



Oklahoma



Cost of Living Report

Oklahoma Employment Security Commission
Economic Research and Analysis Division

2014 Oklahoma Cost of Living Report

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Introduction

Within the state of Oklahoma, it is a commonly held belief that its citizens enjoy a low cost of living as compared to the majority of other states. Many workers believe this to be to their advantage and are willing to accept comparatively lower wages because of the cost of living. For some workers this appears to be an advantage, but for others a closer look at the details might prove insightful.

In this report, data on wages and cost of living will be discussed and compared in order to gain an idea of the true value of each dollar earned by the average worker in Oklahoma. First, Oklahoma wages will be presented and compared to both the nation and a select few Oklahoma counties using Quarterly Census Employment & Wages (QCEW) from the Bureau of Labor Statistics (BLS). As part of the wage section of this report, Occupational Employment Statistics (OES) from the BLS will also be provided for a few occupations to be compared to the national average. Thirdly, the Council for Community and Economic Research (C2ER) data on cost of living will be used on the national, state, and local level to highlight the changes in prices among different geographical regions. Finally, in the last section of this report, after all the data on wages and cost of living is displayed, wages and cost of living will be directly compared against each other for a selected few counties and states. This direct comparison will give perspective on the actual value of wages in Oklahoma.

Data Sources

The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor is the principal Federal agency responsible for measuring labor market activity, working conditions, and price changes in the economy. The BLS works in association with the Oklahoma Employment Security Commission to provide data on labor market statistics including data on wages paid to workers and averages them for states and counties every quarter. This report will use the Quarterly Census of Employment and Wages (QCEW) as a reference point when examining wages and cost of living. (For more information on BLS QCEW, (see Appendix A, page 9).

The BLS also works with the Oklahoma Employment Security Commission to produce a data set called Occupational Employment Statistics (OES). This data set is the result of a survey that the BLS conducts over specific occupations held by workers in order to provide information on current wages for specific skill sets. (For more information on BLS OES, (see Appendix B, page 9).

The Council for Community and Economic Research (C2ER) publishes an annual cost of living index detailing key components of both state, and selected cities, goods and services. This index is a survey of prices spanning common consumer goods and services that can be purchased in the region. These prices are then compared to an aggregate national average for comparison. This report will be using C2ER's cost of living index as a theoretical reference point when examining wages and cost of living. (For more information on C2ER's Cost of Living Index, (see Appendix C, page 10).

State Wages

In the United States, the national average wage was \$51,361 in 2014 according to the Quarterly Census of Employment and Wages. When compared to state wages, there are 14 states with average wages higher than the national average and 36 with wages lower. This means that the top 14 states pull the national average well into the top half in the ranking, (see Table 1.1 next page).

Oklahoma Wages

The state of Oklahoma ranked 33rd, when compared to the other states, with an average annual wage of \$43,774, placing Oklahoma's average annual wage is 85.2 percent of the national average. Looking exclusively at private employment, Oklahoma is ranked 29th with an average annual wage of \$44,084, a 0.7 percent more. A larger average annual wage in private employment indicates that wages paid to government employees such as teachers, social workers, and all others in the public sector pull the

average down in Oklahoma. While this is the case for some states, on a national level, when workers in the public sector are factored in, the national average wage increases from \$51,295 to \$51,361.

Table 1.1 2014 Average Annual Wage by State					
Rank	State	Average Wage			
			25	Louisiana	\$45,338
1	New York	\$65,887	26	Hawaii	\$45,217
2	Massachusetts	\$64,128	27	Tennessee	\$45,188
3	Connecticut	\$63,898	28	North Carolina	\$44,969
4	New Jersey	\$60,539	29	Florida	\$44,798
5	California	\$59,045	30	Nevada	\$44,725
6	Maryland	\$55,391	31	Missouri	\$44,254
7	Washington	\$55,066	32	Wisconsin	\$43,843
8	Illinois	\$54,089	33	Oklahoma	\$43,774
9	Alaska	\$53,416	34	Alabama	\$43,278
10	Texas	\$53,220	35	Vermont	\$43,018
11	Delaware	\$53,208	36	Utah	\$42,942
12	Virginia	\$52,936	37	Kansas	\$42,715
13	Colorado	\$52,709	38	Indiana	\$42,552
14	Minnesota	\$51,603	39	Iowa	\$42,532
	U.S. Average	\$51,361	40	Kentucky	\$41,942
15	New Hampshire	\$51,160	41	New Mexico	\$41,924
16	North Dakota	\$50,855	42	Nebraska	\$41,184
17	Pennsylvania	\$50,572	43	West Virginia	\$41,175
18	Rhode Island	\$49,283	44	South Carolina	\$40,798
19	Michigan	\$48,447	45	Maine	\$40,442
20	Georgia	\$48,134	46	Arkansas	\$39,976
21	Arizona	\$46,919	47	Montana	\$38,874
22	Oregon	\$46,521	48	South Dakota	\$38,688
23	Wyoming	\$46,480	49	Idaho	\$37,966
24	Ohio	\$46,005	50	Mississippi	\$37,117

*Source: Bureau of Labor Statistics QCEW

Border State Wages

Though Oklahoma shares a border with six states, Texas, Kansas, and Arkansas share similar economic, demographic, and geographic characteristics that work as a useful reference point when comparing regional wages and cost of living differences. When looking at wages in these states, Texas comes out with the highest paid wages followed by Oklahoma, Kansas, and Arkansas respectively. However, Oklahoma does lead in average wage growth when compared to these states over the past 10 years with a wage growth of \$13,031, or 3.6 percent, since 2004, (see Table 1.2 below).

Table 1.2 Wages by State				
Rank	State	Average Wage	Percent of National Average	10 year Average Wage Growth
1	Texas	\$53,220	103.6%	3.4%
2	Oklahoma	\$43,774	85.2%	3.6%
3	Kansas	\$42,715	83.2%	2.8%
4	Arkansas	\$39,976	77.8%	3.0%

*Source: Bureau of Labor Statistics QCEW

Local Wages

The state of Oklahoma is home to 77 counties, 10 of which house the larger urban areas of the state. Oklahoma County, where Oklahoma City and Edmond are located, has the highest wage by county in the state at \$49,264. In Payne County, annual wages have averaged 5.3 percent growth over the past ten years, showing the most growth in the group. Even in the slowest of all selected counties, the average annual wage growth is 2.9 percent. Of all the counties, however, only the first three surpass the state average in wages, therefore pulling up the state average itself, (see table 1.3 below).

County (City)	Average Wage	Percent of State Average	10 Year Average Wage Growth
Oklahoma (Oklahoma City)	\$49,264	112.5%	3.7%
Oklahoma (Edmond)	\$49,264	112.5%	3.7%
Tulsa (Tulsa)	\$48,187	110.1%	3.3%
Garfield (Enid)	\$44,670	102.0%	5.1%
Carter (Ardmore)	\$40,017	91.4%	3.4%
Payne (Stillwater)	\$39,980	91.3%	5.3%
Mayes (Pryor Creek)	\$39,534	90.3%	3.8%
Kay (Ponca City)	\$39,342	89.9%	2.9%
Muskogee (Muskogee)	\$37,853	86.5%	3.0%
Cleveland (Norman)	\$37,422	85.5%	3.4%
Comanche (Lawton)	\$36,483	83.3%	2.9%

*Source: Bureau of Labor Statistics QCEW

Oklahoma Occupations

Looking at occupation specific data is another useful tool of measurement when examining differences in wages. Wages paid to specific occupations are highly indicative of the characteristics of the workforce in the selected geographical area. High wages in educated labor focused occupations represent a competitive market for that specific occupation. Lower wages can sometimes represent a lack of emphasis placed on a particular skill set within an economy. The occupations below are selected to represent popular occupations in Oklahoma and the diversity in levels of education needed to enter their respective fields as provided by the BLS. This allows a comparison to be made of specific occupations in Oklahoma against the US national mean to better understand the gap in wages between Oklahoma and the rest of the United States. In Oklahoma, an elementary education teacher can expect a mean wage that is 73.7 percent of the national mean at \$56,830, standing in the lowest 10% of the national percentile. The Retail Sales Person occupation is the largest in the state with 49,940 workers whose mean wage is \$25,870. At 100.4 percent of the national mean, the mean wage for Retail Sales Persons in Oklahoma exists just above the national mean indicating that a large number of workers in Retail Sales make higher than the national average, (see Table 2.1 below).

Occupation	OK Mean Wage	US Mean Wage	OK/US	National Percentile
Elementary Education Teacher	\$41,880	\$56,830	73.7%	10%
Registered Nurse	\$57,830	\$69,790	82.9%	25%
Retail Salesperson	\$25,870	\$25,760	100.4%	50%
Office Clerk	\$27,120	\$30,820	88.0%	25%
General Manager	\$98,640	\$117,200	84.2%	50%

*Source: Bureau of Labor Statistics OES

Table 3.1 2014 Annual Average Cost of Living

State	Rank	Index	Grocery	Housing	Utilities	Transportation	Health	Misc.
Mississippi	1	86.9	91	72.5	86.1	94.2	91.7	94.6
Tennessee	2	89.3	93.2	77.3	91	93.6	89.8	96
Idaho	3	90.2	93.1	75.7	86.6	103.9	99.9	96.3
Indiana	4	90.4	93.4	79.9	94.3	98.6	95.1	93.2
Oklahoma	5	90.8	94.2	79.7	93.9	94.1	95.7	96.2
Kentucky	6	91.0	93.1	78.2	98.4	98.5	92.2	95.9
Michigan	7	91.8	94.2	80.6	96.3	99.5	94.8	95.7
Nebraska	8	92.0	97	82.6	96.9	95.5	99.4	94.1
Kansas	9	92.0	94.5	82.5	97.7	93.9	97.1	96.1
Alabama	10	92.0	100.2	79	100.8	93.6	87.3	97.2
Utah	11	92.2	97.7	86.1	89.3	97.8	91.5	93.9
Arkansas	12	92.2	94.4	83.3	97.6	89.6	88.3	99
New Mexico	13	92.4	95.4	77.7	89	101.2	97.5	100.9
Iowa	14	92.6	94	87.8	93.1	95.9	96.6	94.2
Texas	15	92.8	90.7	86.2	93.4	96.3	94.9	97.8
Georgia	16	92.9	101.9	80.9	95	97.4	96.1	96.8
Missouri	17	93.3	98.4	79.8	106.2	94.4	98.6	97.6
Wyoming	18	93.6	98.1	95.1	99	90.6	98.7	88.9
Ohio	19	94.1	99.7	83.1	99.1	100.6	96.6	97
Louisiana	20	95.0	98.2	90.2	93.3	97.3	95.1	97.5
South Carolina	21	95.8	105.6	83.1	105.2	93.5	99	100
Illinois	22	96.1	96.6	93	96.6	104.2	100.7	94.8
North Carolina	23	96.5	102.5	85.9	99.7	98.5	105.4	100.2
West Virginia	24	96.9	95.7	94.7	93	101.6	96.8	99
Virginia	25	97.0	96.4	93.3	103.7	93.2	98.6	99.7
Wisconsin	26	97.5	98.9	90.3	101.5	101.5	110.6	98.7
Florida	27	99.8	104.1	95.5	101.2	103	98.5	100.2
Arizona	28	100.2	100.9	101.1	96.6	100.7	101.9	100
North Dakota	29	100.7	102.9	102.9	89.4	102.6	108.7	99.7
Montana	30	100.8	102	113.2	88	92.5	105.9	96.1
Colorado	31	101.3	97.2	109.4	90.8	101.8	104.3	98.7
Minnesota	32	101.5	105.4	97.1	89.4	101.8	103.9	107.2
Nevada	33	101.6	108.8	96.9	86.1	106.1	98.6	106.4
Pennsylvania	34	102.1	103	99.2	107.9	102.6	95.2	103.2
South Dakota	35	102.3	111.3	113.5	89.9	91	95	97.7
Washington	36	103.2	100.1	107.8	86.3	107.2	114.2	103
Delaware	37	104.8	108.2	97.1	113	103.7	101.4	108.5
Maine	38	110.1	96.9	122.1	89.5	109.8	119	110.8
New Hampshire	39	115.6	97.9	128.1	124.5	99.1	118.1	115.5
Maryland	40	118.9	108.9	171.9	100.6	102.8	90.8	92.6
Vermont	41	119.0	106.4	143.4	122.9	109.2	107.5	107.2
Rhode Island	42	122.4	106.7	135.3	124.8	104.5	118.9	124.6
Massachusetts	43	123.5	104.7	140.9	126.1	114.7	118.7	119.5
Oregon	44	125.1	114.4	160.9	90.8	111.7	114.3	116.2
New Jersey	45	126.7	106.3	165.1	114.3	108.3	106.6	115.7
California	46	128.7	114.5	175.7	113.4	113.8	110.5	106.7
Alaska	47	133.2	129.1	149.5	159.6	112.9	145.3	118.1
New York	48	133.3	109.8	191.7	106.1	112	104.4	113.1
District of Columbia	49	141.6	110.2	246.4	96.9	104.4	96.4	98.2
Connecticut	50	145.2	117.1	208.4	127.7	118.5	110.7	122.7
Hawaii	51	164.0	157.1	210.3	238.4	125.8	113.5	123.5
Grand Total		100	100	100	100	100	100	100

*Source: C2ER COLI

State Cost of Living Index

Data provided by C2er reveals Oklahoma as the fifth lowest state in cost of living with a 90.8 on the index. The cost of living index represents an estimate on the total cost of living in an area by taking samples of standardized goods across cities and states in the nation, and comparing them to a national average. The favorable ranking of Oklahoma in the index is largely a function of the housing market in the state. Since housing is a large component in the cost of the day-to-day life of a consumer, it composes nearly one-third of the weighted index. At 79.7, Oklahoma's housing market is the seventh lowest in the nation. In addition to the low cost of housing, residents of Oklahoma experience lower than average costs in every consumer category, (see Table 3.1, above and Table 3.2 below).

National Rank	State	Index	Grocery	Housing	Utilities	Transportation	Heath	Misc.
5	Oklahoma	90.8	94.2	79.7	93.9	94.1	95.7	96.2
9	Kansas	92.0	94.5	82.5	97.7	93.9	97.1	96.1
12	Arkansas	92.2	94.4	83.3	97.6	89.6	88.3	99
15	Texas	92.8	90.7	86.2	93.4	96.3	94.9	97.8
[28]	U.S.	100.0	100.00	100.00	100.00	100.00	100.00	100.00

*Source: C2ER COLI

Local Index

The data C2er provides on Oklahoma's cost of living extends to eleven major cities (see Table 3.3 below). Norman, Oklahoma in Cleveland County stands out as not only the lowest in the state, but also the second lowest city in terms of cost of living in the entire nation. Similar to Oklahoma's score in the national ranking, Norman's incredibly low cost of living is also a function of its housing market. The average homeowner in Norman can expect to pay 30.6 percent less than the national average while simultaneously paying 9 to 13 percent less in the other categories. While Norman is an extreme outlier, every city in the group experiences the weighted index, as well as housing, below the national average. There are only a handful of instances where a resident of Oklahoma would pay more than the national average in a category, and when it does occur, it's not by much.

Rank	City	Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc.
1	Norman	83.7	86.9	69.4	86.5	88.1	91.6	91.1
2	Ardmore	88.4	101.1	73.6	82.2	97.3	92.0	93.9
3	Pryor Creek	88.7	96.2	72.7	94.3	90.0	90.6	97.0
4	Tulsa	88.7	96.5	65.6	95.4	99.1	95.6	98.4
5	Muskogee	89.2	96.8	74.5	98.9	84.5	99.8	95.9
6	Oklahoma City	90.1	91.0	82.6	92.7	94.2	95.8	93.2
7	Ponca City	91.9	92.0	79.3	99.1	91.1	100.4	99.9
8	Stillwater	92.9	96.6	83.8	95.2	93.9	100.6	97.0
9	Lawton	94.2	94.9	91.0	87.6	101.3	102.1	95.1
10	Enid	95.5	95.8	89.2	100.1	97.1	89.6	99.7
11	Edmond	95.9	88.6	94.7	100.8	98.8	94.9	97.5

*Source: C2ER COLI

Oklahoma Wages vs. the Cost of Living Index

Both Wages and Cost of living play a large role in the life of a worker. While wages determine how much a worker has the potential to get paid, the cost of living determines exactly how much their wages are worth. For workers considering the relocation of their career to Oklahoma from another state, changes in wages and cost of living could greatly affect their lifestyle. Examining data on wages and cost of living

provides some useful insight when a worker is presented with this decision. For longtime residents of Oklahoma, this comparison could also be used as a perspective when looking at the value of their wages over time as costs fluctuate.

Local Level

When comparing wages and cost of living, a useful method of examination is using the national average for both so as to standardize the comparison across the selected geographical areas. Here the wages are divided against cost of living in order to represent the value of the wages with respect to the cost of living. This means that if a city were to have wages as a percent of the national average that were higher than their cost of living index compared to the national average, the average worker would be benefiting from the low cost of living despite their relatively lower earnings. So if the wage to cost ratio is >1, then the average wage would be favorable given the respective cost of living. Using this comparison, the data reveals that Tulsa and Oklahoma City are the only two cities where the lower average wages, in comparison to the national average, are favorably offset by the cost of living (see Table 4.1 below). This favorable ratio means that wages earned by the average worker in these two cities would theoretically be worth 6 percent more than the national average. In Edmond, the two comparisons break even resulting in parity for the value of the wages earned. For the rest of the counties the cost of living is not low enough for the wages paid to workers to be favorable when compared to the national average.

	County (City)	County Wage as Percentage of National Average	City Index as Percent of National Average	Wage to Cost Ratio
1	Cleveland (Norman)	72.9%	83.7%	0.870
2	Mayes (Pryor Creek)	77.0%	88.7%	0.868
3	Carter (Ardmore)	77.9%	88.4%	0.881
4	Tulsa (Tulsa)	93.8%	88.7%	1.058
5	Muskogee (Muskogee)	73.7%	89.2%	0.826
6	Oklahoma (Oklahoma City)	95.9%	90.1%	1.065
7	Kay (Ponca City)	76.6%	91.9%	0.834
8	Payne (Stillwater)	77.8%	92.9%	0.838
9	Garfield (Enid)	87.0%	95.5%	0.911
10	Oklahoma (Edmond)	95.9%	95.9%	1.000
11	Comanche (Lawton)	71.0%	94.2%	0.754

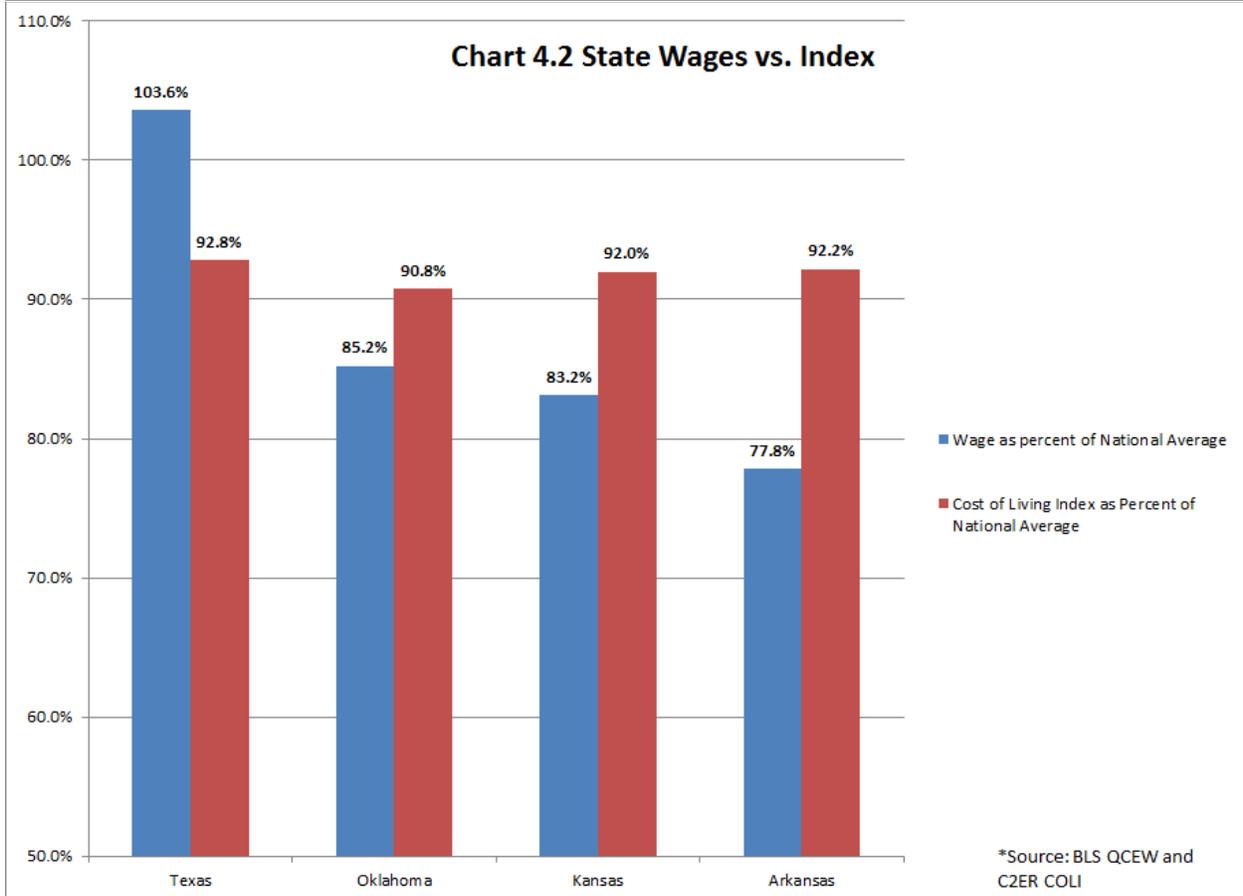
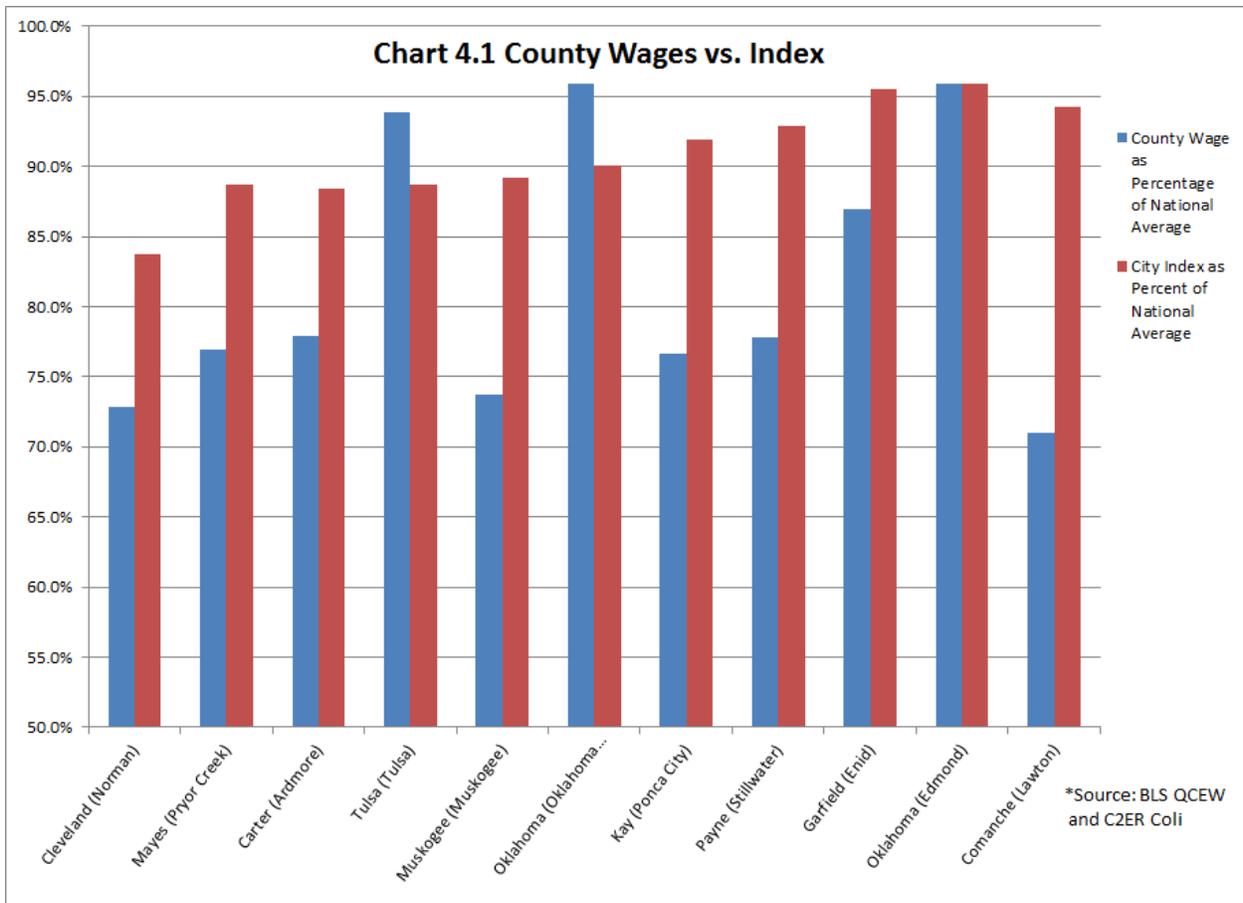
*Source: Bureau of Labor Statistics QCEW and C2ER COLI

State Level

To get an idea of where Oklahoma stands in this comparison, its three major border states are used for analysis. While Texas has the highest wages, it also has the highest cost of living. Oklahoma has the lowest cost of living in the comparison as well as the second highest wages (see Table 4.2 below and Charts 4.1 and 4.2 next page). The gap in between the two numbers represents a theoretical margin that can effectively give an idea of the true value of wages. Texas has a higher cost of living than the other states in the area, but still remains relatively low on a national level. The wages in Texas far outpace the cost of living resulting in higher buying power. For Oklahoma, the gap is close, however the difference in cost of living as compared to the national average does not quite make up the difference in wages yet, though wages are increasing each year.

Rank	State	Wage as percent of National Average	Cost of Living Index as Percent of National Average	Wage to Cost Ratio
1	Texas	103.6%	92.8%	1.117
2	Oklahoma	85.2%	90.8%	0.939
3	Kansas	83.2%	92.0%	0.904
4	Arkansas	77.8%	92.2%	0.844

*Source: Bureau of Labor Statistics QCEW and C2ER COLI



Conclusion

Even though Oklahoma has some of the lowest costs of living in the United States, state wages need to increase to close the gap revealed when compared to the national average. On the local level, some cities have achieved a favorable ratio compared to the national average while others are close. The good news for Oklahoma is that wages are continuing to increase at a healthy rate, increasing the wage to cost of living ratio with every year. This opens up the potential for an increased quality of life for workers in Oklahoma.

Appendix A

The Quarterly Census of Employment and Wages Program is a cooperative program involving the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor and the State Employment Security Agencies (SESAs). The QCEW program produces a comprehensive tabulation of employment and wage information for workers covered by State unemployment insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. Publicly available files include data on the number of establishments, monthly employment, and quarterly wages, by NAICS industry, by county, by ownership sector, for the entire United States. These data are aggregated to annual levels, to higher industry levels (NAICS industry groups, sectors, and supersectors), and to higher geographic levels (national, State, and Metropolitan Statistical Area (MSA)).

The QCEW program serves as a near census of monthly employment and quarterly wage information by 6-digit NAICS industry at the national, State, and county levels. At the national level, the QCEW program publishes employment and wage data for nearly every NAICS industry. At the State and area level, the QCEW program publishes employment and wage data down to the 6-digit NAICS industry level, if disclosure restrictions are met. In accordance with BLS policy, data provided to the Bureau in confidence are not published and are used only for specified statistical purposes. BLS withholds publication of UI-covered employment and wage data for any industry level when necessary to protect the identity of cooperating employers. Totals at the industry level for the States and the Nation include the nondisclosable data suppressed within the detailed tables. However, these totals cannot be used to reveal the suppressed data.

Employment data under the QCEW program represent the number of covered workers who worked during, or received pay for, the pay period including the 12th of the month. Excluded are members of the armed forces, the self-employed, proprietors, domestic workers, unpaid family workers, and railroad workers covered by the railroad unemployment insurance system. Wages represent total compensation paid during the calendar quarter, regardless of when services were performed. Included in wages are pay for vacation and other paid leave, bonuses, stock options, tips, the cash value of meals and lodging, and in some States, contributions to deferred compensation plans (such as 401(k) plans). The QCEW program does provide partial information on agricultural industries and employees in private households.¹

Appendix B

The Occupational Employment Statistics (OES) program conducts a semiannual mail survey designed to produce estimates of employment and wages for specific occupations. The OES program collects data on wage and salary workers in nonfarm establishments in order to produce employment and wage estimates for about 800 occupations. Data from self-employed persons are not collected and are not included in the estimates. The OES program produces these occupational estimates for the nation as a whole, by state, by metropolitan or nonmetropolitan area, and by industry or ownership. The Bureau of Labor Statistics produces occupational employment and wage estimates for over 450 industry classifications at the national level. The industry classifications correspond to the sector, 3-, 4-, and selected 5- and 6-digit North American Industry Classification System (NAICS) industrial groups.

The OES program surveys approximately 200,000 establishments per panel (every six months), taking three years to fully collect the sample of 1.2 million establishments. To reduce respondent burden, the collection is on a three-year survey cycle that ensures that establishments are surveyed at most once every three years. The estimates for occupations in nonfarm establishments are based on OES data collected for the reference months of May and November.

¹ From <http://www.bls.gov/cew/cewover.htm>

The OES survey is a federal-state cooperative program between the Bureau of Labor Statistics (BLS) and State Workforce Agencies (SWAs). BLS provides the procedures and technical support, draws the sample, and produces the survey materials, while the SWAs collect the data. SWAs from all fifty states, plus the District of Columbia, Puerto Rico, Guam, and the Virgin Islands participate in the survey. Occupational employment and wage rate estimates at the national level are produced by BLS using data from the fifty states and the District of Columbia. Employers who respond to states' requests to participate in the OES survey make these estimates possible.

The employment data are benchmarked to an average of the May and November employment levels. The most recent wage data are for May 2014. The OES survey began using the North American Industry Classification System (NAICS) in 2002. In May 2012, the OES survey switched to the 2012 NAICS classification system from the 2007 NAICS. Data prior to 2002 are based on the Standard Industrial Classification (SIC) system.²

Appendix C

The Cost of Living Index is designed to provide the best possible means to compare cost of living differences among urban areas based on the price of consumer goods and services appropriate for professional and managerial households in the top income quintile.

The Cost of Living Index rests on the premise that prices collected at a specified time, in strict conformance with standard specifications, provide a sound basis for constructing a reasonably accurate gauge of relative differences in the cost of consumer goods and services.

Consumer expenditures cover an almost limitless range of goods and services, and no index of consumer buying can encompass all of them. Since we can't price everything, what do we do? The standard approach, used in the Cost of Living Index, is to divide consumer expenditures into categories, and then select items that represent those categories. The items used in the Cost of Living Index thus are surrogates for entire categories of consumer spending. For this approach to work, price differences among urban areas for the items in the Index must accurately reflect differences for the categories they represent.

The Cost of Living Index consists of six major categories: grocery items, housing, utilities, transportation, health care, and miscellaneous goods and services. These major categories in turn are composed of subcategories, each of which is represented by one or more items in the Index. Separate component indexes are published for each of the six major categories. We're not concerned with the extent to which consumers actually purchase the individual items in the Index. The 60 items have been chosen solely to show inter-area price differences in the categories they represent. What's important, in calculating the Index, is the ratio of an urban area's average price to the average price of the same item nationwide. When we use a pound of whole frying chicken to represent poultry products, we're assuming that if an area's price for this item is 10% above the nationwide average, its prices for poultry products as a whole also are about 10% above the nationwide average.

How much the ratio for each item contributes to the Index is determined by the distribution of consumer expenditures among the categories covered by the Index. The share of consumer spending devoted to the category each item represents determines that category's importance, or weight, in the Index. The Cost of Living Index Committee has adopted the weights based on data from the U.S. Bureau of Labor Statistics' 2004 Consumer Expenditure Survey, using the data on the proportional distribution of expenditures by households in which the reference person has a professional or managerial occupation and by households in the upper quintile of income. Data published for the first three quarters is based on prices submitted by all participating areas.

² From http://www.bls.gov/oes/oes_emp.htm

Beginning in February 2008, C2ER began publishing an annual average survey compiled from data submitted in those previous quarters. For urban areas where we have data less than three pricing periods, we developed estimated prices in order to have a complete set of observations. Thus, to calculate the annual average index, we use the actual and estimated prices as our observations to calculate an annual average price for each item. We do not weight any of the prices based on when we observe them. Thus, first pricing period prices receive the same weight in the calculation as third pricing period prices. Then, from the annual average price for each item, we calculate the index using the same BLS Consumer Expenditure Survey weights that we would for any other pricing period.³

³ From <https://www.coli.org/Method.asp>