

Measuring Economic Security

The Basic Economic Security Tables (BEST) Index for Kentucky, developed by Wider Opportunities for Women (WOW) in partnership with Women 4 Women, measures the true living costs of living for workers and their families and determines the incomes and assets workers and families require to live in economic security throughout a life time and across generations.

The BEST uses public data sources to measure the cost of living, expense by expense, for single workers and families to make ends meet according to a basic budget in their local community. It provides a snapshot of the basic income necessary to meet expenses, accumulate assets, and live without direct government assistance.

The Index

Partnering with the Center for Social Development at Washington University - St. Louis, WOW developed a new methodology to calculate the cost for meeting basic expenses necessary to participating in the workforce and build savings for emergencies, retirement, future education, and homeownership of over 400 different family types, at the county, state and national level (and certain metropolitan areas).

Meeting Basic Expenses

The core BEST Index contains basic budget items essential to all workers' health and safety: housing, utilities, food and essential personal and household items such as clothing, household products and a landline telephone. Because the BEST is an exploration of the minimum income families require to achieve security, it assumes that single heads of household and both adults in a two-adult household work outside of the home; all BEST workers therefore incur transportation costs, and all parents with children must pay child care costs. Workers also pay federal and state taxes, net of tax credits, on the income needed to pay for their basic needs. The BEST Table

The BEST™ Initiative provides tools and resources to national, state and local policy advocates, workforce and economic development practitioners, social service providers, grant-makers, policy-makers and opinion-leader who help low- and moderate-income workers achieve long-term economic security. The BEST points to the importance of career paths that provide high wages and the importance of savings and assets in promoting a family's economic security.

WOW has produced measures of economic security for more than 15 years and in over 40 states. WOW partnered with Women 4 Women, a Louisville-based organization dedicated to improving the health and economic well being of women and girls, to produce and release the report in Kentucky.

highlights the cost of each of these expenses for a single worker with employment-based benefits based on state-wide average, as well as the monthly cost of asset building explained below.

To further improve our understanding of worker expenses and income needs, the BEST also calculates separate income requirements for workers with and workers without access to employment-based benefits. Receipt of benefits—namely employer-sponsored health insurance and employment-

Basic Economic Security Tables, 2010 (Workers with Employment-based Benefits)

Kentucky

Monthly Expenses for: 1 Worker	
Housing	\$393
Utilities	\$116
Food	\$229
Transportation	\$536
Child Care	\$0
Personal & Household Items	\$199
Health Care	\$142
Emergency Savings	\$55
Retirement Savings	\$18
Taxes	\$347
Tax Credits	-\$35
Monthly Total	\$1,999
Annual Total	\$23,988
Hourly Wage	\$11.36
Additional Asset Building Savings	
Children's Higher Education	\$0
Homeownership	\$67

Note: "Benefits" include unemployment insurance and employment-based health insurance and retirement plans.



The Index (continued)

based retirement plans—can be critical to short- and long-term economic security, and can prevent workers from suffering marked declines in stability, or even impoverishment. The BEST also distinguishes between workers who are and are not covered by unemployment insurance—the latter require additional emergency savings to cover a great gap during periods of unemployment.

Asset Building

Living in true economic security means having sufficient savings and assets to weather periods of financial difficulty and make investments to move up the economic ladder.

The BEST calculates the cost of emergency savings, needed for families to deal with financial crises without seeking high cost credit and to deal with periods of unemployment, and the monthly cost of saving for a secure retirement. WOW projects the future cost of retirement based on WOW's Elder Index, which often highlights the inadequacy of Social Security and the need for lifelong retirement savings.

Uses

The BEST provides income targets that define economic security incomes and help define good jobs. It also provides unique targets for savings which insulate families from poverty and contribute to long-term security. The BEST Index is a starting point for workers who want to achieve financial stability and for the policy makers, advocates, researchers, and service providers who help workers build economic security. Users of the BEST can improve lives by:

- Benchmarking wages, worker welfare and local economic stability
- Evaluating education and training needs

Table 1: Basic Economic Security Tables, 2010

(Workers with Employment-based Benefits)

Kentucky, Selected Family Types

Monthly Expenses	1 Worker	1 Worker, 1 Infant	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers	2 Workers, 1 Preschooler, 1 Schoolchild
Housing	\$393	\$478	\$478	\$393	\$478
Utilities	\$116	\$141	\$141	\$116	\$141
Food	\$229	\$329	\$496	\$420	\$663
Transportation	\$536	\$578	\$578	\$971	\$1,017
Child Care	\$0	\$484	\$917	\$0	\$917
Personal & Household Items	\$199	\$256	\$301	\$250	\$346
Health Care	\$142	\$266	\$394	\$305	\$451
Emergency Savings	\$55	\$81	\$112	\$81	\$131
Retirement Savings	\$18	\$18	\$18	\$23	\$23
Taxes	\$347	\$552	\$789	\$475	\$911
Tax Credits	-\$35	-\$251	-\$281	-\$70	-\$324
Monthly Total (per Worker)	\$1,999	\$2,932	\$3,943	\$1,482	\$2,377
Annual Total	\$23,988	\$35,184	\$47,316	\$35,568	\$57,048
Hourly Wage (per Worker)	\$11.36	\$16.66	\$22.40	\$8.42	\$13.51
Additional Asset Building Savings					
Children's Higher Education	\$0	\$52	\$104	\$0	\$104
Homeownership	\$67	\$76	\$76	\$67	\$76

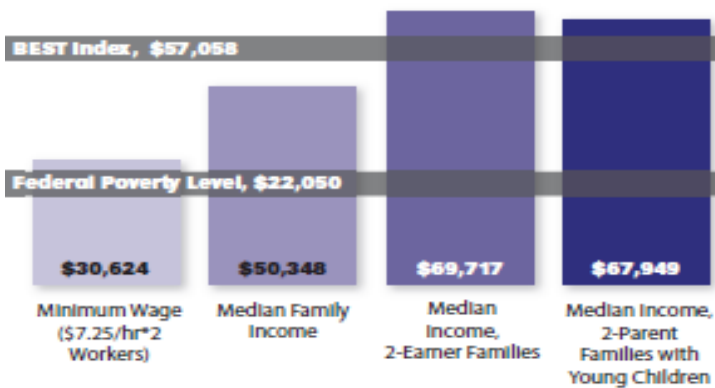
Note: "Benefits" include unemployment insurance and employment-based health insurance and retirement plans.

The BEST also measures the cost of saving for a child's education and homeownership, long considered foundations of the American dream. The BEST cost for education savings is for a child to attend a community college and public university without loans and the cost of homeownership is calculated as the cost of a twenty percent down payment.

- Improving workers' and students' financial planning
- Evaluating economic development and economic development opportunities
- Identifying jobs and careers that provide the economic security wages that support stable communities
- Evaluating and improving the efficacy of publicly funded programs
- Helping those working on policy issues across the life course, from early childhood to aging, find common ground and a common language
- Creating far-sighted public policy.



Figure 5: Kentucky Basic Economic Security Tables for 2 Workers, 1 Preschooler and 1 Schoolchild vs. Kentucky Benchmark Incomes, 2010



Uses (continued)

- Promoting the savings that creates essential short- and long-term asset building and economic stability
- Identifying who is and is not participating fully in local economies
- Changing the public's understanding of economic security

The BEST Index also compares the incomes of workers and families in Kentucky to their respective needed BEST wages and to the Federal Poverty Level. The figure to the left illustrates the difference between how the federal poverty line measures deprivation compared to the BEST.

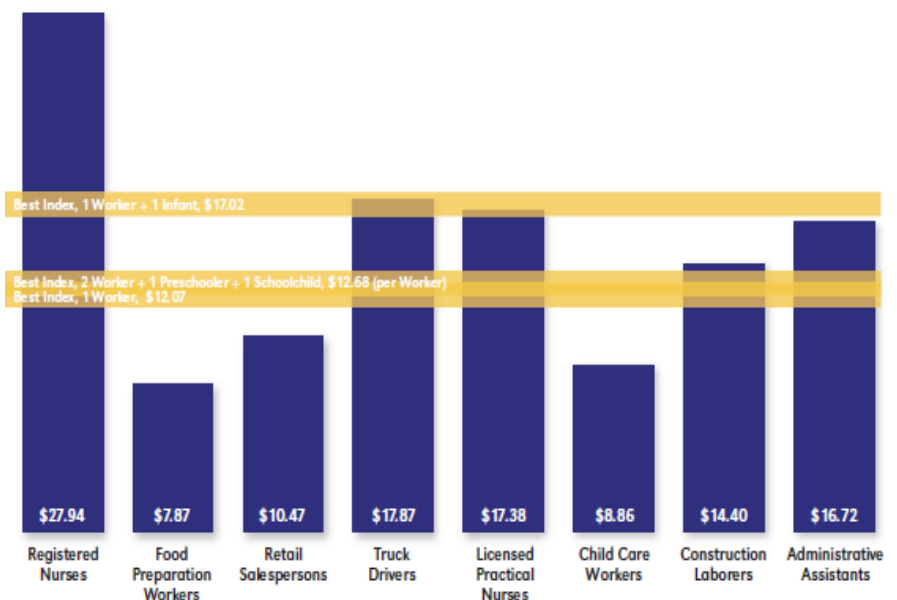
What does the BEST mean for Kentucky?

The BEST can help workers and families plan out where they need to budget and save and what career paths would allow for them to achieve economic security. Similarly, the BEST can serve as a tool for policy makers to structure economic development strategies and public policies to help Kentucky families build economic security, and not hinder them.

As an example, the chart to the right highlights the occupations projected to see high job growth over the next seven years. It also compares the average wage of these eight high-growth careers to the wages necessary for economic security for three family types. Almost all of them will not allow workers to achieve economic security, meaning more workers will rely on additional work, charity, and public assistance to fill the gap. It also means that the American belief of job and a paycheck securing you a place in the middle class is being undermined by the growth of low wage jobs.

Armed with this data, advocates and service providers can

Figure 7: Kentucky Basic Economic Security Tables vs. 2009 Average Wages of Selected Kentucky Occupations with High Projected Annual Growth through 2018



inform and influence the workers, families, policy makers and opinion leaders of Kentucky rethink what constitutes economic security, and develop policies and programs which help hardworking Kentucky families achieve economic security.

