

How Far the Money Goes

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The minimum-wage in North Carolina is set at \$6.15 an hour. No doubt having a minimum-wage is a good thing because few people if any would work for free. However is \$6.15 an hour enough money to support a family's living expenses? It is the point of this paper to examine if a full-time minimum-wage job is enough to support one's self.

Working 40 hours of work per week over a 52 week year earning \$6.15 an hour grosses \$12,792 per year. In a typical family household, assuming there are at least two working adults that number doubles to \$25,584 annually. Expenditures by the family go up or down depending upon the number of dependent children in the family. The North Carolina Justice Center put out a report called "*Making Ends Meet on Low Wages: the North Carolina Living Income Standard*" wherein they made calculations for living expenditures for four types of family sizes. The four sizes include; two-person family (one adult, one children), three-person family (one adult, two children), four-person family (two adults, two children), and a five-person family (two adults, three children). The report breaks down living cost county by county based on what they call seven essential expenses; housing, food, childcare, health care, transportation, other necessities and taxes.

The Living Income Standard, or LIS, is a market based approach for estimating how much in come a working family with children needs to pay for basic expenses.¹ The Federal Poverty level, or FPL, is set currently at \$22,200 earned annually for a family of four.² In 1965 Mollie Orshansky investigated to find how much money a family would need in a temporary emergency situation, such as job loss, to not starve. Orshansky's calculation, adjusted for inflation, became the FPL.³ Earning below the FPL is when a person or family can be considered in poverty. There are a number of problems with the FPL most notably that it was developed in the 1960s

¹ Quinterno, John, Meg Gray, and Jack Schofield. Making Ends Meet on Low Wages: the 2008 North Carolina Living Income Standard. NC Justice Center. Raleigh, NC: North Carolina Justice Center, 2008. 1-41.

² US department of State. http://travel.state.gov/visa/immigrants/info/info_1327.html

³ Quinterno

and does not take into consideration expenses that are present today that did not exist 50 years ago. The LIS can be considered more reliable for figuring the cost of living for families as it takes into account far more factors that are critical living expenses than the FPL. The report by the NC Justice group does the LIS calculations for all 100 counties in North Carolina.

The county we are most concerned with is that of Guilford County, North Carolina. The report's calculations use the lowest possible cost for each essential item of living. Guilford County's LIS comes to an annual total of \$32,601 for a two-person family consisting of one adult and one child.⁴ That one adult working full time only earns \$12,792 on a minimum-wage job. The break down of monthly costs for Guilford county goes as follows for this two-person family;

- Housing \$709
- Food \$244
- Childcare \$477
- Health Care \$469
- Transportation \$243
- Other Needs \$257
- Non-refundable taxes \$327

For that family to be able to afford to live they would have to cut certain items from their essential budget. Let us assume the adult could cut transportation to work out of the budget by walking that removes \$2,916 from the annual cost of living expenses bringing the total down to \$29,685 still not low enough for the \$12,729 total of the minimum-wage job. If you removed all costs of living except for food and housing, assuming you could find a way to not pay taxes, the LIS would drop to \$11,436 which is actually affordable on a minimum-wage budget. However it is absurd to think that you could remove all other cost of living and have food and housing be the only expenses.

The calculations for the larger family's income and expenses are comparable to the calculations for this small two person family. In any case no family can earn the amount of income need to survive working a minimum-wage job. There are a number of federal assistance programs available how many people earn too much

⁴Quinterno

money on a minimum-wage job to qualify.

An increase in the minimum-wage would help to ease the strain upon low wage workers. In most cases workers are forced to choose between essential living items and for the most part in families the adult takes most of the injury from doing without. Choices usually come down to having to pay for food or housing and doing without things such as transportation or medical care. However the personal cost of these choices can lead to further problems such as missing work from being sick and leading to further financial problems.