

Minnesota Cost of Living Study

Annual Report 2022

Angelina Nguyen, LMI Director

Amanda Rohrer, LMI Database Administrator

Labor Market Information Office

Minnesota Department of Employment and Economic Development

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Introduction

The Cost of Living Study provides an estimate of a basic-needs cost of living in Minnesota for individuals and for various family sizes, by county, region, and statewide. The study examines living costs in seven cost categories: food, housing, health care, transportation, child care, other necessities, and net taxes. [1]

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.

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.

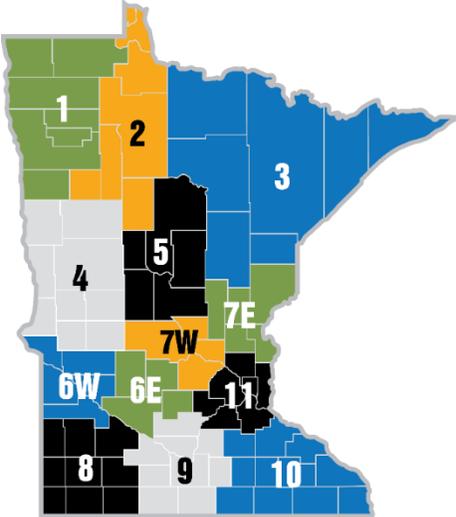
Results and Analysis Statewide and by Region

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 2022 is used here. It is compared to the OEWS wage data from first

quarter 2021. Median wage offers are from the second quarter 2021 Minnesota Job Vacancy Survey and represent the larger Planning Region in which the EDR falls.



Minnesota Statewide

Annual Costs: \$60,540

Hourly Rate: \$19.40

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 \$60,500 per year and \$19.40 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are child care \$579, food \$822, health care \$561, housing \$1,151, transportation \$772, other necessities \$540, and taxes \$620.

The median wage paid to workers across all occupations in Minnesota is 119% of the cost of living, while the median wage offer for job vacancies is 86% 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 (\$)
1 - Northwest	\$46,548	\$14.92	206	816	538	813	736	446	324
2 - Headwaters	\$48,756	\$15.63	275	809	538	792	838	438	373
3 - Arrowhead	\$50,940	\$16.33	352	807	538	877	785	461	425
4 - West Central	\$47,820	\$15.33	263	810	538	799	789	440	346
5 - North Central	\$49,392	\$15.83	275	803	538	780	895	434	391
6E- Southwest Central	\$47,868	\$15.34	280	810	538	769	813	432	347
6W- Upper MN Valley	\$46,296	\$14.84	213	828	538	756	773	434	316
7E- East Central	\$61,656	\$19.76	475	799	559	1,148	972	533	652
7W- Central	\$57,780	\$18.52	431	799	558	1,115	827	524	561
8 - Southwest	\$45,504	\$14.58	228	820	538	756	727	431	292
9 - South Central	\$48,528	\$15.55	249	811	538	888	731	465	362
10 - Southeast	\$51,576	\$16.53	364	810	538	895	788	467	436
11 - Twin Cities Metro	\$67,776	\$21.72	779	833	575	1,348	744	597	772
<i>Statewide</i>	<i>\$60,540</i>	<i>\$19.40</i>	<i>579</i>	<i>822</i>	<i>561</i>	<i>1,151</i>	<i>772</i>	<i>540</i>	<i>620</i>

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, \$23.00, is 19% above the cost of living, \$19.40. 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 2.5 persons.

If the labor market were perfectly aligned by family type, 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 this is not the case.

In the real world we look for a median wage that meets or exceeds the cost of living. According to Occupational Employment and Wage Statistics, the median wage meets or exceeds the cost of living statewide in all of Minnesota's 13 economic development regions.

Economic Development Region	Percent (Median wage / Cost of Living)
EDR 1 Northwest	133%
EDR 2 Headwaters	127%
EDR 3 Arrowhead	125%
EDR 4 West Central	128%
EDR 5 North Central	115%
EDR 6E Southwest Central	126%
EDR 6W Upper Minnesota Valley	129%
EDR 7E East Central	111%
EDR 7W Central is	112%
EDR 8 Southwest	129%
EDR 9 South Central	127%
EDR 10 Southeast	128%
EDR 11 7-County Metro	115%
<i>Statewide</i>	<i>119%</i>

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 86% of the state cost of living. Four EDRs – EDR 1 Northwest, EDR 6E Southwest Central, and EDR 6W Upper Minnesota Valley and EDR 8 Southwest - reported a median wage offer for vacancies which meets or exceeds the region's cost of living. The rest of Minnesota's 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. Moreover, where a wage offer range is provided, the the low end of that

range is selected in data collection. So these statistics represent median of the low end of initial wage offers.

Economic Development Region	Percent (JVS Median wage / Cost of Living)
EDR 1 Northwest	101%
EDR 2 Headwaters	97%
EDR 3 Arrowhead	87%
EDR 4 West Central	99%
EDR 5 North Central	96%
EDR 6E Southwest Central	100%
EDR 6W Upper Minnesota Valley	101%
EDR 7E East Central	77%
EDR 7W Central	83%
EDR 8 Southwest	103%
EDR 9 South Central	97%
EDR 10 Southeast	97%
EDR 11 7-County Metro	82%

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, BIPOC community well-being, and local consumer spending.

Impact on Employment Recruitment and Retention

As noted in previous Cost of Living reports, employers interviewed for DEED’s Hiring Difficulties Surveys, spanning the period of 2013 to 2019 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 occupations, 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.

Currently, nine 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 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. 2021. See mn.gov/deed/data/data-tools/oes/.
3. Job Vacancy Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. Second Quarter, 2021. See mn.gov/deed/data/data-tools/job-vacancy/.
4. Hiring Difficulties Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. See [Hiring Difficulties in Minnesota / Minnesota Department of Employment and Economic Development \(mn.gov\)](https://mn.gov/deed/data/data-tools/hiring-difficulties/).
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.