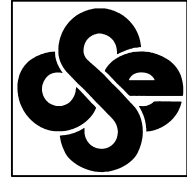




It's Not Just The Numbers: A Monthly Budget Case Study Update



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How much would it take for an employed single mother with two children to meet a minimum budget without relying on assistance? This question was first examined in 1997 for a sample of seven rural counties across Kentucky. This is an update to that original study. We used a case study approach and examined in more detail a single rural county. With this approach, besides determining the local costs for a minimum monthly budget, we were also able to gather information which sheds some light on the challenges of living on a low income in rural Kentucky.

Introduction

Since the beginning of this century there have been efforts to determine the costs of meeting a family's monthly needs. Today, discussions of living wages are in part about whether businesses applying for government grants or subsidies should be paying wages sufficient to keep their employees above poverty, eliminating the need for their workers to seek further government assistance.

This is particularly important as welfare reform has brought with it important changes in the safety net. Among the changes, the focus is now on employment and there is a five year lifetime limit on access to cash assistance. Key to this is an assumption that enough jobs will be available for all the former welfare recipients and that those jobs will pay a sufficient income.

A Case-Study Update

In 1997, we received a request to examine the question, "What would it take for an employed single woman with two children to make ends meet without assistance?" Using a monthly budget approach, we examined this question for seven rural Kentucky counties (for more information see: [The Bottom Line: Making Ends Meet in Rural Kentucky](#)).

In 1999, we received a request to update the original study. This time, a case study approach focusing on a single rural county allowed us to obtain more information than just the local costs of items included in the budget.

The same budget items are included as in the earlier study. And, local information is used as much as possible.

Local Costs

As in the prior study, information for many items comes from contacting local service providers. For example, the local telephone company provided the cost for access to local phone service. For housing, the local housing program reported the amount they use to support and subsidize housing.

Utility costs are average monthly totals from local water and sewer companies as well as electric companies, based on using 4,000 gallons of water and 1,000 Kilowatt-hours of electricity in a month.

A regional childcare referral service provided childcare costs. Since a four-year-old would need to attend full-time, while the six-year-old would be in child care only part-time, we included both amounts. We then used the average for both certified homes and licensed childcare centers.

Automobile insurance expenses reflect the minimum legal requirement of liability coverage. Estimates specific to our case study county are from a national low-cost insurance company. Gasoline

What's NOT included?

- Health Insurance
- Cable Television
- Newspaper
- Holiday Gifts/Birthday Gifts
- Children's toys
- Long Distance Phone Service
- Alcohol/Tobacco
- SAVINGS

costs are based on the cost per gallon on September 14, 1999 for an average of the prices from five service stations spread throughout the county.

Other Sources

As before, some items in our minimum budget cannot be obtained locally. For these, we turned to national or regional survey results. For example, to determine gasoline usage, we used the average monthly mileage from the National Personal Transportation Survey.

Estimates for household, personal care, clothing, car care, and health-related costs are from the Consumer Expenditure Survey. We use the figures for a household of three in the South in the minimum wage income group.

What's not included?

Because this budget is based on only the minimums, as before, we do not include many items. For example, even though in rural areas long distance phone service is a necessity, because the amounts will vary by use, we include only local telephone service.

We also exclude any entertainment such as newspapers, magazines, cable television, holiday gifts, and toys for the children.

A major cost that is not included is health insurance. This is in part because these costs are so variable. While most low wage jobs do not include insurance, it is possible for an employer to cover all or some of health insurance costs, adding to

the variability. Still, since children still get sick or injured even without health insurance, we do include health related costs.

As in the original study, once we estimate a monthly budget, we calculate two necessary additional items. Everyone must pay Medicare and Social Security taxes regardless of how much you earn, so these taxes are included in the minimum budget. However, we did not include state or Federal income taxes.

Results

“What is the amount of monthly income that is needed to meet a minimum monthly budget for family of three without falling back on assistance?” The case study results indicate that the minimum monthly income for an employed single mother of two children would be \$1,685.92 or \$20,231.04 per year (see Table 1).

Working 2,000 hours a year (full-time employment), our employed mother of two would need to earn \$10.89 an hour to meet both the minimum monthly budget and pay Social Security and Medicare.

The results from this case study are similar to the \$10.61 per hour found earlier. While some budget

TABLE 1.

Budget Item	Case Study	Earlier Study
Housing	\$249.00	\$358.29
Utility Overage	\$30.00	\$30.00
Water, Sewer, Garbage	\$45.84	\$24.14
Electric	\$54.75	\$70.14
Child Care 4 Year Old	\$294.75	\$225.71
Child Care 6 Year Old	\$174.94	\$110.00
Phone Service	\$16.11	\$20.71
Food	\$366.40	\$363.64
Household, Personal Care, Clothing	\$196.83	\$196.83
Car Care	\$50.25	\$50.25
Gasoline	\$63.25	\$65.00
Car Insurance	\$78.97	\$68.61
Health Costs	\$64.83	\$59.08
Total Cost/ Month	\$1,685.92	\$1,642.40

TABLE 2.

Total	Case Study	Earlier Study
Total Cost/ Month	\$1,685.92	\$1,642.40
Total Cost/Year	\$20,231.04	\$19,708.80
Medicare (1.45%) and Social Security Taxes (6.2%)	\$1,547.67	\$1,507.72
Yearly earnings needed to meet cost of living and taxes	\$21,778.71	\$21,216.52
Hourly Wage Needed (including Social Security and Medicare)	\$10.89	\$10.61

items in this county are, as would be expected, either slightly higher or lower than in the original study, taken as a whole, they nearly balance each other out.

Comparing the Results

Both the case study update and the original study reveal similar results. To meet a minimum monthly budget (and pay Medicare and Social Security), an employed single mother of two children in rural Kentucky needs to earn between \$10.61 and \$10.89 dollars an hour.

One way to put this figure into context is to compare it with both the minimum wage and the poverty guidelines for a family of three (see Figure 1).

While up until the 1980s the minimum wage provided an income near to the poverty line, this is no longer the case.

Working at the minimum wage in our case study, an employed single mother with two children would need to earn an additional \$1.79 per hour or work nearly two additional days a week on top of a regular full-time job just to meet the Federal Poverty Guidelines for a family of

three. To meet our minimum monthly budget on the minimum wage would require working an additional full-time job.

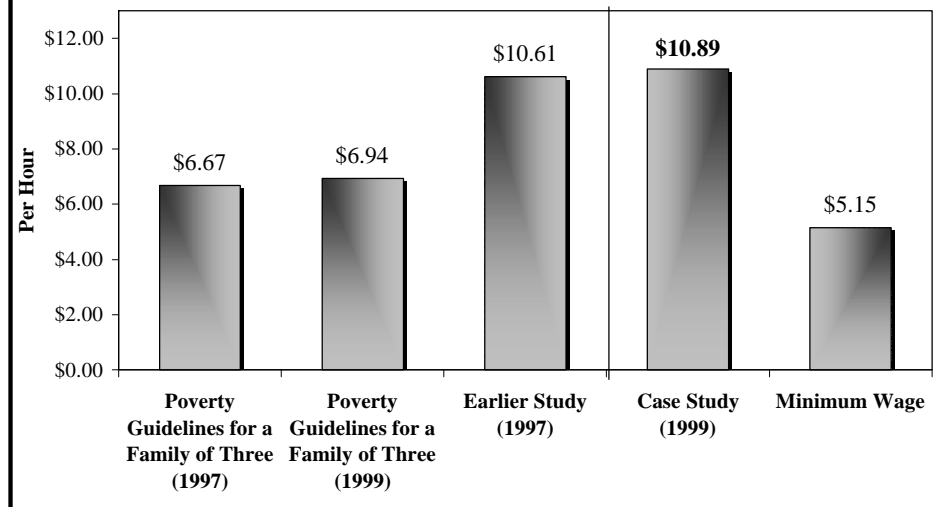
It's Not Just the Numbers

A case study approach means that we can focus on a single county and the experiences of living on a low income. This information is critical to providing a context for the dollar values by shedding light on the lived experience of trying to meet the minimum monthly budget. And, while our case study county is located in the eastern region of the state, these experiences are often found in rural areas.

In our case study county, for example, typically housing eligibility determination for Section 8 assistance program takes less than a month. But, being eligible does not guarantee access to housing. Due to the shortage of eligible housing in the county, finding a needed house or apartment to rent with Section 8 assistance can take a very long time. In addition, while there are around 250 public housing units in the county (another form of housing assistance), waiting periods can range from two weeks to as much as two years.

Access to child care is critical for employed parents. While child care is available, it is not

Comparing the Poverty Guidelines for a Family of Three and the Monthly Budget Studies Results in Rural Kentucky (1997 and 1999).



always when and where it is needed. For example, there is no after-hours childcare available in the case study county. Indeed, in the eight county area only one facility provides after-hours care.

The minimum telephone service in the budget included only local service. But what is 'local service'? In this case, it includes only calls between three of the larger towns in the county. Because average travel time to work in the county is over 25 minutes, it is probable that this would require long distance phone service for employers and employees to contact one another.

Additional details such as these help shed light on the circumstances under which rural families with low incomes are living their lives.

Closing the Gap

While two years have passed between the original study and this update, the results are similar. In order for an employed single mother of two to meet a minimum monthly budget *without assistance*, she would need to have a job that pays over \$10 per hour.

If our hypothetical mother of two is working full-time but is still unable to provide for more than about half of her family's minimum budget needs, how might she close the gap between income and expenses?

To help make ends meet, many families rely on informal systems of support, often comprised of friends and family. These networks can be critical. However, we must not forget that these support systems are also

It's Not Just The Numbers

Housing:

- Section 8 housing approval is short, but finding available housing is more difficult
- Waiting periods for public housing range from two weeks to two years.

Child Care:

- No after-hours child care is available in the county.
- Only one after-hours day care center in *the eight county area*.

Phone Service:

- Local service allows only for calls between the three largest towns within the county.

reciprocal. This means that while a family member may help by repairing a fuel pump, there is the expectation that the favor will be returned in some way.

And, while adding an additional wage earner would increase the household income, it also increases nearly all household expenses.

Conclusion

While unemployment is at its lowest and job growth at its highest in several decades, the income gap between the poorest and wealthiest of Kentucky families is wider than ever before (5th in the nation).

Like many rural labor markets, Kentucky's is heavily weighted toward the service sector which has a high proportion of minimum to low wage jobs. And women are more likely than men to be employed in services and retail trade than in the higher paying manufacturing sector.

This means that even presuming employment opportunities in rural areas, there is likely to be a significant gap between earnings and the actual cost of meeting a minimum household budget for the typical family currently receiving public assistance (i.e., a single mother with two dependent children).

Welfare reform has shifted from a focus on cash assistance for alleviating hardship to a focus on employment. First raised during Congressional debates on the original legislation, a key question remains unanswered. What if someone follows the rules, secures employment, but is still unable to earn enough to meet a minimum budget without relying on assistance?

References

Zimmerman, Julie and Lori Garkovich. 1998. The Bottom Line: Making Ends Meet in Rural Kentucky. Social and Economic Education for Development. University of Kentucky, College of Agriculture.

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