

A Self-Sufficiency Living Wage for Chicago

A Living Wage Study Performed for the
Chicago Jobs and Living Wage Campaign
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Executive Summary

An analysis of size, age, and working-hours characteristics of low-income families in Chicago shows that families of four with two workers have an average number of earners relative to dependents among low-income working families. We estimate that in Chicago, in such a four-person two-adult working family, the two earners together work about 1.5 full-time equivalent jobs. We conservatively estimate that child care costs for the two children in this family are 50% of full-time child care costs.

The City of Chicago and State of Illinois have officially endorsed and are using a set of “self- sufficiency standards” for basic family needs by family type that have been developed by Pearson and Brooks (2001) for various localities in Illinois. Based on our conclusions regarding the characteristics of low-income families in Illinois, we derive an estimate of the Chicago “living wage” from this family “self sufficiency standard” for four-person, two-child families in lower-cost areas of Chicago. We estimate a 2001 “living wage” in Chicago of \$11.92/hour. Adjusting this for inflation from December, 2001 to August, 2002 raises this figure to \$12.17/hour for a 2002 “living wage.”

However, even if all the workers in low-income families received this wage, substantial additional support would be necessary to allow low-income families with *greater* dependency burdens (about 43% of all low-income families in Chicago) to support their most basic needs. It is urgent that this gap, which occurs even if all earners in the family receive an \$11.92/hour wage, and which according to our analysis can be as much as \$18,934 a year for a family with one earner and three young children, be addressed. Existing support programs are inadequate, as families whose working members earn a wage of \$11.92 an hour in Chicago are not currently eligible for any of the major state and federal programs to help the poor.

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I. Introduction: Family Budget Studies in the U.S.

Although the federal government has established an official family budget poverty threshold, there is general agreement that it is an outdated and inaccurate measure of true family hardship in the U.S. (Boushey et. al., 2001, p. 5-7). The official poverty line that is produced by the U.S. Census Bureau is constructed by costing out the U.S. Department of Agriculture's (USDA) "Thrifty Food Plan," adjusting it for family size and composition, and multiplying the result by three. This poverty line then is adjusted using the CPI each year. There have been only minor changes in the way it is calculated since it was adopted in the late 1960s. There are numerous problems with this standard.

First, although the Thrifty Food Plan meets minimum nutritional requirements, it is based on emergency use only. For example, the non-emergency USDA "Low Cost Food Plan," which is based on more reasonable food preparation time and average consumer usage assumptions, also just meets minimum family nutritional requirements is 25% more costly than the Thrifty Food Plan (Pearce, 2001, p. 6). Neither of these, for example, includes any fast-food or restaurant meals on which American families spend an average of 42% of their food budget.

Second, families no longer spend one-third of their income on food, as the costs of other basic needs such as housing, health care, and transportation have risen relative to the cost of food. Also, families are purchasing more of some items such as child care than they used to due to the increase in the labor force participation of women. Because of these

changes, food expenditure is now less than one-fifth of family income (Bernstein et. al., 2000).

Third, the value of the official poverty threshold has fallen from 42% to 35.4% of median family income in last 30 years. This indicates that regardless of its cost composition, the overall relative value of the threshold has declined dramatically during these years.

Fourth, the poverty line is supposed to define a pre-tax income floor but uses post-tax expenses to come up with this number. Fifth, the official threshold also fails to account for geographic differences, and excludes non-cash or "in-kind" government benefits such as Food Stamps, housing subsidies, and free or reduced-fee school lunches for children. Finally, its adjustments for family size and type are inaccurate (Boushey et. al., op. cit.).

In the early 1990's, recognizing the problems associated with the Census Bureau's Official Poverty threshold, Congress commissioned the National Research Council of the National Academy of Sciences to study these issues. The Council recommended that the threshold be based on the median expenditures of a two-adult, two-child family on food, clothing, shelter, utilities, and a small increment for incidentals. It also recommended changes to the method of adjustment for family size and type, adjustments for residential location, and changes to account for the value or cost of: non-cash benefits, costs associated with working like child care, and medical expenses.

Because of these widely recognized problems with the official U.S. poverty line, numerous independent studies of basic family budgets have been performed for different communities around the country, and for multiple communities. There are now over 40 such studies, most of which are listed at www.epinet.org. These studies are generally an improvement over the Official Poverty Line as they attempt to incorporate some of the methodological changes recommended by the National Research Council.

One of the most comprehensive and methodologically consistent of these studies is the 1999 nationwide "Hardships in America" study by Boushey, Brocht, Gundersen, and Bernstein. Boushey et. al. estimated that a no-frills basic needs family budget for a two-parent, two-child family in Chicago was \$39,464 in 1999 (Boushey et. al., 2001, Appendix Table A4.5) This translates into \$42,107 in 2002.¹

However, another, more recent detailed local study performed for Women Employed by Diana Pearce and Jennifer Brooks: "The Self Sufficiency Standard for Illinois" also includes most of the suggested changes (Pearce and Brooks, 2001). This study has the advantage of more family type and local geographic specificity than the "Hardships in America" study. It estimates the annual self-sufficiency budget of a four person, two-child family in Chicago in 2001 to be between \$42,519 and \$47,074 depending on exact family type and area of Cook County (Appendix, Tables 4-5). For our purposes, which is to establish an official "living wage" benchmark for the City of Chicago, the Pearce and Brooks study has the additional advantage of having been endorsed by the State of

¹ The Chicago Metropolitan Area Consumer Price Index for Urban consumers for the January 2000 to August 2002 period rose by 6.7% from 170.2 to 181.6.

Illinois as an official standard for "self-sufficient" family income (*Chicago Tribune* Editorial, Sept. 24, 2002). In this capacity it is currently being used by the Mayor's Office for Workforce Development as a standard for determining continuing eligibility for services at Illinois Employment and Training Center Offices in Chicago. An on-line calculator that is based on this "self sufficiency" standard is available on the Office of Workforce Development web site.

Finally, since a "living wage" should allow workers in a representative family to support their dependents without need for public assistance, we believe that the "self sufficiency" standard is an appropriate budget upon which to base our living wage estimate. The self-sufficiency standard includes taxes, health care, and child care costs, but does not include any special in-kind or other means-tested assistance. In any case, under the standard, a parent who earns enough to support his or her family's basic needs in Chicago will not qualify for State or Federal food stamp, Medicare, or child care support (Pearce and Brooks, 2001, p. 21).

Our standard is a compromise, as even a strengthened and expanded Living Wage ordinance which mandates a living wage that is close to our recommended level, such as ordinance that has been proposed in "Fulfilling the Promise of the Living Wage," will leave many family types without adequate income to meet their basic needs (Brunick et. al., 2002). We further elaborate on this point in a later section of this report.

In the following we will rely on the Pearson and Brooks (2001) “self-sufficiency” income estimates to derive a living wage standard for Chicago. In section II we determine the family size, and number and ages of dependents, for a “representative” low-income working family. In section III, we use this information and the Pearson and Brooks (2001) “self-sufficiency standard” for Chicago to estimate a living wage for Chicago. In section IV we discuss the urgent need for public policy measures to address family income gaps that will occur regardless of living wage legislation. We summarize our conclusions in section V.

II. What is the Composition of a Typical Chicago Worker's Family?

Once we have settled on a reliable family budget estimate the key missing factor to determining a living wage is family size and type. In an earlier study we relied on an assumption that the average Chicago household has three persons and one full-time earner.² However, for the purpose of estimating a self-sufficiency living wage for a family, average household size is not what we need, and we cannot assume that such an average household includes exactly one full-time earner.

Rather, first, we have to restrict our investigation to *family* households with workers, or households that include at least one family with a worker. By worker we mean a person who is currently employed as well as someone who is currently unemployed but in the labor force (i.e, has looked for a full or part-time job in the last thirty days). This excludes single person households, households of multiple non-related persons, and households with families but with no workers. Second, we have to average over workers instead of over households, as we are interested in ascertaining what size family household *workers* live in. Finally, we cannot assume that our average household includes exactly one full-time earner, but rather have to estimate average work hours for workers in this household.

From 2000 Census data for Chicago, presented in Table I below, we found that, on average, people in family households in Chicago live in four person family households.

² Based on this assumption we showed that the "loss" of means-tested federal and state benefits by impacted low-wage workers was much less than had been estimated assuming an average household size of four with one earner (Baiman et. al., 2002) (Tolley et. al., 1996).

**Table I: Average Size of Family Household Lived in By Persons
City of Chicago, 2000**

	Number of Households	Number of Persons	Average Family Household Size Weighted by Persons
Total households:	1,061,964		
Family households:	638,290		
2-person household	210,943	421,886	
3-person household	145,690	437,070	
4-person household	120,910	483,640	
5-person household	78,200	391,000	
6-person household	41,991	251,946	
7-or-more-person household	40,556	283,892	
Total Number of Persons in Family Households		2,269,434	
Average size of family household lived in by persons:			4.21*

Source: American Factfinder, U.S. Census Bureau.

(*) Calculated as a person-weighted average of household size: $4.21 = (2 \times 421,886 + 3 \times 437,070 + 4 \times 483,640 + 5 \times 391,000 + 6 \times 251,946 + 7 \times 283,892) / 2,269,434$

We were also able to determine from 2000 Census data, presented in Table II below, that the average worker in family households in Chicago that include at least one worker lives in a household with two workers.

**Table II: Average Number of Workers in Working Family Households
City of Chicago, 2000**

	Family Households	No Workers	One Worker	Two Workers	Three or more Workers
Married Couple Family	358,636	42,810	93,629	184,291	64,906
Male Householder					
No Wife Present	54,419	8,151	25,798	15,874	6,596
Female Householder					
No Husband Present	196,235	37,884	94,619	46,908	16,824
Total Households	554,871	80,694	188,248	231,199	81,730
Total Workers			188,248	462,398	245,190*
Average Number of Workers in Family Households Lived in by workers					2.06**

Source: American Factfinder, U.S. Census Bureau.

(*) Underestimated at three per family household.

(**) Calculated as a worker-weighted average of number of workers in working family household: $2.06 = (188,248 + 2 \times 462,398 + 3 \times 245,190) / 895,836$

From these data we know that to the extent that workers in Chicago live in the same size households as the average person, the average worker in a family household in Chicago lives in a four person, two worker household.

We were able to further support this conclusion by using 1990 Census Public Use Micro Sample (PUMS) data to do an explicit cross-tabulation of workers by (working) family household size and by number of workers.³ With these data we were able to target our analysis more closely to low-income households (households with incomes that are below the self-sufficiency income standard of \$42,519 for four person, two child families

³ Unfortunately, at the time of writing, 2000 PUMS data had not yet been publicly released.

in less expensive areas of Chicago - see below discussion and Table VI, and Pearce and Brooks (2001, Table 5, P. 41).

This data, displayed as Table III below, shows that 52.6% (12.2% + 8.7% + 10.4% + 9.7% + 11.6%) of all low-income family households in Chicago have either one worker with three or more persons in the household, or two workers with four or more persons in the household. Of these, we have conservatively chosen the most economically fortunate working family household type of two workers and four persons (9.7%). These households have the lowest dependent-to-working-hours ratio of the 52.6% of households described above.

By this choice we do not mean to suggest that the *greater* needs of the other (42.9%) of working family households with higher dependent-to-worker ratios should be ignored. To the contrary, as will be discussed below, other public policy measures are urgently needed to address the greater needs of these households. In this report we are simply (conservatively) trying to strike a balance between these households and the (47.4%) of even more economically fortunate households with *lower* dependent-to-worker ratios, with the understanding that this should be the goal of “living wage” policy.

**Table III: Household Size by Number of Workers
Percent of Low-Income Working Family Households*
City of Chicago, 1989**

Household Size	Number of Workers			Total
	1	2	3 or more	
2	13.2%	11.3%	1.9%	26.4%
3	12.2%	10.7%	3.0%	25.9%
4	8.7%	9.7%	2.9%	21.2%
5 or more	10.4%	11.6%	4.6%	26.5%
Total	44.5%	43.2%	12.3%	100.0%

Source: Public Use Micro Sample, 1990 U. S. Census

*Below \$29,770 (in 1989 dollars) or \$42,519 (in 2001 dollars). Family households with at least one member who worked in 1989 and who was in the labor force when questioned.

Finally, for the same sample of low-income working family households we were able to use 1990 PUMS data to determine that the average number of hours worked in a year's time by each of the two workers in a family household of four is 1,516. This data is presented in Table IV below.

**Table IV: Household Size by Number of Workers
Average Hours of Work for Each Worker in Household
Low-Income Working Family Households*
City of Chicago, 1989**

Household Size	Number of Workers		
	1	2	3
2	1,680	1,502	
3	1,697	1,512	1,268
4	1,719	1,516	1,203

Source: Public Use Micro Sample, 1990 U. S. Census

*Below \$29,770 (in 1989 dollars) or \$42,519 (in 2001 dollars). Family households with at least one member who worked in 1989 and who was in the labor force when questioned.

This implies that the two workers a four person household together, on average, work 3,032 hours ($1,516 \times 2 = 3,032$), or 1.5 ($3,032/2,080 = 1.46$) full-time equivalent jobs.

Note that we are implicitly assuming here that, for the purposes of the “self-sufficiency living wage” standard, part-time workers in family households can be assumed to be *involuntarily* working less than full-time hours. Otherwise one might argue that a self-sufficient living wage should not have to compensate for the “choice” of some workers in low-income households to work less. To the contrary, we believe that it is reasonable to assume that when paid work and satisfactory affordable child care are available to workers in low-income family households, part-time workers in these families will work longer hours. We are thus assuming that one of the two working members in working family households to which our living wage standard would apply is an “involuntary part-time” worker.⁴

Note that our major conclusion from these data, that a four-person and one and one-half worker household is conservatively representative of the dependent-to-worker ratio in low-income working family households in Chicago, reinforces our earlier conclusion regarding "lost benefits" (Baiman et. al., 2002). This is because "lost benefits" for such a household would be *less* than those that we estimated for a *one*-worker, three-person household, and certainly less than the benefits loss for the *one*-worker, *four*-person household assumed in Tolley et. al. (1996).

⁴ This assumption is consistent with our finding (from the same 1990 PUMS data) that higher income households (with incomes above \$42,519 in 2001 dollars), on average, work longer hours. For example the average four-person, two-worker higher-income working family household in Chicago works 1,879 hours annually. Of course, one might argue the reverse, that the lower incomes are *caused* by shorter worker

III. A Chicago "Living Wage"

The final step of our analysis is to use this information on average size and type of family household, and the "self sufficiency" family budget data estimated in the Pearce and Brooks (2001) study discussed above, to derive a Chicago living wage. We first present the relevant Tables 4 and 5 from Pearce and Brooks (2001, p. 40-1) below as Table V and VI. These are self-sufficiency standards for high-cost and low-cost areas of Chicago and nearby Cook County suburbs.⁵ Detailed information on data sources and methods of calculation are available in the Pearce and Brooks report.

hours, but this would not explain the situation of the many households who would not be lifted above the self-sufficiency standard by an additional 363 (1879-1516 on average) hours of work.

⁵ Table V (Pearce and Brooks Table 4) is for Cook County – Chicago: Downtown and selected Northside areas: Edison Park, Forest Glen, Lakeview, Lincoln Park, The Loop, Near North, Norwood Park, O’Hare. Table VI (Pearce and Brooks Table 5) covers Cook County – Chicago (Excluding Downtown and Northside areas), including South and West Suburbs: Alsip, Blue Island, Burnham, Calumet City, Calumet Park, Chicago Heights, Country Club Hills, Crestwood, Dixmoor, Dolton, East Hazelcrest, Flossmore, Ford Heights, Glenwood, Harvey, Homewood, Lansing, Lemont, Markham, Matteson, Midlothian, Merrionette Park, Oak Forest, Olympia Fields, Orland Fields, Palos Park, Phoenix, Posen, Richton Park, Riverdale, Robbins, Sauk Village, S. Chicago Heights, S. Holland, Steger, Thorton, Worth, Bedford Park, Bellwood, Berkeley, Berwyn, Bridgeview, Broadview, Chicago Ridge, Countryside, Elmwood Park, Evergreen Park, Forest Park, Forest View, Franklin Park, Harwood Heights, Hickory Heights, Hickory Hills, Hinsdale, Hodgins, Hometown, Justice, LaGrange, LaGrange Highlands, LaGrange Park, Lyons, Maywood, McCook, Melrose Park, Norridge, Northlake, North Riverside, Oak Lawn, Oak Park, Palos Hills, River Forest, Riverside, Schiller Park, Stickney, Stone Park, Summit, Western Springs, Willow Springs (Pearce and Brooks, 2001, p. 93).

**Table V: (Pearce and Brooks, Table 4)
The Self-Sufficiency Standard for Chicago, IL MSA, 2001
Chicago: Downtown and Selected Northside Areas (High Cost)**

Monthly Costs	Adult	Adult + infant	Adult + pre-schooler	Adult + infant + pre-schooler	Adult + school-age + teenager	Adult + Infant + pre-schooler + school-age	2 Adults + infant + pre-schooler	2 Adults + pre-schooler + school-age
Housing*	\$822	\$980	\$980	\$980	\$980	\$1,225	\$980	\$980
Child Care	\$0	\$522	\$539	\$1,061	\$349	\$1,410	\$1,061	\$888
Food	\$176	\$257	\$266	\$345	\$461	\$464	\$496	\$544
Transportation	\$75	\$75	\$75	\$75	\$75	\$75	\$150	\$150
Health Care	\$107	\$255	\$231	\$279	\$284	\$302	\$339	\$315
Miscellaneous	\$118	\$209	\$209	\$274	\$215	\$348	\$303	\$288
Taxes	\$330	\$564	\$565	\$732	\$517	\$948	\$774	\$717
Earned Income								
Tax Credit (-)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Child Care								
Tax Credit (-)	\$0	-\$40	-\$40	-\$80	-\$40	-\$80	-\$80	-\$80
Child Tax								
Credit (-)	\$0	-\$50	-\$50	-\$100	-\$100	-\$150	-\$100	-\$100
Self-Sufficiency Hourly Wage	\$9.25	\$15.75	\$15.77	\$20.26	\$15.58	\$25.81	\$11.14	\$10.52
Monthly	\$1,628	\$2,772	\$2,775	\$3,566	\$2,741	\$4,542	\$3,923	\$3,702
Annual	\$19,538	\$33,264	\$33,304	\$42,792	\$32,897	\$54,501	\$47,074	\$44,427

Source: *The Self-Sufficiency Standard for Illinois* (Pearce and Brooks, 2001), Table 4, p. 40.

* One bedroom units for single persons, two bedroom units for families with one or two children, and three bedroom units for families with three children.

**Table VI: (Pearce and Brooks, Table 5)
The Self-Sufficiency Standard for Chicago, IL MSA, 2001
Chicago (Excluding Downtown and Selected Northside Areas (High Cost))**

Monthly Costs	Adult	Adult + infant	Adult + pre-schooler	Adult + infant + preschooler	Adult + school-age + teenager	Adult + Infant + pre-schooler + school-age	2 Adults + infant + pre-schooler	2 Adults + pre-schooler + school-age
Housing*	\$747	\$891	\$891	\$891	\$891	\$1,114	\$891	\$891
Child Care	\$0	\$522	\$539	\$1,061	\$349	\$1,410	\$1,061	\$888
Food	\$176	\$257	\$266	\$345	\$461	\$464	\$496	\$544
Transportation	\$75	\$75	\$75	\$75	\$75	\$75	\$150	\$150
Health Care	\$102	\$238	\$214	\$261	\$267	\$284	\$322	\$298
Miscellaneous	\$110	\$198	\$198	\$263	\$204	\$335	\$292	\$277
Taxes	\$299	\$522	\$523	\$690	\$466	\$897	\$732	\$675
Earned Income								
Tax Credit (-)	\$0	\$0	\$0	\$0	-\$27	\$0	\$0	\$0
Child Care								
Tax Credit (-)	\$0	-\$40	-\$40	-\$80	-\$40	-\$80	-\$80	-\$80
Child Tax								
Credit (-)	\$0	-\$50	-\$50	-\$100	-\$100	-\$150	-\$100	-\$100
Self-Sufficiency Hourly Wage	\$8.57	\$14.85	\$14.87	\$19.36	\$14.46	\$24.72	\$10.69	\$10.07
Monthly	\$1,508	\$2,613	\$2,616	\$3,407	\$2,546	\$4,350	\$3,764	\$3,543
Annual	\$18,097	\$31,358	\$31,398	\$40,884	\$30,549	\$52,199	\$45,166	\$42,519

Source: *The Self-Sufficiency Standard for Illinois* (Pearce and Brooks, 2001), Table 5, p. 41.

* One bedroom units for single persons, two bedroom units for families with one or two children, and three bedroom units for families with three children.

In order to estimate a Chicago living wage, we conservatively selected data for the lowest cost area of Chicago (Table VI - Pearce and Brooks Table 5), and for the least cost type of four person household in the Pearce and Brooks study (Column 8 - 2 Adults + preschooler and school age children). The major difference between the Pearce and Brooks data for Tables 4 and 5 is the cost of housing which is more expensive in Table 4. We chose to base our Chicago living wage estimate on Table 5 rather than Table 4 as most low-wage workers will not be able to afford housing in more expensive areas of the city. Also the U.S. Dept. of Housing and Urban Development 2001 Fair Market Rents (FMR), which is the source of the housing cost data, lists \$891 as the 50th percentile for housing costs for the Chicago MSA. Similarly, we conservatively chose the lower estimate for health care costs given in Table 5. The lower, miscellaneous and tax, estimates in Table 5 are calculated off of the other estimates.

Regarding our choice of column 8, census data from 2000 show that just about half of family households (314,149 out of 638,290) in Chicago had children below the age of 18. Census 2000 data also show that 69% of own-children in family households in Chicago are below age 11, and 36% are below age 6. We chose the data in column 8 so that the living wage would cover the needs of families with young children but not necessarily the extra needs of the smaller segment of families with infants. Again, we do not mean to imply that the needs of these latter families should not be of concern. Rather, we believe that these should properly be a matter of public policy that extends beyond the "living wage." We elaborate further on this point in the last section of the report.

Table VII below presents our adjustments of Table VI and provides final estimates for a Chicago "living wage."

**Table VII: Self-Sufficiency Living Wage for Chicago, Illinois
For Working Family Household of Four Persons and Two Earners
1.5 Full-Time Equivalent Hours**

Monthly Costs	2001	2002
Housing	\$891	\$910
Child Care*	\$444	\$453
Food	\$544	\$555
Transportation	\$150	\$153
Health Care	\$298	\$304
Miscellaneous	\$277	\$283
Taxes	\$675	\$689
Earned Income	\$0	\$0
Tax Credit (-)		
Child Care		
Tax Credit (-)	-\$80	-\$80
Child Tax Credit (-)	-\$100	-\$100
Self-Sufficiency Living Wage**	\$11.92	\$12.17
Monthly***	\$3,099	\$3,163
Annual****	\$37,188	\$37,962

Source: *The Self-Sufficiency Standard for Illinois* (Pearce and Brooks, 2001), Table 5, p. 41, Column 8, reproduced as Table VI above.

* Assuming Child Care costs for 1/2 time is 50% of full-time costs.

** Yearly wage divided by 2,080 x 1.5 hours.

*** Sum of monthly costs.

**** Monthly costs of living times 12.

Most of the values in the first column are the same as those of column 8 of Table VI. The only change is the Per-Adult Hourly Wage. This has increased to \$13.26 due a reduction in working hours to 1.6 full-time jobs instead of two full-time jobs, and a resulting reduction of child care costs that is explained below.⁶ The values in the second column are inflated by the 2.01% increase in the CPI for Chicago from December 2001 to August 2002 (the latest available Chicago Metropolitan area CPI value). Since the Child Care Tax Credit and the Child Tax Credit are not affected by the CPI, they are not inflated. Since a significant portion of taxes are sales taxes, these are also inflated by the CPI. As is presented at the bottom of the second column in Table VII, our September 2002 Chicago living wage estimate is \$12.17.

For most categories of expenditure: housing, food, transportation, and health care, there will be no difference between a family with two full-time earners and a family with one and one half full-time earners. Housing, food, and health care costs will not change, and there will still be a need to get to and from at least two jobs and one or two child care facilities. We conservatively assumed that miscellaneous costs will not change, though with the children home for more time these might go up somewhat. The one category of spending that might significantly change is child care.

It would seem reasonable to assume that the half-time worker would be able to do one-half-time child care so that needed child care hours would be correspondingly reduced.

⁶ Astute observers will note that there is another very slight discrepancy between the \$13.26/hr figure in our study and the \$11.69 figure estimated in Table 7 of Pearson and Brooks. This is due to a difference in the number of hours per year for a full time job used in the two studies. We use 2080 (40x52) whereas Pearson and Brooks use 2112 (8 x 22 x 12) - see footnote to Table 1 on p. 8 of the Pearson and Brooks study.

We made this (conservative) simplifying assumption even though there is evidence that the decline in child care costs will not be proportional, as the per-hour cost of part-time child care is higher than that of full-time child care.⁷ This allows for the possibility that with one parent working part-time, there may be greater flexibility in work schedules that would allow for parents to provide more than half-time child care.

⁷ For example, according to the Illinois Network of Child Care Resource and Referral Agencies (INCCRRA), which is the source of the child care cost information in the self-sufficiency standard study, the average *hourly* cost for part-time child care in Cook County in 2001 was \$5.37/hr for two year olds whereas the *full-time* cost for 3-5 year olds averaged \$106.22 a week. This implies that in Cook County the average half-time part-time rate for two year olds is higher than the *full-time* weekly rate for 3-5 year olds ($20 \times 5.37 = \$107.40$ is greater than \$106.22).

IV. Work Supports, Public Assistance and the Living Wage

The family budget used in this report to illustrate the need for a living wage does not include in-kind and public assistance contributions that many families rely on to meet their day-to-day needs. Public assistance policy discussions often include the term self-sufficiency. Different meanings are associated with the term, depending upon who uses it. One might argue that none of us is truly self-sufficient in that we each rely on not only our own resources, but also on public services, benefits from fiscal and monetary policies, and the contributions of friends, family members and others to our economic well-being. The same is true for those who benefit from a living wage.

This section examines the eligibility criteria set by state and federal government for existing public assistance policies and the impact those policies have on the family budget. *One important finding is that a family earning a living wage will normally exceed the income limits set for programs like food stamps, Medicaid and child care support. Research shows that eligibility for these programs ends well below the level at which a family has adequate resources to meet all their needs (Pearce, and 2001, p.21). This suggests that in order for all low-income working families receive a living wage these programs need to be substantially expanded.*

Government support programs are an important part of helping families cope with poverty. The living wage family budgets presented in this report do not take into account the in-kind value of work support programs that many families rely on for food, medical,

and childcare expenses. At the federal and state level, there may be cause to re-examine the income limits set for these programs so that they support families moving out of poverty. Consideration should be given to using living wage standards to determine eligibility for public assistance in programs like food stamps, health care and childcare.

Moreover, the family budget created in this report is designed to meet only the most “basic” needs of a “typical” family household in Chicago. Our “living wage” will not cover the needs of other types of families with more children, younger children, or a smaller number of working adults. When we calculate the budget for a family, it is also important to keep in mind what we do not include:

- retirement, college, or personal savings
- purchase of major items such as a car
- emergency expenses
- entertainment
- eating out or purchasing takeout food

Eligibility Criteria of Major Public Assistance Programs

In order to provide some sense of magnitude of the deficit in public support for low-income families under existing programs we summarize their eligibility criteria below.

Earned Income Tax Credit (EITC)

The EITC is a federal tax refund intended to offset the loss of income from taxes owed by working poor families. It can be applied to a family's annual federal income tax refund in a lump sum or to a head-of-household's regular paycheck in incremental, prorated advances.

The Earned Income Tax Credit is for working people whose incomes fall below a certain level based on family size. The 2001 criteria are summarized in Table VIII below:

Table VIII: Earned Income Tax Credit Eligibility and Benefit Limits

	1 Adult	2 Adults, 1 Child	2 Adults, > 2 children
Income Limit	> \$10,710	>\$28,281	>\$32,121
Maximum Benefit	\$364	\$2,428	\$4,008

Source: 2001 Internal Revenue Service EITC guidelines

Receipt of Supplemental Security Income (SSI)

The federal SSI program provides cash benefits to low-income persons with disabilities and persons over 65. Recent program changes strictly limit or eliminate SSI eligibility for children, drug- or alcohol-addicted adults, and non-citizens. In order to be eligible for SSI, an individual's income cannot exceed the federal SSI benefit level. The current benefit levels for SSI are \$531/month for an individual and \$796/month for a married couple.

Child Support Payments

Seeking child support is not an option for all families for reasons particular to each case, including the unemployment of, total absence of, or physical abuse by the non-custodial parent. For those families with a court-ordered payment schedule and agreement, child support is provided based on a set percentage of the net income of the parent paying support. For a family with one child, 20% of the net income of the parent paying support would go to the child. For two children, 32% of net income is paid. The percentage paid gradually increases by 5% on average for each additional child eligible for child support payments. It should be noted that these arrangements could not be guaranteed without a court order, leaving the children dependent on a potentially erratic source of income.

Food Stamps

The Food Stamp Program helps ensure that eligible low-income families and individuals are able to obtain a nutritious diet. Food Stamp benefits are intended to supplement other household income and may only be used to purchase food. Other household items such as cleaning supplies, paper goods, clothes, alcohol or tobacco products may not be purchased with Food Stamps. The federal government pays for the cost of Food Stamp benefits, and the states and federal government on a 50-50 basis share administrative costs.

Food Stamps are based on the U.S. Department of Agriculture's Thrifty Food Plan, which calculates the *bare minimum* a family needs for nutritious meals and snacks purchased at stores and prepared at home. Like welfare checks, reductions in Food Stamps are not

uncommon due to the complicated policies that govern allotment calculations. For instance, the amount of a family’s assets, rent, utility expenses and childcare costs, among other things, determine its Food Stamp eligibility and allotment.

Table IX below gives the current Food Stamp eligibility criteria based on household size and in terms of gross and net income.

Table IX: Food Stamp Eligibility and Benefit Limits

	1 adult	2 adults, 1 child	2 adults, 2 children	2 adults, 3 children	2 adults, 4 or more children
Income Limit (Gross/Net)	\$960/\$738	\$1,291/\$995	\$1,628/\$1,252	\$1,961/\$1,509	\$2,300-\$3,296/ \$1,765-\$2,535
Maximum Benefit	\$139	\$256	\$366	\$466	\$553-\$838

Medicaid

Medicaid, an entitlement program created by the federal government, is the primary public program for financing basic health and long-term care services for low-income individuals and families. It is funded 50% by federal funds and 50% by state general funds. The program focuses on coverage for low-income children, pregnant women, families, the elderly, blind and the permanently disabled. The federal government establishes guidelines that require states to cover specific categories of people and types of benefits. It is, however, the state legislature’s responsibility to determine which services are to be covered, the qualifying standards and the categories of people who will be eligible for benefits under the Medicaid program. Within these guidelines and

constraints, the Department of Health and Human Services has considerable flexibility in establishing financial eligibility criteria, benefit packages and payment policies.

Currently, the income eligibility for Medicaid is set at 200% of the federal poverty level for pregnant women and children under 1 year old. The income requirements for a family depend on family size and ranges from 133-185% of the federal poverty level.

Illinois Kid Care

Illinois Kid Care program has income eligibility standards that are set at either monthly income are based on 133-185% of the federal poverty level depending on family size. Families with one child cannot earn more than \$982 per month in order to be eligible for Kid Care. Families with two children must earn less than \$1,323 a month. Families with three children cannot exceed \$1,665 per month. A family with four children must earn less than \$2,006 to be eligible.

Estimating the “Living Wage Gap”

In order to assess the amount of extra support that would be necessary to allow low-income working families of *all types* to meet their basic needs, we estimated what these levels of support would have to be if all of the workers in these families received a living wage.

As can be seen in Table X below, even if all workers in Chicago were paid \$11.92 with health care benefits, families with more or younger children or fewer adult workers, would still be unable to meet their most basic needs without additional support. The level of this additional support ranges from a high of \$18,934 per year for families with one working adult, an infant, a preschooler, and a school age child, to a low of \$1,612 per year for a family with two working adults, an infant, and a preschooler. Only the least burdened families with two adults, a preschooler, and a school age child would not need extra support to meet their basic needs. Single working adults, who are not considered “families” under standard Census definitions, would receive a modest \$6,686 “surplus” above their most basic needs if they were paid a living wage.

**Table X: Self-Sufficiency Surpluses and Deficits
Chicago, IL, 2001
By Low-Income Working Family Households Type
For Households with Workers Earning \$11.92/hr with Health Benefits***

Monthly Costs	Adult	Adult + infant	Adult + preschooler	Adult + infant + teenager	Adult + school-age + teenager	Adult + infant + pre-schooler + schoolage	2 Adults + infant + pre-schooler	2 Adults + pre-schooler + schoolage
Housing	\$747	\$891	\$891	\$891	\$891	\$1,114	\$891	\$891
Child Care**	\$0	\$522	\$539	\$1,061	\$349	\$705	\$531	\$444
Food	\$176	\$257	\$266	\$345	\$461	\$464	\$496	\$544
Transportation	\$75	\$75	\$75	\$75	\$75	\$75	\$150	\$150
Health Care	\$102	\$238	\$214	\$261	\$267	\$284	\$322	\$298
Miscellaneous	\$110	\$198	\$198	\$263	\$204	\$335	\$292	\$277
Taxes	\$299	\$522	\$523	\$690	\$466	\$897	\$732	\$675
Earned Income Tax Credit (-)	\$0	\$0	\$0	\$0	-\$27	\$0	\$0	\$0
Child Care Tax Credit (-)	\$0	-\$40	-\$40	-\$80	-\$40	-\$80	-\$80	-\$80
Child Tax Credit (-)	\$0	-\$50	-\$50	-\$100	-\$100	-\$150	-\$100	-\$100
Monthly Cost of Basic Needs	\$1,509	\$2,613	\$2,616	\$3,406	\$2,546	\$3,644	\$3,234	\$3,099
Annual Cost of Basic Needs	\$18,108	\$31,356	\$31,392	\$40,872	\$30,552	\$43,728	\$38,802	\$37,188
2001 Living Wage	\$11.92	\$11.92	\$11.92	\$11.92	\$11.92	\$11.92	\$11.92	\$11.92
Total Income at Living Wage ***	\$24,794	\$24,794	\$24,794	\$24,794	\$24,794	\$24,794	\$37,190	\$37,190
Annual Income Self-Sufficiency Surplus ****	\$6,686	-\$6,562	-\$6,598	-\$16,078	-\$5,758	-\$18,934	-\$1,612	\$0

* Numbers may not add up due to rounding.

** Child care costs are assumed to be 50% of full-time costs for two-earner families.

*** 2080 x \$11.92 for single-earners and 1.5 x 2080 x \$11.92 for two-earner families.

**** Total income at living wage minus annual cost of basic needs.

V. Conclusions

An analysis of size, age, and working-hours characteristics of low-income families in Chicago shows that families of four with two workers have an average number of earners relative to dependents among low-income working families. We estimate that in Chicago, in such a four-person two-adult working family, the two earners together work about 1.5 full-time equivalent jobs. We conservatively estimate that child care costs for the two children in this family are 50% of full-time child care costs.

The City of Chicago and State of Illinois have officially endorsed and are using a set of “self-sufficiency standards” for basic family needs by family type that have been developed by Pearson and Brooks (2001) for various localities in Illinois. Based on our conclusions regarding the characteristics of low-income families in Illinois, we derive an estimate of the Chicago “living wage” from this family “self sufficiency standard” for four-person, two-child families in lower-cost areas of Chicago. We estimate a 2001 “living wage” in Chicago of \$11.92/hour. Adjusting this for inflation from December, 2001 to August, 2002 raises this figure to \$12.17/hour for a 2002 “living wage.”

However, even if all the workers in low-income families received this wage, substantial additional support would be necessary to allow low-income families with *greater* dependency burdens (about 43% of all low-income families in Chicago) to support their most basic needs. It is urgent that this gap, which occurs even if all earners in the family receive an \$11.92/hour wage, and which according to our analysis can be as much as \$18,934 a year for a family with one earner and three young children, be addressed.

Existing support programs are inadequate, as families whose working members earn a wage of \$11.92 an hour in Chicago are not currently eligible for any of the major state and federal programs to help the poor.

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