

Calculating the Cost of Living

DEED's new Cost of Living tool is providing valuable information to employers, job seekers, policymakers and economic planners in Minnesota.

Understanding the cost of living in Minnesota just got easier with a new tool developed by the Labor Market Information Office at DEED. The Cost of Living tool estimates basic costs for individuals and families — by county, region and state.

The online tool uses federal and state data to examine costs in seven categories: food, housing, health care, transportation, child care, other necessities and net taxes. Total costs are presented as yearly and hourly dollar amounts, while category costs are presented in monthly dollar amounts.



The study was mandated by the Minnesota Legislature. It fills a gap in the state's economic information in the following ways:

- Employers want to set wages that attract and retain good workers. The tool can help gauge whether wages in a certain county will pay the bills and attract workers.
- Job seekers want to know what wages will cover family costs in their county.
- Policymakers want to know if the need for public subsidies is likely to rise or fall. Regional wages that meet or exceed the cost of living can signal reduced need for subsidies.
- Economic planners want to know if consumer expenditures will grow or slow. Regional wages that meet or exceed the cost of living can signal a potential for growth in the consumer economy.

What We Can Learn

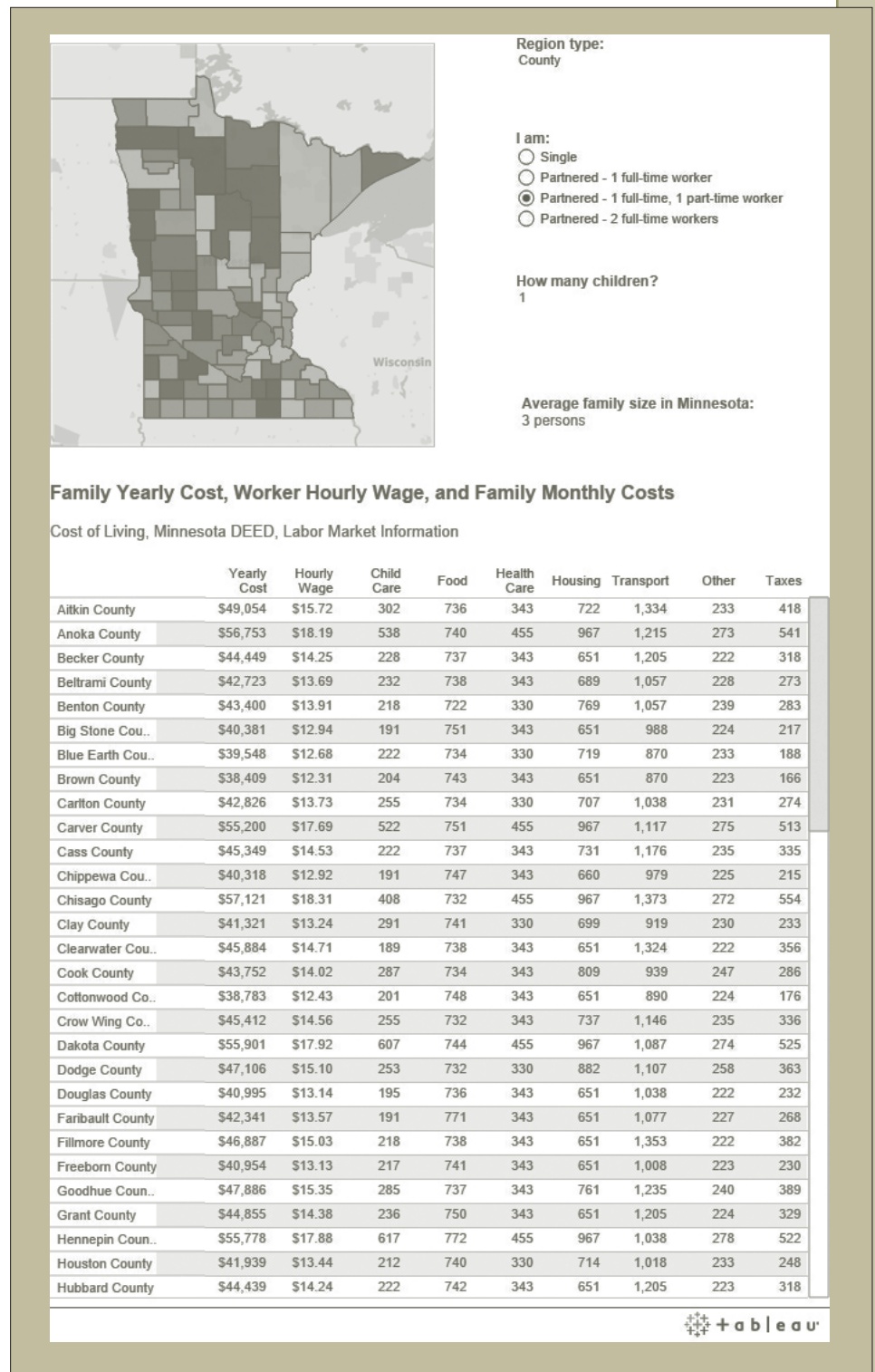
The tool shows how family size, work hours, and region can affect costs. Let's look at a statewide average for a two-parent family with one child age four to five, recalling that these are estimates and actual cases can vary.

On one full-time job, the family needs \$19.83 an hour to meet basic needs. On a full-time job for one parent and part-time for the other, they need \$16.25 an hour. On two full-time jobs, they need \$13.81 an hour. The hourly wage falls as family costs are spread across more work hours. The surprise is that the family's yearly costs are rising as the total work hours go beyond 40 a week.

If one parent already works full-time, adding a part-time job for the second parent triggers monthly child care costs of \$433 and adds \$265 in transportation costs. Moving that job from part-time to full-time doubles the monthly child care cost.

The family's yearly costs go from \$41,244 with one full-time worker, to \$50,688 with a full- and part-time worker, and to \$57,468 with two full-time workers. This includes taxes due on the additional income required for child care and transportation.

The added hours do no more than pay for the added costs of working more hours. To get ahead, the parents would need to make more than these hourly rates or one parent would need to work more than 40 hours a week while the other remains at home.



Making a Selection

When using the tool, job seekers might select the family composition that comes closest to their own. Or if planning a family, they might try scenarios for future needs.

Employers, policymakers and researchers might be more likely to select an average family composition. The average family size in Minnesota is three people, and the average work week is less than 35 hours, according to the American Community Survey and the Current Employment Statistics survey.

The category “partnered, one full-time and one part-time worker, one child” provides a standard yearly cost and hourly wage need for a typical Minnesota family, regardless of how the weekly work hours are distributed between the two adults.

A Basic Living

The cost of living represents neither a poverty-level living nor a middle-class living but rather a living that meets basic needs for health and safety.

No money is built in for savings, vacations, entertainment, eating



out, tobacco or alcohol, even though most of these elements are part of a normal healthy life. To meet the mandate of a basic-needs living, the tool excludes these costs.

A New Look at Living Costs

Rather than describing what families spend as the Consumer Expenditure Survey does, the tool estimates the cost of basic needs. We might buy one apple for two children if that is all we can afford, even though we need two apples. That’s why spending is not a reliable indicator of needs.

And rather than looking at a change in costs over time as the Consumer Price Index does,

the study looks at dollar costs. We don’t ask the cashier at the store how many percent higher the apple’s price is today than yesterday. We ask: How much does the apple cost?

The online tool shows costs for 24 family compositions in 107 Minnesota regions, for a total of 2,568 results. The full database offers additional family compositions by gender and age.

To request results beyond those represented in the online tool, talk with our experts at the Labor Market Information Office at 651-259-7384. Find the tool at <http://mn.gov/deed/data/data-tools/col/index.jsp>. 