

Pre-Reading and Reflection Project C

A. How is "a living wage" defined?

The simple definition is that a living wage is what a worker should at least earn per hour to support a lifestyle for themselves and their families so that all their basic needs are covered. It can vary among locations.

B. How many family types does the Living Wage Calculator support? Which one or two family types do you foresee for your own family fitting into in the future?

It supports 12 family types with different numbers of adults which could either be working or not, and also different numbers of children. Right now I can see myself with another adult and two or three children... If we both are working depends on how much we earn and if we even have the option or not...

C. What are eight *basic needs* used to compute the cost of living for the living wage?

The eight basic needs are childcare, food, healthcare, housing, internet and mobile, transportation, civic engagement, and other necessities like personal care products.

D. The data sources for *basic needs* do not have consistent data (publication) dates. How do the makers of Living Wage Calculator account for this?

All data used is adjusted to the 2024 December dollar to account for inflation using expenditure specific indexes.

E. What components other than the eight *basic needs* are factored into the cost of living for a household?

Other components that are factored into the cost of living for a household are taxes (Income and payroll).

F. Think back to when you were in high school. Can you think of any example expense your family may have had in the "Civic engagement" category of *basic needs*?

Yes, streaming services such as Netflix or Amazon Prime, then we also had pet rabbits for some time, plus me and my sister did a bunch of different sports so that included a lot of equipment, tourney fees etc..

G. Which items are covered under the "Other necessities" category of *basic needs*?

Other necessities include Personal care products and services, Household furniture and equipment (bed, mattresses etc.), Apparel and services, Housekeeping supplies, and Miscellaneous household equipment (like lamps).

H. What assumption regarding the income contributions ratio does that the Living Wage Calculator make for families that have multiple earners?

It assumes that each earner contributes equally, and therefore they divide by the number of working adults.

I. How is an hourly living wage calculated?

First they calculate the annual family budget by adding the cost of the eight basic necessities for each county. This is the budget after they have paid taxes, so they add the Income and payroll taxes based on the National Bureau of Economic Research's TAXISM system where they use the budget as a proxy for income and then multiply it by the marginal tax rate, assuming the employer pays half for the payroll taxes according to FICA. This total amount is then divided by the number of workers in the household, and this number is then divided by 2,080 hours which represents a 40 hour week for 52 weeks.

J. What's new to the Living Wage Calculator this year?

This year the Living Wage Calculator focused on updating the underlying data rather than changing the methodology. They also had issues with underestimating the cost for larger families, so they applied a family size index to account for size and composition of larger families to the Consumer Expenditure survey, which impacted the living wage calculation for a family of 5 people.