

Still STRUGGLING to Make Ends Meet

A Report on Living Wages in Washington State

By Allyson Fredericksen
July 2018

The **Job
Gap**
Economic
Prosperity series

ABOUT THE AUTHOR

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Allyson has produced state and national reports on living wage standards, student debt, Medicaid expansion, women’s access to healthcare, and the foreclosure crisis. Her research has been featured in local and national media outlets including the New Yorker, Bloomberg BNA, the Huffington Post, Seattle Times, Puget Sound Business Journal, Portland Business Journal, and more. Allyson holds an M.A. in Policy Studies from the University of Washington with a focus on safety net and racial justice issues. Her additional experience includes advocacy for increased affordable housing and a strengthened safety net, and research on training outcomes for child care workers in Washington State.

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Over the past twenty years, Will Pittz has held senior-level roles in public policy, community, and labor organizations. Most recently, Will has consulted with labor unions and community organizations on strategy, policy, and fund development. Prior to working as a consultant, Will spent 10 years as Executive Director of Washington Community Action Network, the largest community organization in Washington State focused on economic and racial justice. He has been a senior researcher and national campaign coordinator for Applied Research Center (now Race Forward) and the Alliance for a Just Society, where he helped develop and produce the “Job Gap” economic prosperity series. Will received a Masters in Public Policy in Health, Labor and Education at the Harvard Kennedy School.

ACKNOWLEDGMENTS

Thanks to the following for contributions to the report: Jill Reese, Julie Chinitz and LeeAnn Hall. We would also like to thank Libero Della Piana for his work with layout and graphics design.



The Job Gap
Economic Prosperity series

The Job Gap Economic Prosperity series examines the ability of working families to move beyond living paycheck-to-paycheck in today’s economy, seeking to understand both the barriers keeping families from achieving economic prosperity and what actions policymakers can take to help families and communities thrive.

A LIVING WAGE IN WASHINGTON STATE

Workers across the country face difficulties making ends meet; the same is true in Washington State. Two years ago, in an attempt to help the minimum wage keep pace with increased cost of living, voters in Washington State approved Initiative 1433. While that provided a much-needed boost to the state's minimum wage, workers and their families continue to struggle with a wage that doesn't allow them to meet all of their needs.

WHAT IS A LIVING WAGE?

A living wage is one 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 or survival wage.

In this report, 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. This assumes full-time work on a year-round basis, at 2,080 hours per year.

More information on living wage calculations is included in the Technical Notes section at the end of this report.

While Initiative 1433 has increased the minimum wage faster than would have occurred with previous inflation-based adjustments, the state minimum wage still falls short of a living wage.

A living wage is the amount a full-time worker must be paid in order to make ends meet, including setting aside money for emergencies and for some savings. In Washington State, the statewide living wage for a single adult is \$17.85 per hour, or \$37,123.06 per year, far exceeding the current state minimum wage of \$11.50. A worker with no dependents who is paid minimum wage must work 62.1 hours per week to make ends meet.

For working families with children, the cost of living is even greater. Statewide, a single adult with two children must be paid \$34.90 per hour or more to make ends meet. Even in a two-parent family with two children, where both parents are working, each parent needs to be paid at least \$22.06 per hour to meet all of their family's needs.

STATEWIDE NUMBERS OBSCURE HIGHER LIVING WAGES IN URBAN AREAS

While Washington’s minimum wage falls short of the cost of living for single adults and for working families statewide, the gap is even wider in urban areas.

In King County, a single adult must be paid \$20.66 per hour, or \$42,970.62 annually, to make ends meet. Even local minimum wage increases – including the highest Seattle minimum wage of \$15.45 per hour for certain employers and the \$15.64 minimum wage for hospitality and transportation workers in SeaTac – fall short of providing a living wage for local workers. A single adult in King County who is paid the state minimum wage of \$11.50 per hour would need to work 71.9 hours per week in order to cover basic needs and have money left over for emergencies and savings.

As is true statewide, workers supporting children have a significantly higher cost of living in King County than do single adults. A single adult with two children in King County must be paid \$41.88 per hour to make ends meet, and two adults with two children, where both adults are working, must each be paid at least \$25.28 per hour to cover basic expenses.

Hours at Minimum Wage to Make the Equivalent of a Living Wage in Washington State		
Area	Single Adult Living Wage	Hours Per Week Needed at State Minimum Wage
Statewide	\$17.85	62.1
King County	\$20.66	71.9

WHAT HAPPENS WHEN FAMILIES ARE NOT PAID A LIVING WAGE?

Despite recent increases in the minimum wage, state and local minimum wage rates continue to fall short of a living wage for workers in Washington State.

When workers are not paid a living wage, they must make tough choices with long-lasting consequences. If they are physically able, they may work extra hours to make up the difference, sacrificing their time and well-being in order to make ends meet. Otherwise, they must cut back on necessities, like skipping doctors' appointments or going with fewer meals, and do away with any savings or emergency funds, hoping that nothing goes wrong. All options for low-wage workers have a negative impact on workers, families, and communities.

Even for single adults, it is impossible to make ends meet on minimum wage in Washington State, particularly in urban areas, without cutting back on essentials or working extra hours.

At a minimum, working a full-time job should ensure financial security; unless it does, workers and their families will continue to pay the cost.

LIVING WAGE TABLE: WASHINGTON STATE

WASHINGTON 2017 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 yrs)	Household 3: Single adult with a toddler (12-24 months) 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	\$207.18	\$398.08	\$523.43	\$762.62	\$762.62
Housing & Utilities	\$979.39	\$1,222.88	\$1,222.88	\$1,222.88	\$1,222.88
Transportation	\$597.45	\$545.95	\$545.93	\$1,192.74	\$1,332.03
Health Care	\$131.08	\$340.30	\$495.02	\$542.39	\$542.39
Household, Clothing, & Personal (18%)	\$478.78	\$626.80	\$696.81	\$930.16	\$964.98
Savings (10%)	\$265.99	\$348.22	\$387.12	\$516.75	\$536.10
Child Care	\$0.00	\$402.79	\$1,448.09	\$0.00	\$1,448.09
State/Federal Taxes (Annually)	\$5,204.53	\$6,326.90	\$8,753.19	\$6,779.59	\$10,042.48
Gross income needed per working adult (monthly)	\$3,093.59	\$4,412.26	\$6,048.71	\$5,732.50	\$3,822.98
Gross income needed per working adult (annually)	\$37,123.06	\$52,947.15	\$72,584.48	\$68,789.98	\$45,875.75
Living Wage per working adult (hourly)	\$17.85	\$25.46	\$34.90	\$33.07	\$22.06

The living wage for a single adult in Washington State is \$17.85 per 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 \$34.90 per hour.

Washington State's minimum wage of \$11.50 per hour does not allow working families to make ends meet. The state minimum wage provides only 64 percent of a living wage for a single adult, requiring a worker to work for 62.1 hours to make the equivalent of a living wage.

LIVING WAGE TABLE: KING COUNTY

KING COUNTY 2017 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 yrs)	Household 3: Single adult with a toddler (12-24 months) 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	\$207.18	\$398.08	\$523.43	\$762.62	\$762.62
Housing & Utilities	\$1,265.63	\$1,560.63	\$1,560.63	\$1,560.63	\$1,560.63
Transportation	\$597.45	\$545.95	\$545.93	\$1,192.74	\$1,332.03
Health Care	\$131.08	\$340.30	\$495.02	\$542.39	\$542.39
Household, Clothing, & Personal (18%)	\$550.34	\$711.24	\$781.25	\$1,014.59	\$1,049.42
Savings (10%)	\$305.74	\$395.13	\$434.03	\$563.66	\$583.01
Child Care	\$0.00	\$469.41	\$1,891.08	\$0.00	\$1,891.08
State/Federal Taxes (Annually)	\$6,281.44	\$7,841.48	\$12,328.79	\$8,050.86	\$12,522.08
Gross income needed per working adult (monthly)	\$3,580.89	\$5,074.20	\$7,258.77	\$6,307.54	\$4,382.34
Gross income needed per working adult (annually)	\$42,970.62	\$60,890.40	\$87,105.19	\$75,690.48	\$52,588.10
Living Wage per working adult (hourly)	\$20.66	\$29.27	\$41.88	\$36.39	\$25.28

The living wage for a single adult in King County is \$20.66 per 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 \$41.88 per hour.

Washington State's minimum wage of \$11.50 per hour does not allow working families to make ends meet. The state minimum wage provides only 56 percent of a living wage for a single adult, requiring a worker to work for 71.9 hours to make the equivalent of a living wage.

TECHNICAL NOTES

Given limitations in the available data and continuity of data sets, this study updates the previous Job Gap Economic Prosperity Series living wage calculations as closely as possible using 2017 data. Where 2017 data were not available, data for the closest year available were adjusted for inflation to reflect 2017 dollars.

FAMILY LIVING WAGE BUDGETS

A living wage is a wage that provides enough for a household to meet its basic needs and have money for savings and miscellaneous personal and household expenses 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; and,
- State and federal taxes

HOUSEHOLD ASSUMPTIONS

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

- Single adult
- Single adult with one child between the ages of 6 and 8
- Single adult with two children, one between the ages of 6 and 8 and the other between the ages of 1 and 2
- Two adults, including one wage earner, with two children, one between the ages of 6 and 8 and the other between the ages of 1 and 2
- Two adults, both wage earners, with two children, one between the ages of 6 and 8 and the other between the ages of 1 and 2

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.” Food costs 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 Supplemental Nutrition Assistance Program 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.

Households are 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- to 2-year-old child); HH₄ and HH₅ are calculated with one woman 20-50 years old, one man 20-50 years old, one 6-8-year-old child, and a 1-2-year-old child.

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. Fair Market Rents are gross rent and utilities estimates of the amount “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, but 60 percent cost more than this figure). 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 2 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.

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

Housing and utilities does not include the cost of Internet, television service, cell phones, or other optional utilities. While many families do include the costs of these in their utilities

budget, and may rely on them more than in the past, for the purposes of this study these are considered optional expenses so are not included in this report.

TRANSPORTATION

Transportation costs are derived using the 2009 National Household Travel Survey from the U.S. Department of Transportation (DOT) and 2017 Internal Revenue Service (IRS) “Standard Mileage Rates” as an approximate cost for automobile travel.

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 are adjusted for the number of adults, workers and persons in each household. 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.

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 are prepared for families that are covered by employer-sponsored insurance. While many families now purchase health insurance through state or federal exchanges, this report assumes that a living wage includes employer-sponsored insurance.

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. Additionally, low-wage workers are much less likely than higher-wage earners to work in companies that offer health insurance to their employees. In 2016 in the U.S., 49 percent of the population had employer-based insurance, 7 percent purchased private, individual health insurance, 19 percent were covered by Medicaid, 14 percent were covered by Medicare, 2 percent were covered through military or Veterans Administration benefits, and 9 percent were uninsured.

Employer-Sponsored Insurance:

Average employee contributions to employer-sponsored insurance premiums were obtained for each state from the Insurance Component Tables of the 2016 Medical Expenditure Panel Survey (MEPS). 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. 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 are based on figures from the 2014 MEPS Household Medical Expenditure Tables, which can be modified to produce specific out-of-pocket data by age and geographic region. Out-of-pocket costs for those purchasing private insurance and those buying into employer-sponsored health insurance are 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 typically available and are used for these estimates.

The costs of the various types of child care are averaged for each county, weighted by that county's population, and summed to produce a weighted average for the cost of child care in each state. The most recent Market Rate Survey for Washington was published in 2015, using 2014 data. As such, figures were adjusted for inflation from the 2014 data.

Realizing that school-age children do not attend child care full-time during the school year, school-age children are assumed to attend half-time for 9 months of the year and full-time for 3 months. 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. 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 rep-

resent 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 housewares (small appliances, plates, etc.), and other items needed to operate and maintain a household. Household costs are estimated at five 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. This study assumes that workers are not enrolled in employer-sponsored retirement plans, given that only 33 percent of workers have access to an employer-sponsored retirement plan.

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 are set at 10 percent of spending minus child care and taxes.

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 are not included here because they are accounted for in housing (rental) costs, though rental credits are included where applicable. State and local sales taxes are not added to the income tax figure because they are already reflected in the cost of food, transportation, and household costs.

The total living wage budget before taxes is assumed to represent each household's annual income when calculating taxes. Federal and state income tax returns are prepared for each household using software from H&R Block. Employment taxes are calculated at 7.65 percent of earned income (6.2 percent for Social Security, 1.45 percent for Medicare). For federal taxes it is assumed that families use the standard deduction and that there is no source of outside income. Where appropriate, deductions are made for applicable child care and EITC benefits, including the \$600 per child credit. Once the tax amount is calculated, it is added to each family's monthly budget to determine the total living wage.

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The Job Gap

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