

Making Ends Meet

Overview

Food security—the assured access to sufficient food for a healthy and active life—is rooted in family economic security. When families struggle to make ends meet, acquiring sufficient food through conventional means can be difficult or impossible. Research shows that low income and high costs are both important predictors of food insecurity. Because of this, effective efforts to promote food security must include efforts to reduce poverty, increase family economic resources, and ensure that the cost of living is not prohibitive.

Poverty in Wisconsin

More than 591,000 people in Wisconsin are officially poor, according to the U.S. Census Bureau's 2006 American Communities Survey.ⁱ This represents 11 percent of the state population—more than one in ten people. Poverty is among the strongest risk factors for food insecurity: a recent study found that 31.5% of those below poverty in Wisconsin were food insecure.

The poverty rate in Wisconsin has been increasing—from 8.9% in 2000 to 11% in 2006. Between 2005 and 2006—while the national poverty rate fell—Wisconsin's poverty rate increased by almost a full point, from 10.2% to 11%, with increases for all age groups. Poverty remains somewhat less common in Wisconsin than in the United States as a whole. Nationwide, 13.3% of people are poor.

Some groups with above-average risk of poverty in Wisconsin include African Americans (34.9% are poor); households headed by a single mother (36.8% are poor); Latinos (26.8% are poor); children (14.7% are poor); and adults with less than a high school education (20.7% are poor). In Milwaukee, 26.2% of residents are poor.

The United States measures poverty by comparing household income to a poverty threshold, also known as the 'poverty line'. The poverty line is intended to reflect the minimum income households need to achieve an adequate standard of living. It varies according to the number of household members and their ages, and it increases each year to account for inflation. In 2006, the poverty line for a household of four was \$20,000.

How much income does a family need?

Although poverty is a strong predictor of food insecurity, even families with incomes well above the poverty line may have trouble meeting their food needs. Research in Wisconsin found that 31.3% of poor households were food insecure, as were 15.2% of near-poor households and 4.6% of households with income above 185% of the poverty line.ⁱⁱ

Part of the problem has to do with how poverty is measured. The federal poverty line was originally set at three times the cost of a family's basic food needs. When the poverty line was established in the 1960's, a typical family spent about one-third of its budget on food. Therefore, families were considered poor if they could not afford an adequate diet with one-third of their income. Now, due to changes in the underlying cost

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structure, a typical family spends only about one-sixth to one-fifth of its budget on food. Compared to the 1960's, a larger share of the family budget is devoted to other expenses such as housing, transportation, and health care.

A simple way to think about whether a family has enough money is to compare income to the cost of meeting a comprehensive package of basic needs. The family self-sufficiency standard is an estimate of how much income a family would need to cover basic costs such as housing, food, child care, transportation and taxes—without needing help from government assistance programs. The self-sufficiency standard has been calculated for a variety of household types, for each county in Wisconsin. For a Wisconsin single parent with a school-age child and a teenager, the county self-sufficiency standard ranged from \$16,671 to \$34,129 during 2003. For households with childcare needs, the self-sufficiency standard is even higher.ⁱⁱⁱ During the same time period, the poverty line for a three-person household was \$15,260—below the self-sufficiency standard for all counties and less than half the standard in the most expensive counties.

Can families earn enough to meet self-sufficiency needs?

Earning enough money to meet self-sufficiency needs is out of reach for many working families. The 2003 self-sufficiency income in Wisconsin in the previous example—\$16,671 to \$34,129—is equivalent to hourly wages of \$7.89 to \$16.17. If the self-sufficiency standard were calculated based on current costs, it would be still higher. In contrast, the minimum wage in Wisconsin is \$6.50 per hour.

Even earning enough to escape poverty—a lower standard than meeting self-sufficiency needs—is out of reach for many workers. The Center on Wisconsin Strategy defines 'poverty-level wages' as wages too low to support a family of four above the poverty line, equivalent to around \$9.91 per hour. In 2006, more than one in five Wisconsin workers, or 22%, earned poverty-level wages.^{iv} Not all who receive 'poverty wages' are poor—some have other workers in the household, and some have fewer household members to support. Nonetheless, it is clear that a substantial share of workers do not earn family-supporting wages.

Low education as a threat to food security

Part of the low-wage problem is linked to education. Better educated workers clearly command better wages, on average, than do less educated workers, a difference that has been increasing over the past several decades. In Wisconsin during 2005, median wages for those with less than a high school degree were \$9.66 per hour, as compared to \$12.98 with a high school degree, \$16.19 with an Associate degree, and \$22.03 with a four-year college degree. Almost two-thirds of workers (61%) have education below the Associate degree level.^v

Limited job opportunities as a threat to food security

But education and training alone cannot solve the low-wage problem. The kinds of jobs that are available are an important part of the picture. A large share of jobs in today's economy simply don't pay enough to meet people's basic needs. Poverty-wage jobs are among the fastest-growing segments of the job market: five of the ten occupations

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projected to supply the most new jobs through 2012 pay poverty-wages.^{vi} In addition to paying low wages, these jobs are less likely to offer benefits, more likely to be part-time, and tend to provide little access to career ladders.

Lack of sufficient job opportunities of any kind is also a problem. Wisconsin's unemployment rate was 4.8% in 2006, just above the national average of 4.6%. Groups with above average rates include young adults (10.7%), African-Americans (11.7%), and adults with less than high school education (12.2%).^{vii}

Housing costs as a threat to food security

The high cost of housing is one important reason for the difficulties families face in meeting their basic needs. The federal government, as well as many financial planners, defines housing affordability as spending no more than 30% of income on housing. According to the U.S. Census, however, one-third of Wisconsin renters paid 30% or more of their income for rent in 1999, and 14.5% paid at least half of their income for rent.^{viii}

In Wisconsin, the Fair Market Rent (FMR) for a two-bedroom apartment is \$666 per month. In order to afford this level of rent and utilities, while not exceeding 30% of income, a household must earn \$2,219 per month. This is equivalent to wages of \$12.80 per hour—almost twice the state minimum wage. Rents may pose a particular problem for elderly and disabled persons who are dependent on Supplemental Security Income (SSI) payments. SSI payments for an individual in Wisconsin are \$603 per month. At this income level, rent of no more than \$181 would be considered affordable, whereas the FMR for a one-bedroom apartment is \$548.

Not surprisingly, high housing costs are an important risk factor for food insecurity. Households in states with higher housing costs have substantially greater risk of food insecurity than do similar households in states with lower housing costs.^{ix} A similar pattern holds within Wisconsin: households in high-rent zipcodes have substantially greater risk of food insecurity than similar households in lower-rent zipcodes.^x

Housing pressures for many low-income households are likely to grow in the immediate future, creating more pressure on food budgets. A disproportionate share of low-income homeowners own sub-prime mortgages with adjustable interest rates which will be readjusted in the coming months, dramatically increasing the cost of housing for these families.

Energy costs as a threat to food security

Whereas the average Wisconsin family spends between 2% and 4% of its monthly budget on home energy, low-income families spend between 10% and 12%. In the past three years, energy costs have increased over 35%. Gas prices, another critical form of energy expense, have increased from the \$1.50-\$1.75 per gallon range to around \$3.00 per gallon. Like other families, low-income families must keep their homes warm; maintain power in the house; and keep gas in the car for work and errands. The rising cost of energy results in less flexibility to 'juggle' expenses and cover monthly necessities. Food budgets - as well as budgets for medicines and clothing - suffer. Research confirms that,

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for low-income households, the risk of food insecurity is greater in areas with high heating and/or high cooling costs.^{xi}

Economic assistance for limited income families

The disconnect between costs and wages means that, for many families, government economic assistance programs are crucial. In addition to food-related programs, important economic assistance programs include:

- *The Earned Income Credit*. The Earned Income Tax Credit is a special tax benefit for people who earn low or moderate incomes. There are two related programs—the federal Earned Income Tax Credit and the Wisconsin Earned Income Credit. Qualifying persons who file tax returns get back some or all of the income tax withheld during the year, and many workers get back more than they pay in taxes.
- *Wisconsin Shares*. Wisconsin Shares is a state program that pays a portion of child care costs for families with limited incomes. Families choose their own providers, and the state pays a portion of the cost, with the amount of the benefit linked to income.
- *Wisconsin Works (W2)*. Wisconsin Works provides monthly cash payments to eligible custodial parents who participate in certain work-related activities intended to prepare them for regular employment. It provides a range of services to help limited income parents find and keep jobs, and provides short-term cash assistance to new parents who meet eligibility criteria.
- *BadgerCare*. BadgerCare provides publicly funded health insurance to people meeting income and other criteria. Many employed parents are eligible for coverage.

These and other economic assistance programs provide vital resources to limited income families. At the same time, many struggling families do not meet eligibility criteria, and many more miss out because they are not aware of programs or face barriers to participation. Frequently, families that do receive assistance find that the potential gains from increased earnings are partially or fully offset by the associated loss in various forms of economic assistance.

Family economic security could be improved if.....

- Access to education and training were strengthened. Possibilities include:
 - Greater availability of financial aid for higher education;
 - Greater education and training opportunities as part of Wisconsin Works (W2);
 - Additional funding for childcare and transportation expenses for low-income workers participating in education and training programs.

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- Improved job opportunities were available to workers. Possibilities include:
 - Higher minimum wage, minimum wage indexed to inflation, local ‘living wage’ ordinances;
 - Broader availability of employment benefits such as paid sick leave and health insurance;
 - Career ladders so that workers don’t get stuck in dead end jobs;
 - Community development initiatives to bring better jobs into struggling areas.

- Access to critical economic assistance programs was enhanced. Possibilities include:
 - Outreach to ensure families are aware of available programs;
 - Improved capacity of the ACCESS website to support online application for a broader array of programs;
 - Support for local organizations to provide computers and assistance to help families utilize the ACCESS website;
 - Expanded network of free tax assistance sites to ensure workers receive earned income tax credit and other tax benefits;
 - More generous eligibility rules such that more families are able to receive assistance.

- Housing and energy were more affordable. Possibilities include:
 - Creation of a statewide housing trust fund, which would provide resources from a dedicated revenue source to create more affordable housing and to help families to afford existing housing.

ⁱ Poverty data from the U.S. Census Bureau available online at www.census.gov .

ⁱⁱ Bartfeld, J. and David, C. 2003. Food Insecurity in Wisconsin, 1996-2000. Institute for Research on Poverty Special Report #86. Madison, Wisconsin.

ⁱⁱⁱ Pearce, D. and Brooks, J. 2004. The Self-Sufficiency Standard for Wisconsin. Available online at <http://www.wiwomensnetwork.org/selfsuffbody2004.pdf> .

^{iv} Center on Wisconsin Strategy. 2007. The State of Working Wisconsin: Update 2007. Madison, WI: Center on Wisconsin Strategy.

^v Center on Wisconsin Strategy. 2007. The State of Working Wisconsin: Update 2007. Madison, WI: Center on Wisconsin Strategy.

^{vi} Dresser, L. 2007. Stronger Ladders, Stronger Floors: The Need for Both Supply and Demand Strategies to Improve Workers’ Opportunities. Madison, WI: Center on Wisconsin Strategy.

^{vii} Center on Wisconsin Strategy. 2007. The State of Working Wisconsin: Update 2007. Madison, WI: Center on Wisconsin Strategy.

^{viii} Available online at www.census.gov .

^{ix} Bartfeld, J. and David, C. 2006. State-level predictors of food insecurity among households with children. Journal of Policy Analysis and Management 25 (4): 921-942.

^x Bartfeld, J. and Wang, L. 2006. Local-Level Predictors of Food Insecurity. (2006). University of Wisconsin, Institute for Research on Poverty. IRP Discussion Paper 1317-06.

^{xi} Nord, M. and Kantor, L.S. 2006. Seasonal Variation in Food Insecurity is Associated with Heating and Cooling Costs among Low-Income Elderly Americans. Journal of Nutrition 136:2939-2944.