

American basic economic security much different than 'poverty line': study

April 25 2011

(PhysOrg.com) -- A University at Buffalo School of Social Work professor is helping redefine the country's definition of being poor with research that shows the dramatic difference between achieving "basic economic security" and the federal government's "poverty line."

Yunju Nam, PhD, assistant professor at the UB School of Social Work, is one of three lead authors for research that concluded with the [Basic Economic Security](#) Table or BEST Index, a report prepared jointly by Wider Opportunities for Women (WOW), the Center for Social Development (CSD) at Washington University in St. Louis and the UB School of Social Work.

The BEST report concludes that single workers need more than \$30,000 a year for economic security. Single-parents with two children need nearly twice the income (\$57,756) to cover basic expenses and save for emergencies and retirement, while dual-income households with two children require \$67,920.

These figures are well above -- sometimes several times -- traditional measurements like the poverty line and minimum wage designed to show what workers require for a basic standard of living. The 2010 national poverty level is \$10,830 for a single-person family and \$18,310 for a family of three.

The report, released April 1, has attracted widespread attention in the [mainstream media](#), including substantial articles or treatments in the

New York Times, CBS MoneyWatch, the "Today Show," the Atlantic, the Huffington Post and the San Francisco Chronicle. Many of the articles have concentrated on how low-wage jobs, which are often reported by the U.S. Department of Labor as evidence of employment growth or possibilities, fail to pay enough to meet these basic needs.

The BEST Index is different from the federal poverty measure in that it takes into account actual spending for necessary items (e.g., food, housing, transportation and child care) for a family to meet its basic needs. In contrast, the federal poverty measure is calculated based solely on food cost. Accordingly, BEST captures changing economic needs in a rapidly changing contemporary economy, the researchers say.

The BEST Index also differs from other "economic well-being" indexes in that it aims to capture what is needed for household stability and development rather than focusing on subsistence, Nam explains. Therefore, the BEST Index includes saving components such as emergency savings, retirement savings, education savings and homeownership savings that are essential for long-term economic security and household development, she points out.

"Meeting basic monthly living expenses alone leaves a family short of genuine financial stability," says Nam. "Workers must develop assets to attain both short-term and lifelong economic security. However, past policy and scholarly discussion on economic well-being measures focused solely on consumption needs. The BEST therefore provide a new perspective on economic needs by showing how much workers need to meet both consumption and saving needs for economic security."

According to the BEST, the amount of savings needed for a family's long-term security is moderate if a family saves regularly for long-term. Emergency savings are a small part of BEST budgets (3-4 percent). Retirement savings of \$73 per month per worker or \$56 per couple

greatly increases the chances of maintaining basic economic security in retirement.

"The problem is many families do not make enough income to meet their basic consumptions and saving needs, especially among single-parent families," according to Yung Soo Lee, one of the lead authors of the BEST at the CSD. "In addition, low saving rates in the United States indicate that even families with enough income do not save enough for their long-term economic security and development."

To solve problems of low income and low saving rate, Nam says policy intervention is essential.

"I believe that the BEST Index is the first step for the policy paradigm change, a shift from focus on consumption to emphasis on long-term economic security and development," she says. "By showing how much a family needs for their basic consumption and asset accumulation for long-term development, the BEST sets a new and higher standard for social and economic policy in the United States."

The index is intended for use by policymakers, researchers and policy advocates concerned with national policy needs and with changes in workers' and families' needs over time. The savings components incorporated in the BEST suggest the importance of asset building for household development and stability.

WOW is a nonprofit group based in Washington, D.C., advocating economic independence and opportunity equality for women and their families. CSD is a research institute whose aim is to create and study innovations in public policy for individuals, families and communities, especially for disadvantaged groups.

Provided by University at Buffalo

Citation: American basic economic security much different than 'poverty line': study (2011, April 25) retrieved 23 April 2024 from <https://phys.org/news/2011-04-american-basic-economic-poverty-line.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.