



LIVING WAGE FOR US, Inc.

Anker principle compatible 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 that align in principle to the Anker Methodology.

For US

Anker Principle Aligned

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.

Anker - Living Wages Around the World: Manual for Measurement Reference

"It is neither practical nor desirable to have a different living wage for every small area or neighborhood, partly because workers can commute to work...

To decide on where to collect local area primary data, researchers should start by drawing a map of the study area or city and indicate on it where factories or farms are concentrated, along with number of factories and number of workers in each location...

... the researcher should select the geographic area or areas for primary data collection that best reflect and represent living costs for typical workers"



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Family Size

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



Anker - Living Wages Around the World:
Manual for Measurement Reference

"... four persons should generally be the minimum reference family size for estimating a living wage."

Challenge and 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 Anker recommendations on 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



Anker - Living Wages Around the World:
Manual for Measurement Reference

"Our living wage methodology assumes that more than one family member works and provides financial support for the family. To estimate a typical number of full-time equivalent workers per couple, secondary data are required on labor force participation rates, unemployment rates, and part-time employment rates for persons aged 25–59."

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

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Food

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



Anker - Living Wages Around the World: Manual for Measurement Reference

"... food prices should be relatively low in cost for a nutritious diet...The cost of the model diet is then estimated using local food prices."

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., we generate 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)



Anker - Living Wages Around the World: Manual for Measurement Reference

- Aligned with International Principles on Decent Housing
- Offering Separate Sleeping Spaces for Parents and Children
- Reflective of Local Norms for Acceptable Housing
- Rents Used for Establishing Housing Costs
- Utilities Included

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/>

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Childcare

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



Anker - Living Wages Around the World: Manual for Measurement Reference

This is a departure from Anker Methodology as childcare expenses in countries where Anker has been used are focused on education, with family members and communities caring for children at early ages. The U.S. context is quite different and childcare is essential for workers to have the availability to work. But general principles apply, such as making sure what is estimated is decent and locally specific.

Challenge Present:

Data currently collected 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 .



Anker - Living Wages Around the World: Manual for Measurement Reference

"Transportation costs should be limited to travel to and from work and other essential travel. It should also be adjusted from CES data to ensure adequate coverage of transport costs. Additionally, available public transport should be accounted for as '(public) transport is usually assumed to be acceptable/decent for a living wage'."

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/>

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.



Anker - Living Wages Around the World: Manual for Measurement Reference

Due to the complex nature of the U.S. healthcare system, health insurance becomes an element of healthcare cost that must be carefully analyzed and yet is not thoroughly included or explained in the Anker Method. However, the Anker method also asserts that adequate out of pocket expenses in addition to the cost to access healthcare also be included in living wage estimates on a local basis.

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.



Anker - Living Wages Around the World: Manual for Measurement Reference

These costs are grouped in Non-food, Non-housing costs with the Anker Method and are estimated using the ratio of all non-food and non-housing costs to food. That ratio is then applied to local food costs using Engel's law.

"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.

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Resiliency

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



Anker Manual Reference

"To be conservative, we recommend including 5% above the cost of the basic living style afforded by a living wage to allow for unforeseen events to help ensure sustainability."

Statutory Deductions from Pay

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



Anker Manual Reference

"Statutory deductions reduce workers' take home pay and consequently money available to support a decent life. Therefore, it is necessary to include statutory deductions in living wage estimates."

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 to better align with Anker recommendations. 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.