

2011 Job Gap REPORT



SEARCHING FOR WORK THAT PAYS

*A five-state study of the wages an individual
needs to make to meet basic needs*



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Introduction

2010 started off as a year of economic promise. The Great Recession had, by official measures, come to an end in June 2009.¹ And with hiring and consumer spending on the rise,² some economists were in an optimistic mood.

But as the year went on — with federal stimulus funding running dry,³ state investments in public services in staunch decline,⁴ health care costs outpacing inflation,⁵ and the percentage of uninsured reaching a record high⁶ — the economy again fell into decline. 2010 ended with the highest average unemployment rate since 1983.⁷

Meanwhile, 2010 median household incomes fell to levels not seen since 1996, part of the longest period of inflation-adjusted median income losses since the Great Depression.⁸ Families continued to lose their homes at record rates, with banks for the first time seizing more than a million homes.⁹ And the poverty rate reached its second highest point since 1965.¹⁰

And, for far too many workers, wages fall well short of what is required to meet their families' basic needs. In other words, these were not living wage jobs.

As devastating as the recession has been, the failure of many jobs to pay a living wage is not a new phenomenon. For more than a decade, the Job Gap Study has documented this shortfall and its effects on workers and their families. However, the economic downturn has underscored the importance of ensuring that hard work really pays off

for families, communities, and the country. The harm to those working in jobs that pay less than a living wage, taken alone, is enough to warrant an effective response from policymakers. A response becomes even more urgent in light of the threat that the downgrading of work poses to the economy overall.

An alarming increase in income inequality preceded the economy's collapse. From 2001 to 2007, two-thirds of the new income generated by the economy was absorbed by the top 1 percent of households in the country. In 2007, this top 1 percent also accounted for the greatest share of the nation's income since 1928.¹¹ The increasing concentration of income reflects a trend that began in the late 1970s, reversing the wider dispersal of income in the three decades after World War II in which the bottom 90 percent saw their income increase more rapidly than did the top 1 percent.¹²

Poor wage growth represents a drag on the economy and it contributes to the recovery's sluggishness. Between 2002 and 2007, while the productivity of workers grew, hourly pay dropped for typical workers with a high school or college education.¹³ Wage deceleration has only continued during the downturn.¹⁴ Limited wage growth restricts the capacity of the group most critical to the economy's revival — working families. And, a true recovery will not come from families relying on personal debt, as families were forced to do in recent decades while wages stagnated. As economists Lawrence Mishel and Heidi Shierholz note, “that mechanism

for growth eventually failed us, and we cannot rely on it in the future.”¹⁵ Rather, they write, “we need consumption growth to be driven by strong employment growth and higher real wages for most workers.”¹⁶

The recession has caused hardship across the population of the United States. Yet people of color, already forced to the margins of our economy, have been the hardest hit. Having lower incomes and less wealth, people of color have faced the recession with fewer resources to serve as a cushion to them in difficult times. Making matters worse, the foreclosure crisis has disproportionately stripped many people of color of their families’ major asset, their homes, deepening the already alarming racial wealth divide.¹⁷

Wage and income equity are issues of

pressing public importance. The 2011 Job Gap Study contributes to the discussion of these issues by examining the availability of living wage jobs in Colorado, Idaho, Montana, Oregon, and Washington. This report provides calculations of:

- A living wage for Colorado, Idaho, Montana, Oregon, and Washington;
- The percentage of job openings that pay a living wage in each of these states; and
- The ratio of the number of living wage job openings to the number of people looking for work.

If they hope to promote a stable and growing economy, policymakers must understand the difficult tradeoffs people must make when full-time work does not pay a living wage or when living wage jobs are not available.

Methodology

The 2011 Job Gap is the latest in a series of studies that calculate the cost of basic household budgets in the Northwest and Colorado to: 1) determine the living wage for certain household types; and 2) measure the availability of these living wage jobs. This living wage is used to identify the “job gap,” that is, the percent of job openings that pay less than a living wage, and the ratio of the number of people looking for work to the number of living wage job openings.

To calculate a living wage for each state, the Job Gap Study estimates the costs of basic needs such as housing, food,

utilities, transportation, health care, and child care, for certain household sizes. Data for this calculation comes from state and federal public data sources, such as the U.S. Department of Labor’s Bureau of Labor Statistics (BLS), the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT), the U.S. Department of Agriculture (USDA), the U.S. Census Bureau, the Consumer Expenditure Survey, and others. Wage and occupational data are derived from data each state reports to the BLS as part of their Occupational Employment Statistics (OES) program.

Occupation and wage data are available from each state in accordance with guidelines developed by the states in cooperation with the BLS and the Employment and Training Administration. The March 2010 Current Population Survey (CPS) was used to find the job-seeking population in all states in this study.

The findings of this report are based on data from 2010, the most recent year for which complete data on job openings, wages, and employment are available.

For a complete discussion of the methodology of this study, see the Technical Notes.

What Is a Living Wage?

A living wage is a wage that allows families to meet their basic needs, without public assistance, and that provides them some ability to deal with emergencies and plan ahead. It is not a poverty wage.

Living wages are calculated on the basis of family budgets for several household types. Family budgets include basic necessities, such as food, housing, utilities, transportation, health care, child care, clothing and other personal items, savings, and state and federal taxes. Living wages for a single adult range from \$13.13 an hour (\$27,317 a year) in Montana to \$14.88 an hour (\$30,960 a year) in Colorado. This assumes full-time work on a

year-round basis. For a single adult with two children, living wages range from \$22.95 an hour (\$47,745 a year) in Montana to \$29.24 an hour (\$60,825 a year) in Colorado.

State-by-state living wage estimates, as shown in the table below, are as follows. All data assumes full-time work on a year-round basis:

- For a single adult, the living wage ranges from \$13.13 an hour (\$27,317 a year) in Montana to \$14.88 an hour (\$30,960 a year) in Colorado.
- For a single adult with one child, the living wage ranges from \$17.65 an hour

| 2011 Living Wages | CO | ID | MT | OR | WA |
|---|-----------|-----------|-----------|-----------|-----------|
| Household 1: Single adult | \$14.88 | \$13.64 | \$13.13 | \$14.75 | \$14.81 |
| Household 2: Single adult with one child | \$21.56 | \$20.38 | \$17.65 | \$21.78 | \$19.99 |
| Household 3: Single adult with two children | \$29.24 | \$26.24 | \$22.95 | \$27.40 | \$27.14 |
| Household 4: Two adults (one working) with two children | \$27.63 | \$25.90 | \$25.10 | \$27.79 | \$27.45 |
| Household 5: Two adults (both working) with two children* | \$38.16 | \$35.20 | \$32.16 | \$36.70 | \$35.94 |

*Total amount earned by both adults

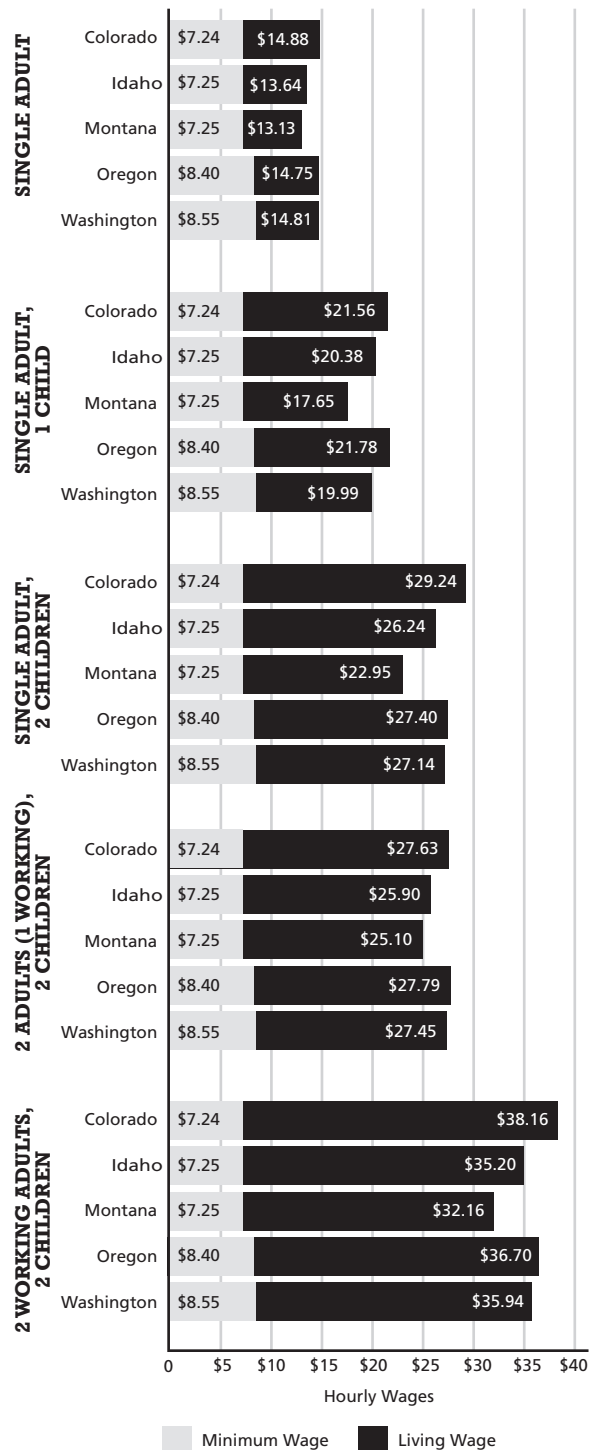
(\$36,722 a year) in Montana to \$21.78 an hour (\$45,302 a year) in Oregon.

- For a single adult with two children, the living wage ranges from \$22.95 an hour (\$47,745 a year) in Montana to \$29.24 an hour (\$60,825 a year) in Colorado.
- For two adults, one of whom is working, with two children, the living wage ranges from \$25.10 an hour (\$52,199 a year) in Montana to \$27.79 an hour (\$57,799 a year) in Oregon.
- For two adults, both of whom are working, with two children, the living wage ranges from \$32.16 an hour (\$66,898 a year) in Montana to \$38.16 an hour (\$79,378 a year) in Colorado. This means that the combined wages of both working adults need to total this amount.

Living Wage versus the Minimum Wage and Federal Poverty Measures

Federal poverty thresholds are the original version of the federal poverty measure, which is calculated by multiplying the cost of a minimum food budget by three. When this formula was derived in 1964, it was generally true that food occupied one-third of a typical family budget. Since then, however, living expenses such as housing, gasoline, utilities, health care, and child care have increased much faster than food expenditures. Because spending on food has fallen dramatically as a proportion of all costs, and because the formula for the poverty threshold has not been adjusted to accommodate this change, the federal poverty measure substantially underestimates a family's basic needs. Many families with incomes above the federal poverty threshold still lack sufficient resources to meet their basic needs. A family

2010 Living Wage vs. Minimum Wage



Source: U.S. Department of Labor

of two, for example, could be earning more than double the federal poverty threshold, but still be making less than a living wage.

The federal poverty guidelines are related to the federal poverty threshold. This study found living wages were two to three times greater than the federal poverty guidelines.

The minimum wage also fails to provide a family or individual with a basic standard of living. In the Northwest and Colorado, minimum wages in 2010 varied from \$7.24 an hour, or \$15,059 a year in Colorado, to \$8.55 an hour, or \$17,784 a year in Washington. However, these wages are not living wages, and they would not fully support either an individual or family.

Key Findings

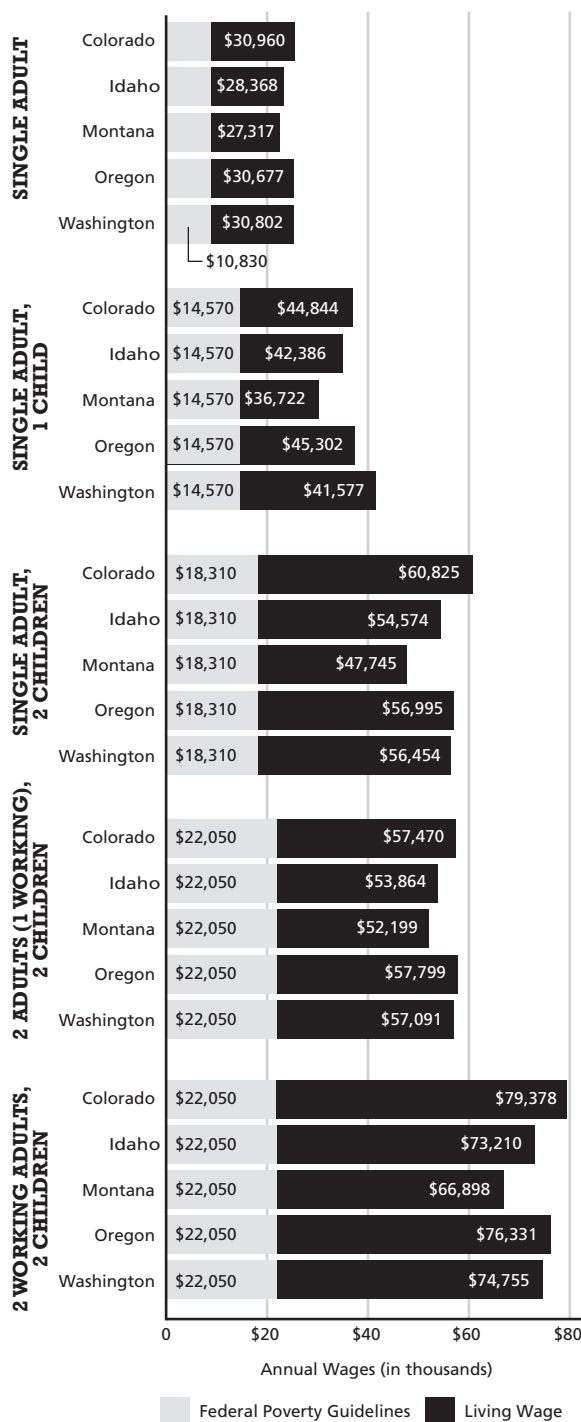
Across the country, and in the Northwest in particular, our economy is failing to create enough living wage jobs for all those who need them. This finding is based on an examination of two indicators:

- The percentage of job openings that pay less than a living wage; and,
- The number of job seekers compared to the number of job openings that pay a living wage.

Percentage of Job Openings That Pay Less Than a Living Wage

This study finds that the market is limited for a person searching for a living wage job. Of

2010 Living Wage vs. Federal Poverty Guidelines



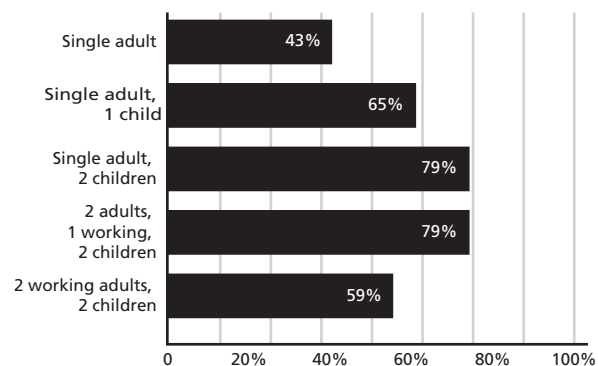
Source: U.S. Department of Health and Human Services

all Northwest and Colorado job openings (looking at data for 2010), 43 percent pay less than a living wage for a single adult, and 79 percent pay less than a living wage for a single adult with two children, as shown in the graph at right. It is important to note the distinction between jobs and job openings. Not all jobs come open during the course of a year. On the other hand, some jobs open repeatedly during a year due to turnover or seasonality of the work. Job openings are of particular interest because they provide employment opportunities for people looking for work.

State-by-state figures are as follows:

- In Colorado, 41 percent of job openings pay less than the \$14.88 an hour living wage for a single adult and 77 percent pay less than the \$29.24 an hour living wage for a single adult with two children.
- In Idaho, 48 percent of job openings pay less than the \$13.64 an hour living wage for a single adult and 87 percent pay less than the \$26.24 an hour living wage for a single adult with two children.
- In Montana, 47 percent of job openings pay less than the \$13.13 an hour living wage for a single adult and 82 percent pay less than the \$22.95 an hour living wage for a single adult with two children.
- In Oregon, 48 percent of job openings pay less than the \$14.75 an hour living wage for a single adult and 83 percent pay less than the \$27.40 an hour living wage for a single adult with two children.
- In Washington, 41 percent of job openings pay less than the \$14.81 an hour living wage for a single adult and 74 percent

Percentage of Total Job Openings Paying Less than a Living Wage



Source: Alliance for a Just Society Job Gap Study, in Colorado, Idaho, Montana, Oregon, and Washington

pay less than the \$27.14 an hour living wage for a single adult with two children.

The percentage of job openings that pay a living wage varies from state to state for a number of reasons, including the mix of industries and related occupations in a state, and the prevailing wage levels, which also vary from state to state. See the state-specific sections below for the full details on each state.

The Ratio of Job Seekers¹⁸ to Living Wage Openings

Another indicator of the job gap is the number of job seekers compared to the number of job openings that pay a living wage. Overall, as of 2010, there were more

Across the country, and in the Northwest in particular, our economy is failing to create enough living wage jobs for all those who need them.

| 2011 Job Gap | CO | ID | MT | OR | WA |
|--|-----------|-----------|-----------|-----------|-----------|
| Job seekers per job opening that pays a living wage for: | | | | | |
| Single adult | 7:1 | 8:1 | 8:1 | 10:1 | 9:1 |
| Single adult with one child | 11:1 | 16:1 | 14:1 | 19:1 | 14:1 |
| Single adult with two children | 19:1 | 30:1 | 24:1 | 32:1 | 21:1 |
| Two adults (one working) with two children | 18:1 | 30:1 | 36:1 | 34:1 | 22:1 |

people looking for work than there were job openings that paid a living wage.

As shown in the “2011 Job Gap” table, for each job opening that pays at least the living wage for a single adult, there are anywhere from seven to 10 job seekers, depending on the state. For each job opening that pays at least the living wage for a single adult with two children, there are 19 to 32 job seekers, depending on the state.

Job gap ratios are calculated by dividing the number of people who were looking for work at some point during 2010 by the number of job openings that year.

State-by-state figures are as follows:

- In Colorado, for each job opening that pays at least the \$14.88 an hour living wage for a single adult, there are seven job seekers on average. For each job opening that pays at least the \$29.24 an hour living wage for a single adult with two children, there are 19 job seekers on average.
- In Idaho, for each job opening that pays at least the \$13.64 an hour living wage for a single adult, there are eight job seekers on average. For each job opening that pays at least the \$26.24 an hour living wage for a single adult with two children, there are 30 job seekers on average.

- In Montana, for each job opening that pays at least the \$13.13 an hour living wage for a single adult, there are eight job seekers on average. For each job opening that pays at least the \$22.95 an hour living wage for a single adult with two children, there are 24 job seekers on average.
- In Oregon, for each job opening that pays at least the \$14.75 an hour living wage for a single adult, there are 10 job seekers on average. For each job opening that pays at least the \$27.40 an hour living wage for a single adult with two children, there are 32 job seekers on average.
- In Washington, for each job opening that pays at least the \$14.81 an hour living wage for a single adult, there are nine job seekers on average. For each job opening that pays at least the \$27.14 an hour living wage for a single adult with two children, there are 21 job seekers on average.

These results indicate that the Northwest is not creating enough living wage jobs for all those who need them. However, a job gap ratio of four to one, for example, does not necessarily imply there are four people competing for each job opening at that wage level. It simply indicates that over the course of a year there were four times as many job seekers as there were living wage jobs at

or above that wage level. Available data do not provide details on what sorts of jobs workers from households of different sizes actually pursue, so no precise conclusions can be reached about the applicant pool for jobs at different wage levels. The applicant pool also depends on the skills, education, and training of job seekers, as well as other factors. Large ratios suggest greater competition among job seekers for available job openings.

Job-Seekers Spike during Great Recession

The Job Gap study relies on data from the most recent complete year — this report and the job gap figures reflect the disparity between job seekers and living wage openings at the end of 2010. However, even a partial picture of 2011's economy clearly reflects the severe impact the recession has had on working families and individuals. Between 2008 and 2010, the number of job-seekers has nearly doubled nationally and in each state featured in this report. Clearly this dramatic increase in people looking for

living wage jobs makes the probability of finding work that pays even more unlikely.

What Happens to Families That Do Not Make a Living Wage?

When families are unable to find work that pays living wages, many are forced to make difficult choices between adequate health care, balanced nutrition, paying bills, and saving for emergencies. The personal stories in this report illustrate some of the complex issues and choices confronted by households below the living wage.

In the pages that follow, this report provides state-by-state findings, determining the living wage for certain household types and measuring the availability of these living wage jobs. This living wage is used to identify the “job gap,” that is, the percent of job openings that pay less than a living wage, and the ratio of the number of people looking for work to the number of living wage job openings.

Colorado

Key Findings for Colorado

- The living wage for a single adult is \$14.88 an hour. This reflects what is needed to meet basic needs and maintain some ability to deal with emergencies and plan ahead. The living wage for a single adult with two children is \$29.24 an hour.
- Forty-one percent of job openings pay less than \$14.88 an hour, the living wage for a single adult. Nearly four out of five, 77 percent, pay less than \$29.24 an hour, the living wage for a single adult with two children.
- For each job opening that pays at least \$14.88 an hour, the living wage for a single adult, there are seven job seekers on average. For each job opening that pays at least \$29.24 an hour, the living wage for a single adult with two children, there are 19 job seekers on average.

| Colorado Family Budgets 2011 | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8yrs) | Household 3: Single adult with a toddler (12-24months) and a school-age child (6-8yrs) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with a toddler and a school-age child |
|--------------------------------------|-------------------------------------|--|--|--|--|
| Food | \$187.98 | \$356.64 | \$471.99 | \$688.68 | \$688.68 |
| Housing & utilities | \$709.01 | \$883.36 | \$883.36 | \$883.36 | \$883.36 |
| Transportation | \$558.37 | \$510.23 | \$510.22 | \$1,114.71 | \$1,244.89 |
| Health care | \$129.10 | \$252.60 | \$378.84 | \$434.35 | \$434.35 |
| Household, clothing & personal (18%) | \$396.11 | \$500.71 | \$561.10 | \$780.27 | \$812.82 |
| Savings (10%) | \$220.06 | \$278.17 | \$311.72 | \$433.49 | \$451.57 |
| Child care | \$0.00 | \$488.13 | \$1,332.37 | \$0.00 | \$1,332.37 |
| Total annual state & federal taxes | \$4,552.37 | \$5,605.44 | \$7,429.46 | \$5,451.80 | \$9,201.99 |
| Gross monthly income needed | \$2,580.00 | \$3,736.97 | \$5,068.72 | \$4,789.17 | \$6,614.87 |
| Gross annual income needed | \$30,959.99 | \$44,843.59 | \$60,824.65 | \$57,470.10 | \$79,378.42 |
| Living wage (at 2080 hr/yr) | \$14.88 | \$21.56 | \$29.24 | \$27.63 | \$38.16 |

| 2011 Colorado Job Gap | Total Job Seekers: 369,943 | | Total Job Openings: 86,893 | |
|--|--------------------------------------|--|---|---|
| | Household 1: Single adult | Household 2: Single adult with one child | Household 3: Single adult with two children | Household 4: Two adults (one working) with two children |
| Living wage job openings | 51,430 | 33,386 | 19,635 | 20,663 |
| Job seekers per living wage opening | 7:1 | 11:1 | 19:1 | 18:1 |
| Percent of all job openings paying less than a living wage | 41% | 62% | 77% | 76% |

Colorado's Living Wage

The living wages for Colorado are as follows:

- For a single adult household, \$30,960 a year or \$14.88 an hour.
- For a single adult with one child, \$44,844 a year or \$21.56 an hour.
- For a single adult with two children, \$60,825 a year or \$29.24 an hour.
- For two adults, one of whom is working, with two children, \$57,470 a year or \$27.63 an hour.
- For two adults, both of whom are working, with two children, \$79,378 a year or \$38.16 an hour (which means that the combined wages of both working adults need to total this amount).

These are statewide averages and are weighted by each county's population. In some counties, costs are higher (particularly for housing and child care) and, as a result, living wages are higher. In other counties, including most of the state's rural counties, costs, and therefore living wages, are lower.

below. Nearly four out of five, 77 percent, pay less than the \$29.24 an hour living wage for a single adult with two children. It is important to note the distinction between jobs and job openings. Not all jobs come open during a year. Job openings are of particular interest because they provide employment opportunities to people looking for work.

In addition, there are more people looking for work than there are job openings that pay a living wage. As shown in the table below, the job gap ratios for Colorado, which compare job seekers to job openings, are as follows:

- For each job opening that pays at least \$14.88 an hour, the living wage for a single adult, there are seven job seekers on average.
- For each job opening that pays at least \$29.24 an hour, the living wage for a single adult with two children, there are 19 job seekers on average.

The Colorado Job Gap

Of all job openings in Colorado, 41 percent pay less than the \$14.88 an hour living wage for a single adult, as shown in the chart

Idaho

Key Findings for Idaho

- The living wage for a single adult is \$13.64 an hour. This reflects what is needed to meet basic needs, maintain some ability to deal with emergencies, and plan ahead. The living wage for a single adult with two children is \$26.24 an hour.
- Forty-eight percent of job openings pay less than \$13.64 an hour, the living wage for a single adult. More than four out of five, 87 percent, pay less than \$26.24 an hour, the living wage for a single adult with two children.
- For each job opening that pays at least \$13.64 an hour, the living wage for a single adult, there are eight job seekers on average. For each job opening that pays at least \$26.24 an hour, the living wage for a single adult with two children, there are 30 job seekers on average.

| Idaho Family Budgets 2011 | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8yrs) | Household 3: Single adult with a toddler (12-24months) and a school-age child (6-8yrs) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with a toddler and a school-age child |
|--------------------------------------|-------------------------------------|--|--|--|--|
| Food | \$187.98 | \$356.64 | \$471.99 | \$688.68 | \$688.68 |
| Housing & utilities | \$584.17 | \$706.82 | \$706.82 | \$706.82 | \$706.82 |
| Transportation | \$558.37 | \$510.23 | \$510.22 | \$1,114.71 | \$1,244.89 |
| Health care | \$124.85 | \$256.35 | \$385.75 | \$441.27 | \$441.27 |
| Household, clothing & personal (18%) | \$363.84 | \$457.51 | \$518.69 | \$737.87 | \$770.41 |
| Savings (10%) | \$202.13 | \$254.17 | \$288.16 | \$409.93 | \$428.01 |
| Child care | \$0.00 | \$556.17 | \$1,164.08 | \$0.00 | \$1,164.08 |
| Total annual state & federal taxes | \$4,112.19 | \$5,211.72 | \$6,024.93 | \$4,673.25 | \$7,880.46 |
| Gross monthly income needed | \$2,364.03 | \$3,532.20 | \$4,547.79 | \$4,488.70 | \$6,100.86 |
| Gross annual income needed | \$28,368.31 | \$42,386.39 | \$54,573.50 | \$53,864.45 | \$73,210.27 |
| Living wage (at 2080 hr/yr) | \$13.64 | \$20.38 | \$26.24 | \$25.90 | \$35.20 |

| 2011 Idaho Job Gap | Total Job Seekers: 111,897 | | Total Job Openings: 28,165 | |
|--|--------------------------------------|--|---|---|
| | Household 1: Single adult | Household 2: Single adult with one child | Household 3: Single adult with two children | Household 4: Two adults (one working) with two children |
| Living wage job openings | 14,511 | 7,108 | 3,722 | 3,730 |
| Job seekers per living wage opening | 8:1 | 16:1 | 30:1 | 30:1 |
| Percent of all job openings paying less than a living wage | 48% | 75% | 87% | 87% |

Idaho's Living Wage

The living wages for Idaho are as follows:

- For a single adult household, \$28,368 a year or \$13.64 an hour.
- For a single adult with one child, \$42,386 a year or \$20.38 an hour.
- For a single adult with two children, \$54,574 a year or \$26.24 an hour.
- For two adults, one of whom is working, with two children, \$53,864 a year or \$25.90 an hour.
- For two adults, both of whom are working, with two children, \$73,210 a year or \$35.20 an hour (which means that the combined wages of both working adults need to total this amount).

These are statewide averages and are weighted by each county's population. In some counties, costs are higher (particularly for housing and child care) and, as a result, living wages are higher. In other counties, including most of the state's rural counties, costs, and therefore living wages, are lower.

More than four out of five, 87 percent, pay less than the \$26.24 an hour living wage for a single adult with two children. It is important to note the distinction between jobs and job openings. Not all jobs come open during a year. Job openings are of particular interest because they provide employment opportunities to people looking for work.

In addition, there are more people looking for work than there are job openings that pay a living wage. As shown in the table below, the job gap ratios for Idaho, which compare job seekers to job openings, are as follows:

- For each job opening that pays at least \$13.64 an hour, the living wage for a single adult, there are eight job seekers on average.
- For each job opening that pays at least \$26.24 an hour, the living wage for a single adult with two children, there are 30 job seekers on average.

The Idaho Job Gap

Of all job openings in Idaho, 48 percent pay less than the \$13.64 an hour living wage for a single adult, as shown in the chart below.

Montana

Key Findings for Montana

- The living wage for a single adult is \$13.13 an hour. This reflects what is needed to meet basic needs, maintain some ability to deal with emergencies, and plan ahead. The living wage for a single adult with two children is \$22.95 an hour.
- Forty-seven percent of job openings pay less than \$13.13 an hour, the living wage for a single adult. More than four out of five, 82 percent, pay less than \$22.95 an hour, the living wage for a single adult with two children.
- For each job opening that pays at least \$13.13 an hour, the living wage for a single adult, there are eight job seekers on average. For each job opening that pays at least \$22.95 an hour, the living wage for a single adult with two children, there are 24 job seekers on average.

| Montana Family Budgets 2011 | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8yrs) | Household 3: Single adult with a toddler (12-24months) and a school-age child (6-8yrs) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with a toddler and a school-age child |
|--------------------------------------|-------------------------------------|--|--|--|--|
| Food | \$187.98 | \$356.64 | \$471.99 | \$688.68 | \$688.68 |
| Housing & utilities | \$521.62 | \$656.75 | \$656.75 | \$656.75 | \$656.75 |
| Transportation | \$558.37 | \$510.23 | \$510.22 | \$1,114.71 | \$1,244.89 |
| Health care | \$142.43 | \$264.76 | \$326.67 | \$382.19 | \$382.19 |
| Household, clothing & personal (18%) | \$352.60 | \$447.10 | \$491.41 | \$710.58 | \$743.13 |
| Savings (10%) | \$195.89 | \$248.39 | \$273.00 | \$394.77 | \$412.85 |
| Child care | \$0.00 | \$265.84 | \$842.09 | \$0.00 | \$842.09 |
| Total annual state & federal taxes | \$3,810.52 | \$3,725.48 | \$4,879.41 | \$4,826.92 | \$7,250.95 |
| Gross monthly income needed | \$2,276.43 | \$3,060.17 | \$3,978.74 | \$4,349.91 | \$5,574.81 |
| Gross annual income needed | \$27,317.18 | \$36,722.09 | \$47,744.87 | \$52,198.92 | \$66,897.70 |
| Living wage (at 2080 hr/yr) | \$13.13 | \$17.65 | \$22.95 | \$25.10 | \$32.16 |

| 2011 Montana Job Gap | Total Job Seekers: 67,930 | | Total Job Openings: 16,404 | |
|--|-------------------------------------|--|---|---|
| | Household 1: Single adult | Household 2: Single adult with one child | Household 3: Single adult with two children | Household 4: Two adults (one working) with two children |
| Living wage job openings | \$13.13 | \$17.65 | \$22.95 | \$25.10 |
| Job seekers per living wage opening | 8:1 | 14:1 | 24:1 | 36:1 |
| Percent of all job openings paying less than a living wage | 47% | 70% | 82% | 89% |

Montana's Living Wage

The living wages for Montana are as follows:

- For a single adult household, \$27,317 a year or \$13.13 an hour.
- For a single adult with one child, \$36,722 a year or \$17.65 an hour.
- For a single adult with two children, \$47,745 a year or \$22.95 an hour.
- For two adults, one of whom is working, with two children, \$52,199 a year or \$25.10 an hour.
- For two adults, both of whom are working, with two children, \$66,898 a year or \$32.16 an hour (which means that the combined wages of both working adults need to total this amount).

These are statewide averages and are weighted by each county's population. In some counties, costs are higher (particularly for housing and child care) and, as a result, living wages are higher. In other counties, including most of the state's rural counties, costs, and therefore living wages, are lower.

below. More than four out of five, 82 percent, pay less than the \$22.95 an hour living wage for a single adult with two children. It is important to note the distinction between jobs and job openings. Not all jobs come open during a year. Job openings are of particular interest because they provide employment opportunities to people looking for work.

In addition, there are more people looking for work than there are job openings that pay a living wage. As shown in the table below, the job gap ratios for Montana, which compare job seekers to job openings, are as follows:

- For each job opening that pays at least \$13.13 an hour, the living wage for a single adult, there are eight job seekers on average.
- For each job opening that pays at least \$22.95 an hour, the living wage for a single adult with two children, there are 24 job seekers on average.

The Montana Job Gap

Of all job openings in Montana, 47 percent pay less than the \$13.13 an hour living wage for a single adult, as shown in the chart

Oregon

Key Findings for Oregon

- The living wage for a single adult is \$14.75 an hour. This reflects what is needed to meet basic needs, maintain some ability to deal with emergencies, and plan ahead. The living wage for a single adult with two children is \$27.40 an hour.
- Forty-eight percent of job openings pay less than \$14.75 an hour, the living wage for a single adult. More than four out of five, 83 percent, pay less than \$27.40 an hour, the living wage for a single adult with two children.
- For each job opening that pays at least \$14.75 an hour, the living wage for a single adult, there are 10 job seeker on average. For each job opening that pays at least \$27.40 an hour, the living wage for a single adult with two children, there are 32 job seekers on average.

| Oregon Family Budgets 2011 | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8yrs) | Household 3: Single adult with a toddler (12-24months) and a school-age child (6-8yrs) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with a toddler and a school-age child |
|--------------------------------------|-------------------------------------|--|--|--|--|
| Food | \$187.98 | \$356.64 | \$471.99 | \$688.68 | \$688.68 |
| Housing & utilities | \$659.31 | \$785.61 | \$785.61 | \$785.61 | \$785.61 |
| Transportation | \$558.37 | \$510.23 | \$510.22 | \$1,114.71 | \$1,244.89 |
| Health care | \$126.18 | \$300.85 | \$401.34 | \$456.85 | \$456.85 |
| Household, clothing & personal (18%) | \$382.96 | \$488.33 | \$542.29 | \$761.46 | \$794.01 |
| Savings (10%) | \$212.76 | \$271.30 | \$301.27 | \$423.04 | \$441.12 |
| Child care | \$0.00 | \$501.09 | \$1,089.39 | \$0.00 | \$1,089.39 |
| Total annual state & federal taxes | \$5,146.19 | \$6,733.01 | \$7,769.46 | \$7,034.92 | \$10,324.00 |
| Gross monthly income needed | \$2,556.40 | \$3,775.14 | \$4,749.56 | \$4,816.59 | \$6,360.88 |
| Gross annual income needed | \$30,676.85 | \$45,301.72 | \$56,994.72 | \$57,799.12 | \$76,330.56 |
| Living wage (at 2080 hr/yr) | \$14.75 | \$21.78 | \$27.40 | \$27.79 | \$36.70 |

| 2011 Oregon Job Gap | Total Job Seekers: 377,124 | | Total Job Openings: 70,415 | |
|--|--------------------------------------|--|---|---|
| | Household 1: Single adult | Household 2: Single adult with one child | Household 3: Single adult with two children | Household 4: Two adults (one working) with two children |
| Living wage job openings | 36,504 | 19,693 | 11,936 | 11,072 |
| Job seekers per living wage opening | 10:1 | 19:1 | 32:1 | 34:1 |
| Percent of all job openings paying less than a living wage | 48% | 72% | 83% | 84% |

Oregon's Living Wage

The living wages for Oregon are as follows:

- For a single adult household, \$30,677 a year or \$14.75 an hour.
- For a single adult with one child, \$45,302 a year or \$21.78 an hour.
- For a single adult with two children, \$56,995 a year or \$27.40 an hour.
- For two adults, one of whom is working, with two children, \$57,799 a year or \$27.79 an hour.
- For two adults, both of whom are working, with two children, \$76,331 a year or \$36.70 an hour (which means that the combined wages of both working adults need to total this amount).

These are statewide averages and are weighted by each county's population. In some counties, costs are higher (particularly for housing and child care) and, as a result, living wages are higher. In other counties, including most of the state's rural counties, costs, and therefore living wages, are lower.

below. More than four out of five, 83 percent, pay less than the \$27.40 an hour living wage for a single adult with two children. It is important to note the distinction between jobs and job openings. Not all jobs come open during a year. Job openings are of particular interest because they provide employment opportunities to people looking for work.

In addition, there are more people looking for work than there are job openings that pay a living wage. As shown in the table below, the job gap ratios for Oregon, which compare job seekers to job openings, are as follows:

- For each job opening that pays at least \$14.75 an hour, the living wage for a single adult, there are 10 seekers on average.
- For each job opening that pays at least \$27.40 an hour, the living wage for a single adult with two children, there are 32 job seekers on average.

The Oregon Job Gap

Of all job openings in Oregon, 48 percent pay less than the \$14.75 an hour living wage for a single adult, as shown in the chart

Washington

Key Findings for Washington

- The living wage for a single adult is \$14.81 an hour. This reflects what is needed to meet basic needs, maintain some ability to deal with emergencies, and plan ahead. The living wage for a single adult with two children is \$27.14 an hour.
- Forty-one percent of job openings pay less than \$14.81 an hour, the living wage for a single adult. About three out of four, 74 percent, pay less than \$27.14 an hour, the living wage for a single adult with two children.
- For each job opening that pays at least \$14.81 an hour, the living wage for a single adult, there are nine job seekers on average. For each job opening that pays at least \$27.14 an hour, the living wage for a single adult with two children, there are 21 job seekers on average.

| Washington Family Budgets 2011 | Household 1: Single adult | Household 2: Single adult with a school-age child (age 6-8yrs) | Household 3: Single adult with a toddler (12-24months) and a school-age child (6-8yrs) | Household 4: Two adults (one of whom is working) with a toddler and a school-age child | Household 5: Two adults (both of whom are working) with a toddler and a school-age child |
|---------------------------------------|-------------------------------------|--|--|--|--|
| Food | \$187.98 | \$356.64 | \$471.99 | \$688.68 | \$688.68 |
| Housing & utilities | \$751.43 | \$918.42 | \$918.42 | \$918.42 | \$918.42 |
| Transportation | \$558.37 | \$510.23 | \$510.22 | \$1,114.71 | \$1,244.89 |
| Health care | \$117.68 | \$269.35 | \$384.42 | \$439.94 | \$439.94 |
| Household, clothing & personal (18%) | \$403.86 | \$513.66 | \$571.26 | \$790.44 | \$822.98 |
| Savings (10%) | \$224.37 | \$285.37 | \$317.37 | \$439.13 | \$457.21 |
| Child care | \$0.00 | \$274.35 | \$1,100.71 | \$0.00 | \$1,100.71 |
| Total annual state & federal taxes | \$3,877.41 | \$4,041.04 | \$5,161.77 | \$4,395.44 | \$6,681.30 |
| Gross monthly income needed | \$2,566.80 | \$3,464.77 | \$4,704.53 | \$4,757.59 | \$6,229.59 |
| Gross annual income needed | \$30,801.63 | \$41,577.27 | \$56,454.37 | \$57,091.11 | \$74,755.14 |
| Living wage (at 2080 hr/yr) | \$14.81 | \$19.99 | \$27.14 | \$27.45 | \$35.94 |

| 2011 Washington Job Gap | Total Job Seekers: 628,101 | | Total Job Openings: 114,643 | |
|--|--------------------------------------|--|---|---|
| | Household 1: Single adult | Household 2: Single adult with one child | Household 3: Single adult with two children | Household 4: Two adults (one working) with two children |
| Living wage job openings | 67,916 | 45,396 | 29,274 | 28,018 |
| Job seekers per living wage opening | 9:1 | 14:1 | 21:1 | 22:1 |
| Percent of all job openings paying less than a living wage | 41% | 60% | 74% | 76% |

Washington's Living Wage

The living wages for Washington are as follows:

- For a single adult household, \$30,802 a year or \$14.81 an hour.
- For a single adult with one child, \$41,577 a year or \$19.99 an hour.
- For a single adult with two children, \$56,454 a year or \$27.14 an hour.
- For two adults, one of whom is working, with two children, \$57,091 a year or \$27.45 an hour.
- For two adults, both of whom are working, with two children, \$74,755 a year or \$35.94 an hour (which means that the combined wages of both working adults need to total this amount).

These are statewide averages and are weighted by each county's population. In some counties, costs are higher (particularly for housing and child care) and, as a result, living wages are higher. In other counties, including most of the state's rural counties, costs, and therefore living wages, are lower.

the chart below. About three out of four, 74 percent, pay less than the \$27.14 an hour living wage for a single adult with two children. It is important to note the distinction between jobs and job openings. Not all jobs come open during a year. Job openings are of particular interest because they provide employment opportunities to people looking for work.

In addition, there are more people looking for work than there are job openings that pay a living wage. As shown in the table below, the job gap ratios for Washington, which compare job seekers to job openings, are as follows:

- For each job opening that pays at least \$14.81 an hour, the living wage for a single adult, there are nine job seekers on average.
- For each job opening that pays at least \$27.14 an hour, the living wage for a single adult with two children, there are 21 job seekers on average.

The Washington Job Gap

Of all job openings in Washington, 41 percent pay less than the \$14.81 an hour living wage for a single adult, as shown in

Discussion

The shortfall in living wage jobs and the failure of many job opportunities to provide a living wage presents challenges for individuals and families. The cost of many basic necessities has been rising over time, with wages failing to keep pace. On top of rising costs, the recession has introduced new strains on family budgets. As a result, many families are forced to make difficult tradeoffs, often forgoing one basic necessity in order to meet another. A few of these costs and tradeoffs are discussed in the sections below.

Health Care

In 2010, major health reform legislation became law. It is estimated that the Patient Protection and Affordable Care Act (ACA) will provide coverage to 32 million additional people by the time it is fully implemented in 2014.¹⁹ In the meantime, people living in the Northwest and the country as a whole continue to struggle with the high costs of health care. Furthermore, the affordability of coverage and care under ACA depends, to a certain degree, on how it is implemented in each state.

The recession has had devastating effects on families, causing not only the loss of employment for many, but also the loss of benefits tied to full-time employment. More full-time workers have been forced into part-time jobs than at any time over the past 15 years.²⁰

For those with employer-based health insurance, the two largest components in health care costs are employee contributions to their health plans and out-of-pocket costs.

Over the last ten years these costs have risen steadily and employees have been bearing larger and larger shares of these costs. Since 2000, premiums for family coverage have grown by 114 percent, while employee contributions have increased by 147 percent.²¹ The average cost of premiums for employer-based family coverage in 2010 was \$13,770.²²

Throughout the Northwest and the country as a whole, families that struggle to earn a living wage are negatively impacted by these trends that place access to quality health coverage increasingly out of reach.

Housing

The decline of the housing market has played and continues to play a central role in the recession, with more and more families either struggling with monthly mortgage payments or losing their homes outright. Whereas early in the recession the foreclosure crisis was driven by the proliferation of high-cost, predatory loans, it now appears to be driven by unemployment.²³ Foreclosures have been on the rise across the Northwest and Colorado. The increase in foreclosures from the third quarter of 2006 to the first quarter of 2010 has ranged from 70 percent in Colorado to 567 percent in Oregon.²⁴

Houses often represent a family's primary asset. However, the decline in the housing market has meant a drop in wealth for families, especially families of color,²⁵ with many owing more on their homes than those homes are worth.²⁶ Almost one quarter of homes with mortgages are in negative equity; recent drops

in this share are due primarily to the rise in foreclosures, rather than to housing market improvements.²⁷ This loss of wealth combined with inadequate wages leaves families especially vulnerable.

Families losing their homes must move into the rental market. However, finding affordable rental housing is often difficult or impossible. According to the Center for Housing Policy, “rents have increased in many metro areas and have occasionally surpassed monthly mortgage payments for a median-priced home.”²⁸ Looking at 208 metro markets, analysts found that rents had increased or held steady in the vast majority, with costs going down by more than 2 percent in just two markets.

Drop in Living Wages

We have conducted the Job Gap Study since 1999, and, typically, we’ve seen that living wages tend to increase from year to year. However, in most instances in this year’s study, the living wage actually dropped. (Job gap ratios, meanwhile, saw increases and decreases.) We attribute this to the following primary reasons:

- Costs decreased for transportation from 2009 to 2010, due to the IRS decreasing its mileage reimbursement rate 5 cents from 2009²⁹ to 2010³⁰;
- Federal tax refunds increased, much due to the Making Work Pay Tax Credit from American Recovery and Reinvestment Act of 2009. Overall average tax refund increased 10 percent from 2009 to 2010, according to IRS.³¹

Conclusion

The findings of this report show that for people looking for living wage jobs, the prospects are dim. The recession has forced many individuals and families onto the job market, where they’re joined by an ever-increasing number of other people also out of work. This increases competition for

the few living wage jobs available, leaving many unemployed, or in work that doesn’t meet a basic standard of living. Families and individuals unable to access living wage jobs must make impossible decisions between paying for healthy food, health care, and other basic bills.

Recommendations

Working families in the Northwest and Colorado are doing all they can to support themselves and their families. But for many families, working hard is not enough. What can be done to make sure that families can make ends meet? Findings from this study suggest a number of strategies that

policymakers can pursue to close the job gap, promote living wage jobs, and make sure that work pays.

Support the creation of living-wage jobs. At a time when the economy is doing an especially poor job of creating

living wage employment, the federal and state governments should step in to spur job creation. Furthermore, jobs creation programs should support the creation of employment that pays living wages.

Address the housing crisis. Severe unemployment and underemployment is driving a startling loss of wealth, in the form of foreclosures and loss of home equity, for families across the region and the country. Federal and state policymakers need to do much more to address the housing crisis. One example involves measures to reduce the principal homeowners owe on their houses.

Promote affordable health care through implementation of health care reform. States and the federal government are now making many decisions about how health reform will be implemented. In so doing, they should take every opportunity to ensure the affordability of health care, putting in place strong oversight of insurers and creating effective health insurance exchanges that use negotiating power to get the best health care at the best price.

Invest in supports for the unemployed and the under-employed. With fewer jobs paying a living wage and the job gap growing,

programs that supplement income become all the more important. These programs can take a variety of forms, such as unemployment benefits and other income supports, food assistance, child care assistance, housing support, and education and training. Supports like these help close the job gap created by the lack of living wage work.

Increase state revenues. Around the Northwest and in Colorado, states have found themselves reeling from declines in revenue. This has left them in a poor position to support families impacted by the recession. States should ensure that revenue systems are stable and sufficient, are supported by a balanced variety of sources, and are based upon equitable contributions by families and corporations.

Ensure corporations make investments, not just profits. Corporations have a responsibility to invest in the communities in which they operate. They should endeavor to pay employees a living wage, including health insurance and other benefits, and adopt compensation policies that reduce wage disparities between executives and front-line workers. Furthermore, corporations should not undermine the protection and empowerment of our communities by seeking to avoid paying their fair share of taxes.

Technical Notes

Given limitations in the available data and continuity of data sets, this study updates the previous Job Gap Study as closely as possible using 2010 data. Where 2010 data were not available, data for the closest year available were adjusted for inflation to reflect 2010 dollars.

Family Living Wage Budgets

A living wage is a wage that provides a household with economic self-sufficiency, allowing it to meet its basic needs without government subsidy. For this study, a

modified market basket approach was used. Household budgets, upon which living wages are based, include:

- Food
- Housing and utilities
- Transportation
- Health care
- Child care
- Household, clothing, and personal items
- Savings
- State and federal taxes

Household Assumptions

Household types were selected to reflect the range of budget requirements for five household types:

- Single adult
- Single adult with one child between the ages of six and eight
- Single adult with two children, one between the ages of six and eight and the other between the ages of one and two
- Two adults including one wage earner, with two children, one between the ages of six and eight and the other between the ages of one and two
- Two adults, both wage earners, with two children, one between the ages of six and eight and the other between the ages of one and two

Food

Food costs are derived from the “Low Cost Food Plan” in the U.S. Department of Agriculture’s (USDA) monthly report “Cost of Food at Home: U.S. Average at Four Cost Levels.”³² Food costs for the living wage calculation for 2003 to 2009 are based on an annual average of monthly food costs.

The Low Cost Food plan values are based on food expenditures by the 25th to 50th percentiles of the U.S. population, as determined in the National Household Food Consumption Survey. This plan is 25-50 percent higher than the “Thrifty Food Plan,” which is used as the basis for food stamp allocations and federal poverty benchmarks. The Thrifty Plan was not used because nutritionists consider it to be nutritionally inadequate on a long-term basis. The Low Cost Plan is based on the assumption that all food is prepared at home.

The adults were calculated based on the following: Single Adult HH1 (20-50 year old woman); Single Adult with Child HH2 (20-50 year old woman and 6-8 year old child); Single Adult with two children HH3 (20-50 year old woman, 6-8 year old child, and 1 year old child); HH4 and HH5 were calculated with one woman 20-50 years old, one man 20-50 years old, one 6-8 year old child, and one year old child.

There are no adjustments for these food plans by state or region. Other reports indicate that the variation in food prices is small enough that geographic adjustments are not necessary. The USDA values are based on 2001-2002 data and updated monthly for inflation.³³

Housing and Utilities

Housing and utilities costs are derived from U.S. Department of Housing and Urban Development (HUD) Fair Market Rents and information provided by CenturyLink.

Fair Market Rent data are provided at a county level.³⁴ Fair Market Rents are gross rent and utilities estimates “that would be needed to rent privately owned, decent,

safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities.” They include shelter rent plus the cost of all utilities, except telephones. HUD sets Fair Market Rents at the 40th percentile (in other words, 40 percent of the standard quality rental housing units are at or below this cost). The 40th percentile rent is drawn from the distribution of rents of all units occupied by renter households who moved to their present residence within the past 15 months. Public housing units and units less than two years old are excluded. It is assumed that families with one or two children will rent a two-bedroom unit, and that a single adult household will rent a one-bedroom unit.

Affordable housing is typically defined as less than 30 percent of a household’s annual income. Households that spend more than this are considered “cost burdened” and may have difficulty affording other necessities.³⁵

CenturyLink provided the cost of basic service for unlimited local calls, with no call waiting, voice messaging, or other extras. The estimate does not include any long distance calls.³⁶ The estimate also does not include set-up fees or taxes. Each state’s basic phone cost was added to its weighted average Fair Market Rent to determine the whole cost of rent and utilities.

Transportation

Transportation costs were derived using the 2010 National Household Travel Survey from the U.S. Department of Transportation³⁷ and 2010 Internal Revenue Service “Standard Mileage Rates” as an approximate cost for automobile travel.³⁸

The transportation component of the family budget is based on the cost of maintaining a

private vehicle, and the National Household Travel Survey provides data on the annual vehicle miles of travel. The mileage totals were adjusted for the number of adults, workers and persons in each household.³⁹ The number of annual vehicle miles traveled per household was then multiplied by the IRS standard mileage reimbursement rate for the year of the study, which accounts for vehicle cost, insurance, gasoline, repairs, depreciation, and vehicle registration fees.⁴⁰

Health Care

Health care expenses include insurance premiums as well as the out-of-pocket costs not covered by insurance. Estimates of health care expenditures were prepared for families that are covered by employer-sponsored insurance, as well as for families that purchase private non-group health insurance.⁴¹ These two estimates provide some idea of the range of health care costs families experience, yet the figures are probably conservative. Workers who earn low wages are far more likely than higher-wage earners to contribute a large share of their income to their health insurance premiums.⁴² Additionally, low-wage workers are much less likely than higher-wage earners to work in companies that offer health insurance to their employees.⁴³

Employer-Sponsored Insurance:

Average employee contributions to employer-sponsored insurance premiums were obtained for each state from the Insurance Component Tables of the 2009 Medical Expenditure Panel Survey (MEPS).⁴⁴ Although MEPS contains some information about co-payments and deductibles, it does not provide detailed information about the typical package of health benefits.

Out-of-Pocket Costs:

Out-of-pocket costs represent the medical expenses that are not covered by an insurance policy, and are instead paid by the individual or their family for health care received.⁴⁵ To arrive at a total figure for health care costs, an average value for out-of-pocket expenses was added to the family share of insurance premiums. Out-of-pocket costs were based upon figures from the 2007 MEPS Household Medical Expenditure Tables, which can be modified to produce specific out-of-pocket data by age and geographic region.⁴⁶ Out-of-pocket costs for those purchasing private insurance and those buying into employer-sponsored health insurance were calculated using the same methods.

Child Care

Child care expenses are based on the assumption that all single-parent households and households with two working parents require child care services. Estimates are derived from market rate surveys conducted by state welfare agencies. Because the federal government and most states subsidize child care for low-income families up to the 75th percentile — the statewide child care rate at which 75 percent of child care slots may be purchased — state-level data are readily available and are used for these estimates.

As child care market rate surveys are done by each individual state, their methods vary. For this reason, this study's methods vary slightly state-to-state. Each state provides child care costs by region. The costs of the various types of child care were averaged for each region, weighted by that region's population, and summed to produce a weighted average for the cost of child care in each state.

In all states, school-age children are assumed to attend half-time and toddlers full-time, 12 months a year. In the two-parent household, with only one parent working, it is assumed that child care is not necessary. So, in Household 1 (single adult) and Household 4 (two parents, two children, with only one working parent), child care costs are \$0.

Household, Clothing, and Personal Items

Household, clothing, and personal spending estimates are derived from the Consumer Expenditure Survey (CES) and are calculated as a fixed percentage of total household spending minus child care and taxes.⁴⁷ Spending on these items, as a proportion of total income, is consistent across income categories. No detailed expenditures or needs-based estimates are available for these budget categories. A total percentage of 18 percent for this item is used in the household budget, based on the 1998 CES estimates. It is essential to use a percentage for household, clothing, and personal expenditures that is fixed over time. The first year of the Job Gap study was based on CES data from 1998. We believe that data from that year fairly represent household costs, and we have used the same proportions for subsequent years of this study. As defined by the CES:

1. Household costs include laundry and cleaning supplies, stationery supplies and postage, household linens (towels, sheets, etc.), sewing materials, furniture, floor coverings, major appliances, miscellaneous house wares (small appliances, plates, etc.), and other items needed to operate and maintain a household. Household costs are

estimated at 5 percent.

2. Clothing and personal costs include clothing, personal care products, reading materials, and other personal expenses. Clothing and personal costs are estimated at six percent.
3. Recreation and entertainment costs include fees for participant sports, admissions to sporting events, movies and video rentals, TV/sound equipment, music, pets, toys, and other entertainment expenses. Entertainment costs are estimated at five percent.
4. Miscellaneous costs include items not covered in the above categories such as school supplies, bank fees, and credit card finance charges. Miscellaneous costs are estimated at 2 percent.

Savings

The American Savings Education Council (ASEC) has developed a formula for estimating the percentage of household income that families should save.⁴⁸ This study assumes that workers are not enrolled in employer-sponsored retirement plans, given that only 33 percent of those with incomes between \$10,000 and \$25,000 participate in an employer-sponsored retirement plan.⁴⁹ When applied to households in our study, the recommendation is that families should save between seven and 13 percent of household income for retirement. Using the lower estimate of seven percent, an additional three percent was added to cover emergencies and allow families to plan ahead. Savings rates were set at 10 percent of spending minus child care and taxes.⁵⁰

State and Federal Taxes

Taxes include federal taxes (including child

care credits and the Earned Income Tax Credit), payroll taxes (Social Security and Medicare), and state income taxes where applicable. Property taxes were not included here because they are accounted for in housing (rental) costs. State and local sales taxes were not added to the income tax figure because they are already reflected in the cost of food, transportation, and household costs.⁵¹

The total living wage budget before taxes was assumed to represent each household's annual income. Federal and state income tax returns were prepared for each household using TaxCut software.⁵² Employment taxes were calculated at 7.65 percent of earned income (6.2 percent for Social Security, 1.45 percent for Medicare). For federal taxes it was assumed that families would use the standard deduction and that there was no source of outside income. Where appropriate, deductions were made for applicable child care and EITC benefits. Once the tax amount was calculated, it was added to each family's monthly budget to determine the total living wage.

Job Seekers

Job seekers include:

- The unemployed — people who are not employed but are looking for work. Included are those who have been laid off, quit their jobs, are entering the workforce for the first time, or are re-entering it. Not included are those who are unemployed due to temporary layoff or those looking only for part-time work.
- Involuntary part-time workers — people who work less than full-time, but want to work full-time.
- Discouraged workers — people who are

not employed and not currently looking for work, but have looked for work within the past year. In the case of discouraged workers, they are not seeking work because they believe there are no jobs available or there are none for which they qualify.

- Marginally attached workers — people who are not employed and are not seeking work due to personal or financial reasons.

Not included are people who prefer part-time work.

It is important to note that the unemployment rate reflects only the unemployed and, therefore, misses many job seekers — including discouraged and marginally attached workers. This suggests that there are many more job seekers for each living wage job opening than conventionally assumed.

The job seeker figures used are likely an underestimate of the actual number of job seekers. Ideally, the count of job seekers would capture everyone, working or not, who needs a living wage job. The figures used here understate the number of job seekers in that they do not count those who are working full-time at less than a living wage but want a living wage job, because data on this group do not exist. They overstate the number in that all the unemployed are counted, even though some may not be looking for a living wage job. Also, people who left the labor market and then re-entered the same occupation are counted among the job seekers, whereas those who moved directly from one job to another in the same occupation are not. However, assuming even a fraction of the people working at less than a living wage job for a single adult want a

living wage job, the count is, on balance, an underestimate.

Job Openings

Job openings include the following:

- Job openings due to growth — the result of new jobs being created by new or existing firms.
- Job openings due to replacement — the result of people retiring, entering school or the military, moving across state boundaries, changing occupations, or otherwise leaving the occupation in which they currently work.

The analysis does not include job openings that result from people changing employers but remaining in the same occupation, since these are largely invisible to the average job seeker. Also not included, for similar reasons, are job openings for unpaid family workers and self-employment.

In determining which job openings paid a living wage, the state median wage for an occupation was used where available; this means that half the people in the occupation earn less and half earn more than that amount. Not everyone will start at the median wage, but many should progress to that wage over time.

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