

# Working – Is it Worth it?

## *The Economic Consequences of Work*

Debra Pankow • NDSU Extension Family Economics Specialist



North Dakota had the second-highest multiple job-holding rate in the nation in 1998, according to a recent Economic Brief released from the North Dakota State Data Center at North Dakota State University. Only Minnesota, at 10.8 percent, had a greater percentage of people working multiple jobs than did North Dakota, which registered 10.6 percent, well above the national average of 6.3 percent.

Multiple job-holding rates in North Dakota varied by age, gender, marital status and education. For example, 6.4 percent of employed men ages 15 to 24 held multiple jobs, compared with 13.2 percent of females ages 15 to 24. In contrast, 18 percent of elderly men (65 or older) held more than one job, compared with 8.3 percent of elderly women. Single women tended to hold more jobs, on average, than single men. Also, 11 percent of people with a high school diploma, or higher, held multiple jobs, compared with 7.6 percent of those with less than a high school diploma.

In 1998, multiple jobholders in North Dakota worked an average of 46.8 hours per week, up from 42.4 hours per week in 1996. The majority of multiple jobholders in North Dakota had some education beyond high school, with nearly 10 percent having a master's degree or higher. The majority of North Dakotans working more than one job were between the ages of 25 and 44, averaging 38.8 years.

For many people the employment decision depends solely on which job to take and not whether or not to work. But for some couples and individuals considering taking on a second or third job, decisions must be made regarding whether the job being considered is worth the various expenses that may be involved, and just how much that additional source of income might add to household income. This publication will analyze the economic costs and benefits of employment, with some consideration for the psychological benefits as well

### **Just How Much Income Will This Job Provide?**

An important first step in this economic analysis is determining just how much financial gain can be realized by the additional income. This is not always a simple task, because the actual hourly or monthly income will first be reduced by income taxes and other work-related expenses that are automatically deducted from your paycheck. In addition, many job-related expenses need to be considered, and they can sometimes be difficult to separate from everyday living costs. Many people tend to underestimate the real value of the benefits that may be a part of the salary package; also, many of the real benefits of employment are hidden in the employee's benefit package. The value of fringe benefits averages 27.3 percent of an employee's total compensation in the U.S. and can dramatically increase real income.

### **Taxes**

Federal and state income taxes take a percentage of any earnings. The percentage taken increases as your household's income increases. What effect will your income have on the total income tax you must pay? If you do not know your marginal tax rate, consult a tax table.



## Retirement Plans

Many jobs covered by Social Security require that a certain part of earnings be paid toward old age, survivors, and disability insurance. Will your job be covered by Social Security? If so, ask what the tax rate is and figure how much you will have to pay. The maximum taxable wage subject to the Social Security tax was \$72,600 in 1999. The tax rate is 7.65 percent.

The Social Security tax also provides protection against other economic hazards. For example, if you become disabled, you may be eligible for benefits. To learn eligibility requirements, contact your Social Security office. The number is listed in your local telephone directory under Social Security Administration.

Some jobs are covered by other retirement plans instead of, or in addition to, Social Security. Get the facts from your prospective employer. Ask what benefits you can expect to receive, as well as what you will have to pay.

While payments to a retirement plan will reduce the amount of actual take-home pay, it may not necessarily be a job-related expense. Payments made for Social Security and other retirement plans build toward retirement income. A job retirement plan may also be a forced savings if part or all of the amount deducted is refunded if you quit the job.

## Union or Professional Dues

Will you need to pay union or professional dues? Some jobs require that you join these groups and pay dues.

## Office Collections

Some offices buy gifts for co-workers who leave the job, retire, get married, or have a baby. Many also send flowers or other forms of condolences when a family member of co-worker dies. There may be a "courtesy fund" set up to cover these and other expenses. In any case, remember you may have to contribute occasionally.

## Added Household Expenses

Household operating expenses could also increase. You may eat more meals away from home, due to a combination of less time and perhaps more discretionary income. The U.S. Department of Labor (Consumer Expenditures, 1998) found that employed individuals spend approximately twice the amount as non-employed individuals on food eaten away from home, in most consumer unit types.

If housekeeping duties are not shared by family members, you may need to hire outside help. This can mean a higher outlay from the family budget for cleaning products or services, such as dry cleaning and commercial laundries.

## Health Insurance

Compulsory health insurance may be an added expense if you already have protection through other policies. If you do not have health insurance, the family health protection that another job contributes may be worth the cost. If the health insurance provided by your employment is not needed, it should be listed as an expense on the worksheet.

## Transportation

The cost of getting to and from the job is another job-related expense to consider. While this cost won't apply if you live close enough to walk or have alternate forms of transportation that do not add additional expense, studies focusing on how one and two-earner families spend and save their income show that the two groups have considerably different consumption patterns. Dual-earners tend to spend one third more on transportation, for example, than do one earner families.

The cost can be figured easily if you will be riding a bus, taking a taxi, car pooling, or making some other arrangement where you pay a set fare for each ride.

If you will be driving the family car, charge yourself with a fair share of the expenses. Be sure to include depreciation, license fees, insurance, repairs, washing, gas, oil, lubrication, and other expenses that apply.

Buying another vehicle means another payment or dipping into family savings. You will have to add the entire expense of the second vehicle if you use it for work only. In some cities parking fees add to the cost of work away from home.

## Providing for Dependents' Care

Probably the biggest off-the-top expense is child care. How much it costs depends on the kind of care you want for your children. Finding child care that you can trust, that your child likes and that your family can afford may be the biggest problem facing you as you try to enter or return to the work-away-from-home world. Expenses for child care can be reduced if your children are in school or if another responsible person is home.

Even if you don't have children, you may need to consider care for a dependent relative, such as an aged parent who lives with you. Providing for his or her care during the time you are at work could be a problem. Before you start looking for a job, check into care availability and costs for minor and aging dependents.

If, in order to work or look for work, you pay someone to care for a dependent who is under 15, is a disabled dependent or a disabled spouse, you may be able to take a tax credit. Internal Revenue Service Publication 503, "Child Care and Disabled Dependent Care," explains the provision in detail and specifies the yearly credits available. Call toll-free, 1-800-424-3676, to order the publication.



## Clothing and Personal Care

Do you have enough suitable clothing for the job away from home? If the job requires some major purchases, such as uniforms, add that cost. Additional expenses include cleaning and maintenance of your work clothes. Additional costs for hair care and grooming supplies are added expenses for many couples who work away from home.

## Meals and Coffee Breaks While Working

Will the job cause you to eat more meals away from home? Can you “brown bag” it or will you eat at a restaurant? Some authorities believe that families in which both husband and wife work spend 10 to 15 percent more on food than families with only one working adult. The United States Department of Agriculture found in a nationwide survey that families in which both adults work away from home also spend more for groceries. Two-income families also rely more on prepared foods, which may cost more but take less time to cook.

Unless you plan to go home for lunch or carry a lunch from home, add an allowance for meals at work. Make your best estimate of what the kind of lunch you usually eat will cost in a restaurant or cafeteria. However, this cost is not all added expense since it would cost you something to eat at home. Don't forget coffee breaks—they will probably cost extra. Be sure to include your share of the coffee fund. If you prefer juice or pop, add that cost as well. Don't forget to include snack costs. Even a dollar a day adds up.

## Compare Income, Benefits

Before making a final decision about a job, compare your net income from several different jobs and from full- and part-time jobs. Working part-time may eliminate the need for child care if work hours can be tailored to your child's school day. Some expenses, such as lunches and household help, may be reduced by working part-time. However, other expenses, such as transportation and special clothes or tools, may take a larger proportion of your income when you work only part-time. Often, employee benefits — paid vacations, health insurance, and pension credits — are not extended to part-time employees.

## Using the Other Income

Most adults work because they need, or desire, more money. How the money is used is an important factor in how well the family functions. Good money management can give you some of the things you want; poor management could break you up financially and even maritally.

Planning to live on both incomes may be a satisfactory choice if one spouse is just starting his or her career and expects the family income level to rise in the next few years. If the second job is viewed as temporary, decide how much your spouse will have to make before you can quit, then contribute enough of your salary to the “general fund” to equal that amount. Another option is to cut back on hours as your spouse's salary goes up. That way, if you choose to quit, you can without causing a financial crisis. Lowering one's standard of living is

difficult to do and may cause strain on a marriage. If you stop working and have to cut back on your style of living, severe problems could result unless you have planned for the change.

Living on both salaries may be a satisfactory choice if both spouses plan to work indefinitely. In some cases, one spouse works to pay off debts. These debts may have been accumulated as a part of the family spending plan. For example, a family may go into debt for education, a home, or something else that will still be valuable long after it has been paid for.

Emergencies, such as sickness, accident or loss of work, may cause a family to be in debt. Another reason families may have debts is unwise planning or lack of planning. Using the second earnings for special purposes, such as savings, buying a home, furniture or equipment, a car, or having a baby, can be a form of financial goal setting.

## More Than Money

Up to this point, this publication has focused on the economic aspect of working. Adults work for reasons other than money. Perhaps just as important is to consider the psychological benefits and costs, as these factors can greatly impact overall life satisfaction.

Psychological benefits are the reasons other than additional income and fringe benefits for being in the work force. Work can provide adult stimulation, challenge, and a network of support not always available at home. Higher self-esteem has been found related to work outside the home, especially for employed women. Knowing that an individual possesses marketable skills that can be used to support the household provides a sense of security not easily duplicated by insurance, or other financial resources.

Working has its share of psychological disadvantages as well. Traditionally it has been the wife and mother who absorbs much of the additional stress from juggling demands of paid employment in addition to household and family responsibilities. Pressure points tend to center around schedule conflicts, lack of time and energy, and guilt.

### **Consider what you will give up as well as what you get.**

- Will the amount of money you make satisfy your reasons for going to work?
- Can you do what you expected to do with the extra money?
- Will the money compensate for the necessary family/ household adjustments?
- Are there long-term benefits that have not been evaluated; for example, increased Social Security benefits, retirement income, improved insurance protection?
- How important is the security of having two earners in the eventuality of unemployment or disability of one of the wage-earners?

The decision for you to work away from home needs to be a family decision if others are involved. Make your decision after taking a close look at how it will affect everyone economically and socially.

# Worksheet for Estimating Net Income From Work Away From Home

**GROSS INCOME** \$ \_\_\_\_\_

**NET INCOME** (gross income minus total expenses) \$ \_\_\_\_\_

## YEARLY EXPENSES RESULTING FROM JOB (COST OF EMPLOYMENT)

**Deductions**

Taxes \$ \_\_\_\_\_  
 Social Security \$ \_\_\_\_\_  
 Insurance \$ \_\_\_\_\_  
**TOTAL** \$ \_\_\_\_\_

**Expenses for specific job**

Special work clothing \$ \_\_\_\_\_  
 Dues \$ \_\_\_\_\_  
 Professional publications \$ \_\_\_\_\_  
 Business Meetings \$ \_\_\_\_\_  
 Tools \$ \_\_\_\_\_  
 Licenses \$ \_\_\_\_\_  
 Other \_\_\_\_\_ \$ \_\_\_\_\_  
**TOTAL** \$ \_\_\_\_\_

**Transportation**

Licenses \$ \_\_\_\_\_  
 Insurance \$ \_\_\_\_\_  
 Upkeep \$ \_\_\_\_\_  
 Parking \$ \_\_\_\_\_  
**TOTAL** \$ \_\_\_\_\_

**Family Expenses**

Dependent care \$ \_\_\_\_\_  
 Household help \$ \_\_\_\_\_  
 Laundry \$ \_\_\_\_\_  
 Meals out \$ \_\_\_\_\_  
 Other \_\_\_\_\_ \$ \_\_\_\_\_  
**TOTAL** \$ \_\_\_\_\_

**Personal Expenses**

Lunches \$ \_\_\_\_\_  
 Clothing \$ \_\_\_\_\_  
 Personal care \$ \_\_\_\_\_  
**TOTAL** \$ \_\_\_\_\_

**Other Expenses**

Coffee breaks \$ \_\_\_\_\_  
 Contributions, gifts \$ \_\_\_\_\_  
**TOTAL** \$ \_\_\_\_\_

**TOTAL YEARLY EXPENSES** \$ \_\_\_\_\_

## BENEFITS FROM JOB

**Insurance**

Medical \$ \_\_\_\_\_  
 Dental \$ \_\_\_\_\_  
 Disability \$ \_\_\_\_\_  
 Life \$ \_\_\_\_\_

**Social Security** \$ \_\_\_\_\_  
 (employer share)

**Paid Vacation** \$ \_\_\_\_\_

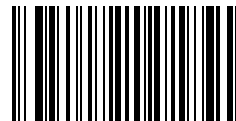
**Retirement/Pension** \$ \_\_\_\_\_  
 (employer share)

**Other**

\_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_

**TOTAL VALUE OF BENEFITS** \$ \_\_\_\_\_

**TOTAL INCOME** (net income + benefits) \$ \_\_\_\_\_



FE-256

NDSU Extension Service, North Dakota State University of Agriculture and Applied Science, and U.S. Department of Agriculture cooperating. Sharon D. Anderson, Director, Fargo, North Dakota. Distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. We offer our programs and facilities to all persons regardless of race, color, national origin, religion, sex, disability, age, Vietnam era veterans status, or sexual orientation; and are an equal opportunity employer.

This publication will be made available in alternative formats for people with disabilities upon request, 701/231-7881.