "deep structural failure that built on the racialized system of the past and has produced racialized conditions in the present."<sup>43</sup>

Although designed to measure income adequacy, the Federal Poverty Thresholds are largely viewed as inappropriate for the task. Shawn Fremstad, Director of the Inclusive and Sustainable Economy Initiative at the Center for Economic and Policy Research, notes that the Thresholds have decreased in relative value over time. When first established, they were roughly equivalent to 72% of the average response to a Gallup poll question asking a representative sample of Americans what a family of four needs to minimally get along. Using responses to similar Gallup Poll in 2007, Fremstad notes the thresholds amount to about "40 to 50 percent of the [average] get-along amount" offered by Americans answering the national poll.<sup>44</sup>

## 2013 FEDERAL POVERTY GUIDELINES

PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE
1	\$11,490
2	\$15,510
3	\$19,530
4	\$23,550
5	\$27,570
6	\$31,590
7	\$35,610
8	\$39,630

*\*For families/households with more than 8 persons, add \$4,020 for each additional person.*

Source: HHS

Using another yardstick altogether, the official poverty measure doesn't focus the public's attention on strategies for creating broad economic growth. Instead, Fremstad points out that looking at a century of income data for all Americans helps to focus needed attention on periods when the middle class was growing and vibrant, allowing for an analysis of what policies led to such broad prosperity. Paraphrasing former Labor Secretary Robert Reich, Fremstad urges that advocates talk about poverty within a broader jobs and economy framework, and study periods when low-income people benefited from rising incomes:

"During the Great Prosperity years [from 1947-79], everybody experienced large gains in income, but low-income Americans gained the most; during the Great Regression [from 1980-2011], gains were concentrated at the top, while the poorest lost ground and the middle didn't do much better."<sup>45</sup>

Reich, in his original *New York Times* opinion piece, highlights policies that broadened economic mobility to millions during the Great Prosperity—public investments in public education, higher education and infrastructure as well as a progressive tax system, including higher rates for the rich, worker protections and collective actions, and regulations on Wall Street.<sup>46</sup>

Fremstad adds some conclusions of his own. First, "the economic experiences of low- and middle-income Americans are largely linked."<sup>47</sup> Second:

"All of this isn't to say that what Reich calls the Great Prosperity years were a wonderful time for

all low-income people and people of color that we need to return to, but rather that the kinds of progressive policies that prevailed during this period got us moving in the right direction for nearly three decades by ensuring that people in all income groups shared in economic growth and productivity gains."<sup>48</sup>

Perhaps most provocatively, Fremstad states:

"If we had kept moving in that same direction – for example, if low- and middle-income people had shared in economic growth during the last three decades at the same level as they did in the earlier period, the United States would be a stronger, more prosperous and more just nation today and the poverty rate, at least as currently measured, would be somewhere around zero."

Whether you agree with the assertion above or not, many do agree that the government's current poverty measurement system is inadequate.

### *Common Critiques of Federal Poverty Thresholds*

Generally, critiques fall into one or more of the following categories:

■ **The official measure distracts the public from focusing on growing inequality.** It is an absolute measure set to a fixed amount that doesn't reflect changes in overall living standards. It is not a relative

measure that can compare how families are doing at various points across the income distribution.

For instance, the Federal Poverty Thresholds represented 50% of median income for a family of four in 1959 while in 2007 they represented only 30% of median income for a family of four.<sup>49</sup> In relative terms, the thresholds have eroded over time.

■ **The federal government's methodology for calculating the thresholds is outdated.**<sup>50</sup> Even if individuals or families take in enough income to meet the amount set by the official measure, they may still be in a state of deprivation.

Orshansky calculated poverty thresholds in the 1960s solely on the price of one item—food—multiplied by three because studies in 1955 showed that families spent about one-third of their after-tax income on food. Today, other basics are essential for family survival, such as transportation, child care (so parents can go to work), and medical costs. These items, especially medical care, have increased in cost at a much higher rate than has food.<sup>51</sup>

■ **Some other methodology issues:** There are no adjustments for geographic location, severely underestimating poverty in high-cost areas and discounting high costs related to transportation in rural areas.

The official poverty measure doesn't account for people with higher versus lower health care or child care needs and costs, or the ages of household members. It only counts people who are related to the household head by blood, marriage or adoption despite the

“Defining poverty is not just a matter of measuring things in the right way; it also requires fundamental social judgments, many with moral implications.”

ROBERT HAVERMAN

fact that growing numbers of households consist of unmarried partners. Even if unmarried partners share expenses, the current measure counts them as separate households.<sup>52</sup>

■ **The official measure captures only pre-tax, cash income which means it does not reflect how public policy (i.e. the safety net or taxes) impacts poverty.**<sup>53</sup> While it counts cash income, including that from Unemployment Insurance or Social Security, the definition of family resources does not count in-kind solutions, such as SNAP (formerly known as food stamps), housing subsidies, energy assistance or the Earned Income Tax Credit designed to reward work.

It also counts the amount spent on taxes as income although a family cannot use these funds to meet basic consumption needs.

■ **The official measure was created without public input.** The creation and adoption of the FPL did not involve a participatory process whereby Americans affected by its thresholds could provide policymakers with insights into its misguided methodology and impact.

■ **The official measure's sole focus on income leaves out a host of other indicators that contribute to improving outcomes for an individual, family or members of a community.** Other approaches (of which only two are described here) call attention to other influential world-views:

Asset-building proponents cite studies that savings, even in small amounts, can be transforma-

tional by encouraging “families to imagine a future better than the present, and to prepare and plan for that future.”<sup>54</sup>

Nobel Prize winner Amartya Sen is renowned for his “capability approach” to development, which depends on physical/material, mental and social opportunities and influences.<sup>55</sup> Advocates of this approach, including creators of the American Human Development Index, measure an individual’s well-being in a multidimensional fashion to reflect “the basic building blocks of a decent life.”<sup>56</sup>

■ **The FPL doesn’t inspire, guide or aid policymakers, community leaders or the American public in devising and applying strategies that improve how people are faring.** It sets inadequate eligibility standards and performance goals for the economy and families. Even some federal and state agencies disregard the FPL and have developed alternative measures for assessing eligibility.

### *Precedents Exist: Government Substitutes for the FPL*

**In New York City, the Center for Economic Opportunity—an agency within the Office of the Mayor—has developed a local poverty measure which uses an updated methodology as compared to the FPL.** The project has its origins in a recommendation from a Commission on Economic Opportunity, convened by Mayor Michael Bloomberg in 2006.

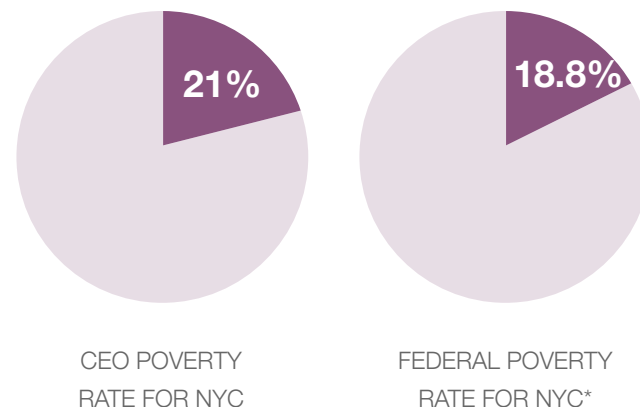
CEO's income thresholds, available for 2005-2010, are based on the U.S.-wide SPM thresholds, which represent two-child family expenditures on food, clothing, shelter and utilities plus a multiplier of 1.2 for miscellaneous expenses. CEO adjusts the SPM national-level threshold upward to account for the relatively high cost of housing in New York.

The thresholds are also adjusted for family size and composition. CEO's measure includes pre-tax cash, net income taxes, as well as the cash equivalent value of nutritional and housing assistance. It also recognizes that families' abilities to meet their basic needs are limited by non-discretionary expenses, e.g. payroll taxes, child care expenses, and medical care that must be paid for out-of-pocket. Unmarried partners are treated identically as married couples in the family unit.

To illustrate, in 2010, the CEO poverty threshold for a two-adult, two-child family was \$30,055. The official poverty line for the same size family was \$22,113 that same year.<sup>57</sup> But since the CEO measure takes into account more sources of income than the official measure, the CEO poverty rate has only been slightly higher overall than the official rate in each year for 2005-2010. In 2010, for example, the CEO poverty rate was 21% while the official rate was 18.8% (using an adjusted official poverty rate with the same definition of a household unit because, in practice, CEO includes more than just those related by blood, marriage, or adoption when contrasted with the official version. That is, CEO's definition lowers the resulting poverty rate.)<sup>58</sup>

**The federal Workforce Investment Act (WIA) of 1998 mandates that state and local Workforce Investment Boards and Governors use the Lower Living Standard Income Level (LLSIL), designated annually by the Department of Labor (DOL), to determine baseline income eligibility for job training services and for the Work Opportunity Tax Credit. An eligible participant has income at or less than 70% of the latest DOL LLSIL guideline.**

## TWO VIEWS OF POVERTY IN NEW YORK CITY: CEO VS. FEDERAL POVERTY RATE (2010)



*\*Using an adjusted official poverty rate with the same definition of a household unit as in CEO's measure.*

*Source: NYC Center for Economic Opportunity (April 2012)*

The methodology for LLSIL originated at the now defunct family budget program at the Bureau of Labor Statistics (BLS), which last published family budgets in 1981 due to opposition from President Ronald Reagan. Since then, the DOL derives its annual LLSIL thresholds by adjusting 1981 BLS figures for inflation. Thresholds vary by family size and metropolitan statistical area or major geographic area (e.g. South, West, Midwest, Northeast or Guam, Alaska and Hawaii).<sup>59</sup>

To illustrate, a family of four in San Diego, Calif., had to make \$37,471 to meet the 2010 adjusted LLSIL threshold for the metro region,<sup>60</sup> while that same family had to make \$22,050 or less annually to be at or under the 2010 Federal Poverty Guidelines.<sup>61</sup>

**WIA also refers to “self-sufficiency” as a goal, and allows local WIBs the option of using income guidelines higher than LLSIL.**<sup>62</sup> Questionnaires show that between a third and half of WIBs surveyed, particularly those in metropolitan areas, use instead the higher **Self-Sufficiency Standard**, which is calculated by the **Center for Women’s Welfare (CWW)** at the University of Washington.<sup>63</sup>

The Self-Sufficiency Standard accounts for the following costs in a family budget: housing, child care so a parent(s) can work, food, health care, transportation, taxes, and miscellaneous costs. CWW researches regional prices for these items and adjusts them for family size and composition, including the age(s) of any children

To illustrate, a family of four in San Diego with two

adults and two children (one in preschool and one in elementary school) needed to earn \$70,671.00 in 2011 to make all ends meet without any public or private subsidies. The official measures for 2011 stated that this same family needed \$22,350 or more to avoid poverty.

**California uses the Elder Economic Security Standard™ Index (Elder Index) to plan for the needs of its low-income older adult population.** Income thresholds in the Elder Index benchmark what it costs people 65 and older to age in place and meet a range of basic needs for one year. It is calculated for California on a county-by-county basis by

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## ELDER INDEX VS. FEDERAL POVERTY GUIDELINES

SAN DIEGO COUNTY, ONE PERSON HOUSEHOLD (2009)



**ELDER INDEX**  
\$23,434



**FEDERAL POVERTY GUIDELINES**  
\$10,830

*Source: UCLA Center for Health Policy Research and the Federal Register (August 3, 2010)*

the UCLA Center for Health Policy Research and the Insight Center with private funds using a methodology developed by **Wider Opportunities for Women (WOW)** and the **Gerontology Institute at UMASS/Boston**. It takes into account variances in a person's household size, housing status (home owner or renter), transportation needs, health status (i.e. a user is asked if her health is poor, good or excellent to determine an appropriate amount for medical out-of-pocket expenses) and geography.

To illustrate, the Elder Index indicates that a single elder who rents in San Diego, Calif., required \$23,434 to meet her basic needs for a year in 2009.<sup>64</sup> Meanwhile, the Federal Poverty Guidelines based on data from the same year state that a single person needed \$10,830 to have an adequate income.<sup>65</sup> The Elder Index does not yet determine eligibility for safety net programs but it is used for strategic planning purposes by Area Agencies on Aging.

The **U.S. Department of Housing and Urban Development (HUD)** uses varying percentages of **Area Median Income (AMI)** to determine if an applicant is one of the following: extremely low income, very low income, lower income, median income or moderate income. Eligibility for its various subsidized programs varies. Thresholds are adjusted by family size and county.

To illustrate, in 2010, HUD calculated that a family of four in San Diego County was at median income at \$74,900 (100% of AMI), low income at \$65,900 (80% of AMI), very low income at \$41,200 (50% of AMI) and extremely low income at \$24,700.<sup>66</sup>

## IN FOCUS

### THE FOOD CHAIN WORKERS ALLIANCE

#### *Promoting Higher Standards, More Mobility and Less Occupational Segregation*

Approximately 20 million workers earn a living supplying our nation with food as workers on farms, in food processing plants, slaughterhouses, warehouses, grocery stores or restaurants. However, many of these workers are economically insecure, according to a study by the Food Chain Workers Alliance (FCWA):

- Food system workers use SNAP (i.e. food stamps) at double the rate of the rest of the U.S. workforce.
- More than half of all workers surveyed (53%) have picked, processed, sold, cooked or served food while sick; the majority (65%) did so due to a lack of paid sick days.
- Workers & employers report that wage theft (i.e. paying an employee for fewer hours than those actually worked or misappropriating workers' tips) is common.
- Discrimination in advancement to livable wage jobs, defined in the paper as those offering wages at 150% of the Department of Labor's Lower Living Standard Income Levels, is common. Race and gender often determine who gets on the career ladder.

Joann Lo, FCWA executive director, says: "In some areas, we just want compliance with existing law as a first step." In others, the organization, a coalition of worker-based organizations, promotes "high road" solutions. These include:

- Buying from companies certified by the Agriculture Justice Project or awarded prizes in the Restaurant Opportunities Centers' National Diners' Guide.
- Pressuring the sustainable food movement to include working conditions as a consideration, a point echoed by *New York Times* food critic Mark Bittman in a 6/12/12 opinion piece.
- Increasing the federal minimum wage for all workers and for tipped workers, for whom the minimum wage has been \$2.13 since 1991.
- Guaranteeing low-wage workers 7 to 9 job-protected sick days a year.
- Developing job training programs with employers in various segments of the food chain.



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## SECTION III: ALTERNATIVE INCOME MEASURES

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Income is generally defined as a flow of money from employment, investments or a government transfer spent on consumption for current necessities.<sup>67</sup>

What are alternative income measures generally trying to do? They are an attempt to account for the realities of today's household budgets and changing demographics. Income measures account for one or more of the following factors:

- Women are disproportionately in need of public assistance compared to men
- Official poverty thresholds do not adequately address healthcare or childcare cost burdens facing many working families or differences in the cost of living from one part of the country to the next
- An aging baby boomer population facing retirement insecurity (particularly in the case of women and minorities) and high out-of-pocket healthcare costs
- Persistent child poverty rates
- Work does not guarantee economic security.

**How have they been put to use?** Alternative income measures have gained traction in numerous ways but the most visible pathways to adoption have occurred:

- Legislatively, particularly to guide program eligibility for workforce development opportunities
- Strategically, to guide planning and evaluation for philanthropies and governments allocating resources OR for organizers to use in living wage campaigns or building coalitions; and
- Practically, through the development of online calculators and other tools that assist striving families, case managers and organizations in quantifying, tracking and evaluating income adequacy and supports.

### *Some Income Measures Define Poverty: History and Application of the Supplemental Poverty Measure*

**If the government should be in the business of measuring poverty through an income measure, how should it reform its practices?** That question was put to an elite panel of researchers and measurement experts appointed by the **National Academy of Sciences (NAS)**, who in 1995, offered recommendations to the **Census Bureau**.<sup>68</sup> But, it would take more than fifteen years—and pioneering efforts at the local level—before the Census Bureau would begin to incorporate the NAS-recommendations on

an experimental basis in its **Supplemental Poverty Measure (SPM)**.

**Generally, the SPM shows that policy can reduce poverty.**<sup>69</sup> By taking into account in-kind income (i.e. from SNAP, the National School Lunch Program, Supplementary Nutrition Program for Women Infants and Children, Low-Income Home Energy Assistance and housing subsidies) and subtracting tax credits such as the EITC—NAS-inspired measures can show whether these interventions impact poverty in ways that the official “cash only” measure cannot. Also, the implementation of the Affordable Care Act will allow researchers to understand how higher levels of health coverage impact poverty rates.

An analysis by the **Center for Budget and Policy Priorities**, based on a poverty measure similar to the SPM, showed that: “The safety net (all government benefit payments net of taxes) cut poverty nearly in half in 2011, or by 40 million people.”<sup>70</sup> Such research can combat conservatives’ attacks that the government can’t address poverty effectively. (President Ronald Reagan famously uttered in a speech in 1989 that “twenty years ago, the government declared a war on poverty. Poverty won.”)

Since the NAS panel approached revisions to the FPL conservatively **in order to make its recommendations politically viable, the resulting SPM does not dramatically increase overall poverty rates compared the official Federal Poverty Line.** For example, the SPM, using data for year 2011, showed that 16% of the nation was living in poverty while the FPL for the same year was 15%.

However, SPM rates for the elderly nearly double due largely to out-of-pocket healthcare costs (the SPM shows that 15.1% of those 65 and older live in poverty; the official poverty measure calculates that only 8.7% of those in the same age category is income poor).

Overall poverty among children, Blacks, those living outside metropolitan areas, Midwesterners, those covered by only public health insurance and individuals with a disability went down when measured using the SPM (in many cases due to the impact of public programs newly captured by the SPM as well as its expanded definition for a household unit when compared to the official measure).<sup>71</sup>

**Government officials take care to highlight that the SPM will not replace the official poverty measure and will not be used to determine eligibility for federal government programs.<sup>72</sup>**

### *Benefits and Challenges of Using the SPM*

Five renowned poverty researchers wrote a joint commentary about the SPM and related measures: they argue, on the one hand, the “decentralized system of poverty programming” in the U.S., where states have huge leeway to decide on access and amounts of assistance, necessitate local poverty analyses.<sup>73</sup>

Yet, they view the SPM as problematic when it comes to childcare:

“Arguably, the most dramatic development of the last half-century has been the flow of women into the formal labor force, with the resulting partial marketization of child care (in the case of the United States). It’s vexing, then, that the first major reform of poverty measurement doesn’t satisfactorily represent the implications of that development.”

That is, rather than accounting for the cost of decent child care in the private market, the SPM simply subtracts out-of-pocket child care expenses from income which “doesn’t recognize that some low-income families—precisely because they are

## **FEDERAL POVERTY VS. SPM THRESHOLDS**

FOR 2 ADULT, 2 CHILD FAMILY (2011)

	THRESHOLD
OFFICIAL	\$22,811
SPM	
OWNERS WITH MORTGAGE	\$25,703
OWNERS WITHOUT MORTGAGE	\$21,175
RENTERS	\$25,222

Source: Adapted from Short, U.S. Census Bureau (2012)

poor—have no choice but to accept inferior... child care outcomes.” They go on to vividly describe how “the poor parent who relies on relatives, neighbors, or television for child care may in some circumstances know that the child care is poor but, for lack of money, can’t incur the out-of-pocket costs that adequate care would entail.”

Others make a different set of critiques:

- **Healthcare:** The SPM doesn’t capture the phenomenon of people who avoid treatment to save on any associated out-of-pocket healthcare costs.
- **Transportation:** The SPM does not integrate transportation costs, which can be a major expense for rural families.
- **Savings:** The SPM, like the official measure, does not include savings, which we will see is a concern for many who have developed metrics focusing on economic security.
- **Thresholds:** others go further and caution that the SPM’s thresholds are arbitrary (i.e. more political than scientific) and nearly as low as the too-low FPL, making it an inadequate and irrelevant marker for what a person or family needs to get by in most Americans’ eyes.
- **Not Tied to Median Incomes:** The SPM is a quasi-relative income measure. While it is updated over time using changes in expenditures for food, clothing, shelter and utilities, it is not tied to median incomes.

“Although the cost of building local measures is not trivial, it pales in comparison to the benefits of providing city policy makers, foundations, food banks, homeless shelters, and other response organizations with the information needed to plan their responses.”

“THE FUTURE OF U.S. POVERTY MEASUREMENT.” WIMER, ET AL. IN *PATHWAYS* (FALL 2011)

## Methodology

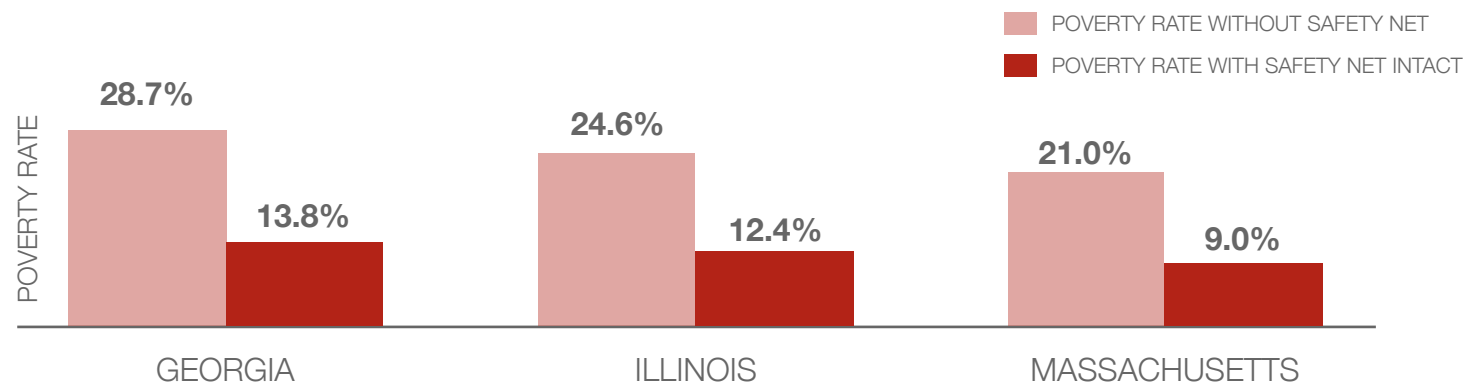
Briefly, its methodology, compared to the official poverty measure, includes more types of income and expenses than the official measure. For example, the SPM includes:

- Cash income and in-kind benefits (e.g. tax credits, food assistance, etc.).
- Deductions from income if a family chooses to pay for child care or medical out-of-pocket costs or must pay child support payments, taxes and certain work expenses.

- Calculations based on what a reference family of four at the 33rd percentile spends on food prepared at home, clothing, shelter and utilities. It then adds 20% more for all other expenses.
- Some local variations in prices and three types of housing arrangements: owners with mortgages, owners without mortgages, and renters. Each of these group's expenditures on shelter and utilities are calculated separately.
- A different definition of a household unit than the official measure. Unmarried partners and their children are included in the SPM while the official measure counts unmarried co-habitants and unrelated children as being in a separate household.<sup>74</sup>

Source: Adapted from *The Urban Institute* (2011)

## USING THE SPM TO MEASURE EFFECTS OF THE PUBLIC SAFETY NET ON CHILDHOOD POVERTY IN GEORGIA, ILLINOIS, AND MASSACHUSETTS (2008)



## IN FOCUS

### HALF IN TEN:

#### *A Campaign to Cut Poverty in Ten Years*

In the aftermath of Hurricane Katrina, the Center for American Progress established a 2007 Task Force on Poverty. Out of the effort, several organizations—the Coalition for Human Needs, the Center for American Progress Action Fund and The Leadership Conference on Civil and Human Rights—partnered to form Half in Ten, a national campaign that aims to cut poverty by half in ten years (from 2010-2020).

Erik Stegman, Manager of Half in Ten, says the goal is to “move people to action to cut poverty in half.”<sup>75</sup> Part of the campaign’s strategy required defining a baseline by which supporters and partners nationally and in each state could track progress. To that end, Half in Ten established 21 indicators in 2012 so people concerned about poverty can “hold elected officials accountable, build the grassroots movement to reduce poverty, and dispel the myth that ‘the poor will always be among us.’”<sup>76</sup>

One indicator Stegman finds particularly helpful is the SPM because “it highlights the value of federal programs and how they are a bridge for struggling families.” Half in Ten’s website says of the SPM:

“It shows that refundable tax credits such as the earned income and child tax credits kept 8.7 million people out of poverty in 2011, and that the Supplemental Nutrition Assistance Program lifted 4.7 million people above the poverty line. In contrast, factors such as medical out-of-pocket costs and work expenses pushed 10.6 million and 5.3 million people into poverty, respectively.”<sup>7</sup>

Along with the SPM, the campaign tracks the following indicators, grouped into four categories:<sup>78</sup>

#### CUTTING POVERTY

- Poverty Rate
- Supplemental Poverty Measure
- Income Inequality

#### CREATING GOOD JOBS

- High School Graduation Rates
- Economic Inclusion of Young People
- Young Adults with an Associate’s Degree or Higher
- Unemployment Rate
- Unemployment Rate of Persons with a Disability
- Pay for Service Occupations
- Paid Sick Leave Access
- Retirement Plan Access
- Gender Wage Gap

#### STRENGTHENING FAMILIES

- Children Living Apart From Parents
- Teen Birth Rate
- Health Insurance Coverage
- Family Employment

#### PROMOTING ECONOMIC SECURITY

- Affordable Child Care
- Food Insecurity
- Unemployment Insurance Coverage
- Affordable Housing
- Asset Poverty (lacking the savings to cover 3 months of expenses at the poverty line)

Half in Ten offers toolkits, fact sheets, webinars and an interactive website for advocates who are elevating an anti-poverty agenda.

*Local Supplemental Poverty Measure  
Estimates: New York City Leads the Way*

Several years before the Census Bureau decided to create the SPM, Mayor Bloomberg led the way, taking the view that New York City couldn't combat poverty if there was no measure that adequately

described it or took into account what the federal, state or local government was doing to reduce it. Mark Levitan, Director of Poverty Research for **New York City's Center for Economic Opportunity (CEO)**, identified several advantages the City of New York had in developing its measure.

**POVERTY MEASURE CONCEPTS:** OFFICIAL AND SUPPLEMENTAL

	OFFICIAL POVERTY MEASURE	SUPPLEMENTAL POVERTY MEASURE
POVERTY THRESHOLD	Three times the cost of minimum food diet in 1963, and indexed for inflation	The 33rd percentile of expenditures on food, clothing, shelter and utilities (FCSU) of a reference family multiplied by 1.2
THRESHOLD ADJUSTMENTS	Vary by family size, composition, and age of householder	Geographic adjustments for differences in housing costs and a three parameter equivalence scale for family size and composition
UPDATING THRESHOLD	Consumer Price Index: all items	Five year moving average of expenditures on FCSU
RESOURCE MEASURE	Gross before-tax cash income	Sum of cash income, plus in-kind benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses and child care, minus out-of-pocket medical expenses, minus child support paid

Source: Adapted from Short, U.S. Census Bureau (2012)

These include consistent support from the Mayor, access to City Agency data, and adequate funding for the staff needed to do the work. These have been essential to maintaining the project since its inception in 2007. Levitan is hopeful that support for the new measure will continue under the next Mayor and mentioned legislation that has been introduced in the City Council that would require future Mayors to issue annual reports on poverty in the city based on the CEO methodology.

CEO has now issued four annual reports on poverty in New York City.<sup>79</sup> Recent reports have focused on the effect of federal stimulus programs in bolstering family incomes during the Great Recession. Some key insights and implications include:

- “Participation in safety net programs tends to grow as need increases during economic contractions. In addition to this ‘passive’ increase, policymakers took active steps during the recession to bolster the purchasing power of low-income families...We estimate that without these steps, the CEO poverty rate would have risen to 23.7 percent in 2010, rather than 21.0 percent. ...policy does indeed affect poverty. And because it does, protecting what works and improving on what does not, matters greatly.”<sup>80</sup>
- “The organizing principle of the nation’s anti-poverty strategy since the mid-1990s has been to make employment a path out of poverty. Policymakers...have expanded programs that ‘make

“Within a policy context that emphasizes work-plus-benefits, what should be done when... work is hard to find?”

“THE CEO POVERTY MEASURE, 2005-2010,”  
NEW YORK CITY CENTER FOR ECONOMIC  
OPPORTUNITY (APRIL 2012)

work pay’ in order to keep families out of the ranks of the working poor. Within a policy context that emphasizes work-plus-benefits, what should be done when the economy contracts and work is hard to find?”<sup>81</sup>

A few other organizations and government agencies have decided to follow New York City’s lead, some of which are described below. Others are starting to create or use local SPM estimates. For example, in 2013, Step Up Silicon Valley, a local anti-poverty effort led by Catholic Charities, announced it will track its goals using a county-level SPM. Helping them are researchers at the Stanford Center on Poverty and Inequality, and the Public Policy Institute of California, who are joining together to calculate SPM estimates for every county in California for release in September 2013.

### *View of State-Level Poverty Using an SPM Poverty Rate*

**The Urban Institute devised its own poverty measures to analyze safety net effectiveness in six states, including Georgia, Illinois and Massachusetts.** Here are several findings from its 2011 report called *How Do States’ Safety Net Policies Affect Poverty?*

- “Child poverty would at least double in all three states in the absence of safety net programs.

- “States’ safety net policies matter. Children living in deep poverty based on pre-safety net income are twice as likely to move out of poverty in Massachusetts as in Georgia or Illinois.”

- “Child poverty would at least double in all three states in the absence of safety net programs.

- “States’ safety net policies matter. Children living in deep poverty based on pre-safety net income are twice as likely to move out of poverty in Massachusetts as in Georgia or Illinois.”<sup>82</sup>

**The Institute on Poverty at the University of Wisconsin-Madison** also crafted a poverty measure aligned with the SPM to understand how policy affects poverty in Wisconsin.<sup>83</sup>

### *Family Budgets: Income Measures Examining Economic Security*

**History and Application of Family or Basic Needs Budgets:** There once was a strong tradition of conducting “family budget” research within U.S. government agencies (which had first been pioneered in Britain). In 1909, the **Bureau of Labor Statistics** (BLS), working to support a congressional investigation into the condition of women and child workers at cotton-mills in the South and in Fall River, Massachusetts, interviewed workers and asked them to describe the prices and quantities of items their families purchased. The research highlighted two prevailing standards of living: a “minimum standard

of living of bare essentials” and the more comfortable “fair standard of living.”<sup>84</sup>

BLS later defined and revised family budgets for a variety of purposes during World War I, again in the Great Depression, and over several ensuing decades, notably launching a Family Budget Series in 1966 to publish what income levels a family needed to live decently. However, President Reagan significantly reduced BEA funding in 1981, ending new government family budget research.

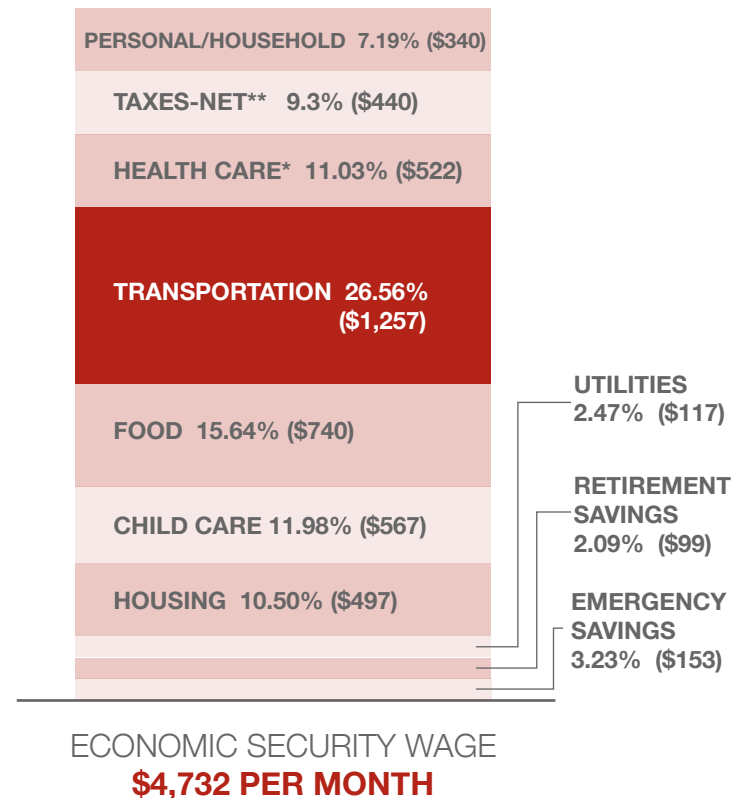
**Family budget research, also known as basic needs budgets, measures the minimum amount of income needed for a family to achieve a modest but adequate standard of living.** These budgets reflect variations in family size, regional differences in prices and, in some cases, variations in family members’ ages—reflecting differing financial demands for families with children under five (i.e. child care expenses) and/or those with members over 65 years old (i.e. health care or long term care expenses).

Over the past 17 years, a handful of researchers at various public policy organizations and universities have constructed family budgets given the void left by government.

### *Convergences and Divergences in Modern Approaches to Family Budgets*

Interviews reveal the following when it comes to modern-day family budgets:

### **BREAKDOWN OF COSTS: BEST INDEX** FOR 2 WORKERS, 1 PRESCHOOLER, AND 1 SCHOOL-AGE CHILD: MISSISSIPPI (STATEWIDE AVERAGE)



\*The BEST Index asks users if a family has employer-sponsored health benefits. Here, the family does. However, approximately 49% of Mississippi private sector workers can't or don't purchase health insurance through their work.

\*\* The BEST Index includes available tax credits in its calculations.

Source: *Wider Opportunities for Women* (2011)

■ **They have significantly higher thresholds than poverty measures—anywhere from 1.5 to 4 times the Federal Poverty Thresholds**, depending on a family’s location. They “go beyond measures of severe deprivation” to provide “a relative measure of the dollar amount families need to live modestly in the communities where they reside,” according to Sylvia Allegretto, an economist at the University of California, Berkeley, and a researcher for the Economic Policy Institute (EPI).<sup>86</sup>

■ **Work doesn’t guarantee economic security:** most families living below their income adequacy thresholds have at least one worker,<sup>87</sup> and their work-related expenses (e.g. for childcare and transportation) often consume more family income than rent.<sup>88</sup>

■ **On the whole, family budgets are fairly similar methodologically.** Developers generally include local costs for housing, food, child care, transportation, out of pocket health care expenses, miscellaneous necessities, taxes and tax credits (i.e. Earned Income Tax Credit and the Child Tax Credit).<sup>89</sup>

■ **Yet, there are methodological differences between the best-known versions.** Some creators of these budgets believe they need to be “basic” and include only income and a family’s immediate consumption needs. Others, especially those who are in great alignment with proponents of asset-building strategies, consciously include line items for families to save and/or repay debt. Budgets that address asset-building in some way generally have higher overall thresholds than those that do not.

While they all include costs for out of pocket medical expenses, some assume in their versions that families have access to employer-sponsored health insurance. Thus, some budgets allocate less money to health care premiums than do others.

Transportation also requires methodological assumptions—here, too, different approaches arise. Some developers believe that since most American families have a car, their budget will reflect car ownership. Others build budgets presupposing that public transit is an appropriate option in some areas of the country.

■ **Many family budgets funnel their data into geographic-specific online calculators or benefit simulators** that help low-income individuals or caseworkers identify strategies and goals for greater income security (i.e. identify work supports, devise a modest savings plan, or focus on their projected or real needs as they age).<sup>90</sup>

The calculators can also help users plan for “obstacles to economic self-sufficiency such as the systemic ‘cliff effect’ built into many work support programs.”<sup>91</sup> (Cliff effect is a term describing how government programs often reduce or eliminate payments or transfers to low-income beneficiaries as they receive small increases in earned income with the result that overall family income may decrease; various groups call the drop off in work supports alarming and detrimental to those working towards self-sufficiency.<sup>92</sup>)

■ **Competition for funding and public attention between groups offering similar family budgets**

can be an issue, although most are in agreement about the importance of elevating an economic security agenda that will promote greater prosperity for all. All the family budget researchers with whom we spoke must raise philanthropic dollars or charge a fee-for-service to develop and update their metrics.

■ **People promoting women’s issues, older adult issues, groups promoting the necessity of higher wages and those focused on inclusivity see value in family budgets.** Interviews cited the following benefits: some versions account for hundreds of family types, which by nature, make this type of metric more relevant to large family configurations and multi-generational households; others see the inclusion of market-rate child care as pivotal in educating the public about the burdens working families, particularly single parents, face. Others appreciate their usefulness in determining income adequacy, particularly by evaluating local costs.

■ **But, various leaders seek or create measures that go beyond a household’s income** to assess a community’s well-being or a person or group’s social capital—the capacity to leverage social relationships to get ahead in school, at work, in starting a business or in building other financial and non-financial assets.

■ **No third-party, national study has assessed the impact of family budgets.**

■ **Each of the organizations profiled has strong, national reputations and a long list of victories** when it comes to getting organizations, agencies, labor unions, legislators and the media to refer to their

“With the rise of the women’s movement, the ‘feminization of poverty,’ changing family structures—including the growth of single motherhood and of women entering the world of paid work—the poverty measures of previous decades were clearly inadequate.”

MEIZHU LUI

measures and state studies. Some have had also garnered policy wins.

### *History and Application of the Self-Sufficiency Standard*

In 1996, **Diana Pearce**, who coined the phrase “the feminization of poverty,”<sup>93</sup> developed a basic family budget and partnered with the Washington DC-based **Wider Opportunities for Women (WOW)**, an organization focused on achieving economic independence and equality of opportunity for women and girls, to disseminate it.

**Called the Self-Sufficiency Standard (SSS), the measure details “the minimum amount of income required by families to meet their basic needs—without public or private assistance.”**<sup>94</sup> It has been used by organizations and agencies in 37 states, the District of Columbia and New York City.

The story behind the development and use of the SSS highlights important convergences and divergences that exist within advocacy communities interested in economic security. For example, Pearce recounts that the SSS was born in the 1990s when a consortium of women’s advocates wanted to create a measure to better measure progress towards the performance goal of “self-sufficiency” which had been written into the federal Job Training Partnership Act (JTPA). Under JTPA, she says:

“Local job training programs averaged wages of

all participants to measure whether they met the single JTPA performance goal (e.g., an average wage of \$5.10 per hour). This meant that instead of seeing wage disparities for women and people of color as problematic, these programs ignored such race and gender-based disparities in their assessment of whether they had ‘met’ the performance standard.”<sup>95</sup>

Commenting on the origins of the SSS, activist and author Meizhu Lui similarly contextualizes it as a response to the challenges women faced in entering the workforce:

“With the rise of the women’s movement, the ‘feminization of poverty,’ changing family structures—including the growth of single motherhood and of women entering the world of paid work—the poverty measures of previous decades were clearly inadequate. It’s not an accident that the Self-Sufficiency Standard, [which includes child care expenses as a necessity], came from women’s organizations.”<sup>96</sup>

With the federal passage of TANF or “welfare reform” in 1996, the cash support families could receive from safety net programs over their lifetimes was limited to five years (less in some states), and states were given wide discretion on the use of welfare dollars and programming. The legislation also placed more parental work requirements on beneficiaries.

The SSS gained a wider fan base in this era, as more people, especially single mothers, faced roadblocks

## **SACRED HEART COMMUNITY SERVICE:**

### *Addressing Skyrocketing Needs in Silicon Valley*

Sacred Heart Community Service (SHCS), one of the largest human service organizations in Silicon Valley, is in a majority-minority county where 53% of residents identify themselves as Asian/Pacific Islander, African-American, multiracial, or some other race. It is also a community where:

*“Wealth and well-being is predominantly concentrated among white, long-time U.S. residents, with access to higher education and other hallmarks of middle to upper class life. Meanwhile, residents of color and recent immigrants struggle to get by and bear the brunt of most negative life indicators in Santa Clara County.”*  
(SHCS’ 2012/2013 Community Action Plan)

Not surprisingly the organization has seen skyrocketing demand since the economic crisis—50,000 people came through its doors in 2011 compared to 35,000 three years before. According to Poncho Guevara, SHCS’s Executive Director who previously worked for the South Bay Labor Council and in the affordable housing field: “Overwhelming needs arrive at a time of plummeting public revenues leading to devastating budget cuts to state and local programs.”

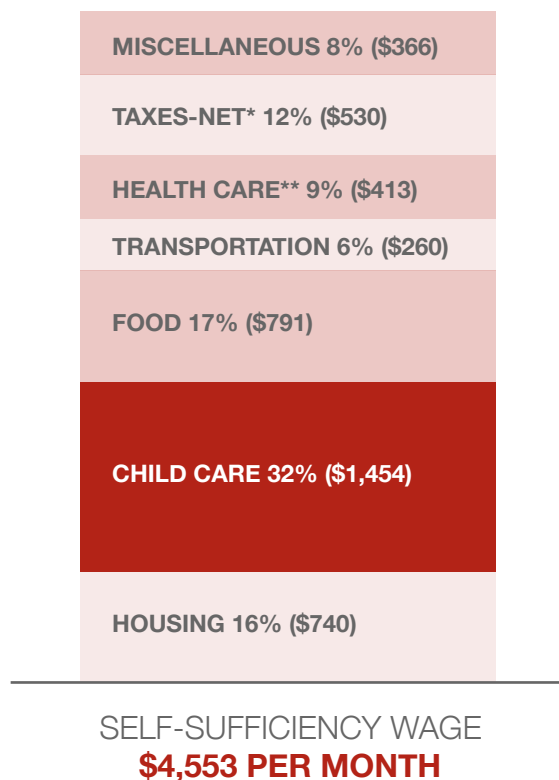
But instead of retrenching, Guevara has led SHCS to “embark on new projects and to take on a more systemic analysis of why poverty persists in our county and what we can do about it.” Part of the organization’s strategy, laid out in SHCS’ 2010-2013 strategic plan, is to spur greater civic participation across the entire community, but particularly in low-income communities through sustained outreach, advocacy and organizing.

As part of its efforts, the organization uses the Self-Sufficiency Standard in funder reports and to educate policymakers, constituents and volunteers that “the high cost of living, and particularly housing, in the region makes the Federal Poverty Level almost irrelevant” (SHCS’ 2012/2013 Community Action Plan) as an indicator of how families and individuals are doing in the area. Guevara says he even used the SSS to increase the hourly wages of non-salaried staff when he came on-board, unable to justify paying any SHCS’ workers poverty level wages.

Many of SHCS’ programs and services (i.e. job search assistance, family support/mentoring, asset-building and leadership) are also organized around the concept of self-sufficiency.

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**BREAKDOWN OF COSTS:** SELF-SUFFICIENCY  
STANDARD FOR 2 WORKERS, 1 PRESCHOOLER,  
AND 1 SCHOOL-AGE CHILD: PITTSBURGH, PA



\*The Standard includes available tax credits in its calculations.

\*\*The Standard assumes employer-sponsored health benefits.

Source: Center for Women's Welfare and Pathways PA (2012).

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entering the labor market, and moved from welfare to working poverty. As David H. Ciscel has written, "Both the replacement of ADFC with TANF and the rise of childhood poverty have strongly influenced the focus of self-sufficiency studies."<sup>97</sup>

Worried that the new rules did not lay out strategies that would, in fact, help vulnerable populations achieve economic security, WOW partnered with three other organizations—the Ms. Foundation for Women, CFED and the Insight Center for Community Economic Development—to build coalitions in various states to advance family economic self-sufficiency both on a state by state level, and nationally.<sup>98</sup> **In time, over 2,000 local organizations joined the Family Economic Self-Sufficiency (FESS) network, agreeing to use the framework of family economic self-sufficiency.**

To join a respective state's FESS network, a local organization had to formally agree to promote "six strategies" for family economic security, one of which was the wide promotion of the SSS. (The others are: higher-wage employment through sectoral employment interventions and increasing access to higher education; non-traditional employment for women; the teaching of literacy skills and job content in an integrated manner; microenterprise; and asset-building practices.<sup>99</sup>) The six strategies still resonate today and guide some of the economic security work that several of the founding national organizations focus on now, albeit separately.

Dr. Pearce, in 1996, joined the faculty of the School of Social Work at the University of Washington, where

she subsequently founded and directs the Center for Women's Welfare (CWW), which now houses and generates all SSS research, calculations and reports.

In 1999, WOW received a Ford Foundation grant to support the expansion of the FESS network and to cover the costs of subcontracting with CWW to calculate and issue SSS reports for 21 additional states—up from just a handful. The expansion allowed the measure to gain traction in policy, advocacy and workforce training circles. For example, legislators included the SSS as an indicator of the stated goal of economic self-sufficiency in two federal laws, the 2006 Carl Perkins Career and Technical Education Act and the Green Jobs Act of 2007.<sup>100</sup>

WOW reports that local successes exist, too: “In state legislatures around the country, the Standard has been used to preserve a range of programs including Medicaid, child care, children’s mental health services, and an indexed minimum wage.”<sup>101</sup>

Pearce adds that “a lot of foundations and nonprofits use the SSS to benchmark how they are doing.” Examples include the United Way of the Bay Area and the Y & H Soda Foundation. Probably the most extensive use of the SSS has been in the workforce system, often with online calculators that: provide clients with an evaluation of the current “wage adequacy” of their present employment and calculate eligibility and copays for various benefit programs, allowing for a client to visualize the impact of alternative pathways to achieving economic security.

CWW is developing optional calculations that pre-

pare users for the costs of asset and skill building.<sup>102</sup>

An individual or family can assess what it will take to establish emergency savings based on his or her geography and age category. Also, the CWW will release calculations to help a user determine the costs of several “Economic Security Pathways:” secure housing (i.e. with options for renting or owning), post-secondary education (options at several levels), and retirement savings (by age at which savings begin). Pearce sees these additional calculations as tools that enrich, but do not replace the original methodology.

### *Methodology*

Pearce uses a standardized methodology that includes the following cost components: housing, child care, food, health care, transportation, taxes, and miscellaneous costs. She and the staff at CWW research regional prices using government and other credible public sources of information and adjust for family size and composition.

The SSS core methodology assumes:

- Variations in family size are important. Pearce calculates thresholds for 70-154 different family types.
- All adults are working full-time whether they are single or married. The measure is therefore not relevant to older adults who are retired.
- Children under 12 require outside childcare on a fee-for-service basis and the cost depends

on the child's age, utilizing market-rate prices at the 75th percentile.

- A self-sufficient family does not need governmental or nongovernmental assistance; thus the budget does not count income from government programs, food from food banks or churches or gifted or bartered services such as babysitting from a friend.
- Taxes and tax credits should be included in a family budget.
- Everyone is a renter, generally using an amount equal to the 40th percentile of average local market costs, using government sources.
- Families eat only at home and their food costs are in line with the U.S. Department of Agriculture's Low-Cost Food Plan.
- Public transportation is sufficient unless the family is in an area where 93% or more of the residents use cars to get to work.
- A self-sufficiency wage includes employer-sponsored health care for an individual and his or her family. Costs include premiums, deductibles and co-pays at median price.
- Miscellaneous expenses are equal to 10% of the total budget, excluding amounts designated for taxes and tax credits, and will cover clothes, telephone, savings, debt repayment, household items, etc.

### *History and Application of Basic Family Budgets*

In 2000, the **Economic Policy Institute (EPI)**, a prominent think tank based in Washington D.C., developed what they call Basic Family Budgets.<sup>103</sup>

EPI is well-regarded by organized labor; various interviewees representing unions mentioned EPI's budget series as a go-to source when conducting background research on living wage campaigns, for example. EPI helped to elevate the field, particularly in the 2000s, by having several illustrious economists contribute to its basic budget series. For example, Jared Bernstein, who later left EPI to become an adviser to Vice President Joe Biden and is now at the Center for Budget and Policy Priorities, wrote several papers while at EPI endorsing family budgets as a viable and necessary antidote to the traditional poverty standard.

Using family budgets, Bernstein and his colleagues analyzed who was struggling to make ends meet in modern-day America:

"Overall, young families, larger families, urban families, families headed by a non-college-educated person, and minority families are more likely to fall below the budget levels. Among the latter, over 50% of African American and Hispanic families fall below family budgets, compared to about 20% of white families."<sup>104</sup>

The EPI budgets cover six family types and 521 local regions.<sup>105</sup> When first introduced, Bernstein says, other family budgets weren't calculated nationally (just for specific regions), and he wanted to create a

tool that would allow for a critique of the FPL and a reference point for striving families.<sup>106</sup>

EPI is a go-to source for its related series on the “State of Working America” (with both a state level and national perspective) and its research on race, ethnicity and the economy as led by sociologist Algernon Austin.<sup>107</sup> Providing an impressive, expansive body of thought leadership on our nation’s economic security challenges and opportunities, EPI also leads the **Economic Analysis and Research Network (EARN)**, which consists of 57 policy organizations in 43 states, all of which advance progressive policies through coordinated and independent campaigns, technical assistance, research, testimony and media appearances.<sup>108</sup>

At least one EARN partner, the **Center for Public Policy Priorities (CPPP)** in Texas, has created its own economic security metrics. Released for the first time in January 2013, The Better Texas Family Budgets is an online tool that measures what constitutes a true survival income in 26 metropolitan areas across the state.<sup>109</sup> Using the new benchmark allows the group to connect conversations about economic (in)security to a discussion about wages and jobs. In a news release describing the new tool, CPPP states:

“Nearly 80 percent of low-income Texas families are working full-time and year-round, so clearly many of them are poor not because they don’t work but because their job doesn’t pay enough. In fact, Texas has the third-worst rate across the country of jobs that pay at or below minimum wage.”<sup>110</sup>

CPPP also created a county-level economic security measure called the Texas Regional Opportunity Index (TROI) in 2012.<sup>111</sup> Along with partners, including the United Way of Midland and Raise Texas—the state’s asset-building coalition—CPPP gathered stakeholders in Midland to discuss findings and propose possible joint efforts to address opportunities and challenges identified by the multi-dimensional index.

### *History and Application of Basic Needs Budget Calculator*

**National Center for Children in Poverty (NCCP) at Columbia University** offers a **Basic Needs Budget Calculator**—supported by funding from the Annie E. Casey Foundation. First developed in 2003, the Basic Needs Budget Calculator is now available for more than 100 localities in 26 states.

Curtis Skinner, Director of NCCP’s Family Economic Security program, notes that one advantage of the tool is it allows users to accept either default budget values calculated by NCCP for a family of a given size or input their own estimates of housing, child care, food, out-of-pocket medical expenses, debt and other basic expenses. The organization also offers a **Family Resource Simulator** so a family member can learn about the impacts of work supports, such as EITC and childcare assistance, for which they might qualify.

NCCP’s budget calculator is one of the most frequently used tools on the organization’s website and is, in fact, particularly easy to use.<sup>112</sup> Skinner readily

## IN FOCUS

### CALIFORNIA'S ADOPTION

#### *of the Elder Economic Security Standard Index*

Each year, since 2004, the Women's Foundation of California's Women's Policy Institute (WPI) offers diverse women the opportunity to learn how to develop proposed policy and navigate the state's legislative process

WPI offered Susie Smith, a participant in the leadership program in 2009 and a staffer at the Insight Center, an unprecedented opportunity: WPI encouraged her to select a team of female leaders from Insight's California Elder Economic Security Initiative, an emerging coalition formed in partnership with national partner WOW, to participate in a brand new "Elder Issues" policy team. Smith asked potential team members: how would they like to build a diverse coalition to persuade state legislators to institutionalize the Elder Index in state law?

"The resulting team was already committed to helping struggling seniors in their respective communities," says Smith, "so they were excited about the opportunity to learn the 'ins and outs' of Sacramento and move this issue forward at the state level." The team convinced California Assemblymember Jim Beall, Chair of the Assembly Human Services Committee, to introduce a 2009 bill that would require the State Department of Aging and its local arms to incorporate the Elder Index as a tool in its strategic planning and annually update the Index. Although the bill passed through both legislative chambers in a legislative season when only one third of bills introduced made it out of even one house, then-Governor Arnold Schwarzenegger vetoed it.

New WPI program participants reintroduced similar bills in 2010 and 2011 with significant support from the Insight Center, which was using the legislation to galvanize the aging network and seniors leaders across the state around a common economic security framework.

Backers across the state celebrated in the fall of 2011: after three years, Governor Jerry Brown signed into law AB 138, the Elder Economic Planning Act. State and local aging agencies now use the Elder Index to more accurately count the number of people 65 and over who are struggling and to plan for their needs. (The law does not change eligibility for government programs, however, and the government relies on the Insight Center to raise funds so a team at UCLA can update the Index.)

Smith, now Managing Director at the Insight Center, sums up key lessons:

- Strength comes only through partnerships.
- Senior groups are hungry for a unifying framework for advocacy organizing—the Elder Index became that catalyst.
- The legislative process enabled participating organizations to strengthen their networks and broaden the discussion of elder poverty in their state.
- It often takes more than one attempt to get quality legislation passed.
- The legislative activity attracted overwhelming interest and support but also requires nurturing and planning moving forward so the momentum doesn't dissipate.

acknowledges that the organization's family budgets adapt methodology from the SSS and EPI,<sup>113</sup> but also "takes into account debt and helps families plan for asset-building," essential considerations for many modern-day families aiming for economic security. Budget thresholds, once calculated, are also presented with a calculation of what hourly earnings a family needs to meet its costs.

A particular strength of the Basic Needs Calculator/Family Resource Simulator tool is that it allows users to compare the evolution of net resources (earnings plus income and work supports minus basic family expenses) as earnings rise. This gives the user a real indicator of the adequacy of income and work supports in helping families with earnings to meet their basic needs.

According to Skinner, all family budget research is important because, taken together with related research that shows how children benefit scholastically when there are modest increases in family income,<sup>114</sup> it can provide a lens by which to craft interventions that improve children's chances. Skinner was particularly responsive to the notion that people calculating and using alternatives to the FPL should join together to exchange ideas and strategize.

Besides computing budgets, NCCP provides what it calls "Family Economic Security Profiles" for each state, offering "state-specific data on low-income children and families and highlighting state policy choices to promote work attachment and advancement, income adequacy, and asset development."<sup>115</sup> In addition to its work in family economic security,

NCCP conducts policy-oriented research in child development and health to promote better outcomes for low-income children and their families.

### *History and Application of the Elder Economic Security Standard Index*

With an aging population on the cusp of exponential growth and retirement security increasingly out of reach for many people (particularly women and minorities), **WOW** developed the **Elder Economic Security Standard Index (Elder Index)** in 2005 with the **Gerontology Institute at the University of Massachusetts, Boston**. As an income measure, it benchmarks what it costs people 65 and over to age in place and meet their basic needs. It is calculated at the state level and on a county-by-county basis for all states,<sup>116</sup> and takes into account variances in a person's household size, housing status (home owner or renter), transportation needs, health status (excellent, good or poor) and location.

WOW launched the **Elder Economic Security Initiative**, which includes a network of 550 collaborators in 17 states.<sup>117</sup> Participating organizations use the Elder Index and work toward a suite of policy goals at the state and national levels, including: "strengthening Social Security; expanding access to home and community-based long-term care; improving community-based aging services; advancing access to financial planning and literacy opportunities; and educating the public on the availability of service and supports that diminish the gap between elders' incomes and economic security."<sup>118</sup> The Elder Index and network activi-

ties have been funded by The Atlantic Philanthropies, the Retirement Research Foundation, the Henry & Marilyn Taub Foundation, the Ford Foundation, and by state partners who fundraise for local projects.

An early promoter of the Elder Index, the Insight Center led a coalition that fought successfully to win enactment of the Elder Economic Planning Act of 2011, a first in the nation law which requires the State of California's Area Agencies on Aging to use the Elder Index in planning for the needs of the state's older adult population.

Beyond perfecting and promoting family budgets and encouraging their adoption, WOW promotes a broad economic security framework for older adults. A list of local and national successes is on its website categorized by capacity building, direct service, policy, outreach/media, advocacy and research related activities.<sup>119</sup> WOW also launched, in 2012, an effort to improve the well being of New Jersey and Massachusetts seniors by having the Elder Index used as a public assistance program income eligibility threshold.

Shawn McMahon, Acting President and CEO of WOW, sees that momentum is building around the Elder Index in other ways: he has expressed that the SPM, which depicts higher rates of elder poverty, brings more focus to elder economic insecurity, and this, combined with important debates on Medicare and Social Security, have been helpful in promoting the Elder Index.<sup>120</sup>

Meanwhile, Susie Smith, Managing Director at the

Insight Center, believes that the process of including stakeholders in designing, using, benchmarking and advocating for the measure continues to be important even after the tool's adoption into state law in California. Smith continuously invites users to comment on successes and challenges in using the tool. User feedback in fact led the Insight Center and its local research partner, UCLA Center for Health Policy Research, to expand the Elder Index to account for grandparents raising grandchildren.<sup>121</sup> Such feedback makes the tool more useful and responsive to groups serving families of color and allows it to reflect the circumstances of a wider circle of older Californians. (For example, 31% of all Californians 65 and older live in multi-generational households).

### *Methodology*

The Elder Index, which is calculated for one- and two-person elder households, takes into account an elder household's housing type, transportation type, and health status to determine what amount of annual income is adequate to provide basic economic security. Below are its cost components, calculated using geography-specific data whenever possible:

- Fair Market Rent or median homeownership costs—mortgage payments, taxes, maintenance costs and insurance;
- Food prepared at home, based on the USDA Low-Cost Food Plan for older adults;

- Health care costs consisting of premiums for Medicare Parts B, C and D, as well as co-pays and deductibles;
- Transportation costs for private auto ownership and use, or for public transportation; and
- Miscellaneous household items, such as a telephone, clothing, paper goods, cleaning and hygiene products, and relevant sales taxes, together comprise 20% of all other Index costs.

Income taxes are not included in the Index because thresholds for the Elder Index fall below income amounts that the federal government would tax for retirees.<sup>122</sup>

Developers created the measure after consultations with a select group of women's organizations, policy organizations and direct service aging organizations, and under advisement from an advisory board.

### *History and Application of the Basic Economic Security Tables™ Index*

**WOW** and the **Center for Social Development at Washington University** in St. Louis jointly developed the **Basic Economic Security Tables™ (BEST) Index**. BEST offers budget standards for more than 400 family types and offers flexibility for users who may want results based on whether they receive employer-based benefits or not. It is the first family budget to include, as part of its core definition

of security needs, savings for retirement and emergencies—needs which comprise about 3 to 6% of the total Index, depending on family size and where a family lives.

First released in 2009, the BEST Index illustrates the annual incomes families (consisting of people 64 and under) need to meet daily basic needs in their region and save for emergencies and retirement. The economic security incomes calculated for the BEST for given localities range from approximately two times to four times the uniform Federal Poverty Threshold.

WOW now disseminates the BEST Index and Elder Index data through its Economic Security Database, an online data source that partners and the general public can use for free. (When WOW first started promoting family budgets, it would strongly encourage groups interested in the data and approach to join formally its FES coalition. This approach differs.)

Users can rely on BEST figures for the country as a whole or refer to state-specific results and in-depth reports for the following states (and District of Columbia): Alabama, Connecticut, Delaware, Kentucky, Michigan, Mississippi and New Mexico.<sup>123</sup> In these states, local organizations agreed to underwrite the costs for the research needed to create local BEST figures and partnered with WOW to release state-specific economic security reports.

At a national level, in a series called Living Below the Line, WOW identifies “who within the United States is living below their family’s BEST Indexes” and what types of income offer stability. Findings have

## **NATIONAL EMPLOYMENT LAW PROJECT:**

### *Promoting Good Jobs, Mobility, and Worker Rights*

Local and state organizers, when gearing up for living wage or “raise the minimum wage” election campaigns often contact Jen Kern, a Campaign Coordinator at the National Employment Law Project (NELP), to seek advice, research, resources and connections. Kern has spent nearly her entire career focusing on raising standards by mobilizing the public to demand higher wages from employers (the tactic was first pioneered in 1995 by religious, civil rights and labor groups in Baltimore who lobbied the city to sign contracts only with employers offering a living wage).

Kern cites that much of the public—whether conservative, liberal or somewhere in between—consistently agrees in polls that the minimum wage should go up to \$10 from the current \$7.25. Given research that shows increases in wages actually expand local economies, she sees local level change as essential in turning the tide nationally. In late 2012, voters in Long Beach, San Jose and Albuquerque passed ordinances increasing the minimum wage within each city’s borders.

Nationally, NELP partners with a variety of organizations to educate the public about unnerving trends in low-wage job growth and to promote economic justice. They have used WOW’s BEST Index to support their case for higher wages. They also partnered with a variety of organizations to offer these recommendations for rebuilding the middle class in “Ten Ways to Rebuild the Middle Class for Hardworking Americans:”

### **TEN WAYS to Rebuild the Middle Class for Hardworking Americans**

1. Make Every Job a Good Job
2. Fix the Minimum Wage
3. Save Good Public and Private Jobs
4. Ensure Health and Retirement Security
5. Uphold the Freedom to Join a Union
6. Make the Modern Workplace Pro-Family
7. Stop Wage Theft
8. Require That Your Boss Be Your Employer
9. Give Unemployed Workers a Real, Fresh Start
10. Toughen Laws Protecting Workers’ Safety and Health

*Sources: Richard Kirsh (2012). Also, author interview with Jennifer Kern (2012).*

garnered national media attention (including from *The New York Times*, *Reuters*, *the Associated Press*, *Huffington Post* and others):

- “Forty-five percent of US residents live in households that lack economic security.
- “Women are more likely [than men] to lack economic security.
- “Sixty-two percent of black households and 66% of Hispanic households have total incomes that do not allow economic security...”<sup>124</sup>

Since its release, WOW has promoted the BEST Index to a wide variety of organizations and networks across the country as a policy advocacy tool and as an income and benefits benchmark to be used in direct services.<sup>125</sup> For example:

- WOW partnered with The National Federation of Community Development Credit Unions to offer examples for how the BEST Index can inform “public policy and programming to better serve low-income households.”<sup>126</sup>
- WOW also helped to write a curriculum guide for workforce development professionals who want to

### **BUILDING A CUSHION:** MONTHLY EMERGENCY SAVINGS GOAL FOR PERIODS OF AVERAGE UNEMPLOYMENT, 2010 BEST INDEX FOR THE U.S.

	1 WORKER	1 WORKER 1 PRESCHOOLER 1 SCHOOLCHILD	2 WORKERS 1 PRESCHOOLER 1 SCHOOLCHILD
WITH UNEMPLOYMENT INSURANCE	\$75	\$152	\$170
WITHOUT UNEMPLOYMENT INSURANCE	\$132	\$240	\$279

Source: *The Basic Economic Security Tables: United States Methodology and Supplemental Data.* “Wider Opportunities for Women (2010)

## BUILDING A NEST EGG: MONTHLY RETIREMENT SAVINGS GOAL\*, 2010 BEST INDEX FOR THE U.S.

	1 WORKER	1 WORKER 1 PRESCHOOLER 1 SCHOOLCHILD	2 WORKERS 1 PRESCHOOLER 1 SCHOOLCHILD
WITH RETIREMENT BENEFITS	\$73	\$73	\$56
WITHOUT RETIREMENT BENEFITS	\$121	\$121	\$94

\*Retirement savings goals are calculated using the WOW – GI Elder Index.

Source: *The Basic Economic Security Tables: United States Methodology and Supplemental Data.* "Wider Opportunities for Women (2010)"

integrate the BEST Index into career planning.<sup>127</sup>

■ Opportunity Hartford—an initiative in Connecticut spearheaded by Mayor Pedro Segarra, the Connecticut Association of Human Services and dozens of other local partners—is using the BEST Index to track how the campaign connects residents to jobs, educational pathways and greater income.

Some prominent state level policy organizations are paying to ensure their states have customized reports using the new BEST Index while others are choosing to underwrite research using the longer-running Self-Sufficiency Standard. Tracey Stewart of the Colorado Center on Law and Policy, for ex-

ample, decided to continue use of the SSS because of its more modest budget amounts and her network's familiarity with it. Teresa Younger, Executive Director of the Permanent Commission on the Status of Women in Connecticut, on the other hand, cites that she moved to the BEST Index because it would help start conversations with policymakers about the importance of promoting basic asset-building strategies.<sup>128</sup>

Given that two of WOW's family budgets, the BEST Index and the Elder Index, focus on different age categories, Matt Unrath, National Program Director at WOW, believes that it may one day be possible and beneficial to link the two measures more fully—

through research and then programmatically—so that both intergenerational families and people planning for retirement could benefit.<sup>129</sup>

Soon, WOW will unveil the Economic Security Institute, an online clearinghouse that will present economic security as a series of complementary elements (i.e. good job, access to income supports, access to job training, savings, etc.) and provide new resources such as state scorecards evaluating each state's economic security policies.

### *Methodology*

Like other family budgets, the BEST Index includes local costs for housing, food, utilities, health care premiums, medical out-of-pocket expenses, household items and clothing, child care and transportation needed for work, and taxes (minus tax credits). BEST also includes monthly emergency savings, and the minimum monthly savings needed for a secure retirement—as defined by the local Elder Economic Security Standard Index. Notable features of the measure include:

- The BEST presents budgets for 400 family types of one or two adults and between zero and six children, acknowledging that the source data (American Community Survey PUMS data) excludes households with multiple, non-partnered adults (such as when extended families cohabitate, when unemployed graduates return home to live with parents or when boarders assist a household with costs).

- Children are divided into four age categories, and their ages determine the cost of childcare. (All parents are assumed to be working and in need of child care.)
- Health care is calculated differently for those with employer-sponsored insurance and those with non-employer-sponsored insurance.
- It distinguishes between workers who are and are not covered by unemployment insurance—and calculates for each family type an additional, higher emergency savings need to cover potential periods of unemployment.
- Projections for retirement savings are based on WOW's Elder Index, minus a household's projected Social Security income.

Developers chose not to include savings for homeownership or college education in their base model, saying: “Purchasing a home and sending a child to college, for instance, are traditional components of the American Dream and upward mobility, but they are not necessary in every instance for health, safety and employment.”<sup>130</sup> While people who are interested in homeownership or a child's college education can add those items on an optional basis, the BEST Index is squarely focused on a family's basic consumption needs and not necessarily their prospects for future mobility.



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## SECTION IV: INCOME AND ASSET INDICES

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**Michael Sherraden**, founder of the **Center for Social Development** and a professor at Washington University in St. Louis, pioneered in the 1990s concepts and research that are at the center of the growing field of asset-building. Asset-building proponents promote the idea (based on increasing data) that people with very low incomes can and will save given the right vehicles and opportunities, and that building savings bolsters economic security and well-being more than income can alone.<sup>131</sup>

Moreover, Sherraden and others believe assets have the potential to change common understandings about who is economically insecure. For example, prominent asset scholar Thomas Shapiro said, in 2004, before the Great Recession:

“One can view income-poverty as a phenomenon affecting a relatively small percentage of Americans who, perhaps, have educational and skill deficits, physical disabilities, or personal deficiencies. But if [asset] poverty is something that affects not just one in every eight, nine, or ten families but four in ten, then we need to think about poverty very differently because it is much more characteristic of American families.”<sup>132</sup>

*Three Perspectives: The Consumption Model, Social Stratification Theory, and the Assets for Development Perspective*

To explore metrics in the asset-building field, we borrow from Sherraden and two colleagues, who described the “three major perspectives on assets: the consumption model, social stratification theory, and an assets for development perspective.”<sup>133</sup> These categories are useful in studying how asset building advocates approach their work, coalition building and metric-making today. While these schools of thought aren’t inherently exclusive—i.e. someone could see value in more than one category—they provide a useful analytical frame.

Proponents of the **consumption model** define assets as a storehouse for future consumption. Thinkers in this camp generally situate assets as a buffer against shocks, such as unexpected expenses or drops in income levels, and as a way to plan for retirement. They often rely on measures of net worth and liquid assets to understand how quickly a household can use its assets to fund its daily consumption needs.<sup>134</sup>

In this report, we’ll mention the concepts of asset poverty, asset opportunity and profile the relatively new Economic Security Index, all of which use assets to understand Americans’ consumption capacity.

People defining **social stratification** see assets as “conceptually distinct from income;”<sup>135</sup> in their view, assets define individuals and families’ social and economic status and give families who happen to have assets flexibility and life-long opportunity. This

perspective designates short-term properties to income, while wealth, on the other hand, has significant historical origins that “reflect inequality accumulated across generations, as well as socioeconomic disparity generated in contemporary contexts.”<sup>136</sup>

This perspective holds great sway with advocates who find that structural forces—not individual shortcomings or behavior—bar communities of color and many women from getting a fair shot at upward mobility.

We’ll highlight the Senior Financial Stability Index and the yet-to-be released National Asset Scorecard Project because which highlight racial and gendered gaps in wealth, using a structural lens.<sup>137</sup>

Others prefer to situate “assets as a tool for **socio-economic development**” and tout how wealth, even in modest amounts, can build capacity, change individual behavior, and allow families and communities to invest in long-term goals. Proponents of this view cite how assets can change an owner’s social, psychological, economic and civic outlook and launch low-income people towards a threshold where a “virtuous circle” of asset accumulation and positive effects begins.”

People focusing on assets for development devise interventions that offer low-income families incentives and structures to save, envisioning asset-building as an anti-poverty and economic security strategy. They also advocate for policies that would allow low-income people access to wealth-building vehicles. Generally, groups with this view do not focus primarily on structural racism but instead focus

on policy demonstrations, research, programs, networks and accounts that promote saving and influence policymakers.

For the most part, all those advocating for an assets perspective generally agree that the topic of income dominates discussions of economic security but that there are significant opportunities and challenges in elevating an asset-building agenda. On the one hand, Sherraden predicted in 2000 that “asset accounts may become a primary form of domestic policy during the 21st century,” and he pointed to the introduction and growth of 401(k)s, 403(b)s, IRAs, Roth IRAs, College Savings Plans (529 Plans), Health Spending Accounts, the mortgage interest deduction, etc. However, he and many others point out that prevailing asset-building policies benefit primarily the middle- and upper classes while leaving out low-income people.

*Asset Concepts: Asset Poverty,  
Racial & Gender Wealth Gaps,  
Asset Security & Opportunity*

**Asset poverty assesses how many individuals or families do not have adequate savings, stocks, other assets or wealth to convert to cash to meet basic needs. Many others have offered asset metrics and concepts of their own but none is as commonly used as asset poverty.**

Some quantify it as having no wealth; others define it as lacking sufficient assets to get by at the FPL

for three months (using either net worth or liquid net worth); others would rather define it as having less than enough assets to survive for three months at one’s previous spending levels.<sup>138</sup>

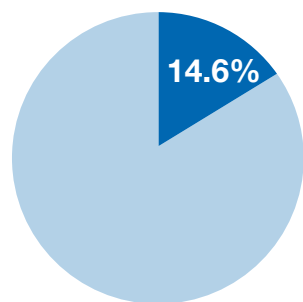
Asset poverty is greater than income poverty across the nation. CFED, using data from 2010, says 26% of Americans didn’t have the net worth to cover the equivalent of three months of expenses (equal to three months at the FPL in their definition) in the event of an income disruption or emergency.<sup>139</sup> Meanwhile, the Federal Poverty Thresholds counted 14.6% of Americans as income poor in 2011.

The liquid asset poverty rate, according to CFED, was an astounding 43.9% for the nation.<sup>140</sup> This means nearly 44% of Americans lack the savings to stay afloat for three months at the poverty level.

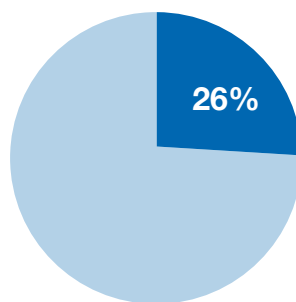
**Moreover, wealth gaps are growing.** The federal government began collecting information on Americans’ net worth in 1983. From 1983-2010, people with high incomes saw their median net worth grow by 87%, while middle-income families enjoyed a median 2% increase and lower-income earners lost a median of 8% of their net worth.<sup>141</sup>

**Families of color are much less likely than white families to have assets—a phenomenon called the racial wealth gap.** According to a study by University of Michigan researcher Trina Shanks, black households with children held only 4% of the wealth of white households nationally, even *before* the recession in 2007.<sup>142</sup> And, while 32% of white households with young children were income-poor and

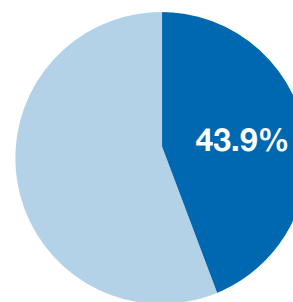
## PERCENT OF U.S. POPULATION IN INCOME VS. ASSET POVERTY



OFFICIAL POVERTY  
RATE (2011)\*



CFED'S ASSET  
POVERTY RATE (2010)\*



CFED'S LIQUID ASSET  
POVERTY RATE (2010)\*

### \*DEFINITIONS:

*FPL = Percentage of households with income below the 2011 Federal Poverty Thresholds.*

*CFED'S Asset Poverty Rate = Percentage of households lacking the net worth to cover three months of living expenses at the Federal Poverty Thresholds.*

*CFED'S Liquid Asset Poverty Rate = Percentage of households lacking the cash or near cash resources to cover three months of living expenses at the official poverty threshold. This calculation excludes the value held in a household's businesses, vehicles, homes and other real estate because these assets are not easily converted into cash.*

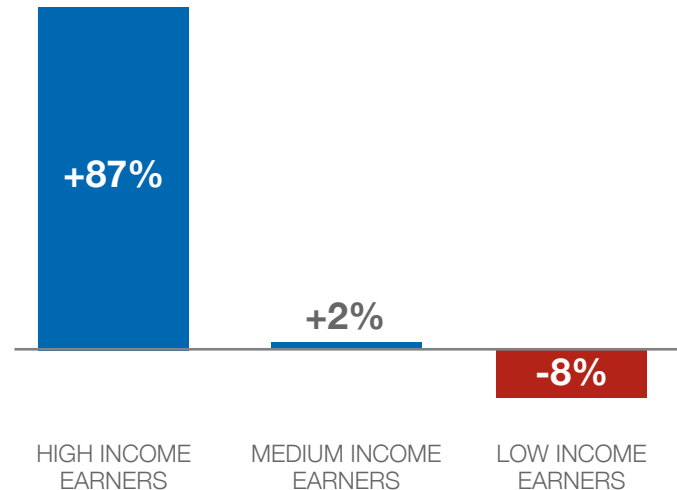
*Source: 2013 Assets & Opportunity Scorecard. CFED. Retrieved Feb 23, 2013.*

14.2% had no assets, 69% of Latino and 71% of blacks were income-poor, and 40% had no assets.<sup>143</sup>

**Lopsided racial wealth ratios indicate that we are not in a “post-racial” society.** The Great Recession made matters worse. CNN Money reports that the

average white household held 22 times more wealth than did the average black household and 15 times more than the average Latino household in 2010, according to the U.S. Census.<sup>144</sup> Whites also hold more wealth than Asians.

## WEALTH GAPS ARE GROWING: CHANGE IN MEDIAN NET WORTH BY INCOME LEVEL \*



\* In 2010, median incomes were \$161,252 for high income households; \$69,487 for medium income households; and \$23,063 for low income households.

Source: Adapted from the Pew Research Center (August 2012)

**Those concerned with wealth gaps between demographic groups point to structural factors that penalize women and people of color.** Shapiro, one of the best known scholars on the racial wealth gap, cites one cause: whites often get wealth from parents while many people of color often use their incomes to support their parents.<sup>145</sup> Furthermore, he notes that when a wealthy individual or couple gifts an adult child with a down payment for homeownership, a “transformative asset,” they allow their child to select not only a home but a wealthier community

and top-notch school for his or her own children. When repeated by millions of others who are often white, Shapiro cites data that shows how the ensuing racial segregation allows whites’ homes to appreciate at a higher rate than homes belonging to blacks. Thus, opportunities to enhance a child’s mobility (in this case, through a quality education) and see one’s home increase in value over time (to sustain retirement, for instance) are stymied or enhanced based on circumstances linked to one’s birth—as opposed to merit.<sup>146</sup>

The **Coalition of Communities of Color**, a group formed to grow the capacity of African American, African immigrant and refugee, Asian/Pacific Islander, Latino, Native American and Slavic human services organizations in Oregon, puts it this way:

“The historic treatment of most communities of color that forbade many of us to own land, to vote and to even work, and also our historic discrimination in the labor market has resulted in generations of families of color being unable to accumulate wealth, and subsequently endow it to the current generation.”<sup>147</sup>

Meizhu Lui points out immigrants often “send money back to their home countries to support family members there.”<sup>148</sup> James H. Carr says unmitigated wealth stripping in the form of fringe lending and, more disastrously, in rampant sub-prime mortgages proves that “the failure to impose or enforce consumer protection and anti-discriminations laws can lead to even greater harm” to all of society.<sup>149</sup>

## EMBEDDING ASSET-BUILDING

### *Into Government Services*

José Cisneros, San Francisco Treasurer, has been an early proponent of integrating asset-building into city services. He spearheaded Kindergarten to College—the first publicly funded, universal children’s college savings account program in the United States—and Bank On San Francisco, a service that moves tens of thousands of individuals away from high fee check cashers into the financial mainstream through partnerships with local banks and credit unions. Commenting on his initial successes, he says: “City leaders have the influence to expand these programs by embedding financial empowerment strategies into local government infrastructure to reach more struggling families.”

Cisneros has also cofounded Cities for Financial Empowerment (CFE), a coalition of municipalities that want to innovate and “explore how they can incorporate asset-building strategies into their entire continuum of care for low-income people.” CFE elevates practices in cities such as Louisville and Seattle that, for example, work with homeless service providers to embed asset building through financial literacy, contract requirements and performance metrics that take clients’ finances into account.

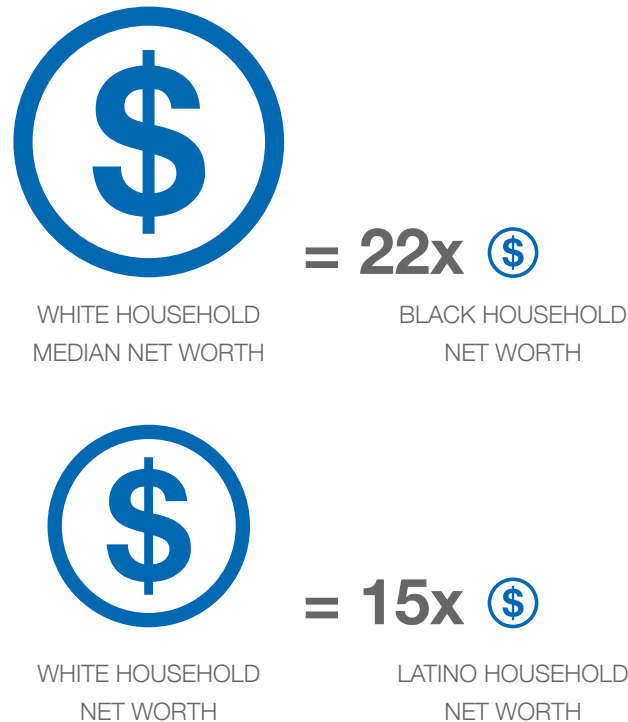
Concurrently, various government agencies at the federal and local level are partnering with human service

providers, volunteers and financial institutions to focus on clients’ financial education, banking, tax-time and other asset-building needs.

For example, The ASSET Initiative, sponsored by the U.S. Administration for Children and Families (ACF) at HHS, promotes asset-building strategies and resources among staff and participants of all ACF Programs, including Head Start, child support, child welfare and TANF programs.

At the local level, according to “Building Economic Security in America’s Cities: New Municipal Strategies for Asset Building and Financial Empowerment (CFED, January 2011)” various city governments are expanding asset-building services after either experimenting with EITC campaigns (e.g. San Francisco, Miami, San Antonio), setting up free tax assistance or financial education initiatives (Chicago, Seattle and Newark), establishing poverty task forces (e.g. New York, Providence, Los Angeles and Savannah) or devising workforce strategies that led city leaders to decide that longer term asset-building strategies—particularly those focused on the formerly homeless, the unemployed and low-income families—are needed to build opportunity in their hometowns.

## RACIAL WEALTH GAP: HOUSEHOLD WEALTH DISPARITIES (2010)



Source: CNN Money report based on 2010 U.S. Census data

A **gendered wealth gap also exists**. Mariko Chang cites that most women don't have access to the same "wealth escalators" as men, i.e. jobs with fringe benefits, high salaries, and full-time status throughout one's lifetime as well as the types of assets that receive preferential tax treatment.<sup>150</sup> The

typical woman—whether married, never married, divorced, widowed and of any racial background—is likely to be less wealthy than a comparable man.<sup>151</sup> Many advocates that use race or gender as their primary lens want to focus on more aspirational goals than the term asset poverty allows. To help, **Shapiro** introduced in 2009 the concepts of "**asset security and opportunity**:" *having enough liquid assets to cover median expenses for three months and having enough assets to support college education, home ownership, or a business start-up after an income disruption.*<sup>152</sup>

### *History and application of the Economic Security Index*

Yale University professor **Jacob S. Hacker** and a national team of researchers released **The Economic Security Index (ESI)** for the first time in 2010 and update it annually for each state and for the nation. Hacker sees the ESI as filling a void: "Surprisingly little is known about the dynamic experiences of Americans as their economic standing has changed from year to year amid a turbulent economy."<sup>153</sup>

**The ESI measures how many Americans are facing distressing drops in income from one year to the next without sufficient savings to help them get back on their feet.** A recent report using the ESI cites that economic insecurity reached a record 20.5% share of all households.<sup>154</sup>

Specifically, it measures the percentage of all U.S. households that, in a year-to-year comparison, have

lost at least a quarter of their available income *and* do not have an adequate amount of liquid assets to cover the income loss.<sup>155</sup>

The Rockefeller Foundation funds the ESI and supported a parallel research effort to understand Americans' opinions and perceptions of economic security based on employment, medical care, wealth, and familial arrangements.<sup>156</sup> The findings guided developers to extrapolate that losing 25% or more of total household income would have a detrimental impact on most families' abilities to make ends meet.

Separate from the ESI, Hacker is credited with writing a health reform proposal in 2007 that was adopt-

ed, in part, by several 2008 Democratic presidential candidates as part of their platforms; it recommended a public insurance option for the non-elderly. Concerns for how Americans will meet rising health care costs as well as secure stable income clearly inform the ESI<sup>157</sup>; the index determines which individuals and families have experienced "a decline in income or an increase in medical spending or a combination of the two."<sup>158</sup>

Hacker and his colleagues compared the ESI (calculated retroactively) for years 1985-2009 to the unemployment and poverty rates during the same period. This particular comparison demonstrates that "the ESI has been higher relative to unemployment in recent years than it was in the 1980s. At any given

## ECONOMIC SECURITY INDEX VS. THE UNEMPLOYMENT AND POVERTY RATES (1985-2009)

YEAR	UNEMPLOYMENT RATE	POVERTY RATE	ESI (RATE OF ECONOMIC INSECURITY)	MEDIAN INCOME LOSS*
<b>1985</b>	<b>7.2%</b>	<b>14.0%</b>	<b>12.2%</b>	<b>39.3%</b>
<b>1992</b>	<b>7.5%</b>	<b>14.8%</b>	<b>13.7%</b>	<b>38.1%</b>
<b>2002</b>	<b>5.8%</b>	<b>12.1%</b>	<b>17.0%</b>	<b>43.3%</b>
<b>2007</b>	<b>4.6%</b>	<b>12.5%</b>	<b>13.7%</b>	<b>41.8%</b>
<b>2009</b>	<b>9.3%</b>		<b>20.4%**</b>	
<b>1985-1995</b>	<b>6.3%</b>	<b>13.9%</b>	<b>12.1%</b>	<b>38.2%</b>
<b>1997-2007</b>	<b>4.9%</b>	<b>12.3%</b>	<b>14.7%</b>	<b>41.4%</b>

\*Median percentage loss among those counted as insecure (i.e. with losses greater than 25%)

\*\*Projected ESI

Source: "The Economic Security Index: Technical Report." Jacob S. Hacker et al. (2010)

unemployment rate (or poverty rate), more people are experiencing insecurity than in the past.”<sup>159</sup>

At this point, there does not yet appear to be a grassroots constituency that is applying or disseminating the measure. Results are primarily applied by ESI’s researchers who have issued reports available on the interactive ESI website. A great number of local media outlets also use the state data to report on local decreases in economic security and the Rockefeller Foundation uses it in making the case for its Campaign for American Workers initiative.

Future ESI reports will cover the role of government policy in reducing economic insecurity and the causes, severity, and persistence of family income losses.

### *Methodology*

The ESI assesses distress in two steps. First, it looks for income drops:

- It detects all legitimate sources of income and wages—whether from government or private sources—and looks for a downward change of at least 25% from year to year in “available household income after adjusting for inflation, the amount of a household’s out-of-pocket medical spending, household size and household debt burdens.”<sup>160</sup> For people 60 and over,<sup>161</sup> available family income includes the annuitized value of defined-contribution retirement accounts.

- It focuses on total household income “to reflect the economies of scale of pooling household resources and expenses” and family size.

After determining which families have suffered negative income volatility, the measure then focuses on assets:

- It determines which households have sufficient precautionary savings to safeguard themselves for four years, (the amount of time, research suggests, it takes the typical median person to rebound from a 25% economic loss or shock).
- It defines savings in terms of liquid assets—holdings besides the primary home, personal vehicles and savings earmarked for retirement—that can quickly be converted to cash for meeting consumption needs.

According to one researcher who contributed to its early design, the ESI focuses on the entire population and is flexible enough to highlight how particular demographic groups are faring.<sup>162</sup>

### *History and Application of the Senior Financial Stability Index (SFSI)*

Researchers at the **Institute on Assets and Social Policy (IASP)** at **Brandeis University**, in partnership with Demos, a New York-based policy and advocacy organization, devised the **Senior Financial Stability Index (SFSI)** in 2009 to understand which older

adults were living on the brink of financial calamity. Findings using the SFSI show that:

- “Economic insecurity among senior households increased by one-third between 2004 and 2008, from 27% to 36%.
- “Lack of sufficient assets, rising housing costs and fixed budgets not meeting essential expenses are the major drivers of the increase in economic insecurity.
- “About half of all senior households of color and senior single women households are economically insecure.”<sup>163</sup>

**The SFSI is an income and assets measure that looks at “the long-term economic security of senior households throughout their retirement years” by setting thresholds in five critical factors: retirement assets, household budget, health expenses, home equity and housing.**<sup>164</sup>

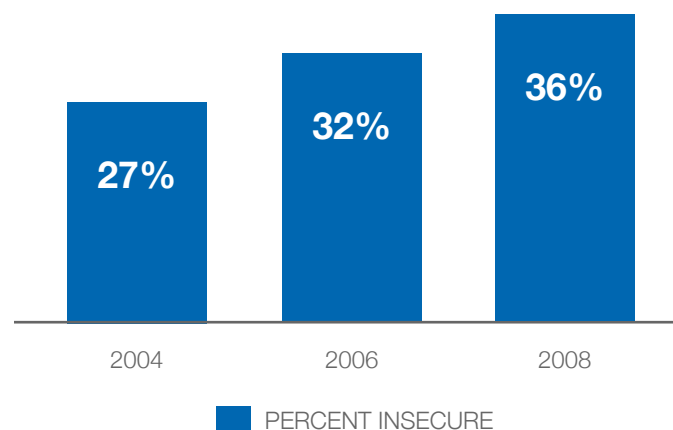
Overall, it classifies a senior household as economically secure when it has enough assets to meet the retirement asset threshold plus thresholds in two other categories. Conversely, a household is economically insecure when it doesn’t have enough to meet the asset threshold for security plus for two other categories: “the traditional view of retirement security focuses on three complementary income sources... Social Security, pensions, and savings. The SFSI examines these resources but widens its lens,” says a joint report.<sup>165</sup>

IASP is a pioneer in using assets to explain that racial inequalities exist and persist in the U.S. Thus, the SFSI focuses not only on how income and assets can sustain all people throughout their retirement years, but also on how disparities play out for older women and people of color and which public policies promise to increase economic well-being for all in the last decades of life.<sup>166</sup>

In presenting the SFSI researchers describe how life-long structural barriers prevent communities of color from accumulating assets:

“Today’s seniors of color spent much of their

#### SENIOR FINANCIAL STABILITY INDEX: ECONOMIC INSECURITY ON THE RISE (2004-2008)



Source: “From Bad to Worse.” Institute for Assets and Social Policy, and Demos (2011)

working lives in an era where redlining, segregation and labor market discrimination severely hampered their ability to accumulate asset wealth. While great strides have been made in the areas of employment and housing discrimination in recent decades, the cumulative effect of such discrimination means that most seniors of color are facing retirement with few resources to meet even basic, everyday expenses.”<sup>167</sup>

In a report focusing exclusively on seniors of color, IASP and Demos discuss the overarching sources of insecurity in communities of color:

- Almost two-thirds of African-American and Latino seniors spend 30% or more of their annual income on housing expenses.<sup>168</sup>
- While 20% of older white households have no home equity or are renting, at least 40% of African-American and Latino senior households are renters or have no home equity at all.<sup>169</sup> (They go on to cite research that indicates housing segregation is a major reason why white households build more equity in their homes than do people of color.)<sup>170</sup>
- The racial wealth gap extends into older adult years since 83% of African-American senior households and 90% of Latino households “are expected to have insufficient household resources to live out their remaining years.”<sup>171</sup>

In commenting on the situation of older women, the developers of the SFSI say:

“Older single women are particularly vulnerable, with 47 percent at risk of outliving their savings... women still make less than men on average, are more likely to have extended interruptions in their careers to handle family caregiving duties, and are less likely than men to have family income from pensions. Social Security is critical for older women; many rely almost exclusively on Social Security benefits to make ends meet.”<sup>172</sup>

The SFSI can also assess the impact of policy proposals on senior long-term economic security, for example estimating the impact of proposed changes to the Medicare program. An IASP research brief shows that dismantling Medicare by changing its fee-for-service structure into an annual premium support or voucher payment, as has been proposed by U.S. Rep. Paul Ryan and others, will dramatically undermine the already tenuous financial status of seniors. Under Rep. Ryan’s proposal, only 18% of seniors would have adequate resources to meet their basic needs for the remainder of their lives, and only 3% would be health secure with the rest spending over 10% of their monthly incomes on out-of-pocket health costs.

The SFSI research, supported by a grant from The Atlantic Philanthropies, is primarily aimed at a policymaker audience. Staff at Demos and IASP say in their reports that “policymakers need to promote asset-building opportunities throughout life, strengthen public social insurance programs, and control the growth of expenses for seniors” to reduce the vulnerabilities many Americans may face as they age.

Not as widely used by policymakers and practitio-

## THRESHOLDS IN THE SENIOR FINANCIAL SECURITY INDEX

CATEGORY	SECURE	INSECURE
SFSI	Asset secure plus security in at least two categories below	Asset insecure plus insecurity in at least two other categories below
RETIREMENT ASSETS	Net financial assets plus Social Security/pension income MINUS median expenses over life expectancy GREATER or EQUAL to \$50,000 for single seniors, \$75,000 for senior couples.	Net financial assets plus Social Security/pension income MINUS median expenses over life expectancy EQUAL to zero or less
BUDGET	\$10,000 or more after annual essential expenses	Insecure when budget at zero or negative after essential expenses
HEALTH	Medical expenses, including supplemental health insurance, less than 10 percent of total before tax income	Medical expenses, including supplemental health insurance, 15 percent or more of total before tax income
HOME EQUITY	Home equity of \$75,000 and above	Renter/no home equity
HOUSING	Housing consumes 20 percent or less of income	Renter/no home equity

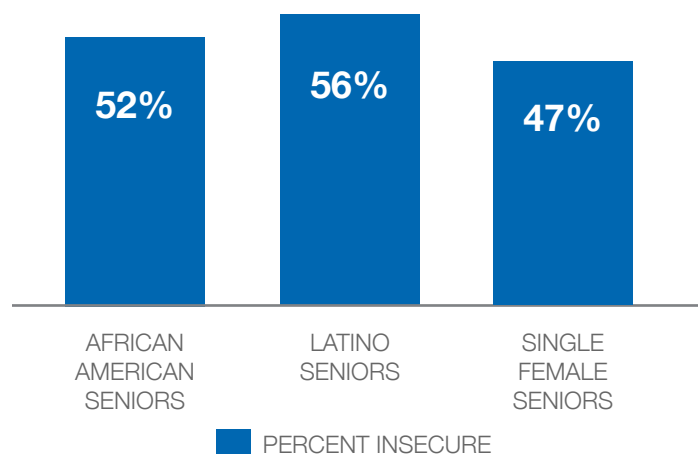
Source: "From Bad to Worse." Institute for Assets and Social Policy, and Demos (2011)

ners as the income-based Elder Index, the SFSI nonetheless provides a view of how assets can secure older adults' futures.<sup>174</sup> References to the SFSI occur mainly in the media and in reports by the organizations developing the measure.

### *Methodology*

The SFSI sets thresholds for five factors critical in achieving long-term financial stability. See the table on page 75 for a definition of the thresholds in the SFSI, and asset security/insecurity.

### **SENIOR FINANCIAL STABILITY INDEX:** ECONOMIC INSECURITY AMONG AFRICAN- AMERICAN, LATINO & SINGLE FEMALE SENIORS (2008)



Source: "From Bad to Worse." Institute for Assets and Social Policy & Demos (2011)

### *History and Application of the Assets & Opportunity Scorecard*

**CFED**, or the **Corporation for Enterprise Development**, is widely known for being a leading and early proponent of asset-building strategies at the local, state and national levels. CFED has a strong policy orientation and has presented the multi-dimensional **Assets & Opportunity Scorecard (Scorecard)** for eleven years. The organization uses it to entice the media, advocates for low-income populations and policy-makers to consider how assets and asset-friendly policies are keys to improving economic security.

Policy strategists at CFED contextualize their findings by pointing to the fact that policy can foster and hinder asset building:

"Much of the federal government's current "asset budget"—calculated by CFED to exceed \$400 billion a year—is delivered through the tax code in the form of tax breaks for savings, homeownership, education and retirement. And even as these subsidies are grossly skewed toward the wealthiest Americans, these tax breaks are what most Americans think of and rely on as federal incentives to save (for example, 401(k) accounts).

"Tax reform can and should be the vehicle for turning tax policy 'right side up' in favor of low-income and middle-class Americans...

## THE ECONOMIC DECLINE OF THE MIDDLE CLASS:

### *The Middle Class Tracking Index, 2004-2010*

The **AARP Public Policy Institute** issued a series of reports in January 2013 warning that the middle class is in serious decline. One introduced the **Middle-Class Tracking Index**, which compared how many families were economically secure in 2004 compared to 2010.

Results showed that security fell by 38% among working-age middle-income families from 2004 to 2010, and the proportion of middle-income workers that became “vulnerable” grew by 42%. About a third of middle income families are in-between—neither fully secure or insecure.

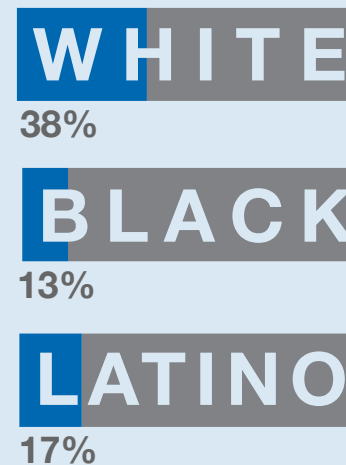
AARP commissioned the **Institute for Assets and Social Policy** at Brandeis University to develop the index. Starting with families earning middle incomes (e.g. in 2010 figures, that included people earning between \$37,150 to \$115,430 per year for a four-person household), the index looked at how they fared using five factors: income, health insurance coverage, housing affordability, money left over after expenses, and assets to cover 75% of living expenses for three to nine months during an emergency. A “secure” household met standards in three or more of the five components of the index while “vulnerable” families face threats in three of the five categories.

In the income category, the Index highlighted that 59% of African-American households were vulnerable in 2010, as were 57% of Latino families—twice the percentage among whites.

Younger households (age 25–44) experienced a 47% decline in security, but those approaching retirement (age 45–64) have fewer years to recover from their 32% drop in security.

According to Donald Redfoot, a policy analyst at AARP, looking at what is happening to economic security can guide advocacy, especially when research finds that building retirement security is a life-long project and that disruptions can have life-long consequences, particularly for women and minorities.<sup>173</sup>

#### PERCENTAGE OF ADULTS (AT ALL INCOME LEVELS\*, AGE 25-64) THAT ARE ECONOMICALLY SECURE BY ETHNICITY (2010)



*\*The index can be applied to households of all income levels.*

*Source: IASP and AARP Public Policy Institute*

“But...Washington policymakers don’t currently ‘frame’ tax reform to include savings and financial security as a goal.”<sup>175</sup>

Jennifer Brooks, the director of state and local policy at CFED says that in the past two years the organization noted the media’s increased interest in referring to the Scorecard’s **asset poverty** and **liquid asset poverty** figures and its growing acceptance as an indicator of American’s financial standing. She also notes that the Scorecard is a useful framework for connecting issues, organizations and policies to one another in policymaker and advocates’ minds.<sup>176</sup>

**The Scorecard is a state-by-state analysis of an array of outcome and policy indicators assessing whether households can build and protect assets.** In 2013, it takes into account 102 indicators in five categories: income and assets; businesses and jobs; housing and homeownership; health care; and education. CFED uses it to provide each state and the District of Columbia with a ranking of how well it is doing in promoting asset ownership in comparison to other states.

In addition to its state and national focus, CFED founder Bob Freidman pointed out in an interview that policymakers should look to cities to get inspiration.<sup>177</sup> To that end, CFED partners with local foundations and community organizations to create a local Scorecard-like profile for select cities—18 so far—using 50 indicators that help local officials and advocates address asset-building locally.

CFED announced in 2012 that its new Assets &

Opportunity Network—made up of local advocates, practitioners and policymakers who provide families with the opportunity to save and build assets—will be at the forefront in shaping the future of its work. By emphasizing networks and greater collaboration, CFED is working to secure greater popular support for scaling asset-building.

### *Methodology*

CFED selects 69 outcome indicators (the remaining policy indicators are described further below) that fit into the Scorecard’s five areas of concern:

- **Income and Assets:** income poverty, net worth, net worth by race, asset poverty rate, asset poverty rate by race, asset poverty by gender, liquid asset poverty, average credit card debt, consumers with subprime credit, etc.
- **Business and Jobs:** business ownership by race, business creation rate per 1,000 workers, unemployment rate, unemployment rate by race, percentage of low-wage jobs, employers offering health insurance, etc.
- **Housing and Homeownership:** homeownership rate, homeownership by race, homeownership by income, homeownership by gender, foreclosure rate, housing cost burden for renters, etc.
- **Health Care:** out-of-pocket medical expenses, uninsured low-income children, uninsured by gen-

der, uninsured by income, population covered by employer-provided insurance coverage, etc.

- **Education:** early childhood education, math proficiency in the 8th grade, reading proficiency in the 8th grade, high school degree, average college graduate debt, four-year degree attainment by income, race, and gender, etc.<sup>178</sup>

CFED, for the past four iterations of its Scorecard, has selected 12 top policy priorities<sup>179</sup> (as well as 21 other policies to integrate as notches in its yardstick). They are:

- Tax credits for working families
- State IDA program support
- Lifting asset limits in public programs
- Protections from predatory loans
- State microenterprise support
- Job quality standards
- Foreclosure prevention and protections
- First-time homebuyer assistance
- Access to health insurance
- Access to quality K-12 education
- Financial education in schools
- College savings incentives.

The Scorecard, by evaluating whether states have asset-friendly policies in place as part of its design, uniquely connects public policy to outcomes in a way that many other measures do only indirectly. Its creators say: “Ultimately, while policies are not the only driver of financial security and economic opportunity, they are an important one.”

### *On the Horizon: The National Asset Scorecard*

**Duke University’s Research Network on Racial & Ethnic Inequality** will release for the first time in 2013 the new **National Asset Scorecard (NASC)**. **It will identify and describe wealth in black, white, Latino, Asian, and Native American communities and analyze specific opportunities and challenges facing each major racial and ethnic group when accumulating, protecting and transferring wealth.** Researchers from a variety of major research institutions are contributing to the effort, which is funded by The Ford Foundation.<sup>180</sup>

According to Darrick Hamilton, Assistant Professor at Milano – The New School for Management and Urban Policy, and a co-designer of the NASC, it aims to “be more inclusive of various ethnic/racial groups, and to measure ethnic specific asset-building vehicles and impediments that are often overlooked or excluded from mainstream surveys.”<sup>181</sup> Melany de la Cruz, Assistant Director at UCLA’s Asian American Studies Center, and another researcher involved in NASC research, says: “The NASC is a much needed tool for communities of color and will be the first of its kind to provide a nuanced analysis on wealth of the major racial groups in United States.”<sup>182</sup>

The NASC will depend on data gathered from two surveys—one conducted via phone interviews and the second through face to face interviews—in four metropolitan areas with diverse populations: Los Angeles, Miami, Tulsa and Washington, DC. (Another city may also be added in 2013 pending funding.)

“Surprisingly little is known about the dynamic experiences of Americans as their economic standing has changed from year to year amid a turbulent economy.”

JACOB S. HACKER

*On the Horizon: Everyday Economics*

A new twist in government accounting may also be forthcoming. **The Bureau of Economic Analysis (BEA) stated that it would like to establish new household measures to understand income, consumption, savings and debt at the family level—**pending Congressional appropriations.<sup>183</sup>

Called “**Everyday Economics**,” the dashboard of new measures would be a source of new information for businesses, government officials and advocates looking to understand household finances across the population distribution and by geographic region. These measures would likely be based on actual consumption data.

Advocates hail the move at BEA as an opportunity to devise metrics that give an appropriate nod to the distribution of income, consumption and wealth across the population.<sup>184</sup> However, Congress did not appropriate the funds BEA needed to move forward despite requests that began in 2010.

## **FAMILY INDEPENDENCE INITIATIVE:**

### *Building Social Capital and Rewarding Initiative*

The Family Independence Initiative (FII), founded by Maurice Lim Miller, a MacArthur Fellow, demonstrates what it takes to support “family-led progress.” FII began when Lim Miller wanted to see what would happen if small groups of low-income people—generally parents heading families—came together to define their own goals and tap their own networks to help each other implement their plans. To this day, FII staff members are not allowed to guide or counsel participants and face being fired, if they do, for reinforcing the mores of prevailing social service models that, in Lim’s view, restrict low-income people’s ideas, agency and success.

Instead, participants regularly meet to support each other, and are offered matched savings accounts as well as computers to track their own goals on a monthly basis. Results are impressive, albeit small-scale: an evaluation tracking 86 participating households two years after joining FII showed that average income went up by 23%, savings increased by 240%; homeownership by 15% and entrepreneurship by 19%.

FII also incubates new tools and systems aimed at encouraging low income families to use their resources, efforts and know-how—and that of their networks—to achieve greater mobility. Jorge Blandón, Vice President at FII, is investigating how institutional lenders might incorporate ratings or

testimonials from a potential borrowers’ network in making lending decisions. That is, how can financial systems reward social capital when a borrower has little or no financial collateral or credit history?

FII is also working to challenge assumptions amongst those who already work with low-income communities. According to FII Vice President Mia Birdsong, “the stereotype of low-income people as incapable and in need of guidance is deeply entrenched in the service sector (“Get Feedback,” Stanford Social Innovation Review. Summer 2012).” At FII, challenging the stereotype takes many forms as staff members identify many opportunities to change prevailing practices.

For example, participants are asked to rate any program or service in which they participate and treated as consumers who should have a voice—a practice FII is pushing the broader foundation and non-profit sector to adopt when making funding decisions. FII has also introduced the Torchlight Prize to recognize and reward groups of families or friends who take it upon themselves to strengthen their communities or neighborhoods. And, perhaps most ambitiously, the organization is working with a small group of philanthropies to reform grantmaking practices so that residents in low-income neighborhoods can devise and implement their own solutions.



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## SECTION V: MULTI-DIMENSIONAL MEASURES

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Nicole Maher, a foundation leader in Portland, Oregon and a Tlingit Tribal member from Alaska, underscores that poverty isn't one-dimensional, and it isn't simply about finances:

"Most Native Americans do not define poverty in dollars and cents. Poverty is measured by one's ability to exist. To practice your culture. To speak your language. To get a fair and quality education. To be sufficiently housed. To not have to choose between medicine and food."<sup>185</sup>

Central to Maher's view is a culturally-centered worldview that doesn't elevate finances above the many other dimensions of a "good life" in a given community.

Similarly, there are metrics that broaden the discussion to include a wider variety of indicators that constitute the basic building blocks of a good life. Here, we will discuss several indices that measure multiple domains.

Most widespread, albeit more so internationally than within the United States, is the use of the Human Development Index, which moves beyond financial

resources to also measure a person's projected life expectancy and education. This metric borrows from scholarship on poverty and macroeconomics that is critical of Gross Domestic Product (GDP), which like the FPL, focuses on quantifying the nation's well-being rather crudely. (See the text box on page 94 for a brief description of how the Genuine Progress Indicator attempts to "go beyond GDP.")

In other cases, scholars and activists promoting multidimensional metrics want to include communal dimensions, either by including natural resources (as does the Genuine Progress Indicator which is briefly described in a text box below) or by looking at public, place-based resources as does Opportunity Mapping and the similarly named Opportunity Index. Lastly, we review the KIDS Count Index which offers a state-by-state and national analysis of how children are faring across four domains.

### *History and Application of the American Human Development Index*

Harvard Professor and Nobel Laureate Amartya Sen proposed that humans can shape their lives to the fullest depending on whether they have the capabilities at hand to seize opportunities, choice and freedom. Sen says "capabilities depend both on our physical and mental characteristics as well as on social opportunities and influences (and can thus serve as the basis not only of assessment of personal advantage but also of efficiency and equity of social policies)."<sup>186</sup>

University of Chicago professor Martha Nussbaum helped Sen perfect his ideas and Mahbub ul Haq, an economist at the World Bank, worked with Sen to publish the first-ever **Human Development Index (HDI)** in 1990 through the United Nations. As researchers promoting it in the U.S. have recounted:

"Dr. Haq often cited the example of Vietnam and Pakistan; both had the same GDP per capita, around \$2,000 per year, but Vietnamese, on average, lived a full eight years longer than Pakistanis and were twice as likely to be able to read. In other words, money alone did not tell the whole story; the same income was buying two dramatically different levels of human well-being."<sup>187</sup>

Today, HDI reports are available for over 150 nations, many with the support of the United Nations Development Programme (UNDP). Countries are ranked from number one (currently Iceland) to number 177 (currently Sierra Leone).

In the U.S., researchers who had worked on human development at the UN created **Measure of America to introduce the first HDI for a wealthy nation in 2008. It combines scores for four indicators: life expectancy, school enrollment for people age 3 and older, degree attainment for people age 25 and older and income.** (Asset poverty or security rates are not a factor in the index although researchers consider them in offering recommendations in reports.) It ranks the overall well-being of 50 states, 435 congressional districts, various counties, and often the status of women and men, and racial and ethnic groups.

The **Social Science Research Council** now houses the project. Sarah Burd-Sharps, Co-Director, cites that she was interested in whether Americans would appreciate the holistic approach offered by Measure of America. Positive interest from local governments, foundations and organizations include:

- A major public health campaign in California, including billboards across the state and an online widget that shows life expectancy by zip code, is based on Measure of America's analysis and data;
- Health clinics in Mississippi used a state-specific report to secure American Reinvestment and Recovery Act or "stimulus" funding; and
- The Marin Community Foundation commissioned a county-level report, released early in 2012, and is using it to spur community-wide discussions about inequality and to solicit stakeholder responses.<sup>188</sup>

However, Burd-Sharps highlights that it can be difficult to fundraise for a holistic measurement in the U.S. because many foundations and non-profits are organized by specific issue-area. She has found success with partners who believe that leveraging investment on inter-related issues and broad-based coalitions may move the dial on poverty in a way that single-focused efforts might not.

In line with their broader-than-income approach, Measure of America sets up diverse advisory boards to advise the group whenever they begin a new report, whether for local or national use.

Recent reports have focused on women and youth, often with a comparative analysis of how people fare by location, by gender and by race. For example, a 2012 report called *One in Seven: Ranking Youth Disconnection in the 25 Largest Metro Areas* focuses on people aged 16-24 not in school or not working. Measure of America has also released publications focusing on using the HDI to understand living conditions in California, Mississippi and Louisiana and the nation as a whole. All reports are accompanied by eye-catching, interactive maps and online tools where users can create and sort charts using over 100 data indicators.

Separately, Measure of America partnered with Opportunity Nation to release the 2012 Opportunity Index, a measure of community opportunity discussed later in the report.

## *Methodology*

The UNDP describes the methodology this way:

"The breakthrough for the HDI was the creation of a single statistic which was to serve as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1."<sup>189</sup>

The US-focused metric is a modified version of the

UN's HDI constructed to be more relevant to an affluent democracy. It uses life expectancy at birth to calculate one-third of the overall, composite score of the American HDI. Access to knowledge represents another third of the composite score. Two indicators are at work here: school enrollment for people age 3 to 24 (given one-third weight), and degree attainment for people age 25 and older (given two-thirds weight).<sup>190</sup> Lastly, income represents one-third of the index. Researchers measure median personal earnings of all full- and part-time workers 16 years and older.

### *History and Application of Opportunity Mapping*

In 2003, the same year in which he founded the **Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University**, John A. Powell published a paper called "Opportunity-Based Housing."<sup>191</sup> It laid out a concept—that where one lives determines one's chances at accessing opportunity structures, such as quality schools, political representation and even jobs.

Moreover, Powell described how informal and formal segregation had divided families into places of advantage and disadvantage, or what he calls "neighborhoods of high-and low-opportunity." But he was hopeful; despite prevailing societal notions, he affirmed that segregation is not natural or irreversible, and that communities could put equity-based principles into practice.<sup>192</sup>

Over time, Powell (recently appointed Director of UC Berkeley's Haas Diversity Research Center) and his

## IN FOCUS

### THE KIRWAN INSTITUTE: *Using a Race Lens to Transform Society*

The Kirwan Institute urges advocates and policymakers to look for *transformative solutions*, rather than transactional solutions when it comes to discussing race and economic security in America:

*"By transformative we mean (1) we must rethink societal structures and their relationships (2) we need to acknowledge that people are 'differently situated' and that their access to various opportunity structures (advanced education, health care, technology) varies as a result of this difference and (3) a single-issue (or 'universal') solution to disparity and inequality is not enough.*

*In contrast, a transactional solution is one that helps individuals negotiate existing structures. The analysis is that the individual is not adequately handling a properly functioning structure, whereas the structure may be insensitive at best (and hostile at worst) to the varying circumstances of peoples' lives. Rather, we need to re-think structures themselves. Consider the subprime foreclosure fiasco. Bringing underserved borrowers into a short-term, profit-driven and largely unregulated market is an example of a transactional (and failed) solution. A thoughtful re-examination of the various pathways to homeownership and other means of equity building—given changing economic realities, family structures and income streams—would be an alternative transformational approach."*

Source: "Opportunity for All: Inequality, Linked Fate, and Social Justice in Detroit and Michigan." Kirwan Institute (July 2008)

former Kirwan colleagues have operationalized the concept, which elevates the notion that community assets are as important to producing productive, contributing members of society as are a family's private assets.

**The metric utilizes geographic information systems (GIS) and a wide variety of indicators—which can include poverty, vacant properties, home appreciation rates, crime rates, school test scores, residents' proximity to open space, commute times, employment rates, incidences of emergency room visits, etc.—to describe and display spatially the unequal distribution of opportunity in communities.**<sup>193</sup>

Whenever using this “**Opportunity Mapping**” framework, its designers highlight that “inequality has a geographic footprint, and that maps can visually track the history and presence of discriminatory and exclusionary policies that spatially segregate people.”<sup>194</sup>

Jason Reece, Senior Researcher and Director of Opportunity Communities Program, leads the organization's Opportunity Mapping projects, which begin when a community, foundation or government partner hires the Institute to commence an equity analysis. In an interview, he cites that the tool was initially used in the context of discussions about housing and community development, gaining prominence when Powell, trained as a lawyer, served as an expert witness in the highly-visible federal district court case *Thompson v. HUD* in 2003.<sup>195</sup>

In the case, 14,000 African American past and pres-

ent tenants of Baltimore's public housing developments claimed HUD denied them opportunities to locate throughout the region, forcing them instead into low opportunity sections of the city, in violation of the Fair Housing Act. Found liable, HUD worked with Powell during the ensuing remedial phase where he used the tool to help the agency plan for equity and change course.<sup>196</sup>

Since 2010, HUD affirmatively integrated the mapping research into its Sustainable Communities Initiative, which provides millions of dollars in federal grants to regional, equity-minded collaborations devising long-term plans to link a region's housing, transportation and asset-generating institutions. In fiscal year 2013, for example, HUD is requesting \$250 million to help communities “build their own ‘geographies of opportunity’—places that effectively connect people and families, public schools, and other key *community assets*. (Emphasis added)”<sup>197</sup> The Kirwan Institute provides technical assistance and mapping services to grantees who want to partner.

For example, the Plan for Opportunity, a collaborative economic growth project in the Mississippi Gulf Coast that is funded by HUD, uses the tool to spur stakeholder dialogue. Working groups meet and cover a wide range of topics. Meeting minutes detail one concern:

“There is a risk that people will see this as a suggestion of where or where not to develop. Planning at the jurisdiction level is now often talked about in terms of ‘community development’ and not as much in terms of social equity.”<sup>198</sup>

Reece cites that the tool allows for communities to bring up tensions and differences in stakeholder approaches early, often and with transparency.

Despite its origins in housing debates, Reece states that mapping indicators is increasingly applicable in studying inequities and opportunities in public health, human services and government and foundations' allocation of resources. Used in over 20 states, here are just a few examples of how opportunity mapping is being applied:

- A PICO affiliate uses it to examine emergency room usage and organize communities of color around health opportunity.<sup>199</sup>
- The City of Seattle has adopted the framework for planning purposes.
- The Jacksonville Children's Commission used opportunity mapping to understand child well-being in Duval County, Florida and to help eight human service agencies in the area assess their impact.<sup>200</sup>

### *Methodology*

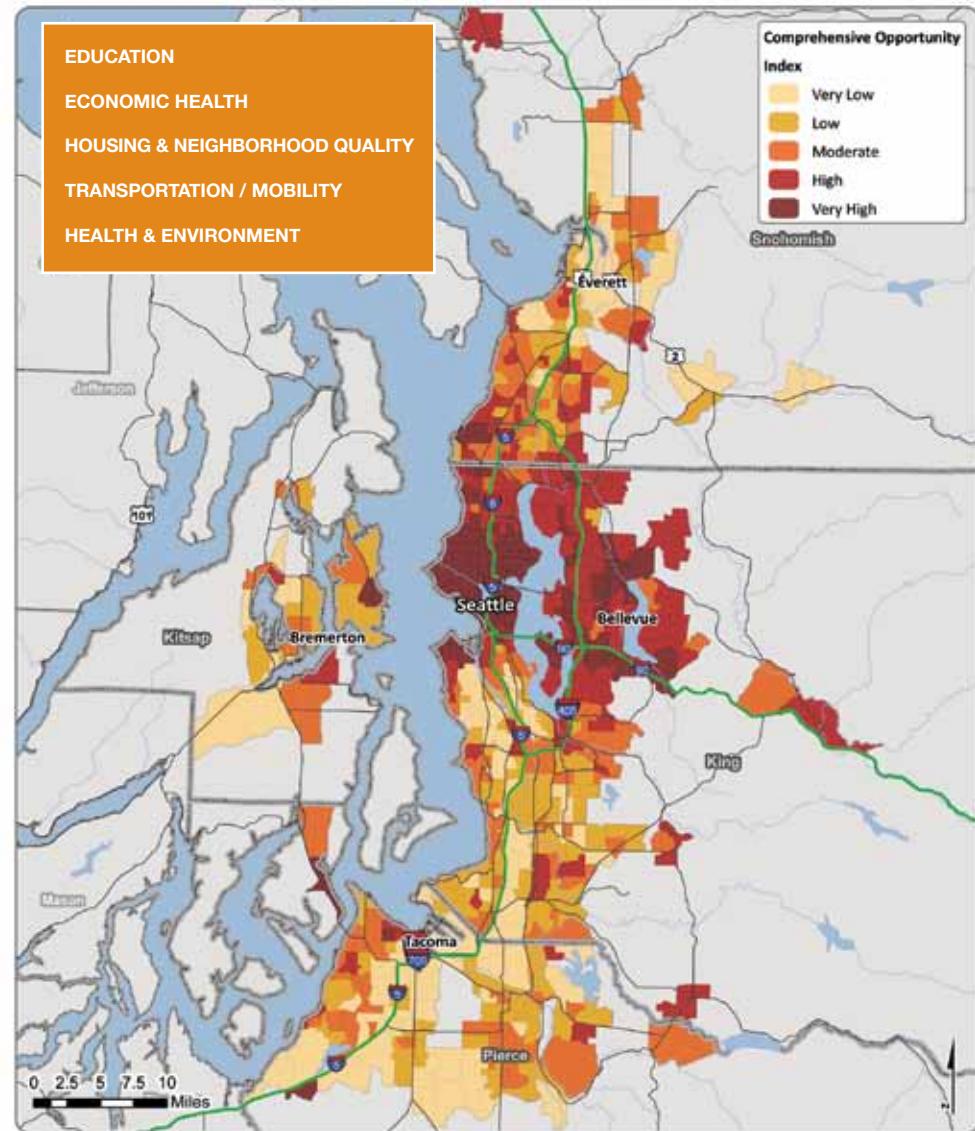
Three areas of opportunity are the focus of many of the Opportunity Map studies:

- Education
- Economics & Mobility
- Housing and Neighborhood quality.

**Map 1.1 Comprehensive Opportunity Map**  
Puget Sound Urbanized Area

**Kirwan Institute**  
Many Differences One Destiny

Sources: Puget Sound Regional Council, 2011; Environmental Protection Agency, 2010; Washington Dept. of Ecology, 2011; ESRI Business Analyst, 2010; American Community Survey, 2000-2010; U.S. Census, 2010; Tetrad, Inc. PCensus Dtx, 2010; Washington State Report Card, 2010-2011



Researchers, using social science research, define opportunity “as environmental conditions or resources that are conducive to healthier, vibrant communities and are more likely to be conducive to helping residents in a community succeed.”<sup>201</sup> Researchers select indicators that could reduce opportunity (negative neighborhood factors, e.g., high neighborhood poverty) or boost opportunity (positive factors, e.g., an abundance of jobs) and examine them at the same geographic scale.

Then they create a composite score for each category that takes into account deviations from the data average for a specific indicator in the region, usually delineated by Census tract. The average score for a category is converted to a level of opportunity (e.g. very low, low, moderate, high, very high); Census tracts with “very high” opportunity represent the top 20% of all Census tracts; “very low” opportunity tracts represent the lowest scoring 20% of Census tracts.

Reece adds the following comment on how the maps are devised:

“Opportunity mapping should be considered an iterative process with lots of discussion, revision and reformulation of the maps. This process is essential to assuring buy in from local stakeholders in the mapping process. Once indicators are selected, the process of mapping and index calculation can proceed in relatively short order. However, opportunity maps should be viewed, not as standalone products in themselves, but rather as one point in an engagement process where

stakeholders and communities strive to understand what these maps say about the region and its communities (i.e. the connections among place, opportunity, and equity), and what actions and policies would help distribute opportunity more evenly across the region. While the mapping itself can be done in a matter of weeks, the engagement process can last for several months.”<sup>202</sup>

### *History and Application of the Opportunity Index*

Alan Khazei, an acclaimed social entrepreneur and a 2009 U.S. Senate candidate in Massachusetts, launched two national organizations that promote citizen engagement as a pathway to solving pressing national issues: City Year,<sup>203</sup> formed in 1988, and Be the Change, Inc., launched in 2007. He serves on the board of Be the Change, Inc.

Be the Change, Inc., launches and leads national issue based campaigns by building bipartisan coalitions, including Service Nation, which aims to elevate public service opportunities (e.g. members helped to draft and build public will for the successful Edward M. Kennedy Serve America Act), and Opportunity Nation, which is focused on expanding economic opportunity and mobility in America.

**Opportunity Nation** hired **Measure of America** to generate the annual **Opportunity Index**, a geographic “snapshot of what opportunity looks like at the state and county levels,”<sup>204</sup> released beginning

in 2011. **Focused on a total of 16 community-level indicators (one the national level) in three realms—jobs and the local economy, education, and community health and civic life—“the Index reflects the reality that the environment into which a person is born and grows up plays a large role in determining the person’s chances for upward mobility.”**<sup>205</sup> Researchers calculate a composite Opportunity Score for each state and Washington D.C. as well as all counties.

Consisting of 250 coalition members—which include foundations, faith-based organizations, corporations, non-profits and individuals—Opportunity Nation decided to develop the tool early on in its existence says Elizabeth Clay Roy, Deputy Director of Opportunity Nation:

“We launched the campaign to focus on mobility and held listening sessions with over 300 leaders and with community members in September 2010, the same month the Census releases its poverty figures. Our executive director Mark Edwards wanted to explore whether there was another metric that was user-friendly and that could encourage discussion and action about opportunity. At about this time, we heard from a young person who crystalized our thinking. He said ‘the numbers in my zip code are more important than my GPA’ when it comes to determining his future prospects. We heard the language of zip codes several times but the young man’s words stood out.”

Although its geographic focus is similar to that which guides the design of the Kirwan Institute’s Opportunity Maps, Opportunity Nation differs in that it does not use an explicit race lens to explain disparities:

“The indicators included in the Opportunity Index do not measure...factors that are beyond a person’s control (racial or ethnic heritage, who one’s parents are, etc.) or that reside at the level of the individual (intelligence, work ethic, athleticism, drive, etc.)—although these areas are highly relevant to opportunity. Instead the Opportunity Index focuses on...*the conditions present in different communities*; these factors are amenable to policy change and to collective efforts to bring about improvements for a community’s residents.”

Opportunity Nation worked with 20 coalition members to decide which indicators their Index would include. Of the finished product, Clay Roy says: “The Index’s value is in its application: how can our partners use it in awareness building, as a catalyst for movement building and in taking action to increase scores, especially at the state and local levels?”<sup>206</sup>

Publicly, the organization issues a challenge: “Over the next ten years, Opportunity Nation wants to see Opportunity Scores in all 50 states increase by at least 10 percent.”<sup>207</sup> It even offers an array of online toolkits, including one focused on local action, and \$1,000 grants for organizers to plan local “launch” events focused on improving opportunity.<sup>208</sup> Opportunity Nation, in 2012, launched a national database to track its 250 coalition partners’ efforts to impact opportunity by indicator and by county.

Pointing to Index data, Clay Roy cites that there is a strong correlation between youth disconnection and far lower state Opportunity Scores. Nevada's composite score, for example, places it last amongst all states, according to the 2012 Opportunity Index. There, "only about 56 percent of Nevada's freshman graduate high school on time" and it lags behind "the national average in adults who have a two-year associate degree or higher." The report goes on to say, "The one area where Nevada performs well is in income. But higher median incomes are found alongside the highest unemployment rate of any state in the nation today."<sup>209</sup>

Opportunity Nation has decided to focus its policy agenda on what it calls "youth access to opportunity ladders."<sup>210</sup> The coalition wants policymakers and communities to:

- Engage employers as part of the solution in developing and implementing employment, mentoring, education, internships and training programs for young adults
- Expand funding for career and technical education (CTE) programs
- Encourage Congress to reauthorize and beef up the federal Perkins Career and Technical Education Act so its CTE provisions can improve collaboration among secondary schools, postsecondary education, and industry in addressing workforce needs
- Improve access to college planning services

and asset-building (e.g. college savings) accounts for low-income students

- Propel Congress to "renew program funding to help communities in urban, suburban, rural, and tribal areas build systematic cross-sector approaches to reengage high school dropouts"
- Increase state and school district funding for varied pathways to secondary and postsecondary degrees for all youth (e.g. dropout recovery programs, accelerated learning, dual enrollment to earn college credit, and bridge programs, etc.).

## *Methodology*

The Opportunity Index, created by Measure of America for Opportunity Nation, is calculated annually. Its methodology was updated after its test year in 2011. For years 2012 and after, researchers incorporate the economic and noneconomic indicators in the state indices as shown on page 91.<sup>211</sup>

Researchers then calculate a composite Opportunity Score for each state and Washington D.C. by weighing indicators equally. Each dimension makes up one-third of the Index value. On the county level, researchers develop scores based on 14 indicators; there is no county-specific data when it comes to group membership and volunteerism.

## COMPONENTS OF THE OPPORTUNITY INDEX

		THEME	INDICATOR
DIMENSION	JOBS & LOCAL ECONOMY	<b>JOBS</b>	Unemployment rate (%)
		<b>WAGES</b>	Median household income (\$)
		<b>POVERTY</b>	Poverty (% of population below poverty line)
		<b>INEQUALITY</b>	80/20 Ratio (Ratio of household income at the 80th percentile to that of the 20th percentile)
		<b>ASSETS</b>	Banking institutions (commercial banks, savings institutions, & credit unions per 10K residents)
		<b>AFFORDABLE HOUSING</b>	Households spending less than 30% of income on housing (%)
		<b>INTERNET ACCESS</b>	High-speed internet (% of households for states or 5-level categories for counties)
DIMENSION	EDUCATION	<b>PRESCHOOL ENROLLMENT</b>	Preschool (% ages 3 and 4 in school)
		<b>ON-TIME HIGH SCHOOL GRADUATION</b>	On-time high school graduation (% of freshman who graduate in four years)
		<b>POSTSECONDARY COMPLETION</b>	Associate degree or higher (% of adults ages 25 and older)
DIMENSION	COMMUNITY HEALTH & CIVIC LIFE	<b>CIVIC ENGAGEMENT</b>	Group membership (% of adults 18 and over involved in social, civic, sports, and religious groups) [States only]
		<b>VOLUNTEERISM</b>	Volunteerism (% of adults ages 18 and over)
		<b>YOUTH ECONOMIC AND ACADEMIC INCLUSION</b>	Youth not in school and not working (% ages 16-24)
		<b>SAFETY</b>	Violent Crime (per 100,000 population)
		<b>ACCESS TO HEALTH CARE</b>	Primary care providers (per 100,000 populations)
		<b>ACCESS TO HEALTHY FOOD</b>	Grocery stores and produce vendors (per 10,000 population)

## *History and Application of the KIDS COUNT Index*

**The Annie E. Casey Foundation (Casey Foundation)** was founded in 1948 to improve the lives of children. Decades later, in 1990, the foundation publicly launched the **KIDS COUNT Index**, which quickly became a prominent measure of the educational, social, economic, and physical well-being of children at the state and national level.<sup>212</sup>

From 1990 to 2011, the national KIDS COUNT Data Book relied on 10 underlying indicators. **In 2012, the Casey Foundation unveiled a revamped methodology, the culmination of a two-year undertaking. The updated KIDS COUNT Index tracks 16 indicators in four domains: Economic Well-Being, Education, Health, and Family and Community.**

According to researchers who advised the Casey Foundation on the update: “The [original] 10-measure index put more emphasis on health and mortality, while the new index provides a more balanced picture of child well-being, including measures of socioeconomic status, health, education, family and community influences.”<sup>213</sup>

Laura Speer, Associate Director and KIDS COUNT National Coordinator at the Casey Foundation, says the use of domains to organize indicators in the new KIDS COUNT Index garnered a welcome reception: the media and policymakers responded to state rankings by domain, using them to focus in on areas where a particular state could improve

outcomes, and advocates appreciated how the domains correlate to general areas of policy advocacy.

Using the new Index, the Casey Foundation announced this top-level finding about the nation’s children: “While their academic achievement and health improved in most states, their economic well-being continued to decline.”<sup>214</sup> Improvements in child well-being—on the upswing since 2005—included:

- “A 20% decrease in the number of kids without health insurance;
- A 16% drop in the child and teen death rate;
- An 11% reduction in the rate of high school students not graduating in four years; and
- An 8 % reduction in the proportion of eighth-graders scoring less than proficient in math.”<sup>215</sup>

But problematic trends related to the aftermath of the Great Recession are also affecting children, according to the KIDS COUNT research:

- “In 2010, one-third of youths had parents without secure employment—an increase of 22%, or about 4 million children, in just two years.
- From 2005 to 2010, the number of children living in poverty rose by 2.4 million.”<sup>216</sup>

### *Expanding the Use of the KIDS COUNT Index*

Beginning in 1991, the Casey Foundation began selecting grantees at the state level, starting with seven KIDS COUNT partners, to complement their national research with a more detailed, county-by-county analysis of how children were faring. Partners—now numbering 53 organizations in 50 states, the District of Columbia, Puerto Rico, and the US Virgin Islands—choose their own state and local-level indicators and communications and advocacy strategies to elevate children’s issues in their state.<sup>217</sup>

For example, the Connecticut Association for Human Services (CAHS) cites that its own KIDS COUNT data played a role in making a winning case in 2011 for the creation of Connecticut’s Earned Income Tax Credit.<sup>218</sup> For ten years, CAHS has been integrating indicators in its state-level analysis that paint a picture of whether families are reaching economic success. Sheryl Horowitz, Director of Community Research at CAHS says, “KIDS COUNT is about making data accessible so people can act on it.”

KIDS COUNT also issues special reports focusing on sub-groups in the youth population or important trends impacting young peoples’ lives. *Youth and Work: Restoring Teen and Young Adult Connections to Opportunity*, for example, describes that the “number of working youth dropped by almost half since 2000,” bringing “employment among young people to its lowest level since the 1950s.” Each report includes recommendations; the *Youth and Work* report suggests the nation improve young people’s current and future job prospects by creating a na-

tional youth employment strategy, aligning and fostering collaboration when designing youth programs, and spurring employment through social enterprises and employer-sponsored “earn-and-learn” programs.

Speer mentions that the organization is currently grappling with how to frame and highlight racial equity issues using the KIDS COUNT platform and is consulting with leading equity proponents. (The organization decided one criterion among many for selecting indicators during the Index’s recent redesign was that any chosen indicator be based on data that can be disaggregated by race and ethnicity.) In the meantime, the organization offers the *Race Matters Toolkit* and the *More Race Matters Toolkit* for policymakers, elected officials and practitioners interested in promoting equity in their programs, planning and practices.<sup>220</sup> For example, one brief provides an overview of how to report data with a race equity lens, saying that written reports that focus on equity contain:

- “Consistent disaggregation of data by race/ethnicity;
- “Analytic understanding of the structural causes of any significant disparities and disproportionality that the disaggregated data show (These causes also become key intervention points for solutions);
- “Framing of disparities/disproportionality by a narrative that leads with structural causes;
- “Solutions always bundled with the problem description; and

## STATE GOVERNMENT ADOPTION *of the Genuine Progress Indicator*

The FPL isn't the only official government measure criticized for its inadequacy. A parallel debate focuses on the shortcomings of Gross Domestic Product (GDP) because it counts only the quantity and not the quality of our nation's economic activity. Yet, it has an outsized impact on policymakers' decisions.

GDP is the monetary value for all finished goods and services sold in a year. For the past thirty years, most of the growth in GDP is accruing in the pockets of only the wealthiest 1% of the nation's citizens. Middle and working class people, despite what a growing GDP might suggest, are not sharing productivity gains.

In a first of its kind move in the US, **Maryland's** Governor Martin O'Malley ensconced the **Genuine Progress Indicator (GPI)**, a green, family-friendly accounting system, into state government practices through a directive in 2010. The State's official website says:

"Traditional indicators like the Gross Domestic/State Products... do not include the environmental and social costs of what we buy, the quality of life impacts of how we live, or fully appreciate the significant contributions of our natural systems."

**Vermont** followed when state lawmakers passed legislation to adopt the GPI in 2012. Now local groups are mobilizing in Oregon to implement the GPI there.

According to those who first designed the GPI—John Talberth, Clifford Cobb and Noah Slattery—it “considers households as the basic building block of a nation's welfare” and accounts for activities ignored by GDP, such as “parenting, housework, volunteering and higher education as well as the services which flow from household capital and public infrastructure.”

According to Lew Daly, Director of the Sustainable Progress Initiative at **Demos** who collaborates with those wanting to move beyond GDP: “people who want alternative measures that take into account ordinary Americans' well-being may want to strive for legislative wins rather than administrative action, given that administrations change.”

## COMPONENTS OF THE MARYLAND GENUINE PROGRESS INDICATOR

### **ECONOMIC INDICATORS**

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PERSONAL CONSUMPTION  
EXPENDITURES

INCOME INEQUALITY

ADJUSTED PERSONAL  
CONSUMPTION

SERVICES OF CONSUMER  
DURABLES

COST OF CONSUMER DURABLES

COST OF UNDEREMPLOYMENT

### **ENVIRONMENTAL INDICATORS**

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COST OF WATER POLLUTION

COST OF AIR POLLUTION

COST OF NOISE POLLUTION

COST OF NET WETLANDS CHANGE

COST OF NET FARMLAND CHANGE

COST OF NET FOREST COVER  
CHANGE

COST OF CLIMATE CHANGE

COST OF OZONE DEPLETION

COST OF NON-RENEWABLE  
ENERGY RESOURCE DEPLETION

### **SOCIAL INDICATORS**

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VALUE OF HOUSEWORK

COST OF FAMILY CHANGES

COST OF CRIME

COST OF PERSONAL POLLUTION  
ABATEMENT

VALUE OF VOLUNTEER WORK

COST OF LOST LEISURE TIME

VALUE OF HIGHER EDUCATION

SERVICES OF HIGHWAYS AND  
STREETS

COST OF COMMUTING

COST OF MOTOR VEHICLE CRASHES

Source: [maryland.gov/mdgpi/indicators.asp](http://maryland.gov/mdgpi/indicators.asp)

“Most Native Americans do not define poverty in dollars and cents. Poverty is measured by one’s ability to exist. To practice your culture. To speak your language. To get a fair and quality education. To be sufficiently housed. To not have to choose between medicine and food.”

NICOLE MAHER

- “Photos, format, and organization that highlight a structural understanding of what’s wrong and avoid mobilizing individual or group stereotypes.”<sup>221</sup>

As part of the initiative’s overall focus on building public interest in and public will for improving children’s lives, it heavily tracks and weighs its brand, communication strategies and outreach. For example, Speer says the organization focuses on making data accessible and customizable at its KIDS COUNT Data Center, a website and accompanying mobile site of child well-being indicators at the national, state, and often at the city, county and school district level.

### *Methodology*

The KIDS COUNT Index has an updated methodology as of 2012. Six of the original 10 indicators remain, two were combined into one, one was slightly revised and eight new indicators were added. The new KIDS COUNT Index tracks the following 16 indicators in four domains.

## COMPONENTS OF THE KIDS COUNT INDEX

DOMAIN	INDICATOR
<b>ECONOMIC WELL-BEING</b>	<p>Percent of children in poverty (income below \$22,113 for a family of 2 adults and 2 children in 2010)</p> <p>Percent of children whose parents lack secure employment (no full-time, year-round work)</p> <p>Percent of children in households with a high housing cost burden</p> <p>Percent of teens not in school and not working (ages 16-19)</p>
<b>EDUCATION</b>	<p>Percent of children not in preschool (ages 3-4 )</p> <p>Percent of 4th graders not proficient in reading</p> <p>Percent of 8th graders not proficient in math</p> <p>Percent of high school students not graduating on time</p>
<b>HEALTH</b>	<p>Percent low-birthweight babies</p> <p>Percent of children without health insurance</p> <p>Child and teen death rate (per 100,000 children ages 1-19)</p> <p>Percent of teens who abuse alcohol or drugs (ages 12-17)</p>
<b>FAMILY &amp; COMMUNITY</b>	<p>Percent of children living in single-parent families</p> <p>Percent of children living in families where the household head lacks a high school diploma</p> <p>Percent of children living in high-poverty areas</p> <p>Teen birth rate (per 1,000 teens ages 15-19)</p>



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## SECTION VI: NEXT STEPS IN ADVANCING ALTERNATIVE METRICS

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To facilitate widespread, shared growth, our nation needs to elevate new tools, practices and policies that allow people from all walks of life economic security and dignity. Understanding what it takes to achieve a decent life and eliminate common gaps that hurt people's chances can produce tangible results for our struggling economy.

Despite differences in approaches, those using the metrics and indices profiled in this report have common concerns about the economic security of our nation. They also hold a common belief that new and improved measures will lead us to better, more inclusive public policies and practices.

On the whole, alternative metrics help identify the millions of (mostly working) Americans who are struggling to make a better life for themselves and their children. Approximately 40% of Americans experience setbacks that make it hard to attain the assets one needs to save for emergencies, retirement, a business, a child's education or a home. Multidimensional indices go beyond household finances and point us toward broader solutions.

Opportunities exist for thinkers, practitioners and families to work together to develop collective ideals that can inspire millions more people to push for economic mobility for all. As an economic security field and as a nation, we need to grapple with the following questions:

- Is lifting people out of poverty too low a goal for our nation to set?
- How do we, ultimately, engage millions more in setting an aspirational, forward-looking, and inclusive economic security vision?
- What economic security solutions need broader support and how can we build them over time?
- How can we foster private, public and social sector innovation and collaboration when addressing economic security?
- How do we elevate / measure equitable solutions?
- Do we need to agree on a common frame, metric or principles to make progress toward common goals? If so, how can we foster a unified voice?

Collaborating to address common economic concerns using a broad framework can result in significant successes, even in the short term. While we don't anticipate to answer all of the challenging questions raised or settle upon one specific measure or indicator of success, we do believe strongly that joint conversations will set the stage for future

cross-collaboration, movement-building, and, ultimately, greater impact. Developing guiding principles and values can bring us together as we develop new tools, evidence, strategies, practices and policies for increasing investment in families and communities.

The time to come together is now.

## NOTES

1. "Census: Minority babies are now majority in United States." Carol Morello and Ted Mellnik in *The Washington Post* (May 17, 2012).
2. "Low-Income Working Families: The Growing Economic Gap." Brandon Roberts, Deborah Povich, and Mark Mather for the Working Poor Families Project (Winter 2012-2013).
3. The author interviewed 65 leaders working on poverty or economic security. We attempted to assess which alternative metrics interviewees have developed or used and what policies and practices each views as promising when it comes to expanding economic security for all. A list of interviewees is included in the acknowledgement section at the beginning of the report.
4. "Poverty and Opportunity: What difference Can a Taskforce Make? Lessons from Four States." Jodie Levin-Epstein, Milla Sanes, Emily Feldman, Josh Kotzman, Abby Lane and Lauren Stewart (July 2011).
5. "A Modern Framework for Measuring Poverty and Basic Economic Security." Shawn Fremstad for the Center for Economic and Policy Research (April 2010). "Social Inclusion for the United States." Heather Boushey, Shawn Fremstad, Rachel Gragg and Margy Waller (2007). "The New Poverty Wars: Debating the Frame(s)." Nancy K. Cauthen (April 2007).
6. Social inclusion is a term that attempts to broaden the conversation on poverty by referring to the provision of certain rights to all individuals and groups in society, such as employment, adequate housing, health care, education and training, etc.
7. Three important reports discuss various global efforts to measure progress and summarize concerns that official statistics are not adequate. All provide recommendations on emerging best practices. See the "Report by the Commission on the Measurement of Economic Performance and Social Progress" by Joseph Stiglitz, Amartya Sen, Jean-Paul Fitoussi (2009); the European Union's "GDP and Beyond: Measuring Progress in a Changing World" by the European Commission (2009); and "Measures of Australia's Progress" by the Australian Bureau of Statistics (2012).
8. "Multidimensional Measures of Poverty & Well-being." A working paper by Sabina Alkire and Moizza Binat Sarwar of the Department of International Development at Oxford for the European Commission (January 2009). See also "Analysing and Measuring Social Inclusion in a Global Context." Department of Economic and Social Affairs, United Nations (2010).
9. "Communities of Color in Multnomah County: An Unsettling Profile." A. Curry-Stevens and A. Cross-Hemmer of Portland State University & Coalition of Communities of Color (2010). "The Colors of Poverty: Why Racial & Ethnic Disparities Persist." Edited by Ann Chih Lin and David R. Harris (2009). "The Hidden Cost of Being African American: How Wealth Perpetuates Inequality." Thomas Shapiro (2004). Also, see the work of Meizhu Lui, Maya Rockeymoore, James H. Carr, Mariko Chang, John a. powell, those participating in the Insight Center's Closing the Racial Wealth Gap Initiative, the Kirwan Institute and PolicyLink. A much larger group of people and organizations, both nationally and at the grassroots, use defensive and offensive strategies to improve the economic status of people of color (e.g. Empowering and Strengthening Ohio's People, the National Council of La Raza, The Southeast Asia Resource Action Center, the National Coalition for Asian Pacific American Community Development, and the Southern Regional Asset-Building Coalition are a few of many).
10. "Laying the Foundation for National Prosperity: The Imperative of Closing the Racial Wealth Gap." Meizhu Lui at the Insight Center for Community Economic Development (March 2009).
11. "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half." Center for American Progress (April 2007).
12. "Assets Poverty and Public Policy: Challenges in Definition and Measurement," a report in the U.S. Department of Health and Human Services' series *Poor Finances: Assets and Low-Income Households*. Yunju Nam, Jin Huang and Michael Sherraden of the Center for Social Development at Washington University in Saint Louis (December 2008).
13. "Overlooked and Undercounted: How the Great Recession Impacted Household Self-Sufficiency in Pennsylvania." Diana M. Pearce (October 2012). See also "Budgeting for Basic Needs: A Struggle for Working Families." Kinsey Alden Dinan for NCCP (March 2009).
14. According to the "Basic Economic Security Tables for Mississippi" by Wider Opportunities for Women (2011), the largest expense for most families below its standards in that state is childcare. See also Diana M. Pearce (October 2012) and Dinan (March 2009).
15. Yunju Nam, Jin Huang and Michael Sherraden (2008).
16. Here are only a few examples of state coalitions: the Southern Regional Asset Building Coalition formed in 2009 after hurricanes devastated people of color already harmed by unequal access to living wage jobs or quality education, housing and health care; YWCA Delaware launched the Delaware Asset Building Coalition to improve economic productivity in the state; the Illinois Asset Building Group releases fact sheets on disparities in asset ownership in communities of color as part of its overall goal to promote asset ownership and protection for all, and Raise Texas has a policy agenda, a pledge and opportunities for supporters to gather in the state.
17. Jacob S. Hacker et al (November 2011).
18. All indices in this section are multi-dimensional but we choose to classify them as "income and assets measures" because they primarily aim to assess and advance asset-building policy and practice.
19. "Communities of Opportunity: A Framework for a More Equitable and Sustainable Future for All." John a. powell, Jason Reece, Christy Rogers and Samir Gambhir for the Kirwan Institute (2007).
20. "2012 Opportunity Index: Measuring Opportunity in your Community." Opportunity Nation and Measure of America (September 19, 2012).
21. Opportunity Nation and Measure of America (September 19, 2012).
22. The Annie E. Casey Foundation, KIDS COUNT Data Center, [www.kidscount.org](http://www.kidscount.org).
23. Other efforts, not discussed in this report, that weigh racial equity and economic security (and often other, complementary domains) include:
  - The National Urban League's Equality Index of Black America and its Equality Index of Hispanic America;
  - The Applied Research Center's *Racing the Statehouse: Advancing Equitable Policies*, which are state level reports for eight states and some legislative report cards;
  - The Urban Institute's *Grading the Top 100 Metros: Racial Equity for African Americans* and its companion report card *Racial Equity for Latinos*;
  - The City of Seattle's Race and Social Justice Initiative, which is pioneering ways

to govern for racial equity;

- Michigan's statewide Prosperity Coalition, a bipartisan partnership to achieve economic prosperity and racial equity, coordinated by the Michigan League for Public Policy with a cross sector approach;
- The STAR Community Rating System, a self-reporting framework for local governments and active citizens who want to improve the livability and sustainability of their communities.

24. The Center for Children and Families at Brookings developed The Social Genome Project to understand social mobility over the life cycle and to improve how many Americans reach the middle class by middle age. See "Pathways to the Middle Class." Isabel V. Sawhill, Scott Winship, and Kerry Searle Grannis (2012).

25. Ascend, the Family Economic Security Program at the Aspen Institute, is developing principles and metrics for programs and policies that attempt to help two generations in the same family, i.e. both parents and their children, become upwardly mobile at the same time.

26. "Poverty and Race through a Belongingness Lens." John A. Powell in *Policy Matters* (Volume 1, Issue 5, April 2012).

27. The **federal poverty thresholds** are the original version of the federal poverty measure, which is updated using the CPI every year but based on the 1962-63 formula developed by Mollie Orshansky. The thresholds are used to calculate poverty rates; all official poverty population figures are calculated using the poverty thresholds, not the guidelines. In contrast, the **federal poverty guidelines** are a simplification of the poverty thresholds for use for administrative purposes, e.g. determining financial eligibility for certain federal programs. The poverty guidelines are issued each year in the *Federal Register* by the **Department of Health and Human Services** (HHS). See <http://aspe.hhs.gov/poverty/12poverty.shtml#thresholds> for more details.

28. "Redrawing the Poverty Line: Implications for Fighting Hunger and Poverty in America — Hearing Before the Select Committee on Hunger." House of Representatives, One Hundred First Congress, second session. Hearing held in Washington, DC (October 4, 1990).

29. Carol Morello and Ted Mellnik in *The Washington Post* (May 17, 2012).

30. Working Poor Families Project (Winter 2012-2013).

31. "Poverty and Opportunity: What difference Can a Taskforce Make? Lessons from Four States." Jodie Levin-Epstein, Milla Sanes, Emily Feldman, Josh Kotzman, Abby Lane and Lauren Stewart (July 2011).

32. Author interview with Melissa Boteach (2012).

33. "Cutting Poverty in Half" from Half in Ten website, accessed on September 3, 2012 (PDF).

34. "Social Inclusion for the United States." Heather Boushey, Shawn Fremstad, Rachel Gragg and Margy Waller (2007).

35. "The New Poverty Wars: Debating the Frame(s)." Nancy K. Cauthen (April 2007).

36. Three important reports discuss various global efforts to measure progress and summarize concerns that official statistics are not adequate. All provide recommendations on emerging best practices. See the "Report by the Commission on the Measurement of Economic Performance and Social Progress" by Joseph Stiglitz, Amartya Sen, Jean-Paul Fitoussi (2009); the European Union's "GDP and

Beyond: Measuring Progress in a Changing World" by the European Commission (2009); and "Measures of Australia's Progress" by the Australian Bureau of Statistics (2012).

37. "Multidimensional Measures of Poverty & Well-being." A working paper by Sabina Alkire and Moizza Binat Sarwar of the Department of International Development at Oxford for the European Commission (January 2009). See also "Analysing and Measuring Social Inclusion in a Global Context." Department of Economic and Social Affairs, United Nations (2010).

38. "The Colors of Poverty: Why Racial & Ethnic Disparities Persist." Edited by Ann Chih Lin and David R. Harris, Editors (2009).

39. "Is Poverty a Kind of Robbery?" Thomas B. Edsall in *The New York Times* (September 16, 2012).

40. Not addressed in this report, but worth pointing out for their innovations, are those in public health circles who focus on the social determinants of health, the conditions in which people live, work, grow and age that contribute to differences in health status across the population. Health is shaped, in large part, by the distribution of money, power and resources at global, national, local and household levels. Public health advocates and practitioners are increasingly interested in measuring a wide variety of social indicators, including economic security.

41. "The Development and History of the U.S. Poverty Thresholds — A Brief Overview." Gordon M. Fisher for the U.S. Department of Health and Human Services. Newsletter of the Government Statistics Section and the Social Statistics Section of the American Statistical Association (Winter 1997).

42. "Changing the Poverty Measure: Pitfalls and Potential Gains." Robert Haveman in *Fast Focus* (Volume 14, Issue 3, 1992/1993).

43. Powell (April 2012) describes that understanding the dynamics of exclusion and inequality in the U.S. requires new terminology and narratives. Conventional terms and concepts such as racism and "post-racial society" are neither adequate nor appropriate given that brain research shows that racial bias can be unconscious and that biases can drive behavior. He explains "the shift from 'racism' to 'racialization' is a transition from an individualized, static understanding of race to one that is relational and dynamic. Structural racialization refers to the ways institutions -- such as housing markets, the judicial system, tax policy, and public schools -- isolate people of color and Native Americans from opportunity even in the absence of individual racists. For more on the term racialization, please see Powell's "Post-Racialism or Targeted Universalism?" *Denver University Law Review* 86, Special Issue (2009). Also, "Opportunity for All: Inequality, Linked Fate, and Social Justice in Detroit and Michigan." Kirwan Institute (July 2008).

44. "A Modern Framework for Measuring Poverty and Basic Economic Security." Shawn Fremstad for the Center for Economic and Policy Research (April 2010).

45. "Talking about Poverty in a Jobs and Economy Framework." Shawn Fremstad for the Center for Economic and Policy Research (September 2011). See also "The Limping Middle Class," an opinion piece by Robert Reich for *The New York Times* (September 3, 2011).

46. Reich (2011).

47. Fremstad (2011).

48. Fremstad (2011).

49. "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half." Cen-

ter for American Progress (April 2007).

50. Haveman (1993). See also the methodology appendix in the “The Self-Sufficiency Standard for California 2011.” Diana Pearce and the Insight Center for Community Economic Development (2011).
51. Especially troubling for older adults who may have high medical out-of-pocket expenses, the FPL assumes people over 65 consume less food when contrasted to working-age adults. Thus, income thresholds for seniors are even lower than those for other age groups under the FPL formula.
52. “Married...without Means: Poverty and Economic Hardship Among Married Americans.” Shawn Fremstad for the Center for Economic and Policy Research (November 2012).
53. “Wisconsin Poverty Report: Were Antipoverty Policies Effective in 2009?” Joanna Y. Marks, Julia B. Isaacs, Timothy M. Smeeding, and Katherine A. Thornton for the Institute for Research on Poverty, University of Wisconsin–Madison (May 2011).
54. “Ownership and Debt: Minding the Balance Sheet.” Ray Boshara in *Democracy* (No. 26, Fall 2012).
55. “Development as Freedom.” Amartya Sen (1999).
56. “A Portrait of California: California Human Development Report 2011.” Sarah Burd-Sharps and Kristen Lewis for the American Human Development Project of the Social Science Research Council (2011).
57. “The CEO Poverty Measure, 2005–2010.” NYC Center for Economic Opportunity (April 2012).
58. NYC Center for Economic Opportunity (April 2012).
59. “Federal Register.” Volume 77, Number 60 (Wednesday, March 28, 2012). See it at: <http://www.gpo.gov/fdsys/pkg/FR-2012-03-28/pdf/2012-7377.pdf>.
60. Federal Register. Volume 75, Number 88 (Friday, May 7, 2010).
61. Federal Register. Volume 77, Number 17 (Thursday, January 26, 2012). See it at: <http://aspe.hhs.gov/poverty/12fedreg.shtml>.
62. Another worthwhile debate in the field centers on terminology and whether terms such as “self-sufficiency” are useful. The website for Public Works, an organization focusing on promoting the public sector’s role in shaping a vibrant economy and society, says: “Often...we speak about the goal of helping families achieve ‘self-sufficiency.’ However, when we do, we cue up another powerful mythology – that each of us can make it entirely on our own if we only work hard enough, get a good education, and take advantage of opportunities – and we suppress a much needed recognition of economic interdependence. We need to raise awareness about the need to work together to address the root causes of community problems, not just address individual circumstances.”
63. “The Workforce Investment Act and Self-Sufficiency.” Wider Opportunities for Women (April 2007).
64. “San Diego County, CA 2010 Elder Economic Security Standard Index.” UCLA Center for Health Policy Research, the Insight Center for Community Economic Development and Wider Opportunities for Women. See it at: [http://www.healthpolicy.ucla.edu/eess1012\\_pdf/San-Diego.pdf](http://www.healthpolicy.ucla.edu/eess1012_pdf/San-Diego.pdf)
65. “Federal Register.” Volume 75, Number 148 August 3, 2010). See it at: <http://aspe.hhs.gov/poverty/10poverty.shtml>.

66. San Diego Housing Commission Income and Rent Calculations (2011).
67. “Assets Poverty and Public Policy: Challenges in Definition and Measurement,” a report in the U.S. Department of Health and Human Services’ series *Poor Finances: Assets and Low-Income Households*. Yunju Nam, Jin Huang and Michael Sherraden of the Center for Social Development at Washington University in Saint Louis (December 2008).
68. “Measuring Poverty.” Constance F. Citro and Robert T. Michael, Editors. National Academy of Sciences (1995).
69. Separate author interviews with Arloc Sherman, Mark Levitan, Jared Bernstein, Melissa Boteach and Christopher Wimer.
70. “The Power of the Safety Net: What the Supplemental Poverty Measure Shows.” Arloc Sherman for the Center for Budget and Policy Priorities in *Spotlight on Poverty and Opportunity* (November 14, 2012).
71. “The Research Supplemental Poverty Measure: 2011.” Kathleen Short for the Census Bureau in the *Current Population Reports* (November 2012).
72. The Measuring American Poverty (MAP) Act, co-sponsored by Rep. Jim McDermott (D-WA) and Sen. Chris Dodd (D-CT) was unsuccessfully introduced in 2009. It aimed to require the federal government to replace the FPL with a NAS-inspired measure.
73. “The Future of U.S. Poverty Measurement.” Christopher Wimer, Barbara Bergmann, David Betson, John Coder and David B. Grusky in *Pathways Magazine* (Fall 2011).
74. Short for the Census Bureau November 2012).
75. “The CEO Poverty Measure, 2005 – 2010.” New York City Center for Economic Opportunity. (April 2012).
76. New York City Center for Economic Opportunity. (April 2012).
77. New York City Center for Economic Opportunity. (April 2012).
78. “How Do States’ Safety Net Policies Affect Poverty?” Laura Wheaton, Linda Giannarelli, Michael Martinez-Schiferl, and Sheila Zedlewski for The Urban Institute (September 2011).
79. “Wisconsin Poverty Report: Were Antipoverty Policies Effective in 2009” Joanna Marks, Julia Isaacs, Timothy Smeeding and Katherine A. Thornton (May 2011).
80. Author interview with Erik Stegman (2012).
81. See <http://www.halfintn.org/indicators/about> (accessed on February 4, 2013).
82. See [http://halfintn.org/uploads/support\\_files/2011-supplemental-poverty.pdf](http://halfintn.org/uploads/support_files/2011-supplemental-poverty.pdf) (accessed on March 1, 2013).
83. “The Right Choices to Cut Poverty and Restore Shared Prosperity.” Half in Ten (November 2012).
84. “A Century of Family Budgets in the United States.” David S. Johnson, John M. Rogers and Lucilla Tan in the *Monthly Labor Review* (May 2001).
85. Johnson, Rogers and Tan (May 2001).
86. “Basic family budgets: Working families’ incomes often fail to meet living expenses around the U.S.” Sylvia A. Allegretto for the Economic Policy Institute. Briefing Paper #195 (2005).

87. Pearce (October 2012). See also Dinan for NCCP (March 2009).
88. According to the “Basic Economic Security Tables for Mississippi” by Wider Opportunities for Women (2011), the largest expense for most families below its standards in that state is childcare. See also Diana M. Pearce (October 2012) and Dinan (March 2009).
89. None of the basic budgets we reviewed incorporate allocations for “extras” such as eating in restaurants, entertainment or vacations. Thus, basic budgets don’t reflect what most middle class earners would consider an ideal income.
90. “Bringing the Concept and Measure of Self-Sufficiency to Life: A Guide to Online Self-Sufficiency Tools.” Wider Opportunities for Women (2008).
91. The Self-Sufficiency Standard for Colorado 2011: Prepared for the Colorado Center on Law and Policy.” Diana Pearce (October 2011).
92. “The ‘Cliff Effect’ Experience: Voices of Women on the Path to Economic Independence.” Crittenton Women’s Union (2009).
93. See “The Feminization of Poverty: Women, Work, and Welfare.” Dr. Diana Pearce (1978).
94. See the website for the Center for Women’s Welfare at <http://www.selfsufficiencystandard.org/about.html>.
95. Author interview with Diana Pearce (2012).
96. Author correspondence with Meizhu Lui (2012).
97. “Living Wage Movements: A Global Perspective.” Edited by Diana Figart (2004).
98. The various state coalitions are now loosely coordinated nationally by WOW and led in each locale by a state partner who fundraises to support their state’s coalition. They have altered their core messaging, promoting Family Economic Security (FES) rather than family economic self-sufficiency.
99. For more information on the six strategies, see <http://www.wowonline.org/ourprograms/fess/sfess.asp>.
100. Center for Economic and Policy Research (2010).
101. “The WOW-GI National Elder Economic Security Standard: A Methodology to Determine Economic Security for Elders.” Laura Henze Russell, Ellen A. Bruce, Judith Conahan and Wider Opportunities for Women (December 2006).
102. Author correspondence with Diana Pearce (2012).
103. “How Much is Enough? Basic Family Budgets for Working Families.” Jared Bernstein, Chauna Brocht and Maggie Spade-Aguilar for the Economic Policy Institute (2000).
104. “What We Need to Get By: A Basic Standard of Living Costs \$48,778, and Nearly a Third of Families Fall Short.” Jared Bernstein and James Lin. EPI Briefing Paper #224 (October 2008).
105. For more on EPI’s methodology, please see “2008 Economic Policy Institute Family Budgets: Technical Documentation.” James Lin and Jared Bernstein (2008).
106. Author interview with Jared Bernstein (2012).
107. See EPI’s State of Working America research at <http://stateofworkingamerica.org/> and Algernon Austin’s recent research papers on race, ethnicity and the economy at <http://www.epi.org/people/algernon-austin/>.
108. See the Economic Policy Institute’s EARN website at <http://www.earncentral.org/index.html>.
109. See <http://www.familybudgets.org/> for more on The Better Texas Family Budgets tool.
110. “New Family Budget Tool Highlights What Texas Families Must Earn to Meet Basic Needs.” Center for Public Policy Priorities (January 24, 2013).
111. “Texas Regional Opportunity Index: Local Opportunity Assessment.” United Way of Midland, Center for Public Policy Priorities and Raise Texas. (May 2012)
112. Author interview with Curtis Skinner (2012).
113. See NCCP’s budget methodology at [http://www.nccp.org/popup.php?name=budget\\_methodology](http://www.nccp.org/popup.php?name=budget_methodology).
114. “Studies Show Earned Income Tax Credit Encourages Work and Success in School and Reduces Poverty.” Jimmy Charite, Indivar Dutta-Gupta, and Chuck Marr for the Center on Budget and Policy Priorities (June 2012). See also MDRC President Gordon L. Berlin’s remarks on “Investing in Parents to Invest in Children” at the National Summit on America’s Children on May 22, 2007 at <http://www.mdrc.org/publications/456/presentation.html>.
115. See <http://nccp.org/profiles/fes.html>.
116. See WOW’s Economic Security Database at <http://www.basiceconomicsecurity.org/gateway.aspx>.
117. For a list of states with coalitions, please see WOW’s website at <http://www.wowonline.org/ourprograms/eesi/eess.asp>.
118. See WOW’s website at <http://www.basiceconomicsecurity.org/more-info.aspx>.
119. “Elder Economic Security Initiative: Tracking Our Successes.” Wider Opportunities for Women (Summer 2011).
120. Unpublished paper by Jacob Dumez (2011) for the Insight Center on Community Economic Development.
121. Email correspondence with Susie Smith to members of the CA-ESSI coalition (September 13, 2012).
122. Laura Henze Russell, Ellen A. Bruce, Judith Conahan and Wider Opportunities for Women (December 2006).
123. WOW presents BEST data for free on a county level (and for selected cities) at <http://www.basiceconomicsecurity.org/>.
124. “Living Below the Line: Economic Insecurity and America’s Families” Wider Opportunities for Women (2011).
125. Author interview with Matt Unrath (2012).
126. Description of a WOW webinar offered on April 19, 2012.
127. “Preparing for the BEST: Economic Security and Career Resource Guide.” Wider Opportunities for Women for Job’s for the Future Greenways Initiative (July 2012).
128. Author interview with Teresa Younger (2012).
129. Author interview with Matt Unrath (2012).
130. Wider Opportunities for Women (2011).

131. Schreiner and Sherraden (2007).
132. Shapiro (2004).
133. Nam, Huang and Sherraden (2008).
134. Nam, Huang and Sherraden (2008).
135. Nam, Huang and Sherraden (2008).
136. Nam, Huang and Sherraden (2008).
137. Thomas Shapiro, Meizhu Lui, Maya Rockeymoore, James H. Carr, Mariko Chang, John A. Powell, those participating in the Insight Center's Closing the Racial Wealth Gap Initiative and researchers at the Pew Research Center and the Kirwan Institute, amongst many others, have focused on racial and/or gender wealth gaps and racial inequality in 21st Century America. A much larger group of people and organizations, both nationally and at the grassroots, have focused on curbing predatory lending and foreclosures, which strip great amounts of wealth from people of color (e.g. Empowering and Strengthening Ohio's People, the National Council of La Raza, The Southeast Asia Resource Action Center and National Coalition for Asian Pacific American Community Development, Center for Responsible Lending are a few of many).
138. "Laying the Foundation for National Prosperity: The Imperative of Closing the Racial Wealth Gap." Meizhu Lui at the Insight Center for Community Economic Development (March 2009).
139. 2013 Assets & Opportunity Scorecard. CFED. Data Sources: Asset Poverty and Liquid Asset Poverty, both retrieved on Feb 23, 2013.
140. 2013 Assets & Opportunity Scorecard." CFED.
141. "The Lost Decade of the Middle Class." Pew Research Center (August 2012).
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