
The Self-Sufficiency Standard for Massachusetts

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Preface

The Self-Sufficiency Standard was developed for Wider Opportunities for Women as part of the State Organizing Project for Family Economic Self-Sufficiency by Dr. Diana Pearce, who was at the time Director of the Women and Poverty Project at Wider Opportunities for Women. Funding for its original development was provided by the Ford Foundation. A number of other people also have contributed to the development of the Standard, its calculation, and/or the writing of the state reports. The Standard would not be what it is without the contributions of Jennifer Brooks, Laura Henze Russell, Janice Hamilton Outtz, Roberta Spalter-Roth, Antonia Juhasz, Alice Gates, Alesha Durfee, Melanie Lavelle, Nina Dunning, and Seook Jeong. This report would not have been possible without the assistance of Danae Dotolo, Annie Henry, Anna Landa, Lisa Manzer, Margaret McCurdy, Bianca Quesada, Lynette Wright, and in Massachusetts, Sheelah Feinberg, Nicole Hanrahan and Laura Henze Russell of the Women's Educational and Industrial Union. Nonetheless, any mistakes are the authors' responsibility.

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The Self-Sufficiency Standard for Massachusetts: Executive Summary

When the first Massachusetts Family Economic Self-Sufficiency Standard (MassFESS) was released in 1998, Massachusetts was in the midst of an unprecedented economic boom. However, over the last few years, the economy has fallen into a recession. While the economy struggles, families struggle as they attempt to cover rising housing, health care, and child care costs with stagnant wages and diminished employment prospects. In Boston alone, the Self-Sufficiency Standard for a family of four has increased 28% between 1998 and 2003 (see table on next page). This increase in the vital costs of living has left many families searching for solutions to help move them out of poverty and into self-sufficiency.

But what constitutes an adequate income, and how does it vary across family types and locations? How do work supports such as Medicaid, Food Stamps and child care assistance impact the wages that families need to earn? In answer to these questions, we offer an updated measure of income adequacy for working families, *The Self-Sufficiency Standard for Massachusetts*.

With the release of *The Self-Sufficiency Standard for Massachusetts*, we present the actual costs of meeting a family's basic needs for each city and town grouped into 39 regions, based upon similar costs. According to the federal poverty measure, a family of three anywhere in the mainland United States earning above \$15,260 is deemed to be "not poor." By contrast, *The Self-Sufficiency Standard for Massachusetts* reveals that a single-parent family living in the City of Boston with one preschooler and one schoolage child requires \$51,284 to meet basic needs without any public or private assistance. In the City of Springfield, the income requirement of a one-parent family with one preschooler and one schoolage child is \$36,603.

The Self-Sufficiency Standard for Massachusetts provides a measure that is customized to each family's circumstances, making it possible to determine whether or not income is adequate to meet basic needs. *The Self-Sufficiency Standard for Massachusetts* calculates a bare-bones budget of costs, including housing, child care, food, transportation, health care, miscellaneous (clothing, shoes, household items, telephone, etc.), and federal, state and local taxes that a working family in Massachusetts faces. *The Self-Sufficiency Standard for Massachusetts* also provides vital information about the way work supports, such as Medicaid, Food Stamps and child care assistance, can lower costs so that families can make ends meet in the short-term while they gain skills and experience to advance to better-paying jobs. The result is a measure set at a level that is neither luxurious—or even comfortable—nor so low that it is insufficient to adequately provide for a family.

The Self-Sufficiency Standard for Massachusetts is a tool that can be used by policymakers, business leaders, service providers, educators and the non-profit sector to better inform the way they work with and serve low-income families in Massachusetts. Moving working families toward economic self-sufficiency is a community-wide responsibility, and the burden of ensuring that families can make ends meet does not rest on the shoulders of any one group. It is critical for government to provide low-wage workers with access to education and training opportunities so that they can improve their skills and move up the economic ladder. Also, it is important for government to provide access to the work supports, such as Medicaid, Food Stamps and child care

assistance, which enable families to stay healthy and to be productive participants in the Massachusetts workforce. It is imperative that businesses pay fair and decent wages to employees and provide crucial work supports, such as health care, to their employees. Finally, individuals have a responsibility to work to their potential and to take hold of the opportunities available to them that will move them along the path to economic self-sufficiency.

Among the key findings of The Self-Sufficiency Standard for Massachusetts report are the following:

Childcare costs throughout Massachusetts average about 23% - 27% of a family’s budget.

- Whenever possible, child support from absent non-custodial parents should be sought. Currently, only about 45% of families receive the full amount owed.

Housing costs throughout Massachusetts average 24% - 37% of a family’s budget.

- In Boston, for a family with one adult, a preschooler and a schoolage child, food constitutes 9% of the budget and taxes (after consideration for taxes and tax credits) constitute 16%.

Health care expenses throughout Massachusetts are a relatively small budget item, assuming families have access to employer-sponsored health insurance.

- In Boston, for a family with one adult, a preschooler and a schoolage child, health care costs constitute 5% of the family budget.

Costs have risen substantially since the 1998 version of the Self-Sufficiency Standard for Massachusetts. The chart below provides key highlights for these changes.

The Massachusetts Self-Sufficiency Standard for Four Family Types by City, 1998 and 2003

| | 1 Adult | 1 Adult, 1 Preschooler | 1 Adult, 1 Preschooler, 1 Schoolage | 2 Adults, 1 Preschooler, 1 Schoolage |
|--------------------|----------|------------------------|-------------------------------------|--------------------------------------|
| | Annual | Annual | Annual | Annual |
| Boston | | | | |
| 1998 | \$15,888 | \$32,280 | \$39,156 | \$42,564 |
| 2003 | \$21,362 | \$44,046 | \$51,284 | \$54,612 |
| Change, 1998-2003 | +34% | +36% | +31% | +28% |
| Lowell | | | | |
| 1998 | \$15,216 | \$31,572 | \$38,304 | \$42,888 |
| 2003 | \$20,144 | \$39,990 | \$47,017 | \$53,206 |
| Change, 1998-2003 | +32% | +27% | +23% | +24% |
| Worcester | | | | |
| 1998 | \$15,252 | \$29,904 | \$35,460 | \$40,056 |
| 2003 | \$16,703 | \$33,993 | \$40,598 | \$46,714 |
| Change, 1998-2003 | +10% | +14% | +14% | +17% |
| Springfield | | | | |
| 1998 | \$14,052 | \$26,844 | \$32,040 | \$36,648 |
| 2003 | \$15,304 | \$31,471 | \$36,603 | \$42,844 |
| Change, 1998-2003 | +9% | +17% | +14% | +17% |
| North Adams | | | | |
| 1998 | \$13,020 | \$24,672 | \$29,520 | \$34,140 |
| 2003 | \$14,583 | \$29,744 | \$34,875 | \$40,909 |
| Change, 1998-2003 | +12% | +21% | +18% | +20% |

- For most Massachusetts families, the income required for self-sufficiency greatly exceeds other common benchmarks of income. Using a family with one adult, a preschooler and a schoolage child in the City of Worcester as an example, an adult working full-time at the minimum wage (\$6.75 per hour) would earn \$1,477 per month after subtracting taxes and adding tax credits, putting her just above the federal poverty level (\$17,725 annually). However, according to the Self-Sufficiency Standard, her income would need to be \$3,383 per month if she was to achieve self-sufficiency without subsidies or supports; this would leave her with a shortfall of \$1,906 per month, or a 56% shortfall. The combination of welfare cash assistance and food stamps for this family in Worcester would amount to just over one-quarter (29%) of the Self-Sufficiency Wage.
- The Standard highlights the vital role that public and private supports play, when used as short-term assistance, in narrowing the gap between actual income and self-sufficiency. Public supports such as Section 8 rental assistance, child care assistance, Food Stamps, and health care assistance allow many families to satisfy basic needs on limited incomes. Taking the example of the City of Worcester, the Standard illustrates how access to work supports lowers the wage a family needs to reach self-sufficiency. Without any assistance, a single parent in Worcester with one preschooler and one schoolage child needs to earn \$19.22 per hour, or \$40,598 per year, to cover all of her family’s costs. However, with Medicaid health insurance for herself and her children and with child care assistance, her Self-Sufficiency Wage falls to \$11.93 per hour.
- This report outlines a range of possibilities for how the Standard can be used in such areas as social welfare policy, workforce investment policy, career counseling, program evaluation and improvement, and public education and advocacy.
- For families with children, housing and child care costs account for a significant share of the family budget. In Boston, child care and housing costs comprise 60% of the budget for a family with one adult, a preschooler and a schoolage child. Taxes and food make up the next largest expenses (16% and 9%).
- Health care costs for the Standard were calculated assuming access to employer-provided health insurance. If there is no employer-sponsored insurance, health care costs may be even higher than those used in the Standard.
- In addition, policies that promote and reward savings as well as earnings can help narrow the “wealth gap” that leaves too many families unable to move up the ladder. The standard does not include such necessities as saving for college education or retirement.

Conclusions

- An uncertain economy, a lack of available jobs paying sufficient wages, time limits on current supports, and major changes in welfare and workforce development policy have given new urgency to the question of self-sufficiency. As many parents leave welfare and enter the labor market, they join a growing number of families who are unable to stretch their wages to meet the costs of basic necessities. Even though many of these families are not “poor” according to the federal poverty measure, their incomes are inadequate. The most significant shortcoming of the federal poverty measure is that, for most families, it is simply not high enough.
- This new update of The Self-Sufficiency Standard for Massachusetts makes it clear that challenges remain for a growing number of Massachusetts families struggling to make ends meet. Many cannot afford their housing *and* their childcare *and* their food and so must choose between their needs or provide substandard housing or inadequate childcare or insufficient food or provide no healthcare at all.

- Public and private work supports can be used to assist a family’s move toward self-sufficiency. Other strategies to assist families include both micro and macro approaches. At the individual (“micro”) level, strategies include training and education, context literacy, non-traditional employment of women, micro-enterprise, and individual development accounts. “Macro” strategies address labor market structures, and would include labor market reforms, removing artificial barriers to employment for women and/or persons of color and sectorial employment initiatives. Thus, some parents may receive training followed by jobs that are supplemented by temporary supports (if necessary) until their wages reach the self-sufficiency level.
- While supports and subsidies provide vital assistance in managing expenditures, increasing earning potential must also be a policy priority in helping families move up the economic ladder. Training and education, access to nontraditional jobs, employment equity and raising the minimum wage can all be vital components of a strategy that builds off the efforts of welfare reform and moves families into jobs that allow the promise of self-sufficiency.

The Self-Sufficiency Standard provides a realistic but ambitious target for policymakers, employers, advocates, and families to which to aspire as we work to help low-income families reach economic self-sufficiency.

The Self-Sufficiency Standard for Massachusetts was produced in partnership between Wider Opportunities for Women (WOW), Dr. Diana Pearce at the University of Washington, and the Women’s Educational and Industrial Union. This work is part of the national Family Economic Self-Sufficiency Project, convened by WOW, to provide state-level advocates and governments with tools to help them strengthen government investments in low-income families. To find out more about the Massachusetts Project for Family Economic Self-Sufficiency Project, please contact Sheelah Feinberg, Director of MassFESS at (617) 536-5651 x107 or by email at sfeinberg@weiu.org.

Table of Contents

Introduction 1

How the Self-Sufficiency Standard is Calculated 5

How Much is Enough in Massachusetts..... 8

Comparing the Standard to Other Benchmarks of Income 13

Comparing the Standard for Boston to Other Major Cities..... 15

The Self-Sufficiency Wage Over Time..... 16

*Modeling the Impact of Supports on Wages Required to Meet
Basic Needs 17*

*Closing the Gap Between Incomes and the Self-Sufficiency
Standard 26*

How the Self-Sufficiency Standard Can be Used 30

Conclusion 33

Endnotes 34

Data Sources 37

About the Authors 39

Map of Massachusetts Regions 41-43

Appendix: Selected Family Types, by Region..... 45-93

List of Appendix Tables/Regions..... 47

List of Appendix Tables/Regions by City or Town..... 51

Appendix Tables..... 55

