

## November 16, 2009: **Poor Measurement: Building Economic Security and Reducing Poverty**

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### *- Measuring up to Our Goals*

How and what we measure reflects fundamental American values, defines the public and policymaker understanding of issues, and triggers funding and policy responses. The current debate about our system of measurement for poverty and economic well-being is more important than a technical discussion among analysts, it is essential to help point us in the right policy direction.

The purpose for measuring economic deprivation and developing and enacting policies that reduce economic deprivation is to assure opportunities to sustain and grow the middle class and to reduce poverty. The current outdated official measure of poverty, as well as one proposed replacement, provides only half of the information we are looking for—how poorly people are faring. No official and reliably reported measure exists that tells us how many people are making ends meet or the extent to which they have become economically secure. This part of the story falls off the radar when we engage in debate about the measure of poverty. A strong middle class is essential to a vibrant economy and well-functioning democracy. Adopting a measure of economic security will better support policies that encourage economic mobility and a fair shot at the middle class.

### **A “make-ends-meet” measure or similar measure of economic security should be implemented simultaneously with any revised measure of poverty**

The current measure of poverty is a measure of income at the level of economic deprivation, \$22,050 for a family of four. This extremely low threshold is disconnected from any level of making ends meet, does not account for increases in housing, health care, and child care costs, and does not account for geographic differences in the cost of living. The federal measure also does not respond to policy changes intended to reduce poverty such as improvements in child care, health care, or the Earned Income Tax Credit (EITC).

The measure considered as a likely “modern” replacement for this measure was developed by the National Academy of Sciences (NAS) 14 years ago. While it would address many of these issues, it remains an arbitrarily low measure representing economic deprivation. Also, as a result of new methods for calculating the NAS

measure, a number of states would see a reduction in the state poverty rate without any positive policy changes. For the first time in 40 years, serious attention is being paid to improving the system of measurement. Now is the time to advance beyond the single-measure approach.

**A make-ends-meet measure along with a measure of poverty will help accomplish the following:**

**Establish a vision for what we want to achieve.** A make-ends-meet measure will help us articulate a vision for building economic security as well as reducing poverty. Programs such as Medicaid, the EITC, food stamps, children's healthcare, and subsidized child care demonstrate our commitment as a country to improving economic well being and have played a critical role in helping millions of families. Efforts to reduce poverty might be understood in the spirit of building economic security. However, because these policies and programs have been developed at different times, each with a unique set of rules affecting access and adequacy of support, they do not work together to offer a coherent vision of economic security. A measure of economic security would provide a tangible marker for public debate about policy solutions toward decent standards of living and economic mobility.

**Provide a more realistic picture of economic circumstances in the United States.** A make-ends-meet measure would not only help us understand who is able to get by, but also describe the difference between reducing economic deprivation and making ends meet. A total of 72 percent of families living below twice the current measure of poverty work, 60 percent of these working families pay more than one third of their income for housing, and 39 percent have at least one parent in the household without health insurance. The public understands the essential nature of health care, food, housing, child care, and transportation in order to work, care for family, and participate in the community. A recent poll commissioned by the Northwest Area Foundation (NWAFF), *Struggling to Make Ends Meet*, shows a majority of people believe it takes at least \$40,000 to make ends meet. By highlighting the gap between income poverty and making ends meet, a new federal measure would help the public and policymakers understand the full picture of economic security rather than add to the confusion now created by the sole measure of poverty. In addition, such a measure would better convey the federal government's attention to and progress toward economic security.

**Build public support for comprehensive policies proven to improve economic circumstances.** More accurate descriptions of economic circumstances help underscore the need for policy solutions to build economic security. The current one-measure system focusing solely on deprivation short circuits the policy debate. For example, news stories or advocate statements lauding the EITC for lifting a certain number of people out of poverty imply that anyone who isn't poor is doing well enough and is not in need of public supports to make ends meet. Even though the EITC is a sound policy, there is little room in the in poverty/out-of-poverty paradigm for describing to what extent the EITC lifts people above the level of

poverty and what type of policies and policy improvements would advance people toward making ends meet. A make-ends-meet measure would create room for a more productive policy debate about the type of comprehensive solutions needed to promote economic security and mobility.

**Align policies to achieve goals rather than create barriers to economic progress.** A measure of economic security that better describes policy aims could help uncover and address inconsistencies in current policy that detract from these goals. Policies intended to reduce poverty and, theoretically, build economic security have been separated from the economic system as a whole, creating a complicated and often conflicting policy structure. Many families must walk a fine line between earning too little to afford a basic need, such as health care or day care in the private market, and earning too much to receive needed public support. An increase in earnings should *always* lead to an increase in economic security. Similarly, paradoxical support exists for policies that build assets, such as Individual Development Accounts, and at the same time require families to be asset-poor in order to access supports such as food stamps. Small policy adjustments over the years have eased this situation. A measure that indicates the importance of these goals would provide an important starting point and concrete base of information for more bold and comprehensive policy changes consistent with our collective goals.

### **The public is ready and momentum is growing**

The public supports an economic approach that results in common-sense policy change to strengthen the middle class. The NWAFF poll shows a majority of the population thinks they would personally benefit if fewer people were struggling to make ends meet.

Momentum to change the system of measurement is growing. A make-ends-meet or economic security measure will paint a more complete economic picture and should be adopted simultaneously alongside a new measure of poverty. Since a number of models already exist, a measure should be agreed upon without delay. Now is the time to adopt measures that will encourage policies to restore the middle class and reduce economic deprivation rather than simply continuing a debate that perpetuates false policy choices.

*Annette Case works with Strategies to Eliminate Poverty, a grant-making initiative of The Seattle Foundation made possible through a grant from the Northwest Area Foundation supporting public policy efforts to increase economic security and decrease poverty in the states of Washington, Oregon, Idaho, Montana, North Dakota, South Dakota, Minnesota and Iowa. To learn more, please visit <http://www.expandingprosperity.org>.*