

# Center for Community and Economic Development



## Measuring Self-Sufficiency

An article in the Wisconsin Indicator series

**“There is one rule for industrialists and that is: Make the best quality of goods possible at the lowest cost possible, paying the highest wages possible.”**

-Henry Ford, pioneer of the assembly-line production method

How easy is it to find a job paying \$18 an hour in Wisconsin? How about \$26 an hour? For Wisconsin, according to a [living-wage calculator](#)<sup>1</sup> developed by the Massachusetts Institute of Technology (MIT), \$18.74 an hour (\$38,989 a year) is what a two-parent family with two children must earn to meet its basic needs if one parent stays home to watch the children, eliminating the cost for childcare and the probable need for a second vehicle. If those two children are raised by a single parent, then mom or dad must earn \$26.64 an hour (\$55,408 per year) due to the additional cost of childcare. For Wisconsin’s 640,000 two-parent families and 204,000 single-parent families raising children, if they are earning less than the self-sufficiency wages listed in **Chart 1** they likely are relying on public or private assistance to meet their basic needs.

**Chart 1**<sup>2</sup>

Self-sufficiency Wages	2 Adults, 1 Child	2 Adults, 2 Children	1 Adult, 1 Child	1 Adult, 2 Children
Self-Sufficiency Annual earnings	\$36,000	\$38,989	\$41,487	\$55,408
Hourly Wage	\$17.31	\$18.74	\$19.95	\$26.64
Poverty Threshold Hourly Wage	\$8.80	\$10.60	\$7.00	\$8.80

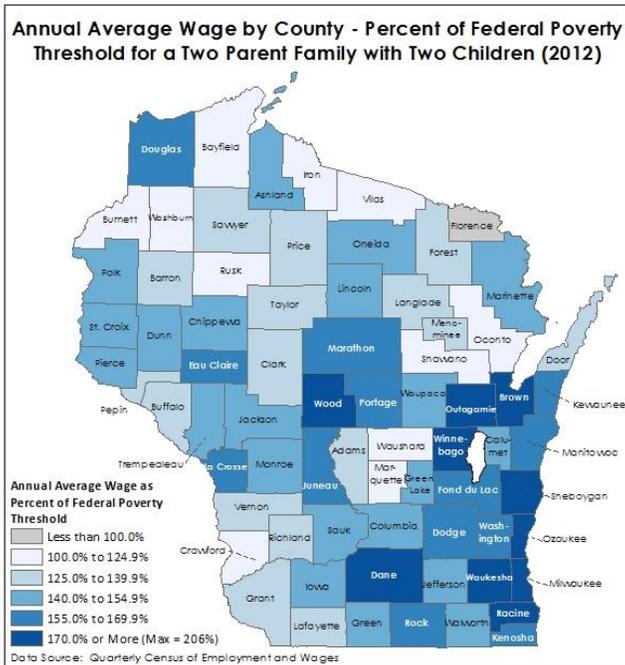
[The Self-Sufficiency Standard for Wisconsin](#)<sup>3</sup> “...calculates how much income working adults need to meet their basic needs without subsidies of any kind... The Standard defines the amount of income necessary to meet basic needs (including paying taxes) in the regular “marketplace” without public subsidies-such as public housing, Food Stamps, Medicaid or child care - or private/informal subsidies - such as free babysitting by a relative or friend, food provided by churches or local food banks, or shared housing.”

The federal government considers a two-parent family raising two children as living in poverty if the family earns no more than \$23,550 per year. This is \$15,439 less than MIT's self-sufficiency measure for Wisconsin. For a single-parent family with two children, the federal poverty threshold is \$19,350. This is \$36,058 less than MIT's self-sufficiency measure for Wisconsin. These wide disparities arise because the federal formula for the poverty threshold - three times the cost of an emergency-level supply of food - has not changed over the past half century to include childcare or the cost of other sustaining components of a modern family budget.

The federal poverty thresholds are widely referenced as a *before-tax* measure of sufficient income to escape poverty. The developer of the thresholds, [Mollie Orshansky](#)<sup>4</sup>, actually described them as an *after-tax* measure of how much one could state with confidence was “too little.” The inadequacy of these guidelines in describing the resources a family needs to support itself is the reason that many federal and state assistance programs calculate eligibility using multiples of the poverty guidelines. Wisconsin’s own [Special Supplemental Nutrition Program for Women, Infants and Children \(WIC\)](#)<sup>5</sup> defines families earning up to 185% of the federal poverty guideline as eligible for participation, or the equivalent of \$43,568 for a family of four.

How is it that families earning forty or even fifty thousand dollars a year must stretch to meet their needs without outside assistance? Let's take a closer look at some of the major components of the family budget which are either unaccounted for in the federal poverty threshold calculation or inaccurately budgeted for in many family budgets: transportation, food, and childcare.

**Chart 2<sup>6</sup>**



**Transportation:** The American Automobile Association calculates \$9,151 as the [average annual cost](#)<sup>7</sup> of operating a medium-sized car. Another automotive information company provides a [True Cost To Own](#)<sup>8</sup> calculator. A family that needs two cars can use this calculator to learn that the cost to own and operate two smaller used cars is over \$12,000 a year.

**Food:** According to [The Official USDA Food Plan](#)<sup>9</sup>, a two-parent family with two pre-school children should budget \$700.10 per month to eat on the low-cost plan, or \$8,401 a year. This amount is solely for food bought in a store and prepared at home and precludes eating out.

**Childcare:** A network of childcare centers serving eight southern Wisconsin counties publishes an annual [survey of childcare costs by county](#)<sup>10</sup>. This survey indicates that a family with two pre-school children in, for example, Dodge County should budget \$266 a week, or \$13,832 a year, for childcare.

On average, the expenses for a used car, food, and childcare for a family of four amount to nearly \$30,000 a year. Other essential and unavoidable expenses such as housing, clothing, utilities, and taxes still need to be paid. These, and other expenses, can be included in the family budget using a free [budget planner](#)<sup>12</sup>. Even armed with a bare-bones budget, Wisconsin's average wage of \$16.18 an hour means that many of Wisconsin's families with children, especially the state's 204,000 single-parent families, will require assistance to meet their basic needs.

**Chart 3<sup>11</sup>**

Poverty Thresholds and Self-Sufficiency	Average Wages 2011	Wages as a percentage of		
		Poverty Threshold for a family of four	Self-Sufficiency Level for 2 adults, 2 children	Self-Sufficiency Level for 1 adult, 2 children
Wisconsin	\$41,558	186%	107%	75%
Illinois	\$51,711	231%	128%	101%
Iowa	\$38,386	172%	100%	76%
Michigan	\$45,194	202%	121%	97%
Minnesota	\$46,990	210%	125%	101%

<p>(1) MIT's Living Wage Calculator   <a href="http://livingwage.mit.edu/">livingwage.mit.edu/</a>, (2) From (1), (3) The Self-Sufficiency Standard for Wisconsin   <a href="http://wiwomensnetwork.org/w/001/images/0000/0102/selfsuffbody2004.pdf">wiwomensnetwork.org/w/001/images/0000/0102/selfsuffbody2004.pdf</a>, (4) Molly Orshansky   <a href="http://aspe.hhs.gov/poverty/Orshansky/index.shtml">aspe.hhs.gov/poverty/Orshansky/index.shtml</a>, (5) WIC   <a href="http://www.fns.usda.gov/wic">www.fns.usda.gov/wic</a>, (6) From (1), (7) AAA   <a href="http://exchange.aaa.com/wp-content/uploads/2013/04/Your-Driving-Costs-2013.pdf">exchange.aaa.com/wp-content/uploads/2013/04/Your-Driving-Costs-2013.pdf</a>, (8) Edmunds   <a href="http://www.edmunds.com/tco.html">www.edmunds.com/tco.html</a>, (9) USDA   <a href="http://www.cnpp.usda.gov/usdafoodcost-home.htm">www.cnpp.usda.gov/usdafoodcost-home.htm</a>, (10) 4-C   <a href="http://www.4c.org/uncategorised/child-care-data-publications.html">www.4c.org/uncategorised/child-care-data-publications.html</a>, (11) From (1) and from ASPE   <a href="http://aspe.hhs.gov/poverty/index.cfm">aspe.hhs.gov/poverty/index.cfm</a> and from the US Department of Commerce   <a href="http://www.commerce.gov/">http://www.commerce.gov/</a>, (12) Microsoft   <a href="http://office.microsoft.com/en-us/templates/results.aspx?qu=budgets">http://office.microsoft.com/en-us/templates/results.aspx?qu=budgets</a></p>	<p>For more information, contact:  <b>UW-Extension Center for Community and Economic Development (CCED)</b>          610 Langdon Street, Room 327          Madison, WI 53703          Phone: 608-265-8136          Dial 711 for Wisconsin Relay (TTY)          Email: <a href="mailto:cced@uwex.edu">cced@uwex.edu</a>  <a href="http://cced.ces.uwex.edu">http://cced.ces.uwex.edu</a></p>
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