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Back to Basics: Measuring Economic Performance Using a Basic Needs Budget Approach

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Current measures of poverty have come under increasing scrutiny by policy-makers and practitioners. Changes in family structure, labor force participation by women, and societal obligations such as child and eldercare, call for more complex measurements of family need. Economist Stephanie Seguino focuses attention on the “basic needs budget,” a new approach to measuring poverty and family need. She proposes a set of criteria for developing a basic needs budget and suggests that the basic needs approach promises to provide a more accurate assessment of how our economic system is performing its basic task--that of ensuring an adequate production of resources and a fair distribution of those resources.

Stephanie Seguino

Introduction

Methods of measuring economic performance have changed periodically to reflect shifts in economic realities and societal values about human welfare, rights, and social justice. Today we find ourselves again at a juncture in which current economic performance indicators appear limited in the scope and nature of information they provide. Mainstream economists have relied on abstract indicators such as the rate of economic growth, inflation, and investment to measure performance. However, these measures fail to capture important aspects of how changes in economic and social circumstances affect the well-being of individuals and families. Policy-makers and economists in the United States also rely on the official poverty measure as an indirect method of evaluating the performance of the economy. This measure’s limitations are related to its “one size fits all” method of calculation. Some researchers and social scientists are dissatisfied with this approach and have advocated for a new standard based on measuring basic living needs. This is a multi-dimensional approach that can provide more accurate assessments of the economic well-being of individuals and families within the context of current economic and social conditions and values. This article outlines the limitations of economic indicators currently in use and describes the “basic needs budget” methodology for measuring economic performance and human well-being. This is followed by the presentation of an illustrative basic needs budget for Maine.

The limitations of current indicators of economic performance and poverty

Traditionally, economists have measured economic performance in terms of macroeconomic variables that reflect the state of the economy, the most common measure being the rate of growth of gross domestic product. This and similar indicators provide limited information, however, in that they fail to capture changes in social, economic, and environmental conditions that underlie the functioning of the larger economy. For example, economic growth may raise current incomes but can also result in environmental damage that becomes costly at a later date,

and possibly jeopardizes the quality of human life. Further, an economy can grow in numerical terms, yet some groups may be made worse off depending on how resources are distributed. This has become a salient issue in the United States because although the economy has registered positive growth rates in recent years, the distribution of income and wealth has become much more skewed and poverty rates have risen (Levy and Murane, 1992; Danziger and Gottschalk, 1993; Seguino, 1995).

Another criticism of indicators used to measure economic performance is the focus on market-oriented activity (exchanges of goods and services that are paid for with money). This indicator too is limited because it does not take into account the significant amount of non-market activity people engage in such as caring labor for the children and the elderly, leisure activities such as gardening and sports, volunteer activities like participation on the school board, and various forms of self-development. Even if measured money income goes up with economic growth, our leisure and labor time may be reduced if, in order to obtain more income, we are spending more time in paid labor or related activities such as commuting. In this case, time constraints may limit our participation in unpaid labor and leisure activities, with the result that we may be worse rather than better off.

Since 1965, the U.S. has supplemented the information provided by traditional economic indicators with the federally established official poverty threshold which serves as a measure of the impact of economic performance on living standards. This measure was instituted by Mollie Orshansky for the Social Security Administration and its original intent was to provide a means to determine what an adequate level of Social Security benefits would be, based upon a standard of need (Ruggles, 1990). The cornerstone of this measure is the cost of a minimum food budget. The cost of a food budget for a low income family (determined by Department of Agriculture research on nutritionally adequate food plans) is multiplied by three, under the assumption that low income families spend approximately one third of their income on food. (Food costs are adjusted for variations in family size.) Annually these figures are adjusted to reflect changes in food prices and more current data on food plans. The resulting amount constitutes the poverty threshold-- families whose incomes fall below this amount are considered poor and become eligible for some publicly-funded assistance programs.

Several limitations of this measure have been noted. First, it does not take into account non-cash income, such as housing subsidies, food stamps, and Medicaid. As a result, some claim that it overstates the incidence of poverty. On the other side, some claim that it severely understates the degree of poverty. One reason advanced for this view is that the official poverty measure ignores sales and income taxes. When first established, the official poverty line was meant to represent after-tax income. In practice, the Census Bureau classifies as poor those whose before-tax income falls below the poverty threshold. More importantly, perhaps, house-hold expenditures change over time in response to changing economic conditions, social organization, and changes in gender roles. New categories of expenditures have emerged in recent years as a result of these changes. For example, the decline in availability of public transportation and of the spatial reorganization of work with clustering in urban areas has forced many to commute to work. As a result, the cost of a private automobile is an important category of expense and in many cases is a necessary rather than luxury expenditure.

Second, the influx of women into the paid labor market, due to necessity or choice, results in cash costs to the household to cover the unpaid labor that women formerly performed. As a larger share of adults become full-time wage earners, childcare and eldercare expenses become a necessity. This is particularly the case for single parent families working in the paid labor market. Self-sufficiency requires an adequate wage income that covers not only food expenses and shelter costs, but also that of childcare and, in some cases, eldercare. This differs from even the recent past when childcare and eldercare were generally performed in the home and thus the amount of income the family required to support itself was lower. As these examples indicate, the continued assumption that food represents one third of the household budget is flawed. Indeed, recent research suggests that food costs are only 15 percent of today's household budgets, making our current official poverty measure seriously inadequate to measure human welfare (Spade, 1994).

An example of the gap between human welfare and the official poverty rate was found by Renwick and Bergmann (1993) who counted the percentage of single parent families with minor children in the U.S. that were poor using a budget-based approach to measuring poverty. They found that while only 39 percent of these families are considered poor using the official poverty measure, a basic needs budget approach categorizes more than 2 million additional households as poor or 47 percent of all single parent families with minor children in 1989.

The difficulties with the official poverty measure are related to the simplicity with which it is calculated. Some researchers and social scientists are dissatisfied with this approach and have advocated a new standard based on basic needs, an approach that is more multi-dimensional and likely to provide more accurate assessments of the economic well-being of individuals and families. The next section discusses this approach in more detail and outlines an illustrative basic needs budget for Maine.

Measuring basic needs

Many would agree that the measure of success of an economic system and accompanying policies is the extent to which the broad population, regardless of age, gender, race, and geographic location, are able to obtain the resources required to meet their basic human needs. The value of this approach was recently recognized by Maine's Economic Growth Council which engaged in a benchmarking process to develop indicators to be used to measure Maine's economic development. The Council established a benchmark that all Maine citizens would have an "adequate standard of living," where adequacy is measured as income sufficient to afford a basic needs budget.

The methodology used to develop a basic needs budget, described below, is relatively more elaborate than a simple poverty threshold, but is preferable because it is rooted in an understanding that household cash needs vary according to a variety of factors including geographic location, ages of children, and the work status of adults. It also has a different philosophical bent than the current poverty measure. Implicit in this approach is the understanding that what is "basic" changes over time as values, gender roles, and the structure and organization of society change.

The determination of who is poor and who has adequate income is a social one--our definition of poverty and wealth depend on our own status and our perception of the times. Thus, a basic

needs budget must reflect a broader spectrum of society’s values about what constitutes a basic and decent minimum standard of living. Moreover, no single threshold of poverty can reflect the variety of economic circumstances faced by families in the U.S., and since needs may vary, it is useful to take these variations into account when developing a basic needs budget.

There are several categories of expenditures for which there is typically broad agreement, such as housing, food, and healthcare. More contentious might be the definition of standards of adequacy in each of these categories. In Table 1, nine categories of basic needs expenditures are proposed and, in some cases, criteria for determining the level of cost associated with them are outlined. With the exception of the categories of education and eldercare, all others have formed part of the Bureau of Labor Statistic’s (BLS) family budgets. It should be emphasized that these categories are illustrative and that the determination of a socially acceptable basic needs budget requires broad input on what constitutes a minimum standard of living. In that regard, the criteria offered here are meant to serve as a baseline and to stimulate public dialogue.

The categories of expenditure include food, housing, transportation, healthcare, childcare, clothing, and personal care. In addition to these categories, two others are discussed here-- education and eldercare. Although these categories are not included in the U.S. Bureau of Labor Statistics studies, they are increasingly becoming important expenditures for families, reflecting new realities in the workplace and in the lack of time for homecare.

Category of expenditure	Criteria for determining expenditure level
1. Food	A basic needs food budget can be determined from the U.S. Department of Agriculture’s (USDA) research data from which it calculates a low-cost food budget. Since the USDA’s “thrifty” plan is intended for temporary or emergency use, the low income plan should be used.
2. Housing	Housing costs can be obtained for varying size families, using the assumptions that: 1) low income households rent, 2) parents have a separate bedroom from children, and 3) there are no more than two children per bedroom. Shelter costs should also include the basic fees for telephone service and the cost of household supplies. In addition, housing expenditures should include the cost of household furnishings and equipment (e.g., vacuum cleaner), and reflect depreciation costs over the life of these goods.
3. Transportation	Because of the lack of public transportation in rural Maine, private automobile costs are assumed to be a necessity. Since the basic needs budget reflects costs for a low income family, we may base these costs on the assumption that rural inhabitants operate a second-hand car. Transportation expenditures include the costs of operating a car and of financing another second-hand car in the future. (Auto purchases are assumed to be self-financed because of the well-known difficulties low income families face in obtaining consumer credit.) Urban inhabitants can be assumed to use public transportation. Transportation costs can be adjusted to reflect the number of full-time workers and the number of children in the family.

4. Healthcare	Healthcare costs are assumed to be a necessity. A large part of low-wage earners hold jobs which do not have employer-provided healthcare coverage (Seguino, 1995) and these costs must be financed out of household income. The costs of healthcare insurance and out-of-pocket health expenditures fall in this category.
5. Childcare	Self-sufficiency requires adults to work in the paid labor market. As a result, a basic needs budget for single parent families and households with two adult workers includes the cost of childcare. Childcare costs vary with the age and number of children in the household and the number of adults working in the paid labor force.
6. Clothing	Clothing expenditures are a necessity and are assumed to vary with family size. Included in this category of expenditures would be the cost of doing laundry at the laundromat since low income families may not be able to afford the up-front costs of a washer and dryer.
7. Personal care	Basic expenditures in this category would include such items as diapers, hair cuts, reading material (e.g., cost of a newspaper), and modest recreational expenditures.
8. Education	It is assumed that children will require a college education in order to have a decent standard of living in the future. Given the high costs of education and the reduction in loanable funds and student financial aid, it is assumed that an important basic need of children is support in financing a future college education. In order to afford the cost of children's college educations, parents must budget for these future expenditures early.
9. Eldercare	As part of basic needs, families must be equipped with sufficient income to meet the eldercare needs in their family. Given that more and more adults are part of the paid labor force, there is less time available to provide care for elders. As a result, families must finance these costs from savings or rely on public assistance. For the purposes of a basic needs budget, we assume that families are required to save a portion of their income in order to finance future eldercare costs.

Illustrative basic needs budget for single parent families in Maine

In this section, these categories are used to develop illustrative basic needs budgets for a particular category of Maine family--the single parent who works full-time and has two children of varying ages. The budgets are meant to illustrate the income required for a household to be self-sufficient--a concept that has important ramifications for the welfare debate and programs meant to assist families to attain economic autonomy. Budgets can easily be developed for different sized households where the work status of adults varies. The reason for choosing single parents is to examine the adequacy of the potential wage earnings of this group which has been targeted in the debate on welfare reform. In the current environment of social dissatisfaction with welfare programs, society has focused its attention on moving single parents (primarily women) from welfare to paid work. An important question is how much do parents need to earn in order to be able to afford to work full-time in the labor market? Put differently, what level of income can ensure that a family can cover the costs of its basic needs? Finally, is our economy generating jobs that would provide this level of earnings?

The basic needs budget presented here uses 1993 data to establish standards of adequacy for seven categories of expenditures: 1) food, 2) housing, 3) transportation, 4) healthcare, 5) childcare, 6) clothing, and 7) personal care. A second alternative budget is also presented which makes different assumptions about healthcare coverage and includes the cost of educational expenses. Because the category of eldercare has not as yet been incorporated into the debate about standards of need, that cost is excluded from the budgets developed here. A basic explanation of the standards and the assumptions used to define adequacy are as follows:

1. Food

The budgets rely on the U.S. Department of Agriculture's (USDA) 1994 low-cost food plan. The USDA's "thrifty" budget was rejected as a standard of adequacy for food expenditures because that budget is intended only for emergency or temporary use. The low-cost food budgets are adjusted for family size and the monthly cost is deflated to 1993 dollars using the consumer price index for food.

2. Housing

Households with young children are assumed to lack sufficient income to purchase a home and therefore the household rents a living space. The size of the unit is a two-bedroom rental unit, under the assumption that a basic sense of decency requires parent(s) and children to sleep in separate rooms. The data on rental costs are from the Department of Housing and Rural Development (HUD) which calculates Fair Market Rent (FMR) values by geographic area on an annual basis. The data used in these budgets are for 1993 and represent an average of non-metro rental costs in the sixteen counties in Maine. These figures include utility costs. (Metropolitan rental costs are substantially higher in Maine, but to keep estimates conservative, I have utilized the lower figures.) I have added the cost of telephone service to the FMR figures. Telephone service is a basic necessity for at least two reasons: 1) for health and safety reasons in households with pre-school children, and 2) to make contacts regarding employment opportunities. Basic telephone charges within the state of Maine rarely exceed \$16 per month. Assuming a few necessary long distance calls, basic telephone charges per month are estimated to be \$20.

3. Transportation

Families are assumed to rely on a second-hand car to meet their transportation needs. Estimates of annual mileage were obtained from the Maine Automobile Association of America (AAA). According to that organization, low mileage is assumed to be about 10,000 miles per year. AAA also estimates the annual costs of maintaining an auto, using a 1994 Ford Escort LX 4-cylinder four door hatch back as a basic model. I also assume that the second-hand car in use has five years of life remaining, and incurs double the maintenance costs of a 1994 auto. While AAA calculates depreciation on an auto, I assume that low income families must finance the cost of a new car out-of-pocket over a five year period (the life of the current auto), and will be able to find a similar second-hand car for \$2,500 at the end of that period. With these assumptions, transportation costs are calculated as follows:

Table 2. Basic transportation costs, 1993

Category of expense	Annual operating costs
Maintenance	\$500
Gasoline & oil	\$470
Tires	\$70
Insurance (liability only)	\$400
License, registration, taxes	\$100
Savings for new used car	\$500
Total cost per year	\$2,040
Monthly cost	\$170

Source: Author's calculations. Data are from the Maine Automobile Association of America.

4. Healthcare

Parents' income must cover two categories of healthcare costs--healthcare insurance and out-of-pocket expenditures. Estimates of healthcare insurance costs are from Blue Cross/Blue Shield of Maine, a competitive carrier which provides comprehensive coverage. Coverage does not include dental services, vision and hearing care, or other routine services. Mental health and substance abuse coverage is limited. The monthly rate in a group plan for a family of one adult (age 40 or less) and one or more children is \$241 with a \$150 deductible (\$3 million maximum total lifetime benefits per individual). Once the annual deductible has been met, the customer pays 20 percent of the next \$5,000 (\$1,000), and the carrier pays 80 percent (\$4,000). The carrier covers all costs thereafter. Out-of-pocket expenditures are drawn from the National Healthcare Expenditure Survey as reported by Renwick and Bergmann (1993). Expenditures vary with age and by family size, and also depend on whether the family has health insurance. In setting the allowance for this expenditure, following Renwick and Bergmann, I rely on cost estimates of middle income families since low income families have much higher out-of-pocket expenditures due to lack of health insurance.

5. Childcare

Full-time working adults are assumed to require full-time childcare for children under six and part-time care for children over six. The basic needs budget childcare expenditure standard utilizes the IRS's maximum allowed expenditure for purposes of claiming child and dependent care tax credits, following Renwick and Bergmann (1993). This was set at \$2,400 in 1982. Adjusting for inflation, the estimated cost of childcare in 1993 is \$3,463 annually, or \$66.60 weekly. Children over six are assumed to require 1/4 time care at \$17 per week. These costs are slightly below childcare costs in Piscataquis, Penobscot, and Somerset counties which are \$90 per week for infants and \$75 per week for toddlers. Part-time care can be obtained in these counties at the rate of \$2.50 an hour, subject to the availability of slots. Costs are lower in rural areas in Maine, however. For example, in Aroostook County, the average cost for infants is \$65 per week and for toddlers, \$60 per week. (Penquis Community Action Childcare Program and Childcare Express Resource Development Center, Aroostook Community Action Program).

6. Clothing

This category includes the cost of clothing and of laundering clothes at a laundromat. Clothing expenditures are put at \$200 per year per person or \$600 per year for a family of three. This figure includes the cost of \$2.50 per week for three persons to cover laundering expenses or \$130 per year. The remainder (\$430) covers the cost of new or used clothing.

7. Personal care

This category of expenditure includes items such as diapers, haircuts, reading material, and modest recreational expenditures. Some of these may be viewed as luxury expenditures, although diapers are necessities. It is assumed that families will restrict their consumption of this type of goods to a percentage of their monthly income. The conservative assumption is that a family that can only meet its basic needs will spend no more than two percent of monthly income on this category of goods.

Prescribed basic needs expenditures and actual earnings

Using the assumptions outlined in the preceding section, Table 3 lays out basic needs budgets for three types of single parent families in which the adult works full-time. Tax obligations are calculated and added to the cost of a basic needs budget. In particular, contributions to F.I.C.A. and federal and state income tax burdens are calculated, as well as childcare credits and the earned income tax credit. The state income tax obligations are adjusted to reflect a childcare credit calculated as 25 percent of the federal childcare credit. The family with two children under six (Budget 1) requires the highest income, owing to the cost of childcare. To meet its basic needs, that family will require an annual income of \$26,183 per year. Alternatively viewed, the parent must have a job that pays at least \$504 weekly or \$12.59 hourly. In a family with only one child under six (Budget 2), family income requirements drop to \$24,927 annually or \$11.98 hourly. Families with two children over the age of six (Budget 3) require an annual income of \$20,967 per year, or a job that pays at least \$10.08 an hour.

The numbers presented here may be viewed as basic needs income thresholds. Single parent households that have annual income below the amount specified in the budgets in Table 3 may be considered “poor” and unable to attain economic self-sufficiency. At first glance, these budget figures may appear to be high. They, however, have very little fat and help illustrate why even families with two working adults might have a hard time making ends meet. As noted above, estimates of expenditures in several categories are quite conservative.

It is also useful to consider the impact on the basic needs budget of changes in two assumptions used in the previous section. In an alternative scenario, it is assumed that the parent’s employer funds half the cost of healthcare insurance. An additional assumption made is that education costs are part of the basic needs budget. Education is a significant determinant of children’s future earnings. It is increasingly likely that children will require a college education in order to have a decent standard of living in the future. It is, therefore, reasonable that society would view parents’ commitment to the funding of at least part of children’s future college education as essential to their future welfare. For this reason, education may be seen as a fundamental component of a basic needs budget. In order to afford the cost of children’s college education, the parent(s) must budget for these future expenditures early. It is assumed that parents of pre-

school children face financial constraints that force them to delay saving until the child reaches the age of six. The estimated monthly cost of fully financing a child's public university education (with current costs at about \$7,040 per year), beginning when the child is six, is \$177 per month, according to Fidelity Investment Company. It is assumed that at a minimum, families will finance roughly one quarter of that cost, equivalent to the cost of the first year of schooling.

Incorporating these assumptions into the budget calculations, the alternative budget is presented in Table 4. The annual income requirement necessary to cover a basic needs budget for single parent families with two children under six (Budget 1) is \$24,205. Alternatively, the parent would have to earn \$11.64 per hour in a year-round full-time job in 1993 in order to meet her or his family's income needs. A family with two children over the age of six (Budget 3) would require less income to meet basic needs, \$19,745 per year or hourly earnings of \$9.49, assuming the adult held a year-round full-time job.

Table 3. Basic needs monthly budget for single parent, 3 person family in Maine in 1993 (Adult works full time, pays full cost of health insurance)

Categories of expenditure	Budget 1: Two children under 6	Budget 2: Two children, one under 6	Budget 3: Two children over 6
1. Housing	\$508	\$508	\$508
2. Transportation	\$170	\$170	\$170
3. Childcare	\$573	\$359	\$146
4. Healthcare insurance	\$241	\$241	\$241
and out-of-pocket expenses	\$84	\$94	\$104
5. Clothing	\$50	\$50	\$50
6. Food	\$310	\$310	\$310
Sub-Total	\$1,936	\$1,732	\$1,529
7. Personal care expenses @ 2% of monthly budget	\$39	\$35	\$31
Total before-tax income required to meet basic needs			
Monthly	\$1,974	\$1,767	\$1,560
Annually	\$23,693	\$21,205	\$18,717
Weekly	\$456	\$ 408	\$360
Hourly	\$11.39	\$10.19	\$9.00

Annual tax obligations			
F.I.C.A.	\$1,812	\$1,622	\$1,431
Federal income tax	\$1,676	\$1,309	\$934
Childcare credit	(\$1,104)	\$1,034	\$438
Earned income tax credit	\$0	(\$254)	(\$602)
Net state income tax*	\$106	\$11	\$49
Total tax obligations	\$2,490	\$3,722	\$2,250
Total after-tax income required to meet basic needs			
Monthly	\$2,182	\$2,077	\$1,747
Annually	\$26,183	\$24,927	\$20,967
Weekly	\$504	\$479	\$403
Hourly	\$12.59	\$11.98	\$10.08
*This is calculated as state income tax less credit of 25 percent of federal child care credit.			

It is interesting to compare the amount required to cover a basic needs budget with actual earnings of women and men in Maine. Table 5 contrasts those costs with the current official poverty measure and with women's and men's average hourly earnings in 1993. The average female hourly wage in Maine in 1993 (\$7.78) is only 62 percent of the hourly wage required to meet the basic needs budget of a single parent house-hold with two children under six. Women's average hourly earnings are 77 percent of the amount necessary for a single parent to support two children over six. In contrast, average male hourly earnings (\$12.39) are 98 percent of the amount required to support this category of family and they are more than adequate to support two children, with at least one over the age of six. The gender contrast is significant. Male single parents earning the average male wage would be able to cover the basic costs of supporting a three-person family with at least one child over the age of six, but women earning the average female wage fare much worse. The average female would go into debt between \$4,700 and \$7,500 each year, depending on the ages of her children--or what is more likely, she and her children would have to do with less. (Annual earnings are calculated based on the hourly earnings reported here and the assumption that year-round full-time employees work 2080 hours per year on average.) These findings point to the importance of addressing the factors responsible for the large wage gap between men and women, one of which is discriminatory treatment in the labor market (Seguino, 1995).

Note that the amount required to meet a basic needs budget under all scenarios is well above the official poverty threshold of \$5.72 per hour. The gap between these two measures suggests that the current poverty threshold is too low, at least for a family which wishes to be self-sufficient (i.e., in which the adult works full-time and does not rely on food stamps, subsidized housing, and Medicaid). The difference in these numbers gives us some pause about how we evaluate our current economic development strategy.

Using the basic needs budgets to monitor economic progress

The approach outlined here is a useful method for evaluating the efficacy of economic development strategies. Until recently, there was relatively little focus on the relationship between economic development strategies, macroeconomic policies, and human welfare. In the United States and elsewhere, policymakers have become increasingly aware that there is a connection between the type of economic development policies pursued and the incidence and severity of poverty. Since the 1980s, there has emerged a greater understanding that economic competitiveness in a global economy relies in large part on the human infrastructure. As a result, broadly shared improvements in human welfare are increasingly viewed as a prerequisite for further economic growth. This is because well-educated and economically secure workers are likely to be more productive than poorly paid workers, and are also better situated to raise the future generation to be productive and to care for the elderly. These global economic trends coupled with shifts in social values suggest that our economic system can be viewed as performing well only if it can provide for a socially agreed upon minimum--a minimum based on equal economic opportunity where individuals are not disadvantaged by race, gender, age, class, or geographic location. In this context, the basic needs budget approach to measuring economic performance provides more accurate information than some currently used measures. This approach is consistent with the emerging consensus that the public dialogue about economic performance should shift from an almost exclusive focus on cost-cutting and inputs to an emphasis on the evaluation of outcomes of economic development policies and programs--in particular their impact on human well-being and the environment.

Additional work needs to be done to refine the basic needs budget approach to measuring economic well-being. Despite the incentive of widespread dissatisfaction with the poverty measure, the newness and seeming complexity of the approach may delay its development and application. In this regard, it is important to recognize that a focus on basic needs can help policy-makers, social scientists, and human welfare service providers do a better job of plotting our economic future. By shifting to this approach, we might also succeed in providing a vehicle for obtaining more broad societal consensus about what constitutes "economic development" and thus a democratization of the development process itself. Reshaping economic policies based on information resulting from measures that reflect social values and consensus is a "basic" approach that is long overdue.

Table 4. Alternative 1993 basic needs monthly budget for single parent, 3 person family in Maine in 1993 (Adult works full time, saves for children's education, employer contributes to health insurance costs)

Categories of expenditure	Budget 1: Two children under 6	Budget 2: Two children, one under 6	Budget 3: Two children over 6
1. Housing	\$508	\$508	\$508
2. Transportation	\$170	\$170	\$170

3. Childcare	\$573	\$359	\$146
4. Healthcare insurance	\$121	\$121	\$121
and out-of-pocket expenses	\$84	\$94	\$104
5. Clothing	\$50	\$50	\$50
6. Food	\$310	\$310	\$310
7. Education	\$0	\$50	\$100
Sub-Total	\$1,816	\$1,662	\$1,509
7. Personal care expenses @ 2% of monthly budget	\$36	\$33	\$30
Total before-tax income required to meet basic needs			
Monthly	\$1,852	\$1,696	\$1,539
Annually	\$22,225	\$20,349	\$18,473
Weekly	\$427	\$391	\$355
Hourly	\$10.69	\$9.78	\$8.88
Annual tax obligations			
F.I.C.A.	\$1,700	\$1,556	\$1,413
Federal income tax	\$1,459	\$1,174	\$896
Childcare credit	(\$1,104)	(\$1,034)	(\$438)
Earned income tax credit	(\$ 115)	(\$379)	(\$637)
Net state income tax*	\$40	\$0	\$38
Total tax obligations	\$1,980	\$1,317	\$1,272
Total after-tax income required to meet basic needs			
Monthly	\$2,017	\$1,805	\$1,645
Annually	\$24,205	\$21,666	\$19,745
Weekly	\$465	\$417	\$380
Hourly	\$11.64	\$10.42	\$9.49
*This is calculated as state income tax less credit of 25 percent of federal child care credit.			

Table 5. Prescribed basic needs wage and average hourly earnings in Maine, 1993

	Hourly wage	Women's average hourly wage as percent of hourly wage	Men's average hourly wage as percent of hourly wage
Basic needs budget (1)			
1. Two children under 6	\$12.59	62%	98%
2. Two children, one under 6	\$11.98	65%	103%
3. Two children over 6	\$10.08	77%	123%
Poverty level (2)			
Three person family	\$5.72	136%	217%
Four person family	\$6.90	113%	180%
Women's average hourly wage (2)	\$7.78	100%	159%
Men's average hourly wage (2)	\$12.39	63%	100%

(1) The basic needs budget data are from Table 2.

(2) It is assumed that the person works year-round full-time. Source: Author's wage calculations are from 1990 Census data. For more details on how these are calculated, see Seguino (1995).

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Author's Notes

For more detail on the Economic Growth Council benchmarking process, see Goals for Growth: Report on the Goal Committees to the Maine Economic Growth Council, April 1995, and, Goals for Growth: Report of the Maine Economic Growth Council, June 1995. Additionally, Renwick and Bergmann (1993) have done path-breaking work in this area. The budgets developed in this paper draw extensively on their methodology.

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