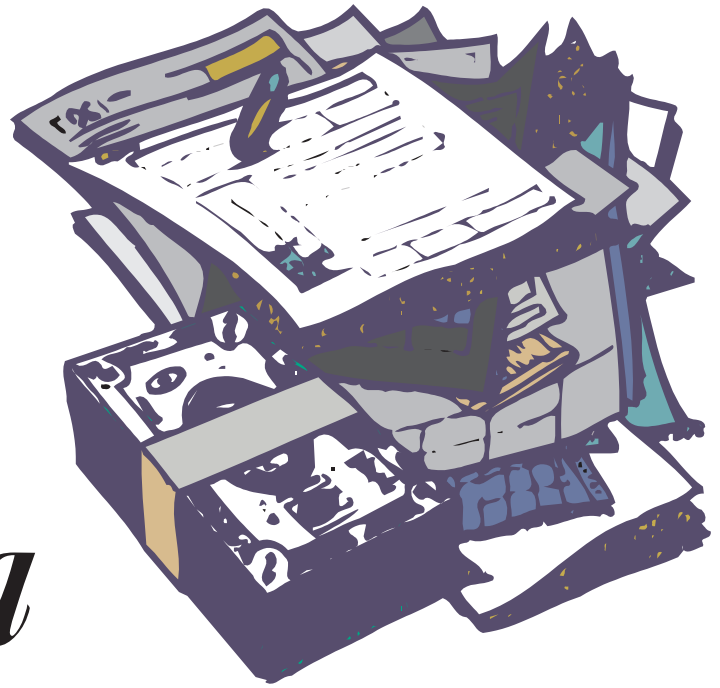


Making Ends Meet in North Dakota



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What would an employed mother with two children need to earn to meet her monthly bills in North Dakota without relying on government assistance?

Welfare reform has mandated the dual challenges of moving recipients off public assistance into employment and limiting access to public assistance for a lifetime total of only 60 months. However, these changes in the social safety net assume not only that enough jobs will be available, but they will pay sufficiently to end any further need for assistance.

So two questions need to be answered: What is the amount of monthly income necessary to support a family without having to fall back onto public assistance? And, is North Dakota's economy producing the kinds of full-time employment opportunities that will eliminate the need for assistance?

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Calculating a Cost-of-living Budget

Since the beginning of this century, researchers have made efforts to determine the minimum costs of meeting a family's monthly needs. Typically, these efforts were based on actual household spending (frequently urban households) as reported in surveys or diaries.

Today, the discussion of a living wage arises in part from the inability of the current minimum wage to provide an income adequate for a family to live above the poverty line. These debates are about whether businesses applying for government grants or subsidies should be paying a wage sufficient to keep their workers above the poverty line, eliminating the need for their employees to seek further government assistance.

A living wage is the amount of earnings necessary for a family to meet minimum monthly costs. Typically included in this are the costs for housing and utilities, food, child care, transportation, and basic household and personal care items. Not typically included are costs for items such as entertainment, birthday or other gifts, toys, tobacco products or alcohol.

Existing models figure these costs to calculate what a family must earn to meet a minimum monthly budget.

Typically, advocacy groups calculate these for urban areas, especially those with upcoming or pending living-wage legislation. However, because costs are not the same in rural and urban areas, the results cannot be generalized across the geographic spectrum.

Differences in the local cost of living vary not only by region but also by rural and urban residence. In urban areas, public transportation is available not only for getting to and from work, but also for grocery shopping, visiting a doctor or many other purposes. But in rural areas, public transportation is rare. The only way for an individual to get around in most rural communities is by personal transportation, whether that's owning one's own vehicle or sharing a ride with someone who does.

Further evidence of this disparity can be found in the 2008 Consumer Expenditure Survey. Transportation costs were 16.7 percent of urban but 21.2 percent of rural monthly household expenditures. Utilities are 7.1 percent of urban but 8.6 percent of rural household costs. Health-care costs consume just more than 5.7 percent of the average urban household's expenditures, but nearly 8 percent of rural households' expenditures.

What, then, would an employed mother (age 24) with two children (age 4 and 6) need to earn to meet her monthly bills in North Dakota without relying on government assistance?

The information designated * are costs associated with essential living items that were collected through research in the Fargo-Moorhead area. In instances where local data were not available, reasonable estimates were derived from the 2006 Consumer Expenditure Survey for the Midwest region. Food costs were taken from the Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, Thrifty Food Plan, August 2008, for a female age 19 to 50 and two children, age 4 and 6.

The estimated cost of living for an employed single mother with two children in North Dakota is \$838 a week, \$3,633 a month or \$43,596 a year. To meet her monthly cost of living, a single mother must earn a take-home wage of \$20.95 an hour.

Adding OASDI (Old Age, Survivors and Disability Insurance) and Medicare taxes (6.2 percent and 1.45 percent), as well as income taxes (15 percent),

Item	Monthly Cost
* Housing (rent, insurance, utilities)	830
* Phone	35
Food	401
* Child care	993
Household, personal care items and clothing	328
Transportation (car payments, gas, repairs, insurance, etc.)	811
Health care (insurance, prescriptions, etc.)	235
Total per month	3,633
Total per year	43,596
* Based on local information	

the necessary minimum monthly income needed to generate the net income to make ends meet would rise to approximately \$4,464, or \$53,570 per year. This would require an hourly wage of \$25.75 per hour for full-time work for a year to both meet a minimum monthly budget and pay these taxes.

Opportunities in North Dakota's Economy

In the last decade, North Dakota's economic news has been mixed. Unemployment rates have dropped from 4.3 percent in 1989 to 3.6 percent in August 2008, placing North Dakota's unemployment rate considerably below the 6.1 percent national rate. The state has had an increase in the availability of jobs, yet the per-capita income for North Dakotans in 2007 was \$34,846, compared with the national per-capita income of \$ 38,611. Given this, what are the prospects of low-income North Dakotans enrolled in Temporary Assistance to Needy Families (TANF) achieving economic self-sufficiency, the stated goal of the program?

According to the U.S. Bureau of Labor Statistics, the median weekly income for females employed full time in 2007 was \$614, or \$15.35 per hour. The median weekly income is the point where half of all weekly incomes are more and half less than the median figure. Median income for men was \$766 a week, or \$19.15 per hour.

Relying on an average wage masks the earning differences for men and women by educational level and employment sector. In 1990, the median hourly wage of all North Dakota women employed full time

was \$8.70 an hour, compared with \$12.13 for men. These figures rose to \$10.15 for women and \$13.45 for men in 1995. In 2000, the median wage for a woman in North Dakota was \$10 an hour, while for men it was \$13.90. In 2004, median weekly earnings for men in North Dakota rose to \$622, or \$15.55 an hour, while median weekly earnings for women were \$467, or \$11.67 an hour. In 2007, median weekly earnings for men in North Dakota rose to \$ 589.2, or \$ 14.73 an hour, while median weekly earnings for women in North Dakota rose to \$373.3\$, or \$9.3 an hour.

The 2007 American Community Survey shows the four largest types of employers in North Dakota are services, retail trade, agricultural and manufacturing. Women are more likely than men to be employed in services and retail trade than in agriculture and manufacturing. In 2006, the national median weekly earnings for the accommodation and food service industries was \$371:\$355 for females (\$ 8.88 per hour) and \$389 for males (\$ 9.73 per hour). It was \$538 (\$13.45 per hour) for females and \$ 696 for males (\$17.40 per hour) employed in sales (Highlights of Women's Earnings in 2006, U.S. Bureau of Labor Statistics September 2007).

The federal minimum wage is set at \$6.55 an hour. If a single mother worked 2,080 hours a year at the current minimum wage, she would earn only \$13,624 a year before taxes. If this single mother had two dependent children, these wages would not bring her and her children above \$17,600 a year, the current poverty threshold for a family of three. This means that to meet the basic cost of living in North Dakota for a family of three, a single working mother would need to earn an additional \$19.20 an hour (\$3,328 a month or \$39,936 a year) on top of minimum wage. At the current minimum wage, our single mother does not have enough extra hours to work every week just to meet the most basic monthly cost-of-living budget without further assistance.

If the employer offered health insurance or other benefits, the monthly cost of living for this family would decrease significantly – more than \$200 a month if health insurance were provided. And arrangements may be available for child care that cost much less than the average of \$993 a month for two children. Food stamps are another resource that can extend the earnings of limited-resource individuals and families.

In addition, housing costs may be much lower in rural areas, but food and transportation may be higher. For this analysis, we have chosen to highlight the Fargo-Moorhead area because it is the largest community in the state where jobs are available.

Conclusions

How much does an employed single mother with two dependent children living in North Dakota need to earn to meet her family's monthly needs? And how likely is this mother to find employment that meets this monthly budget without also needing government assistance? This analysis demonstrates that even presuming employment opportunities in North Dakota, a significant gap is likely between earnings and the actual cost of meeting a monthly household budget for the typical family receiving public assistance (for example, a single mother with two dependent children not receiving child support).

North Dakota's labor market is heavily weighted toward the services sector, which has a high proportion of minimum- to low-wage jobs. These are jobs unlikely to provide wages at the \$25.75 an hour before taxes necessary for a single mother with two dependent children to live without additional assistance. Yet the opportunity for welfare recipients to move into jobs with adequate pay is the key assumption upon which the success of welfare reform depends.

North Dakota adults receiving public assistance who are required to move into the labor force as quickly as possible face a labor market where jobs, when they can be found, likely will be at or just above minimum wage. Yet, because the majority of TANF cases are single-parent families – typically single mothers – they will need to find employment that pays enough wages to meet their monthly costs of living.

This analysis indicates that with welfare reform, North Dakota's employed single mothers living in rural areas are facing even greater challenges in meeting their families' minimum needs. The analysis also highlights an unanswered question: If individuals are employed full time but still do not earn enough to meet their families' monthly costs of living, how do they close the gap between earnings and monthly costs, especially after exhausting their 60-month lifetime limit of assistance?

2008 HHS Poverty Guidelines

People in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,400	\$13,000	\$11,960
2	14,000	17,500	16,100
3	17,600	22,000	20,240
4	21,200	26,500	24,380
5	24,800	31,000	28,520
6	28,400	35,500	32,660
7	32,000	40,000	36,800
8	35,600	44,500	40,940
For each additional person, add	3,600	4,500	4,140

SOURCE: Federal Register, Vol. 73, No. 15, Jan. 23, 2008, pp. 3971–3972

Sampling of programs in which eligibility is partially based on federal poverty guidelines:

- Head Start 100 percent of poverty or below
- Food stamps Gross income less than 130 percent of poverty
- Free school breakfast and/or lunch 130 percent of poverty or below
- Reduced-price school breakfast and/or lunch 130 to 185 percent of poverty
- Medical Assistance 133 percent of poverty or below*
- WIC (Women, Infants and Children) 185 percent of poverty or below
- Healthy Steps (children's health insurance program) 140 percent of poverty or below*

References

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