Low-Income Workers Have Nowhere Affordable To Live, New Report Shows

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Even the most affordable metropolitan areas in the country are beyond the reach of millions of American families.

Reporter, The Huffington Post

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The Washington Post via Getty Images Washington, D.C., is the most expensive metropolitan area for raising a family, according to an analysis of new data released Wednesday.

Low-income workers and their families do not earn enough to live in even the least expensive metropolitan American communities, according to a new analysis of families' living costs published Wednesday.

The analysis, released by the left-leaning Economic Policy Institute, is an annual update of the think tank's Family Budget Calculator that reflects new 2014 data. The Family Budget Calculator is a formula designed to determine the income "required for families to attain a secure yet modest standard of living" in 618 different communities across the country that the U.S. Census Bureau defines as metropolitan areas. The formula uses data collected by the government and some nonprofit groups to measure costs of housing, food, child care, transportation, health care, “other necessities” like clothing, and taxes for families of 10 different compositions in these specific locales.

The updated Family Budget Calculator shows that even the most affordable metropolitan areas in the country are beyond the reach of millions of American families with incomes above the official federal poverty level. The official federal poverty level for a family of two parents and two children in 2014 was $24,008, according to the EPI. But the least expensive metropolitan area in the country for this family type is Morristown, Tennessee, where a family needs an income of $49,114, according to the Economic Policy Institute’s budget calculator.

The Economic Policy Institute also estimates that minimum-wage workers -- who almost universally earn less than the federal poverty level -- lack the income needed to make an adequate living in any of the communities surveyed, even if they are single and childless. The think tank notes that this includes minimum-wage workers living in cities or states with a higher minimum wage than the federal minimum of $7.25 an hour, or $15,080 a year for a full-time worker.

Even families with incomes closer to the middle of the earnings spectrum lack the means to maintain an adequate standard of living. The nation’s median household income was $51,939 in 2013 -- the most recent year in which data were available -- not much higher than the cost of living in the relatively inexpensive Morristown.

The median household income nationwide is also significantly less than is needed to live in the metropolitan area of Des Moines, Iowa, which is the median in costliness for a family with two parents and two children among the communities included in the Economic Policy Institute’s budget calculator. A family of that makeup in Des Moines requires an income of $63,741 to live adequately.

In addition, the updated Family Budget Calculator found that Washington, D.C., is the most expensive metropolitan area in the country for a family to raise children. A family with two parents and two children requires $106,493 to maintain an adequate living standard in the D.C. metropolitan area. Following D.C., the most expensive metropolitan areas for a family of the same makeup were Nassau-Suffolk, New York (Long Island); Westchester County, New York; New York City; Stamford-Norwalk, Connecticut; Honolulu; Poughkeepsie-Newburgh-Middletown, New York; Ithaca, New York; San Francisco; and Danbury, Connecticut.

The Economic Policy Institute argues in a paper accompanying the release of the updated data that its Family Budget Calculator more accurately reflects people’s actual living needs than traditional measurements like the federal poverty level, which does not account for the myriad geographic differences in living costs. (The federal government only provides separate, statewide poverty measurements for Alaska and Hawaii.) Critics have long argued that the federal poverty level formula, which was created in the 1960s, is outdated, significantly undervaluing the costs of essential goods like health care for contemporary families.

The more recent Supplemental Poverty Measure developed by the U.S. Census Bureau tries to account for more current expenses and geographic differences in housing, as well as income from new benefit programs. But the Economic Policy Institute says that the measure still does not weigh child care costs sufficiently, or account for local variability in expenses other than housing.

The Economic Policy Institute hopes the new figures strengthen the case for policies that augment the incomes of workers, particularly on the lower end of the earnings spectrum.

“Wage growth has been stagnant for most workers for decades and, as a result, there is a mismatch between what workers are paid and what it takes to live and support a family,” said Elise Gould, senior economist at the Economic Policy Institute, in a statement. “We need a variety of policies to boost wage growth, which includes a higher minimum wage, stronger overtime rules, collective bargaining rights, and enforcement of labor standards as well as the pursuit of a full-employment economy.”