

What percent of Working Families in Minnesota do not earn sufficient income to meet basic needs?¹

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In the mid-1960s, the U.S. government began defining the threshold for poverty as roughly three times the annual cost of a nutritionally adequate diet.² The Census Bureau determines poverty by looking at money income, plus family size and composition. "Money income" is income before taxes and doesn't include capital gains and non-cash benefits (like food stamps). The bureau does not take geography into account, but it does consider annual inflation levels. However, it is widely agreed that the poverty definition is grossly outdated because since it was created the price of food has grown much more slowly than other components of a household budget, such as housing and medical care. The federal government itself clearly recognizes this - many programs, such as a free and reduced lunch, cut off eligibility at a multiple of the poverty line, such as 185% or more.

A better methodology for determining who lacks adequate income is the sum of families' actual typical costs (see attached appendix for assumptions). The JOBS NOW Coalition has created a measure of "The Cost of Living in Minnesota," which includes food, housing, health care, transportation, childcare, clothing and taxes. They calculate a "basic needs" budget - above poverty, but well below middle-class expectations. It does not allow for debt payments, skills training, entertainment, restaurant meals, vacation, emergency, retirement or saving for children's college education. According to their innovative calculator, a family's basic needs budget across the state of Minnesota ranges from roughly \$40,000 (1 adult, 2 children) to nearly \$50,000 (2 working adults, 2 children). Attempting to calculate how many families fall below the basic needs level is difficult because there are so many different permutations.

Growth & Justice has attempted such an estimate. We start by assuming a family of three for single parent families and a family of four for married couples, which is based on census data for Minnesota.³ The basic budget level for a family with children under 18 in the Twin Cities metro varies from \$37,000-\$43,000.⁴ In Greater Minnesota, the cost ranges from \$32,000 for single parent families to \$38,000 for married couples with children.

Our conclusion is that in both the metro and rural areas, about 27% of families (with children under 18 years old and with at least one child in childcare) are not meeting basic needs, a total of nearly 175,000 struggling families in Minnesota.⁵

1 Specifically, we are measuring here the working families in Minnesota with children at home under 18 years of age. Basic needs definition comes from the JOBS NOW Coalition.

2 "What is poverty in the United States?"(2004), National Poverty Center, University of Michigan.

3 Using the Census Bureau estimate that in 74% of two-parent families in Minnesota both parents work.

4 Single parent = \$38,000; \$37,000 if 1 parent works and one stays at home, to avoid child care costs, and \$43,000 if both parents work and at least one child under 6 years old is in childcare. The childcare cost is taken from the Minnesota Child Care Referral and Resource Network and has been weighted according to average number of children in families under 6 years old.

5 Total number of families in Minnesota, according to US Census Bureau, 2004, equals 1,333,648. Of the 574,328 families living in the metro counties of Anoka, Dakota, Hennepin and Ramsey, 139,996 (24.4%) make less than \$43,000. Of the 759,320 families live in remaining counties, 190,831 (25.1%) make less than \$34,000.

Working families in Minnesota NOT MEETING BASIC NEEDS⁶

(all family types with children under age 18)

Percent of families (with children)	Metro ⁷	Rest of state ⁸	Statewide
Married	13%	17%	16%
Single (2 kids)	59%	64%	62%
All family types	26%	28%	27%

Number of families (with children)	Metro	Rest of state	Statewide
Married	27,600/207,000	48,400/283,000	76,000/490,000
Single	44,500/75,000	53,400/83,400	97,900/158,400
All family types	72,100/282,100	101,800/366,500	173,900/648,600

Measure	Why it matters	Figures	How MN ranks
Number of families not making enough to meet basic needs (Basic needs requires \$37,000-\$43,000 in metro area; \$32,000-\$38,000 in greater Minnesota, for families with children under 18; range represents single parent to married couple)	The current U.S. measure of poverty no longer provides an accurate picture of the differences in the extent of economic poverty among population groups or geographic areas, and has remained virtually unchanged since for 30 years.	26% metro (all family types) 28% rest of state (all family types) 27% statewide average (all family types)	12 th in median household income (\$50, 860) [Median family income in MN is \$62,538, but ranking is not available] ⁹

⁶ Cost-of-living data were taken from JOBS NOW Coalition Wage and Budget calculator; child care costs were modified to reflect that only 33% of Minnesota children in families are under 6.

⁷ US Census data is collected in metro counties of Anoka, Dakota, Hennepin and Ramsey only.

⁸ Carver, Scott and Washington counties are considered metro counties, thus cost-of-living adjustments would be made for them, but data were not available.

⁹ There is no comparable national measure of those families not making enough to meet basic needs. The cost-of-living calculations used here are specific to Minnesota. The National Academy of Sciences is promoting a new measure of poverty, cf. Constance F. Citro and Robert T. Michael (editors), Measuring Poverty: A New Approach Washington, D.C., National Academy Press, 1995.

Working families in Minnesota NOT MEETING BASIC NEEDS

(all family types with children under age 18)

Assumptions

- Average married family has 2 children (4); single parent has 2 children (3)¹⁰
- Cost of living calculations (based on JOBS NOW figures) weighted with different family size, types and location¹¹
- 75% of married couple families have both spouses working, therefore married families with 2 workers weighted at 75% and other married families with 1 worker at 25%.¹²

State:

- Married 2 workers, 2 children weighted with 1 worker, 1 at home, 2 children = avg \$42, 531
- Total statewide married families with children under 18 making less than
- \$42, 531 / total statewide married families with children under 18 is 76,000/490,100 at 16%.
- Single worker, 2 children = \$35,000. Total statewide single parents with children under 18 making less than \$35,000/ total single parent families with children under 18 is 97,900/158,400 at 62 %
- All families with children under 18 statewide making less than basic needs (173,900/648,600) = 27%

Metro area¹³:

- Married 2 workers, 2 children weighted with 1 worker, 1 at home, 2 children = avg \$43,000.
- Total metro married families with children under 18 making less than \$43,000 / total metro married families with children under 18 is 27,600/207,000= 13%
- Single worker, 2 children = \$38,000. Total metro single parents with children under 18 making less than \$38,000/ total single parent families with children under 18 is 44,500/75,000 = 59%.
- All metro families with children under 18 making less than basic needs (76,100/282,100)= 26%

Rest of state¹⁴:

- Married 2 workers, 2 children (75%) weighted with 1 worker, 1 at home, 2 children = \$38,000.
- Total rest of state married families with children under 18 making less than \$38,000/ total rest of state married families with children under 18 is 48,400/283,000 = 17%
- Single worker, 2 children = \$32,000
- Total rest of state single parents with children under 18 making less than \$32, 000/ total single parent families with children under 18 is 53,400/83,400 = 64%
- Rest of state families with children under 18 making less than basic needs (101,800/366,500) = 28%

10 Based on US Census American Community Survey which indicates average Minnesota household (as distinct from family) is 3.03, however data were not available on size of average married family with children under 18. We estimate here single parent and married couples have an average of 2 children therefore single parent family size is 3 and married couple family size is 4.

11 Child care costs used by JOBS NOW were then halved because only 33% of children in Minnesota families are under 6 years old; some families may have 2 kids under 6 years old.

12 Based on US Census American Community Survey that 2 workers to 1 worker/1 at home is 3:1 in Minnesota.

13 Data were only available for Anoka, Dakota, Hennepin and Ramsey metro counties only.

14 US Census only collects data in 4 metro counties (Hennepin, Ramsey, Anoka and Dakota) though we recognize that Carver, Scott and Washington counties are considered metro by the Met Council. These data were simply not available.