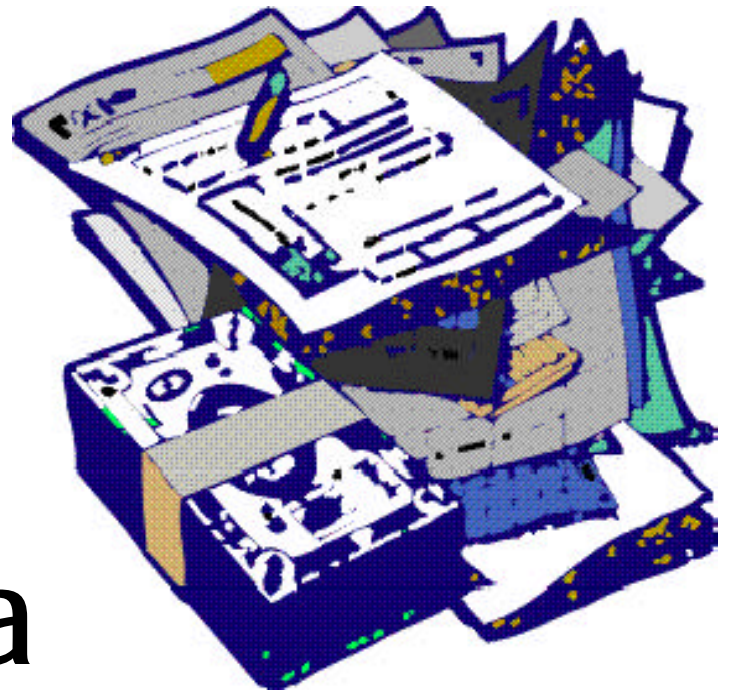


Making Ends Meet in North Dakota



NDSU Extension Welfare Reform Task Force

What would it take for an employed mother with two children 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 that they will pay sufficiently to end any further need for assistance.

So there are two questions 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, there have been 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 things such as entertainment, birthday or other gifts, toys, tobacco products, or alcohol.

Existing models figure these costs in order 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 doing 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 owning one's own vehicle or sharing a ride with someone who does.

Further evidence of this disparity can be found in the 1999 Consumer Expenditure Survey. Transportation costs are 18.4 percent of urban but 23.6 percent of rural monthly household expenditures. Utilities are 6.3 percent of urban but 7.8 percent of rural household costs. Health care costs consume just over 5 percent of the average urban household's expenditures and nearly 7 percent of rural households.

What, then, would it take for an employed mother (age 24) with two children (age four and six) 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 by research done in the Fargo-Moorhead area. In instances where local data were not available, reasonable estimates were derived from the 1999 Consumer Expenditure Survey for the Midwest region. Food Costs were taken from the USDA Cost of Food at Home, Thrifty plan, July 2001 for a female age 20-50 and two children, aged four and six.

The estimated cost of living for an employed single mother with two children in North Dakota is \$647 a week, \$2,805 a month, or \$33,660 a year. To meet her monthly cost of living, a single mother must earn a take-home wage of \$16.18 an hour.

The estimated monthly cost of living for a family of three in North Dakota.

Item	Monthly Cost
*Housing (rent, insurance, utilities)	\$705
*Phone	35
Food	290
*Child care	661
Household, personal care items and clothing	331
Transportation (car payments, gas, repairs, insurance, etc.)	578
Health care (insurance, prescriptions, etc.)	205
Total per month	\$2,805
Total per year	\$33,660

*Based on local information

Adding OASDI and Medicare taxes, which are deducted regardless of income level, the necessary minimum monthly income would rise to approximately \$3,020 or \$36,235 per year. This would require an hourly wage of \$17.42 per hour for full time work for a year in order to both meet a minimum monthly budget and pay these taxes.

Opportunities in North Dakota's Economy

Over the last decade, North Dakota's economic news has been mixed. Unemployment rates have dropped from 4.3% in 1989 to 3.4% in 1999, placing North Dakota lower than the 4.2% national rate. There is an increase in the availability of jobs, yet the per capita income for North Dakotan's in 1999 was \$23,313 compared to the national per capita income of \$28,542.

Given this, what are the prospects of low-income North Dakotans enrolled in TANF (Temporary Assistance to Needy Families) achieving the stated goal of the program — economic self-sufficiency?

According to the United States Department of Labor, May 1999, the median weekly income for a female aged 20-24 was \$3.19 or \$7.98 per hour. The median weekly income is that point where half of all weekly incomes are more and half less than the median figure. For women aged 25-34, the median weekly income was \$451 or \$11.28 per hour. Median hourly income for men in these age groups was \$8.93 and \$13.60, respectively.

Relying on average wage masks the earnings differences for men and women, by educational level, and by employment sector. In 1990, the median hourly wage of all North Dakota women employed full time was \$8.70 an hour compared to \$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 in 2000, while for men it was \$13.90.

The Census 2000 for North Dakota shows that the three largest types of employers in North Dakota are services, retail trade, and agricultural. Women are more likely than men to be employed in services and retail trade than in agriculture. In 1995, the national median weekly earnings for service industries were \$264 for females (\$6.60 per hour) and \$357 for males (\$8.93 per hour), and it was \$330 (\$8.25 per hour) for females and \$579 for males (\$14.48 per hour) employed in sales.

Currently the federal minimum wage is set at \$5.15 an hour. If a single mother worked 2,080 hours a year at the current minimum wage, she would earn only \$10,712 a year before taxes. If this single mother had two dependent children, these wages would not bring her and her children above \$14,630 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** \$11.03 an hour, or \$1912 a month, \$22,948 a year, **on top of minimum wage**. At the current minimum wage, this would require our single mother to work an added 85.7 hours 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 dramatically — over \$200 a month if health insurance were provided. And arrangements may be available for child care that costs much less than the average price of \$661 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 in order 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, there is likely to be a significant gap between earnings and the actual cost of meeting a monthly household budget for the typical family currently receiving public assistance (i.e. 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 \$17.42 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 currently 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, will likely be at or just above minimum wage. Yet, since 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?

Percent of 2002 poverty income guidelines for all states (except Alaska and Hawaii) and the District of Columbia.

Household Size	100%	120%	130%	133%	185%	275%
1	8,860	10,632	11,518	11,784	16,391	24,365
2	11,940	14,328	15,522	15,880	22,089	32,835
3	15,020	18,024	19,526	19,977	27,787	41,305
4	18,100	21,720	23,530	24,073	33,485	49,775
5	21,180	25,416	27,534	28,169	39,183	58,245
6	24,260	29,112	31,538	32,266	44,881	66,715
7	27,340	32,808	35,542	36,362	50,579	75,185
8	30,420	36,504	39,546	40,459	56,277	83,655
Each additional	3,080	3,696	4,004	4,096	5,698	8,470

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Sampling of programs in which eligibility is partially based on Federal Poverty Guidelines.

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

* certain stipulations apply

For North Dakota programs on Child Care Assistance and TANF (Temporary Assistance for Needy Families) contact your local Social Services office.

Revision data compiled by Rebecca Ziegler, CDFS Intern, NDSU Extension Service.

Program information provided by Barbara Holes-Dickson, Family Nutrition Program Specialist, NDSU Extension Service.

Comments and suggestions on the content of this manuscript are appreciated.

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Adapted from

*“The Bottom Line: Making Ends Meet in Rural Kentucky,”
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For more information on this and other topics, see: www.ag.ndsu.nodak.edu



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