



**LIVING WAGE FOR US, Inc.**

# Principled, accurate, and defensible living wage estimates in the U.S.

## Methodology

The following is a guide to how For US is producing accurate and transparent estimates of costs of living across the U.S.A. for use as living wage benchmarks. We align with the global consensus on what is important for a living wage, inclusive of the definition of living wage created by the Global Living Wage Coalition that is currently used by a wide range of standards, companies, and civil society organizations around the world.

## For US Methodology

### Geography

County by County and Aggregated for Lowest Cost within a Commuting Zone



#### Challenge:

County by County estimates don't account for where low-wage workers (impacted by living wage efforts) live, but rather where they work. If work is located in a very high cost county, it is common for low-wage workers to live in a less expensive neighboring county. Thus a living wage for a larger area must be taken from where workers actually live.

#### Solution:

Since USDA Economic Research Service commuting zones track where workers live within a given work area, the data on least expensive counties within a commuting zone can be used as a proxy for the area where lower wage workers live. In this way, estimates are completed county by county within a commuting zone around a work site to estimate the proper county to use for the living wage applied for the entire commuting zone.

To ensure transparency, we share both the specific living wage that is calculated for every county, as well as the living wage for the lowest cost county in the commuting zone that serves as our benchmark for certification. In this way, estimates of living wage are conservative, but ensure a decent living within areas where workers already commute.



# For US Methodology

## Family Size

Family Size Set at 4 People –  
2 Adults, 2 Children



### Challenge:

Family size is communicated in many ways as it takes a variety of forms. What is essential is that our family size account for a typical situation and not perpetuate poverty, a state that often limits workers in their family planning choices.

### Solution:

For US adopts a 4 person family makeup. This corresponds with the average number of people in a family household with their own children, which is stated as 4.00 by the U.S. Census Bureau. If other family types without their own children are included, the average family size is 3.15 according to the U.S. Census Bureau. Since we are assuming 2 adults per family, and thus the potential of more workers to cover the cost of a decent living for the family, we have aligned with the widely accepted principle of the gold standard Anker Methodology for calculating living wages, which recommends using a family size of 4 as the minimum. If we chose to use the figure of 3.15 for the number of family members, we would also need to drop the assumption that there are two adults per family available to contribute wages to our model family. In this case, our living wage estimates would increase considerably, despite the smaller family composition. This is because the impact of fewer people in the family is not as strong (due to economies of scale on aspects like rent that remain the same despite losing 1 child) as the impact of having fewer workers counted per family. This would more accurately represent the situation faced by single parents, for example. But our choice was to align with the model widely accepted globally and presented by the Anker Methodology.

## Workers Per Family

1.7565 workers per family  
estimated, following Anker  
Methodology for establishing  
workers per family



### Challenge:

The number of workers per family is not a simple statistic. It requires certain assumptions to accurately estimate for our model family. Such as that at least one worker is employed full-time since we are addressing the needs of working families rather than situations where neither parent is employed.

### Solution:

We assume one full-time worker, and assessing the likelihood of a second worker in the family to establish our number of workers per family.

#### U.S. Labor Force Participation Rate:

Average adult LFPR  $\times$  (1 - unemployment rate)  $\times$  (1 - [part-time employment rate $\div$ 2]) = 75.65

#### U.S. Labor Force Participation Rate (LFPR), Unemployment Rate, and Part-time Employment Rate:

U.S. LFPR for ages 25-54 in 2019 to February 2020 (pre-covid) were 83.1%. Unemployment rate was 3.0%. Part-time employment rate of 12.3%. (BLS)

#### Number of Full-time workers per family:

Number of full-time equivalent workers per family = 1 + proportion of full-time work per working age adult calculated in equation 1 = 1.7565

# For US Methodology

## Food

USDA Low Cost Diet (nutritionally sound and adjusted regionally), further adjusted for county cost variations.



### Challenge:

Food costs should cover a nutritious diet at a relatively low cost. Costs should also be location specific. But often available data for the cost of this diet doesn't vary beyond region. As such, a second data set must be brought in to accurately estimate food prices at a county by county level.

### Our Approach:

We utilize data on average cost estimates for a meal under USDA's low-cost diet plan through data collected for the Feeding America Map the Meal Gap 2020 report. For price variations according to local geographies across the U.S., our partner EPI generates county level multipliers from Nielsen PLC data that measures the costs of Universal Product Code (UPC) barcoded food items in over 65,000 stores across the country. This method is used by the Economic Policy Institute and aligns with the Anker Methodology principles on food costs.

This value was calculated for our initiative by the Economic Policy Institute using their existing methodology detailed at <https://www.epi.org/publication/family-budget-calculator-documentation/>

## Housing

HUD Fair Market Rents for Decent Housing and Including Proper Number of Rooms for a Family + Utilities (locally accurate with new HUD data)



### Challenge:

Housing cost estimates should be local in nature and cover decent housing that has the proper space for a family of four.

### Our Approach:

This value was calculated for our initiative by the Economic Policy Institute using their existing methodology detailed at <https://www.epi.org/publication/family-budget-calculator-documentation/>

# For US Methodology

## Childcare

Child Care Aware of America data (State adjusted child care costs without subsidies)



### Challenge:

The U.S. context is one in which childcare is essential for workers to have the availability to work. Women would be disproportionately effected if childcare costs were not included in the US context. Also, many workers choose not to have children simply because they cannot afford childcare. Which creates a scenario wherein low wages are presenting a barrier to worker choice for a decent life.

### Challenge Present:

Data currently collected and publicly available is not more locally specific for childcare than the state level.

### Solution:

This value was calculated for our initiative by the Economic Policy Institute using their existing methodology detailed at <https://www.epi.org/publication/family-budget-calculator-documentation/>. Their solution to the issue posed is explained as follows:

*"To adjust child care costs to the county level, we create a ratio of the county-level costs of rent for two-, three-, and four-bedroom apartments to the population-weighted state average of the same costs. We then adjust 50 percent of the child care costs using this ratio to estimate the variation in child care costs by county."*

## Transportation

Center for Neighborhood Technology (CNT) county level transportation data derived from CNT's Housing and Transportation Affordability Index .



### Challenge:

Transportation data should account for actual experiences by county. This means that in some locations, public transport significantly reduces the need for owning an automobile and overall cost of transportation. This must be included in accurate transportation estimates.

### Our Approach:

This data set accounts for local transportation costs, inclusive of public transport. These are adjusted to only include work and nonsocial trips for the first adult in a household, and only work trips for the second adult. As such, these transport cost estimates align with the Anker Method principles. This value was calculated for our initiative by the Economic Policy Institute using their existing methodology detailed at <https://www.epi.org/publication/family-budget-calculator-documentation/>

# For US Methodology

## Healthcare

Data pulled on cost of silver level plan through the Kaiser Family Foundation (medical coverage only), and inclusive of estimated subsidies for a family earning a living wage in each county. BLS data on out of pocket expenditures regionally are then added.



### Challenge:

Due to the complex nature of the U.S. healthcare system, health insurance becomes an element of healthcare cost that must be carefully analyzed. The cost of healthcare on the open market varies based on income. As such, this value must be run with tax calculations over and over until the accurate living wage and tax implications are assessed so that potential government subsidies for healthcare can also maintain accuracy.

### Solution:

Assume 2 adults, 48 and 42 years of age, and 2 children, 8 and 4 years of age, by county for ACA plan estimates. These costs should be assessed on a county by county basis. Employer provided health insurance plans may then be credited toward the living wage according to the amount they reduce the workers' payment of premiums. Out of pocket costs are assessed using BLS CES data adjusted for each region.

## Miscellaneous

Using BLS household expenditure data, we slightly adapt the Anker Methodology by using a ratio of other costs to food and housing rather than just food. This allows us to localize other expenditures with greater confidence given that food is not the primary category of expense across most of the U.S.



### Challenge:

Calculating each cost in a basket for miscellaneous would require a large number of value judgements regarding how much is decent for a worker to have for each category. As such, we adhere to the Anker Methodology formula for calculating this category which relies on typical expenditures for all other items among American families in a living wage earning range. This formula is as follows:

"NFNH (other) = (NFNH (other)/Food ratio from secondary data × living wage model diet cost)"

We also needed to further subdivide specific categories within the Miscellaneous group in order to assess value of in-kind benefits. Savings, for example, were estimated using the same methodology, but specifically for that category.

# For US Methodology

## Resiliency

Adhering to the Anker Methodology we include a 5% margin for unforeseen events.



### Challenge:

Life is not always a series of planned typical expenses. A shock, such as a funeral, or our recent covid crisis causing a loss in income can be disastrous for low wage families. As such, some buffer for unexpected circumstances must be included in a living wage.

## Statutory Deductions from Pay

Federal, state, and local payroll taxes estimated and included using Taxsim and adding local tax rates.



### Challenge:

A variety of payroll taxes with different rates can have a huge impact on the take home pay available to a worker. Further, an employer who offers tax saving benefits where programs are paid for with pre-tax dollars should be able to understand how that might reduce a workers' tax burden so as to better plan ways to ensure workers can cover all of their costs of living .

## Our Approach:

Local income taxes apply in 4,964 taxing jurisdictions across 17 states. We suggest that some, which are very small, might add too much complexity to include in the calculations. However, those above 2% offer a significant enough impact on income that they should be included in the overall methodology. We use Tax Foundation data on local tax rates. Then run the new expected income with the proxy value for federal and state taxes to the overall income and begin an iterative process using Taxsim to calculate accurate tax liabilities. In this way, we can also estimate the savings available if benefits reduce the taxable income of a worker, and can account for that benefit in how an employer reaches a living wage.