Living with a living wage

2023 Living Wage Study Notes

For nearly three decades, the Alternatives Federal Credit Union calculated a living wage for Tompkins County. Initially produced for internal use, the Alternatives calculation provided a benchmark for local employers and a starting point for discussing how to raise the wages of the lowest-paid workers. The study has been used by the Tompkins County Workers Center (TCWC) in its living wage certification program and by the Tompkins County Living Wage Working Group, which produced a research report on the feasibility of living wage legislation in spring 2023.

From 1994 to 2021, Alternatives staff calculated the living wage every two years with assistance from undergraduate students at Cornell's School of Industrial and Labor Relations (ILR). In 2022, TCWC calculated the figure. Starting in 2023, researchers at the ILR School's Ithaca and Buffalo Co-Labs are calculating it, and our plan is to provide annual updates every November. According to our calculations, the 2023 living wage for a single adult in Tompkins County (living alone with no children) is $18.45 per hour. Last year, TCWC calculated a living wage of $16.61 per hour. Had the current methodology been in effect then, the 2022 living wage estimate would have been $16.84. The living wage for a single person in Tompkins County has thus increased by roughly 9.6% from 2022 to 2023.

Like past the calculations by Alternatives and TCWC, and like the MIT calculator, we use spending data for nine basic needs categories and sum up these expenses to generate an annual basic needs budget. We then divide this budget by 2,080 hours to compute an hourly wage for a full-time worker. The assumption is that this worker is purchasing health insurance. In line with past living wage studies, we do not include childcare in the living wage calculation but present a cost estimate separately.

This year, we changed the methodology by using a different dataset for some basic needs categories. Previous calculations by Alternatives and TCWC calculated food, transportation, communication, recreation, healthcare and other miscellaneous costs using public datasets with statewide or national consumer expenditure estimates. Our calculation uses more geographically fine-grained spending data from the firm SimplyAnalytics that captures the difference between Tompkins County and other parts of New York State. Living wage-certified employers have one year to implement the increase. This includes 127 living wage employers employing more than 3500 workers, about 7% of people employed and 5% of establishments in the county. Table 1 on the next page presents the living wage calculation in full, comparing 2022 and 2023 figures using the new methodology and the 2022 figures using the previous methodology. The following sections provide an update on the labor market situation in Tompkins County, a description of the calculation, and a comparison of the methodology of this calculation with alternative approaches.

Table 1. 2023 Living Wage Estimate for a Single Worker in Tompkins County, NY				
Monthly Expense	**2022 Prior Methodology ***	**2022 New Methodology**	**2023 New Methodology**	**Source/Notes**
Rent (one bedroom)	1,127.00	1,127.00	1,276.00	https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2023_code/select_Geography.odn
Food	256.15	271.88	282.75	Estimated second income quintile household expenditures on Food in Tompkins County via SimplyAnalytics Consumer Expenditures Survey (CES)
Transportation	272.11	307.71	320.02	Estimated second income quintile household expenditures on Transportation in Tompkins County via SimplyAnalytics CES
Communication	91.00	107.12	111.40	Estimated second income quintile household expenditures on Telephone in Tompkins County via SimplyAnalytics CES, plus average Tompkins County "Terrestrial Broadband" price via Broadband Now
Healthcare	219.65	195.61	203.43	Estimated second income quintile household expenditures on Commercial Health Insurance, plus out-of-pocket healthcare in Tompkins County via SimplyAnalytics CES
Recreation	128.98	132.25	137.54	Estimated second income quintile household expenditures on entertainment in Tompkins County via SimplyAnalytics CES
Savings	76.42	74.55	77.53	3% effective saving rate after taxes (based on prior methodology^)
Miscellaneous	170.31	169.04	175.80	Estimated second income quintile household expenditures on Miscellaneous, Housekeeping Supplies, Personal Care Supplies, Reading, Education, and Apparel in Tompkins County via SimplyAnalytics CES
Net Monthly	*2,341.62*	*2,385.14*	*2,584.47*	
Annual Net	*28,099.44*	*28,621.73*	*31,013.64*	
Taxes	536.67	534.58	613.25	
Payroll (SS)		221.17	244.67	https://smartasset.com/taxes/income-taxes#r9fMuxoUjc
Federal		200.25	237.08	https://smartasset.com/taxes/income-taxes#r9fMuxoUjc
State		113.17	131.50	https://smartasset.com/taxes/income-taxes#r9fMuxoUjc
Total (Gross)	*2,878.29*	*2,919.73*	*3,197.72*	
Hourly @ 40 hours/ week	***16.61***	***16.84***	***18.45***	
Annual Salary	*34,539*	*35,037*	*38,373*	

*Data in the second column come from the 2022 Tompkins County living wage report. Other sources are named in the far righthand column.

Addendum: Childcare Costs						
	DICC monthly	Cornell monthly	IC3 monthly	Monthly average	Annual average	
Infant	$1,544	$2,079	$2,532	$2,051.67	$24,620.00	
Toddler	$1,488	$1,803	$1,999	$1,763.33	$21,160.00	
Pre-school	$1,392	$1,645	$1,745	$1,594.00	$19,128.00	
Sources: Downtown Ithaca Childcare Center, Ithaca Community Childcare, and Bright Horizons / Cornell Childcare Center						

Update on the local labor market

In 2022-23, workers' wages in Tompkins County have not kept up with the rising cost of living. Average weekly wages increased 5.5%, from $1268 to $1338, from January 2022 to January 2023. Above-average increases were in leisure and hospitality (9.3%) and retail trade (11.9%); below average was the county's largest industry, education and health services, where the average weekly wage increased by 4.0%. By contrast, there was a 6.0% increase in the Consumer Price Index for the Northeast over the same 12 months. Housing costs increased even more rapidly, with the HUD Fair Market Rent (FMR) for a one-bedroom unit in Tompkins County jumping in 2022-23 by 13.2%, from $1,127 to $1,276.

Out of approximately 48,020 wage earners (i.e., excluding the self-employed) living in Tompkins County, we estimate that 38% earn hourly wages below $18.45. This means that just under 18,000 workers earn less than the County's 2023 living wage estimate. Narrowing the calculation to just those "full-time" wage earners who work at least 30 hours per week and at least 40 weeks out of the year (32,861 workers), 31% of this group, or roughly 10,038 workers, are estimated to earn below $18.45.

The likelihood of earning a living wage in Tompkins County is systematically linked to a worker's race-ethnicity and gender. People of color are substantially more likely than their white counterparts to earn a sub-living wage. Among Black or African American residents, nearly three out of every five workers (58.8%) earn less than $18.45 per hour, whereas the figure for white workers the figure is just above one in three (35.0%). There is also a disparity by gender. Among female wage earners, 41.4% earn less than $18.45 per hour, while the corresponding figure for men is 33.6%. Table 2 displays these disparities.

Table 2. Likelihood of Earning Less than the 2023 Tompkins County Living Wage, by Race-Ethnicity

Racial-Ethnic Group	**% of Wage Earners in Group That Earn Less Than $18.45 per Hour**
Black or African American Alone	58.8%
All Other Race-Ethnicities, Combined*	54.6%
Hispanic or Latinx	49.5%
Asian or Pacific Islander Alone	41.6%
White Alone	35.0%
Gender	
Female	41.4%
Male	33.6%
Countywide Average for All Wage Earners	***37.5%***

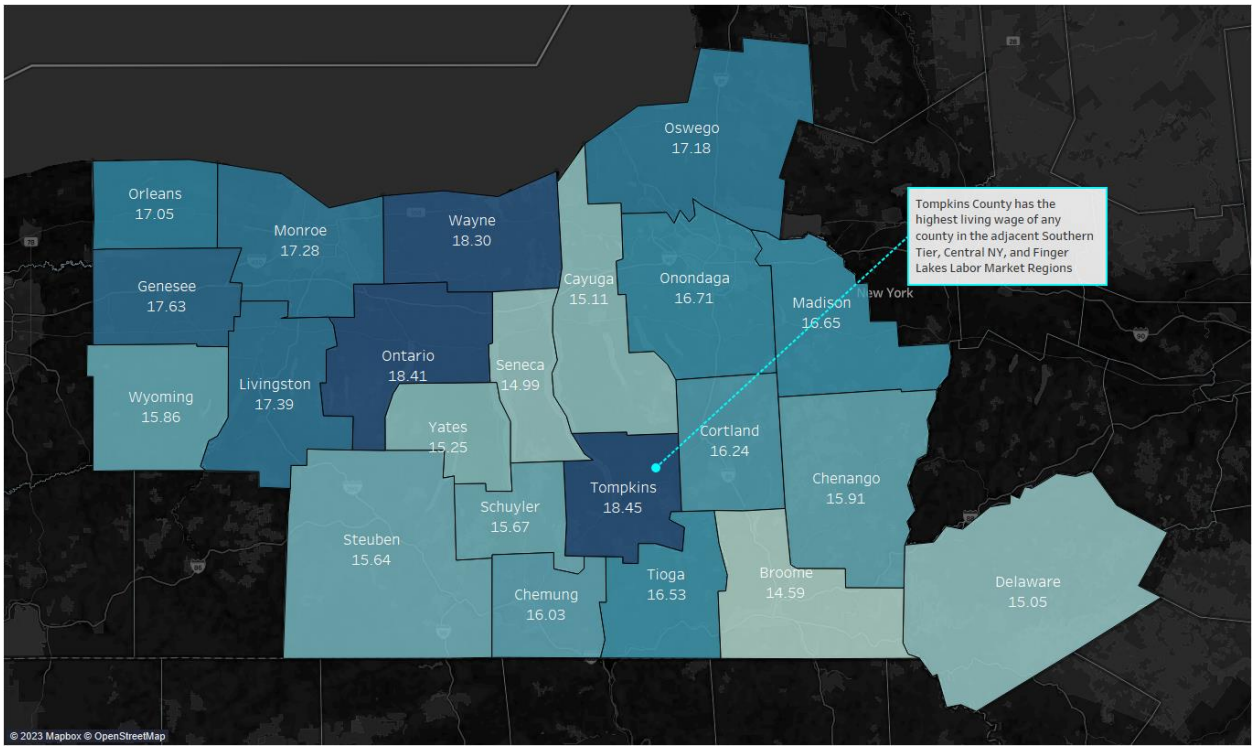
Note: Persons who identify as either (1) Some Other Race Alone (Not Hispanic or Latinx) or (2) Indigenous Alone (Not Hispanic or Latinx), or (3) Two or More Races are, collectively, 3.45% of all wage earners. Because of the small observed frequency of workers from these groups, the groups are combined in this table. With the exception of the group labeled "Hispanic or Latinx", all racial groups describe persons who identify as Not Hispanic or Latinx.

Source: American Community Survey, five-year estimates (2017-21), Public Use Microdata Sample

Given our tight labor market, it may seem surprising that low-wage work remains a problem. Since the 1990s, Ithaca has experienced more employment growth than any other metro area in upstate New York. After a pandemic-era high of 11.3%, the headline unemployment rate has been consistently low in 2022-23, between 2.0% and 3.5%. Employment levels have fluctuated seasonally between 46,600 and 50,600, similar to pre-pandemic levels.

One important reason for the continued large numbers of workers earning less than a living wage is the cost of living in Tompkins County, which is higher than any other county in the region. Using the same methodology we used for the Tompkins County calculation, we compare the 2023 living wage estimate for other counties in upstate New York. Figure 1, below, maps the living wage estimates for all 22 counties that fall in one of the three New York State Labor Market Regions (LMRs) nearest to Tompkins County – Southern Tier, Finger Lakes and Central New York. The living wage in Cayuga County is $15.11; in Cortland County, $16.24; in Tioga County, $16.23; in Chemung County, $16.23; in Schuyler County, $15.67; and in Seneca County, $14.99. These are all substantially lower than the $18.45 calculation for Tompkins County but higher than the relevant state minimum wage of $14.20.

Figure 1. Comparable living wage figures for the wider region



A second reason why so many workers continue to earn less than a living wage is the continually wide gap between the living wage and the state minimum wage. As of the beginning of 2022, the minimum wage upstate is $4.27 less than the 2023 living wage figure for Tompkins County. Over the next few years, this gap could widen as minimum wage increases become slower. In 2014-22, annual increases were $0.70; in 2022-23, it was $1.00; and in 2023-23, it will be $0.80, bringing it up to $15.00. Then, in 2024-26, the minimum wage will increase by $0.50 annually, followed by modest and not guaranteed inflation-related increments. Barring unexpected reductions in the cost of living or increases in the minimum wage, this gap between the Tompkins County living wage and the state minimum wage will remain wide.

The living wage calculation

For nearly 30 years, the methodology of calculating the living wage used by Alternatives and TCWC has remained consistent. Data on the same cost items were drawn from the same national, publicly available datasets published by the Bureau of Labor Statistics (BLS). This is very similar to the MIT Calculator, which is the gold standard of living wage estimates, based on high-quality consumer expenditure data and employing a useful “basic needs budget” methodology. The Alternatives living wage reports predate the MIT Calculator by a decade.

A limitation of these estimates was that few data points were county specific. BLS consumer spending data are only available at the national- or statewide- scales and therefore, do not permit researchers to localize living wage estimates down to the county level of analysis. Using these data to construct county-level living wage estimates means that all counties will exhibit identical annual budgets in several spending categories. Current MIT Calculator estimates show that in both Tompkins County and New York County (i.e., Manhattan), annual costs of food, medical care, transportation, civic participation, and miscellaneous items are equal. The only cost differences appear in housing and taxes, for which location-specific data are available from non-BLS data sources. Therefore, the data these calculations are based on does not permit precise localized wage estimates.

The research team overseeing the 2023 Tompkins County living wage calculation will use a premium, commercial consumer expenditure dataset to which Cornell has access. We start with a *basic needs budget* from the same nine spending categories used to perform this task by Alternatives and TCWC.

For housing and taxes, we will continue to use the same localized data sources as before. With respect to housing, the *fair market rent* (FMR) for a one-bedroom apartment is available from and annually updated by the U.S. Department of Housing and Urban Development (HUD) for all counties in the United States. This rent figure includes utilities. Concerning taxes, because Tompkins County does not collect local income taxes, the federal and state income tax bills for a living wage worker in Tompkins County is straightforward to compute using publicly available information on federal and state marginal income tax rates.

For childcare, we also use the same methodology as before. We contacted three childcare centers – the Cornell Childcare Center run by Bright Horizons, the Downtown Ithaca Child Center, and the Ithaca Community Childcare Center. We asked them for separate costs for full-time childcare for three categories: infants, toddlers, and pre-school. As mentioned above, these are presented in this report but are not included in our living wage calculation, which is based on a one-person household, an adult without children. If we included these in the living wage calculation, it would lead to a large increase. The average cost for full-time infant care is $24,620, whereas the annual basic needs budget that forms the basis of our living wage calculation is $38,373.

Historically, data for the other categories came from the national BLS Consumer Expenditure Survey (CEX), with supplemental local information added whenever possible. We have replaced this with SimplyAnalytics, a web-based interactive mapping portal and data provider that allows users to visualize, summarize, and download data from a variety of public (e.g., U.S. Census Bureau) and private (e.g., Experian Simmons) sources. The private sources include, among other things, data from market research firms on consumer spending patterns. Because these data are collected so that firms can understand geographic patterns of consumer buying power and make decisions based on those patterns, they are made available at relatively fine spatial resolutions. The SimplyAnalytics data can be used to generate more localized household budgets at the county level and therefore, living wage estimates.

To achieve the superb precision offered by SimplyAnalytics, a paywall must be scaled. Any living wage calculation methodology involving these data can only be replicated by users who purchase access from the commercial data vendor. The Cornell-ILR research team accesses the data through the university's library website, but this tool and its data are out of reach for most community-based organizations and coalitions involved in living wage estimation.

The data sources listed above give us most of the information needed for a living wage calculation, but there is one more hurdle to overcome. As the name implies, a *basic needs budget* is associated with a *basic* or relatively low-cost lifestyle. In practice, this observation means that most living wage calculations are not done for "typical" (e.g., average or median) spending habits but for below-average spending habits. HUD's FMR data, for instance, are legislatively set at the 40th percentile (or second quintile) of gross rents in a given location. Similarly, past living wage reports for Tompkins County have drawn on 40th percentile expenditure values from the BLS CEX to create annual budget estimates for many of the non-housing spending categories represented in the coalition's basic needs budget calculation. County-level data from SimplyAnalytics, by contrast, report averages, making it necessary to estimate 40th percentile expenditures.

Table 3. Estimated 40th Percentile Monthly Expenditures in Select Basic Needs Categories for 2023, Compared to 2022 Expenditure Values

	Overall Average (2023$)	**Average in Second Income Quintile (40th Percentile) [2023$]**	**2022 Value from the Tompkins County Workers' Center Living Wage Report (in 2022$)**
Household Income	*$102,969*	*$38,461**	*N/A*
Food	$757.03	$282.75^	$265.15
Transportation	$856.79	$320.02^	$272.11
Communication	$190.72#	$111.40^#	$91.00
Healthcare	$300.35	$203.43&	$219.65
Recreation	$368.25	$137.54^	$128.98
Miscellaneous	$470.60	$175.80^	$170.31

*Known value from the current U.S. Census American Community Survey

^Estimated value derived by multiplying the ratio of average income in the second quintile to average overall income by the overall average expenditure value

#Communication is the sum of $64.10 – the average lowest cost broadband plan across Tompkins County census tracts, as reported by Broadband Now – and the SimplyAnalytics expenditure data point for telephone services in Tompkins County

&The average cost of a commercial or Blue Cross/Blue Shield health plan in Tompkins County, as reported in the SimplyAnalytics dataset, is $145.76. This value was assumed to be constant across income quintiles (e.g., the NYS healthcare marketplace reports a similar value of roughly $159 per month for a Silver-level plan for an individual earning approximately $38,000). The difference between the average (observed) and 40th percentile (estimated) expenditure values in healthcare is therefore attributable to out-of-pocket expenditures.

We accomplish this using the current (2017-21 Five-Year) U.S. Census American Community Survey (ACS) data on average household income by quintile. As summarized in the top row of Table 3, below, the current ACS reports that the average household income in Tompkins County, expressed in 2023 dollars, is approximately $102,969. The same dataset reports that the average income for Tompkins County households that fall in the second income quintile (i.e., 40th percentile) is, in 2023 dollars, $38,461. To estimate 40th percentile expenditures from SimplyAnalytics data, we multiply average expenditure values for Tompkins County by the observed ratio of mean income in the second quintile ($38,461) to mean overall household income ($102,969) in the county. That ratio equals 37.35%. This ratio is an adjustment factor used in Table 3 to approximate 40th percentile expenditure levels (column 3) based on average expenditure levels (column 2) in Tompkins County. The final column (column 4) presents corresponding expenditure values from the 2022 living wage report for Tompkins County, prepared by TCWC.

Comparison to Alternative Measures

In addition to computing and presenting the 2023 Tompkins County living wage derived through this report's adopted methodology, the researchers will highlight three additional living wage values for Tompkins County for context and comparison. Of the four living wage measures summarized in Table 4, the official measure – computed using a basic needs budget method grounded predominantly in localized consumer spending data for Tompkins County – is the smallest and most conservative estimate.

Table 4. Comparing Alternative 2023 Living Wage Measures for a Single Worker in Tompkins County

Living Wage Measure	**Living Wage Value**	**% Difference from $18.45**
"Official" 2023 Living Wage from Prior Section	$18.45	--
MIT Living Wage for a Single Adult with No Children	$18.47	+0.1%
FMR-Based Housing Wage for a One-Bedroom Unit	$24.71	+33.9%
40th Percentile Housing Wage for a Single Worker Who Lives Alone in Rental Housing with No Children	$22.38	+21.3%

In Table 4, the top row reproduces our headline 2023 Tompkins County living wage value, while the remaining rows show the three alternative living wage measures. Two are "housing wage" measures that are considerably higher than the official living wage estimate. The other is the MIT Calculator's living wage for a single adult with no children in Tompkins County, which is $18.47, nearly identical to our figure ($18.45), adding another layer of reliability to both the new methodology and estimate generated.

Alternative Measure #1: The MIT Calculator Living Wage for a Single Adult with No Children

The MIT Calculator does not report a single living wage for counties in the U.S. but rather a range of living wages that cover various household compositions. More specifically, for each county, the MIT Calculator reports twelve living wages for twelve scenarios that cover up to two adults and three children in a given household. Four scenarios relate to households with just one working adult and between zero and three children. An additional four scenarios relate to households with two adults, only one of whom works, and between zero and three children. And the final four scenarios relate to households in which there are two adults, both of whom work and between 0 and three children. Because, historically and continuing with this report, the Tompkins County living wage coalition is concerned with a living wage estimate for an individual worker (presumably who lives alone and does not have children), the value from the MIT schedule for Tompkins County most relevant to this report is the living wage for a single working adult with no children.

Alternative Measure #2: The "Housing Wage" as Computed with HUD Fair Market Rent Data for a One-Bedroom Apartment

According to the National Low Income Housing Coalition (NLIHC), a *housing wage* is an hourly wage that a full-time worker (2,080 hours per year) must earn to afford a rental home without spending more than 30% of their gross monthly income on rent. Whereas NLIHC computes the housing wage for various locations in the U.S. using the HUD Fair Market Rent (FMR) for a two-bedroom apartment, the Tompkins County living wage coalition has historically used the FMR for a one-bedroom unit in its calculations of a local living wage. Thus, the appropriate FMR-based housing wage for use as a comparator in this report is one associated with a one-bedroom unit.

The 30% threshold in computing the housing wage comes from HUD, which defines *housing cost burdened* as a situation in which households spend more than 30% of their income on housing. (This threshold is used by the broader affordable housing advocate community.) To be housing cost burdened is to struggle with housing unaffordability and live in a state of precarity. Insofar as a living wage is a wage that is sufficient for workers to meet their basic needs without struggling to find supplemental financial assistance, a housing wage is a type of living wage – one that ensures a worker earns enough to pay for the shelter in which they currently reside.

Computing a housing wage from HUD FMR data is straightforward and does not require any additional data on expenditures in other areas of basic needs. Rather, it requires only one input: the local HUD FMR for the unit type (e.g., one-bedroom) on which the calculation is to be based. For the purposes of this report, the *housing wage* for a one-bedroom unit in Tompkins County at the 2023 HUD FMR level is equal to:

$$Housing\ Wage = \frac{(Monthly\ FMR_{beds} * 12)/0.3}{2080\ hours}$$

where FMR_{beds} is the FMR associated with the desired unit type. Whereas NLIHC uses a two-bedroom unit in its housing wage calculations, table 4 uses FMR for a one-bedroom unit.

Alternative Measure #3: The "Housing Wage" as Computed with U.S. Census Bureau Data for Single Tompkins County Renters Who Live Alone

The housing wage developed by NLIHC and discussed above is powered by HUD data on Fair Market Rents (FMRs). The HUD FMR dataset reports 40th percentile gross rents by unit size (i.e., number of bedrooms) for all counties in the U.S. One potential challenge with using FMR data on one-bedroom units to compute county-level housing wages is that, especially in rural parts of a state, some counties might not have many one-bedroom units on which to base the calculation.

For instance, according to current (2017-21 Five-Year) U.S. Census American Community Survey (ACS) data, Tompkins County has roughly 5,515 one-bedroom, renter-occupied housing units. However, the same dataset reports that there are roughly 13,909 households that contain single individuals who are living alone. Thus, by focusing only on one-bedroom units, the FMR-based measure of a housing wage could potentially fail to capture the living situations for a meaningful fraction of the target population (e.g., single workers, without children, who live alone). One strategy to overcome this challenge, and to more holistically measure the costs of housing for single renters without children or roommates, is to draw on self-reported data on the rents paid by such individuals living in Tompkins County. The premier source for such data is the current ACS Public Use Microdata Samples (PUMS).

Notes

i. https://www.tcworkerscenter.org/campaigns/living-wage-certification/
ii. https://www.ilr.cornell.edu/sites/default/files-d8/2023-04/ICL-LW-March-2023-Final.pdf
iii. https://www.alternatives.org/about/impacting-our-community/living-wage-study.html
iv. www.simplyanalytics.com
v. Savings are not well-represented in consumer spending surveys, especially for below-average income quintiles, where net earnings can be negative. To generate a value for monthly savings, this report draws on prior-year reports, which typically feature a savings rate of 3 percent.
vi. These numbers come from the Quarterly Census of Employment and Wages. https://www.bls.gov/cew/
vii. Consumer Price Index data are published by the Bureau of Labor Statistics. https://www.bls.gov/regions/mid-atlantic/news-release/consumerpriceindex_northeast.htm
viii. These estimates come from the current (2017-21 Five-Year) ACS PUMS data. They are in 2023 dollars.
ix. These estimates come from the current (2017-21 Five-Year) ACS PUMS data.
x. These numbers are from the Local Area Unemployment statistics published by the BLS. https://www.bls.gov/lau/
xi. https://www.ny.gov/new-york-states-minimum-wage/new-york-states-minimum-wage
xii. https://www.governor.ny.gov/news/governor-hochul-announces-historic-agreement-increase-new-yorks-minimum-wage-and-index
xiii. https://www.nytimes.com/2019/06/05/smarter-living/what-a-living-wage-actually-means.html
xiv. https://smartasset.com/taxes/income-taxes#r9fMuxoUjc
xv. https://simplyanalytics.com/2015/04/21/exploring-simplymap-data-consumer-buying-power/
xvi. https://johnson.library.cornell.edu/database/simplyanalytics/
xvii. https://www.huduser.gov/portal/datasets/fmr.html
xviii. https://www.tcworkerscenter.org/campaigns/living-wage-certification/
xix. https://nlihc.org/sites/default/files/2023_OOR.pdf
xx. https://www.census.gov/library/stories/2022/12/housing-costs-burden.html
xxi. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3778025