

## **MIT Living Wage Methodology Supplement for Part-Time Workers**

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### **Background**

Analysts and policy makers often compare income to the federal poverty threshold to determine an individual's ability to subsist in relationship to a certain standard of living. However, the federal poverty measure is not intended to describe what people and families need to live.<sup>1</sup> For example, it does not account for costs like child care and health care that not only draw from a person's income but also are determining factors in a person's ability to work and to endure the potential hardships associated with balancing employment and other aspects of everyday life. Further, poverty thresholds do not account for geographic variation in the cost of essential household expenses.

The MIT Living Wage Calculator is an alternative measure of basic needs for a minimum standard of living. It is a market-based approach that draws upon geographically-adjusted expenditure data related to a family's minimum budget for food, child care, health insurance, housing, transportation, and other necessities (e.g. clothing, personal care items, etc.) costs. The living wage draws on these cost elements and the rough effects of income and payroll taxes to determine the minimum employment earnings required to meet a family's basic needs while also maintaining self-sufficiency.

### **Part-Time Worker Update**

The MIT Living Wage Calculator ([livingwage.mit.edu](http://livingwage.mit.edu)) has historically only considered families with adults who are either working full-time or are out of the labor force.<sup>2</sup> This supplement defines a revised methodology for calculating the living wage for a family with two adults and one child, where one of the adults is working only part-time, defined as less than 35 hours per week of work.

Most components of the estimated living wage will not change based on whether an adult works full- or part-time. For example, an adult needs the same amount of housing, whether or not she/he works full-or part-time. Childcare costs, however, vary depending on the amount of paid care required when both adults are unavailable to provide the requisite number of hours of childcare. Therefore, this update focuses on modifying the childcare component of the living wage when one adult is working full-time and the second adult is working part-time, defined as less than 35 hours per week of work.

### **Data Source**

To determine how much families pay for childcare when one adult is working part-time, we use childcare expenditure data for families with one adult working part-time from the US Census Bureau, Survey of Income and Program Participation (SIPP), average weekly childcare expenditures for families with employed mothers and children under five years old that made childcare payments in Spring 2011.<sup>3</sup>

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<sup>1</sup> <https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html>

<sup>2</sup> <http://livingwage.mit.edu/pages/about>

<sup>3</sup> <http://www.census.gov/data/tables/2008/demo/2011-tables.html>

We do not pro-rate the hourly costs for childcare when both adults are working full-time because research indicates that part-time childcare is not readily available across the nation and when available it is often more expensive per hour than full-time childcare. Further, expenditure data are comparable to other measures in the living wage calculation and represent actual reported expenses of families, rather than projected or theoretical estimates.

Childcare expenditures represent compensation arrangements used for all children in the household including parental, relative, and non-relative care arrangements. Data are reported by the work status of the mother, whether she is employed full-time, part-time, or self-employed.

Although SIPP was administered in subsequent years after 2011, more recent data about family expenditures on childcare are unavailable. This estimate then represents the most current data available for childcare expenditures.

### **Definitions**

Full-time and part-time is defined by the number of hours a person usually worked per week during the weeks worked during the 4-month reference period of the SIPP. When hours varied considerably per week, the reported approximate average hours worked per week was used.

The definition of part-time represents those individuals who are 16 years old or older and who reported working fewer than 35 hours. This definition is a standard and also used in the US Census Current Population Survey.<sup>4</sup>

### **Methodology**

To estimate the childcare costs of families with two adults, with one full-time and one part-time worker we calculated the ratio of average weekly childcare expenses for full-time, compared to part-time working mothers with children under the age of five. We then apply this ratio to the MIT Living Wage calculation of childcare expenses.

### **Results**

The resulting living wage estimate for a two-adult family, with one adult working part-time and one child, is \$1,188 less on average compared with two adults working full time. This figure represents wage income before taxes are deducted but otherwise reflects the wages for the same family composition where both adults are working full-time.

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<sup>4</sup> <http://www.census.gov/content/dam/Census/programs-surveys/sipp/tech-documentation/complete-documents/2008/SIPP%202008%20Panel%20Wave%202008%20-%20Core%20File.pdf>