

Minnesota Cost of Living Study

Annual Report 2020

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Introduction

The Labor Market Information (LMI) office of the Department of Employment and Economic Development (DEED) is mandated by Minnesota Statutes 2013, chapter 116J, section 13 to report every February on the year’s updated Cost of Living Study results and to provide analysis and recommendations to aid in the assessment of employment and economic development planning needs throughout the state.

Study Mission and Purpose

The mission of the Cost of Living Study is to estimate a basic-needs cost of living in Minnesota for individuals and families, by county, region, and statewide. The study examines living costs in seven cost categories: food, housing, health care, transportation, childcare, other necessities, and net taxes. [1]

The Cost of Living represents neither a poverty living nor a middle-class living but rather a simple living that meets basic needs for health and safety.

To meet the mandate of a basic needs living study, the following costs are excluded, even though several may be part of a normal, healthy life: savings, vacations, entertainment, eating out, tobacco, and alcohol.

Rather than describing what families are spending, as the Consumer Expenditure Survey does, the Cost of Living study examines the cost of basic needs. For example, we might buy one apple for our two children and split it in half if that's all we can afford. That's our spending. But our family actually needs two apples. That's our basic need.

And rather than looking at the rate of change over time as the Consumer Price Index does, the Cost of Living looks at dollar costs. As shoppers, we don't ask the cashier how many percentage points higher the apple's price is today than the last time we shopped. We ask: How much does the apple cost?

The study results constitute an additional economic indicator which may be used by public and private institutions and by individuals. Find the methodology at mn.gov/deed/data/data-tools/col/method-col.jsp.

Typical Uses of the Cost of Living Data

Employers want to set wages that attract and retain good workers. The Cost of Living Tool can help gauge whether a wage in a certain county will pay the bills and keep workers afloat.

Job seekers want to know which kinds of work will cover family costs in their county.

Workforce development service providers want to know what wages, if met, are likely to secure a self-supporting career for the client job seeker, thus reducing the need for re-entry into services.

Policy makers and planners want to know if the need for public subsidies is likely to rise or fall. Regional wages that meet or exceed the cost of living can signal reduced need for subsidies.

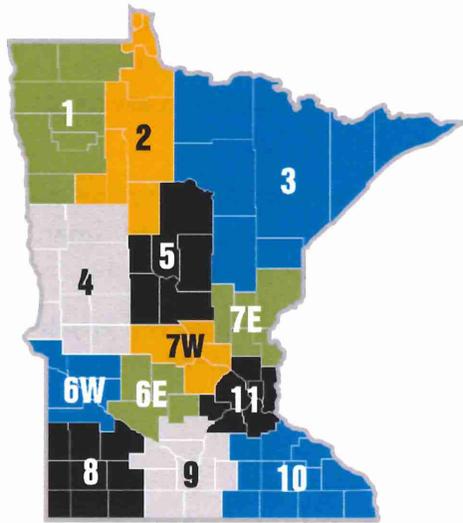
Policy makers and planners also want to monitor the potential for consumer expenditures which can drive future economic growth. Regional wages that meet or exceed the cost of living can signal a potential for stronger consumer expenditures and a stronger regional economy.

Results and Analysis Statewide and by Region

Costs for a Minnesota family of three are shown for the state as a whole and for each of Minnesota's thirteen Economic Development Regions (EDRs). Results for the state and for each region are derived as a population-weighted average of results for the constituent counties. Calculating a weighted average helps correct for any biases in the data that might result from differences between those included in the study sample and the actual population.

The study expresses the cost of living as a yearly sum and an hourly rate, in addition to breaking out monthly costs in each of the seven cost categories.

The hourly wage analysis compares data from the Cost of Living Study with employment data from the Occupational Employment Statistics (OES) program and job vacancy data from the Job Vacancy Survey (JVS). [2,3] Cost of Living data for 2019 is used here. It is compared to the OES wage data from first quarter 2019. Median wage offers are from the second quarter 2019 Minnesota Job Vacancy Survey.



Minnesota Statewide

Annual Costs: \$56,772

Hourly Rate: \$18.20

Looking at the state of Minnesota as a whole, a typical family of two adults and one child, with one adult working full-time and one part-time for a combined 60 work hours per week, need to earn an estimated family income of \$56,772 per year and \$18.20 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are childcare \$516, food \$769, health care \$593, housing \$1,033, transportation \$755, other necessities \$505, and taxes \$560.

The median wage paid to workers across all occupations in Minnesota is 107 percent of the cost of living, while the median wage offer for job vacancies is 79 percent of the cost of living.

Economic Development Regions

The following table provides the same information as above for each of Minnesota's Economic Development Regions.

Economic Development Region	Yearly Cost (\$)	Hourly Wage (\$)	Child Care (\$)	Food (\$)	Health Care (\$)	Housing (\$)	Transport (\$)	Other (\$)	Taxes (\$)
EDR 1 - Northwest	47,124	15.10	205	763	659	785	722	434	364
EDR 4 - West Central	48,228	15.45	253	756	659	778	760	430	381
EDR 2 - Headwaters	48,408	15.52	264	757	659	752	795	423	384
EDR 3 - Arrowhead	50,784	16.28	307	755	659	854	767	451	439
EDR 6W- Upper Minnesota Valley	45,564	14.60	231	775	659	713	700	417	320
EDR 8 - Southwest	45,840	14.69	223	767	659	717	712	416	326
EDR 10 - Southeast	51,648	16.55	358	757	659	862	760	454	454
EDR 9 - South Central	48,012	15.39	232	759	659	825	709	444	373
EDR 6E- Southwest Central	46,564	15.57	244	758	659	770	800	478	386
EDR 7E- East Central	58,056	18.51	428	747	597	1,028	949	498	326
EDR 5 - North Central	49,860	15.98	260	751	659	765	869	425	426
EDR 7W- Central	54,708	17.53	353	748	601	1,031	810	499	517
EDR 11 - 7 County Twin Cities	61,536	19.72	689	779	550	1,172	733	547	658

Further Analysis and Recommendations

A comparison of the cost of living and typical wages by region can help us understand some of the economic challenges or opportunities for employment recruitment and retention, minority community wealth-building, consumer expenditures, and social services.

Median Wage as a Share of the Cost of Living

The statewide median wage of existing jobs, \$20.95, is 15 percent above the cost of living, \$18.20. This means that a little over half of all working Minnesotans earn more than the family-of-three cost of basic needs. The average family size in Minnesota is 3.0 persons and the average household size, for family and non-family households combined, is 2.48 persons.

If the labor market were in perfect balance with everyone matched with the right jobs, so that the half paid more than the median wage were the families larger than three while the half paid less were the families smaller than three, then a median wage equal to the Cost of Living could ensure the economy was meeting most people's basic needs. But, economists know that no market is ever perfectly balanced.

In the real world we look for a median wage that meets or exceeds the cost of living. According to Occupational Employment Statistics, the state median wage exceeds the cost of living. Also, the median wages meet or exceed the cost of living in all of Minnesota's thirteen economic development regions.

Economic Development Region	Percent (Median wage / Cost of Living)
EDR 1 Northwest	128%
EDR 2 Headwaters	114%
EDR 3 Arrowhead	114%
EDR 4 West Central	118%
EDR 5 North Central	108%
EDR 6E Southwest Central	117%
EDR 6W Upper Minnesota Valley	123%
EDR 7E East Central	104%
EDR 7W Central is	109%
EDR 8 Southwest	120%
EDR 9 South Central	119%
EDR 10 Southeast	116%
EDR 11 7-County Metro	116%

Job Vacancy Median Wage Offer as a Share of the Cost of Living

The statewide median wage offer for job vacancies, according to the Minnesota Job Vacancy Survey, is 82 percent of the state cost of living. Three EDRs – EDR 1 Northwest, EDR 2 Headwaters, and EDR 6W

Upper Minnesota valley reported a median wage offer for vacancies which meets the region’s cost of living at or above 100 percent. The rest of Minnesota’s twelve economic development regions show a median wage offer for vacancies that is lower than the region’s cost of living. Note that these are median wage offers before negotiation as posted by the employer, rather than the actual wage offered to the new employee.

Economic Development Region	Percent (JVS Median wage / Cost of Living)
EDR 1 Northwest	104%
EDR 2 Headwaters	103%
EDR 3 Arrowhead	81%
EDR 4 West Central	91%
EDR 5 North Central	84%
EDR 6E Southwest Central	93%
EDR 6W Upper Minnesota Valley	100%
EDR 7E East Central	71%
EDR 7W Central is	85%
EDR 8 Southwest	94%
EDR 9 South Central	89%
EDR 10 Southeast	87%
EDR 11 7-County Metro	81%

Although median wage offers for vacancies historically track lower than median wages for filled positions for a variety of reasons, a regional median wage offer below the regional cost of living may signal economic challenges ahead for employment recruitment and retention, minority community well-being, and local consumer expenditures.

Impact on Employment Recruitment and Retention

As noted in previous Cost of Living reports, employers interviewed for DEED’s 2013 Hiring Difficulties Survey stated that demand-side conditions, including unsatisfactory wages, have contributed to hiring difficulties in the production, industrial engineering, information technology, and nursing occupations.[4] If the same holds true for other industries, then regions with a median wage or median wage offer below the regional cost of living might choose to engage in development strategies to improve wages within the existing mix of occupations or expand higher-paying occupations in order to improve retention and recruitment in the region.

Ten Minnesota economic development regions show median wage offers below the regional cost of living. Those regions with median wages below the cost of living might choose to engage in demand-side development strategies for employee recruitment.

Other supply or demand conditions which might impact recruitment and retention, such as work conditions or skills matching, are beyond the scope of the Cost of Living Study.

Impact on Consumer Expenditures

The Cost of Living Study provides an estimate of the cost of basic necessary expenditures. Incomes below the cost of living may limit basic consumer expenditures and slow economic growth.

In order to sustain consumer expenditures sufficient for healthy economic growth, regions such as EDR 5 North Central, and EDR 3 Arrowhead where the median wage is below or equal to the regional cost of living, might engage in development strategies to improve wages within the existing mix of occupations or expand higher-paying occupations.

Impact on Demand for Social Service Subsidies

Persons earning less than the cost of living are more likely to qualify for social services. Workforce development service providers in regions where a smaller share of working people earn the cost of living may have more difficulty placing clients in self-supporting careers and may see more frequent re-entry into services.

Sources

1. Cost of Living Study. Labor Market Information, Minnesota Department of Employment and Economic Development. See mn.gov/deed/data/data-tools/col/.
2. Occupational Employment Statistics. Labor Market Information, Minnesota Department of Employment and Economic Development. 2018. See mn.gov/deed/data/data-tools/oes/.
3. Job Vacancy Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. Second Quarter, 2019. See mn.gov/deed/data/data-tools/job-vacancy/.
4. "Are skilled workers scarce? Evidence from employer surveys in Minnesota." Hiring Difficulties Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. See mn.gov/deed/images/SecondRoundReportSkillsGap.pdf.
5. "Stuck in Neutral." Minnesota Economic Trends, December 2015. Labor Market Information, Minnesota Department of Employment and Economic Development. See mn.gov/deed/newscenter/publications/trends/december-2015/stuck-in-neutral.jsp.

Appendix A

Statutory Mandate

Minnesota Statutes 2013, chapter 116J, section 013, mandates that the commissioner of the Department of Employment and Economic Development shall conduct an annual cost-of-living study in Minnesota and report thereon by February 1 of each year.

The statute reads:

- (a) The commissioner shall conduct an annual cost-of-living study in Minnesota. The study shall include:

- (1) a calculation of the statewide basic needs cost of living, adjusted for family size;
- (2) a calculation of the basic needs cost of living, adjusted for family size, for each county;
- (3) an analysis of statewide and county cost-of-living data, employment data, and job vacancy data; and
- (4) recommendations to aid in the assessment of employment and economic development planning needs throughout the state.

(b) The commissioner shall report on the cost-of-living study and recommendations by February 1 of each year to the governor and to the chairs of the standing committees of the house of representatives and the senate having jurisdiction over employment and economic development issues.

In compliance with 2013 Minnesota Statutes Chapter 3, Section 195, two copies of this report also will be filed with the Legislative Reference Library.

Appendix B

Cost of Living Study Data Sources

Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services
American Automobile Association
Bureau of Labor Statistics, U.S. Department of Labor
Census Bureau, U.S. Department of Commerce
Center for Nutrition Policy and Promotion, U.S. Department of Agriculture
Federal Highway Administration, U.S. Department of Transportation
Labor Market Information, Minnesota Department of Employment and Economic Development
Minnesota Office of the Revisor of Statutes
Child Care Aware of Minnesota, Saint Paul, Minnesota
Council for Community and Economic Research, Arlington, Virginia
National Bureau of Economic Research, Cambridge, Massachusetts
U.S. Department of Housing and Urban Development

Appendix C

Minnesota Economic Development Regions

Region 1—Northwest, includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

Region 2—Headwaters, includes Beltrami, Clearwater, Hubbard, Lake of the Woods, and Mahnomen Counties.

Region 3—Northeast, includes Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties.

Region 4—West Central, includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties.

Region 5—North Central, includes Cass, Crow Wing, Morrison, Todd, and Wadena Counties.

Region 6W—Upper Minnesota Valley, includes Big Stone, Chippewa, Lac Qui Parle, Swift, and Yellow Medicine Counties.

Region 6E—Southwest Central, includes Kandiyohi, McLeod, Meeker, and Renville Counties.

Region 7W—Central, includes Benton, Sherburne, Stearns, and Wright Counties.

Region 7E—East Central, includes Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties.

Region 8 —Southwest, includes Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, and Rock Counties.

Region 9—South Central, includes Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties.

Region 10—Southeast, includes Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties.

Region 11—Twin Cities Metro, includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties.