



Minnesota Cost of Living Study

Annual Report, 2017

as required by Minnesota Statutes 2016, chapter 116J, section 13

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- Introduction 3
 - Study Mission and Purpose..... 3
 - Typical Uses of the Cost of Living Data 3
- Results and Analysis Statewide and by Region 4
 - Minnesota Statewide 5
 - Economic Development Region 1 - Northwest..... 5
 - Economic Development Region 2 - Headwaters 5
 - Economic Development Region 3 - Arrowhead..... 6
 - Economic Development Region 4 – West Central 6
 - Economic Development Region 5 – North Central 6
 - Economic Development Region 6E – Southwest Central 6
 - Economic Development Region 6W – Upper Minnesota Valley..... 7
 - Economic Development Region 7E – East Central..... 7
 - Economic Development Region 7W - Central..... 7
 - Economic Development Region 8 - Southwest..... 8
 - Economic Development Region 9 – South Central 8
 - Economic Development Region 10 - Southeast..... 8
 - Economic Development Region 11 - Twin Cities Metro 8
- Further Analysis and Recommendations 9
 - Median Wage as a Share of the Cost of Living..... 9
 - Job Vacancy Median Wage Offer as a Share of the Cost of Living..... 10
 - Impact on Employment Recruitment and Retention..... 10
 - Impact on Minority Communities..... **Error! Bookmark not defined.**
 - All industries average by race **Error! Bookmark not defined.**
 - Impact on Consumer Expenditures..... 11
 - Impact on Demand for Social Service Subsidies 11
- Sources 11
- Appendix A 12
 - Statutory Mandate..... 12
- Appendix B 12
 - Cost of Living Study Data Sources..... 12
- Appendix C 12
 - Minnesota Economic Development Regions 12

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 Cost of Living Study provides an estimate of a basic-needs cost of living in Minnesota by county, region, and statewide for both individuals and for varying family sizes. The study examines living costs in seven cost categories: food, housing, health care, transportation, child care, 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 is all we can afford. That is our spending. Our family actually needs two apples. That is 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 do not 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. They 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.

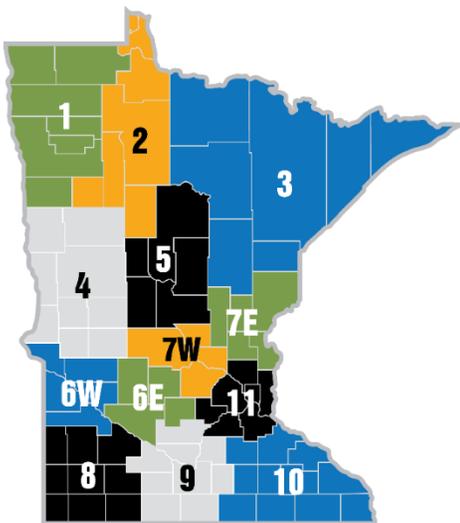
Results and Analysis Statewide and by Region

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 2017 is used here. It is compared to the OES wage data from first quarter 2016. Median wage offers are from the second quarter 2016 Minnesota Job Vacancy Survey.

For convenient use as a reference or hand-out, each region is presented on a separate page of the report.



Minnesota Statewide

Annual Costs: \$55,200

Hourly Rate: \$17.69

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, needs to earn an estimated family income of \$55,200 per year and \$17.69 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$468, food \$763, health care \$472, housing \$936, transportation \$788, other necessities \$496, and taxes \$677.

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 Region 1 - Northwest

Annual Costs: \$44,028

Hourly Rate: \$14.11

In Northwestern Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$44,028 per year and \$14.11 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$208, food \$758, health care \$396, housing \$738, transportation \$711, other necessities \$437, and taxes \$421.

The median wage paid to workers across all occupations in Northwest Minnesota is 117 percent of the cost of living, while the median wage offer for job vacancies is 89 percent of the cost of living.

Economic Development Region 2 - Headwaters

Annual Costs: \$45,588

Hourly Rate: \$14.61

In the Headwaters region of Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$45,588 per year and \$14.61 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$230, food \$752, health care \$396, housing \$719, transportation \$810, other necessities \$430, and taxes \$462.

The median wage paid to workers across all occupations in the Headwaters region is 111 percent of the cost of living, while the median wage offer for job vacancies is 69 percent of the cost of living.

Economic Development Region 3 - Arrowhead

Annual Costs: \$45,852

Hourly Rate: \$14.70

In the Arrowhead region of Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$45,852 per year and \$14.70 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$264, food \$750, health care \$396, housing \$764, transportation \$738, other necessities \$442, and taxes \$467.

The median wage paid to workers across all occupations in the Arrowhead region is 113 percent of the cost of living, while the median wage offer for job vacancies is 95 percent of the cost of living.

Economic Development Region 4 – West Central

Annual Costs: \$44,604

Hourly Rate: \$14.30

In West Central Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$44,604 per year and \$14.30 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$236, food \$752, health care \$396, housing \$715, transportation \$752, other necessities \$429, and taxes \$437.

The median wage paid to workers across all occupations in West Central Minnesota is 112 percent of the cost of living, while the median wage offer for job vacancies is 83 percent of the cost of living.

Economic Development Region 5 – North Central

Annual Costs: \$47,040

Hourly Rate: \$15.08

In North Central Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$47,040 per year and \$15.08 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$241, food \$746, health care \$396, housing \$740, transportation \$864, other necessities \$434, and taxes \$499.

The median wage paid to workers across all occupations in North Central Minnesota is 100 percent of the cost of living, while the median wage offer for job vacancies is 73 percent of the cost of living.

Economic Development Region 6E – Southwest Central

Annual Costs: \$45,348

Hourly Rate: \$14.53

In Southwest Central Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$45,348 per year and \$14.53 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$231, food \$752, health care \$396, housing \$712, transportation \$804, other necessities \$428, and taxes \$456.

The median wage paid to workers across all occupations in Southwest Central Minnesota is 115 percent of the cost of living, while the median wage offer for job vacancies is 91 percent of the cost of living.

Economic Development Region 6W – Upper Minnesota Valley

Annual Costs: \$42,636

Hourly Rate: \$13.67

In the Upper Minnesota Valley, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$42,636 per year and \$13.67 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$193, food \$769, health care \$396, housing \$683, transportation \$698, other necessities \$425, and taxes \$389.

The median wage paid to workers across all occupations in the Upper Minnesota Valley is 114 percent of the cost of living, while the median wage offer for job vacancies is 76 percent of the cost of living.

Economic Development Region 7E – East Central

Annual Costs: \$57,924

Hourly Rate: \$18.57

In East Central Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$57,924 per year and \$18.57 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$410, food \$742, health care \$467, housing \$941, transportation \$1,029, other necessities \$492, and taxes \$746.

The median wage paid to workers across all occupations in East Central Minnesota is 92 percent of the cost of living, while the median wage offer for job vacancies is 63 percent of the cost of living.

Economic Development Region 7W - Central

Annual Costs: \$52,656

Hourly Rate: \$16.88

In Central Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$52,656 per year and \$16.88 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$318, food \$743, health care \$463, housing \$911, transportation \$849, other necessities \$483, and taxes \$621.

The median wage paid to workers across all occupations in Central Minnesota is 100 percent of the cost of living, while the median wage offer for job vacancies is 83 percent of the cost of living.

Economic Development Region 8 - Southwest

Annual Costs: \$42,612

Hourly Rate: \$13.66

In Southwest Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$42,612 per year and \$13.66 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$201, food \$762, health care \$396, housing \$678, transportation \$704, other necessities \$421, and taxes \$389.

The median wage paid to workers across all occupations in Southwest Minnesota is 113 percent of the cost of living, while the median wage offer for job vacancies is 100 percent of the cost of living.

Economic Development Region 9 – South Central

Annual Costs: \$44,580

Hourly Rate: \$14.29

In South Central Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$44,580 per year and \$14.29 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$225, food \$754, health care \$396, housing \$748, transportation \$718, other necessities \$439, and taxes \$435.

The median wage paid to workers across all occupations in South Central Minnesota is 115 percent of the cost of living, while the median wage offer for job vacancies is 98 percent of the cost of living.

Economic Development Region 10 - Southeast

Annual Costs: \$48,408

Hourly Rate: \$15.52

In Southeast Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$48,408 per year and \$15.52 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$311, food \$752, health care \$396, housing \$834, transportation \$748, other necessities \$464, and taxes \$529.

The median wage paid to workers across all occupations in Southeast Minnesota is 114 percent of the cost of living, while the median wage offer for job vacancies is 79 percent of the cost of living.

Economic Development Region 11 - Twin Cities Metro

Annual Costs: \$61,236

Hourly Rate: \$19.63

In the Twin Cities Metro region of Minnesota, a typical family of two adults and one child, one adult working full-time and one part-time for a combined 60 work hours per week, needs to earn an estimated family income of \$61,236 per year and \$19.63 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are: child care \$626, food \$774, health care \$521, housing \$1,050, transportation \$787, other necessities \$533, and taxes \$812.

The median wage paid to workers across all occupations in the Twin Cities Metro is 106 percent of the cost of living, while the median wage offer for job vacancies is 61 percent of the cost of living.

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, wealth-building in minority communities, consumer expenditures, and social services.

Median Wage as a Share of the Cost of Living

The statewide median wage of existing jobs, \$18.88, is 10 percent above the cost of living, \$17.69. 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 the half that earns more than the median wage were the families larger than three while the half that earns 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 but one of Minnesota's thirteen economic development regions.

Economic Development Region	Percent (Median wage / Cost of Living)
EDR 1 Northwest	117%
EDR 2 Headwaters	111%
EDR 3 Arrowhead	113%
EDR 4 West Central	112%
EDR 5 North Central	100%
EDR 6E Southwest Central	115%
EDR 6W Upper Minnesota Valley	114%
EDR 7E East Central	92%
EDR 7W Central is	100%

Economic Development Region	Percent (Median wage / Cost of Living)
EDR 8 Southwest	113%
EDR 9 South Central	115%
EDR 10 Southeast	114%
EDR 11 7-County Metro	106%

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

The statewide median wage offer for job vacancies, according to the Job Vacancy Survey, is 79 percent of the state cost of living. Only EDR 8 Southwest showed a median wage offer for vacancies that meets the region’s cost of living at 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	89%
EDR 2 Headwaters	69%
EDR 3 Arrowhead	95%
EDR 4 West Central	83%
EDR 5 North Central	73%
EDR 6E Southwest Central	91%
EDR 6W Upper Minnesota Valley	76%
EDR 7E East Central	63%
EDR 7W Central is	83%
EDR 8 Southwest	100%
EDR 9 South Central	98%
EDR 10 Southeast	79%
EDR 11 7-County Metro	61%

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.

All thirteen Minnesota economic development regions, except EDR 8 Southwest, 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. Again, these are median wage offers as posted by the employer, before negotiation, rather than the actual wage offered to the new employee, so consider that actual wages paid can often be higher than the median wages displayed from the job vacancies.

Other supply or demand conditions that 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 where the median wage is below or equal to the regional cost of living (such as EDR 7E East Central, EDR 7W Central, and EDR 5 North Central) 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 may be more likely to qualify for some 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. First Quarter, 2015. See mn.gov/deed/data/data-tools/oes/.
3. Job Vacancy Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. Second Quarter, 2015. 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 Mahnommen 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.

Appendix D

Minnesota Economic Development Regions table by median wages and cost of living.

Economic Development Region	Median Wages ¹ per hour (OES)	Percent (Median wage of EDR / Cost of Living of EDR)	Percent (JVS Median wage ² / Cost of Living)
EDR 1 Northwest	\$16.48	117%	89%
EDR 2 Headwaters	\$16.19	111%	69%
EDR 3 Arrowhead	\$16.61	113%	95%
EDR 4 West Central	\$16.03	112%	83%
EDR 5 North Central	\$15.07	100%	73%
EDR 6E Southwest Central	\$16.78	115%	91%
EDR 6W Upper Minnesota Valley	\$15.52	114%	76%
EDR 7E East Central	\$17.00	92%	63%
EDR 7W Central is	\$16.92	100%	83%
EDR 8 Southwest	\$15.48	113%	100%
EDR 9 South Central	\$16.39	115%	98%
EDR 10 Southeast	\$17.77	114%	79%
EDR 11 7-County Metro	\$20.79	106%	61%

¹ [Link to Detailed Occupation Data: https://apps.deed.state.mn.us/lmi/projections/detail.asp?code=000000&geog=2708R07E00](https://apps.deed.state.mn.us/lmi/projections/detail.asp?code=000000&geog=2708R07E00)

² <https://apps.deed.state.mn.us/lmi/jvs/Results.aspx>