LIVING WAGE FOR US, Inc.

Living Wage Estimate Methodology

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

This document provides a summary of the methodology used by Living Wage for Us to estimate living wages across the United States. A comprehensive technical methodology document is available for readers seeking further detail. Our approach aligns with guidance from the International Labour Organization (ILO) and builds on established living wage best practices, including the Anker methodology and the WageMap Living Wage Reference Standard.

Geography

County level estimates using the lowest cost county within a one hour commute



Challenge:

Workers often live in a different county than where they work in order to seek more affordable places to live. Living wage estimates should reflect the communities where workers are likely to live, not just the location of the workplace.

Solution:

Living Wage for Us accounts for local commuting patterns when estimating living costs. By considering the broader area where workers are likely to live, our estimates provide a practical and locally relevant living wage benchmark for every county. This recognizes that workers will often seek affordable places to live that are within a reasonable commute from their job sites. To identify these areas, we examine counties within a typical one-hour commute and use labor market and commuting data to reflect where workers may actually live and travel for work. We then use the lowest cost county within this area as the reference for the living wage estimate. Because we use the lowest-cost county, our published estimates are a floor rather than a ceiling: costs may be higher in the county where the workplace is located.

For complete methodological documentation, see the Living Wage Estimate Methodology Technical Documentation.

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Components Calculated by Living Wage for Us

Family Size

Statistically accurate family size estimates

Challenge:

Families take many forms. A living wage estimate should reflect a typical family while supporting well-being. It should not perpetuate poverty or limit workers in family planning choices.

Solution:

Living Wage for Us bases its estimates on a typical U.S. family with children. This corresponds to two adults and approximately two children, using data from the U.S. Census Bureau. Because most children in the United States live in two-adult households, this approach reflects both typical family composition and the potential for more than one worker contributing to family income. Following WageMap guidance, this approach provides a realistic and statistically representative benchmark that is updated regularly over time.

Workers Per Family

1.7471 workers per family estimated based on the Anker Methodology

Challenge:

Not every adult in a family works full-time. Living wage estimates should reflect typical employment patterns while recognizing that many families rely on more than one worker.

Solution:

Living Wage for Us estimates an average of 1.7471 full-time equivalent workers per family. This approach reflects typical employment patterns among working-age adults while recognizing that many families rely on more than one worker to support household expenses. Following the Anker methodology, rather than assuming either a single worker or two full-time workers in every household, the estimate assumes at least one full-time worker and accounts for the likelihood of a second worker contributing income. These assumptions are updated regularly using national labor market data averaged over time to reduce the impact of short-term fluctuations.

Calculation of number of full-time equivalent workers per family:

Workers per family = 1 + (Average Adult Labor Force Participation Rate × (1 − Unemployment Rate) × (1 − [Part-Time Employment Rate ÷ 2]))

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Components Calculated by the Economic Policy Institute (EPI)

Food

Nutritiously sound USDA-based diet adjusted for family size and local costs

Challenge:

Food costs should cover a nutritious diet at a reasonable cost. Costs should also be location-specific. While USDA food plans provide nationally recognized standards for nutritious diets, additional adjustments are needed to reflect differences in food costs across counties.

EPI Approach:

Food costs are based on USDA Food Plans, which provide national standards for nutritious diets. Costs are adjusted to reflect the ages and number of family members and are further adjusted using local food cost data from Feeding America's Map the Meal Gap project to estimate county-level food costs. This follows EPI's Family Budget Calculator methodology.

Housing

HUD Fair Market Rents for decent housing, including utilities and an appropriate number of bedrooms for family size

Challenge:

Housing cost estimates should reflect decent and adequate housing for a family. For a family of four, this generally means a two-bedroom rental that provides separate sleeping spaces for adults and children, consistent with WageMap guidance.

EPI Approach:

Housing costs are based on Fair Market Rents (FMRs) published by the U.S. Department of Housing and Urban Development (HUD). Estimates include rent and essential utilities and are adjusted to reflect local housing market conditions in each county. Where needed, EPI applies additional geographic adjustments to reflect differences in housing costs within counties and metropolitan areas. For a family of four, EPI assumes a two-bedroom rental unit and uses the 40th percentile—the dollar amount below which 40% of standard-quality rental units are rented. This follows EPI's Family Budget Calculator methodology.

These components are independently 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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Components Calculated by the Economic Policy Institute (EPI) with Adjustments

Healthcare

Marketplace health insurance for the lower-cost option of a bronze plan or a subsidized silver plan, plus typical out-of-pocket costs



Challenge:

Health insurance is an essential element of healthcare in the U.S., and it is a major expense for families. Its cost depends on family size, age, location, and income. Families also pay directly for out-of-pocket costs like doctor visit fees and prescriptions. A living wage must cover both.

EPI and Living Wage for Us Approach:

EPI assumes families buy insurance through the national Affordable Care Act (ACA) marketplace. The monthly cost is based on the lowest-cost bronze plan in each area, adjusted for family size and age. Adding to EPI's approach, we also price a silver plan after any subsidies a family would qualify for, and use whichever costs less. Because subsidies depend on income, and income depends on the wage being estimated, we calculate insurance costs and taxes together until the figures are consistent. For out-of-pocket costs, EPI uses a national U.S. Department of Health and Human Services survey, averaging three years of data.

Care

Child care costs spread across childhood, plus savings for eldercare and retirement



Challenge:

When more than one adult in a family works, child care is essential. A living wage must cover it, and must also leave room for eldercare and retirement savings once child care is no longer needed.

EPI and Living Wage for Us Approach:

Child care prices come from the U.S. Department of Labor and Child Care Aware of America. EPI estimates the total cost of care from infancy through age 12, covering center-based, family-based and school age child care. It then spreads costs across the years it is needed, in line with the WageMap Reference Standard, which suggests amortizing child care costs across the child raising years. After those years, the same funds shift to ensure there is enough to cover at least an average 5% annual savings for eldercare and retirement across a worker's lifetime. Where local government provides free child care, only the savings remain.

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Components Calculated by the Economic Policy Institute (EPI) with Adjustments

Transportation

Local costs of owning a car and using public transit



Challenge:

Transportation costs depend heavily on where a family lives. In some areas a car is essential, while in others public transit significantly reduces the need to own one. Estimates should reflect what families actually experience in each county.

EPI Approach:

EPI uses county-level data from the Center for Neighborhood Technology (CNT), which estimates the cost of owning and using a car and of using public transit. To keep the budget to necessities, CNT, working with EPI, adjusts costs to include only work and essential, non-social trips for the first adult, and only work trips for the second adult. This follows EPI's Family Budget Calculator methodology.

Miscellaneous

Everyday essentials estimated from what typical families spend, using BLS household expenditure data



Challenge:

Beyond food, housing, and the other major categories, families need things like clothing, personal care, household supplies, and phone service. Pricing each item would require many subjective judgments about what is “enough,” so a consistent, evidence-based approach is needed.

EPI and Living Wage for Us Approach:

Following the Anker methodology, we estimate these costs using a ratio rather than an item-by-item list. We adapt the ratio slightly by basing it on food and housing together, rather than food alone. Using the U.S. Bureau of Labor Statistics Consumer Expenditure Survey, EPI measures how much families in the lower-middle income range spend on these items relative to food and housing, then applies that ratio to each county’s food and housing costs. Living Wage for Us adds entertainment and other miscellaneous items to this ratio, which EPI excludes, so that workers can take part in some social activities in line with global best practice. This brings the ratio to 43.70% of food and housing costs, compared with 31.05% in EPI’s own calculator.

These components are independently calculated for our initiative by the Economic Policy Institute using their existing methodology detailed at https://www.epi.org/publication/family-budget-calculator-documentation/. Living Wage for Us applies adjustments to these as described above.

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Components Added and Adapted by Living Wage for Us

Resiliency

A 5% margin for unforeseen events

Challenge:

Life isn't a series of planned expenses. A global pandemic, a funeral, a major car repair, or a sudden loss of income can be devastating for a low-wage family. A living wage should include a small buffer for the unexpected.

Solution:

Following the Anker methodology, we add a 5% margin to the cost of living for unforeseen events. EPI's calculator does not include this category, so we add it to the figures EPI provides before applying public benefits and adding taxes. We checked that 5% is adequate for the U.S. context and in line with commonly suggested savings rates.

Statutory Deductions

Federal, state, and local income and payroll taxes on a living wage, calculated together with health insurance

Challenge:

Taxes and payroll deductions reduce take-home pay, so a living wage has to be high enough to cover costs after deductions. Tax rates vary by location, and both public benefits (like health insurance subsidies) and employer benefits paid with pre-tax dollars change how much tax a worker owes.

EPI and Living Wage for Us Approach:

The family budget components, without taxes, sum to the family's post-tax income. EPI then uses TAXSIM, a federal and state tax simulation model, to estimate the pre-tax income needed to reach that post-tax amount. EPI's tax figures can't be used directly because we also account for public benefits and additional cost categories that are not captured in the Family Budget Calculator model. We follow a similar approach to estimate taxes, repeating the calculation until the pre-tax income and tax amount are consistent with each other. We also add local income taxes above 2%, which are not included in the EPI model. This approach lets us estimate how much a pre-tax benefit from an employer saves a worker, so an employer can see how it helps them reach a living wage.

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Alignment and Credibility

Alignment and Credibility

Built on global standards, informed by stakeholders, managing conflict of interest

Challenge:

A living wage estimate must be robust and credible, building on the work of the global network of living wage organizations and experts. Because employers pay fees for assessment and certification, it is essential that our estimates are transparent, represent broad stakeholder input, and can be compared with living wage estimates around the world.

Solution:

Global standards. Our methodology aligns with the International Labour Organization (ILO) definition and principles for estimating living wages and with the WageMap Living Wage Reference Standard. Estimates are evidence-based, use transparent data sources, are updated regularly, and are the same for women and men while taking into account factors supporting gender equity.

Stakeholder input. The methodology was developed with more than 50 employer, labor, and civil society organizations. A standing Advisory Council reviews proposed changes to improve the methodology.

Independence and data quality. EPI, an independent research institute with a long track record producing its Family Budget Calculator, selects and vets its data sources and calculates most cost categories without direction or control from Living Wage for Us. Where we adjust EPI's figures, it is to add costs recognized in global best practice and better reflect families' actual costs, including credit from public benefits. EPI uses the latest data where possible, checks its quality first, and adjusts earlier data for inflation when newer data aren't reliable.

Transparency. Living wage estimates are updated annually and published publicly, free of charge, on the Living Wage for Us website. Each cost category is shown separately, including taxes and deductions, so employers can see both gross and net living wage figures.