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# 2016

# SOUTH DAKOTA

# WAGE STUDY

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SOUTH DAKOTA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

## EXECUTIVE SUMMARY

### INTRODUCTION

The Governor's Office of Economic Development (GOED) has recently completed the 2016 national wage study. This wage study, along with the previously completed 2010 through 2015 wage studies again show South Dakota wage earners to have greater purchasing power than the national average. The wage study takes into effect payroll withholding taxes and local cost of living so that meaningful comparisons of wage levels, between states, can be made.

When comparing wage levels between states, most people compare the average gross salary being paid. They will look at the annual gross wages of an accountant in Sioux Falls versus what an accountant in New York City makes. Undoubtedly, the accountant in New York City will have a higher nominal wage, but to conclude that the New York City accountant is truly paid more, would be a superficial conclusion. Only when one takes into account the taxes withheld and the local cost of living can one determine which accountant has more disposable income.

State to state wage comparisons are further complicated by the fact that each state has a different mix of jobs. Additionally, the number of part-time jobs can vary substantially between states. There are several overall average wage-by-state calculations and all suffer from these issues.

The GOED wage study is designed to address all of these problems. We have downloaded detailed US Dept. of Labor wage information for every occupation in every state. We have then computed actual federal and state income taxes (assumes single filer, standard deduction and no dependents) and social security taxes to arrive at after tax wages. After Tax wages are then adjusted for cost of living to arrive at purchasing power, the true measure of how well a job pays.

The GOED wage study has complete state by state information for more than 800 standard occupation codes (SOC codes). The median annual gross wage, take home pay and purchasing power is available for each SOC code in every state that reports having that occupation, more than 37,000 jobs by state in total. Complete results by occupation and state are available on GOED's website: [www.sdreadytowork.com](http://www.sdreadytowork.com).

## 2016 WAGE STUDY FINDINGS

In 2016 there were 557 separate occupations reported in South Dakota. The GOED Wage Study compares these exact same occupations in the other 49 states by computing a simple average of these 557 jobs for every state. The overall results for 2016 are:

	<b>SD Amount</b>	<b>Rank</b>	<b>% of Nat'l Avg</b>
Average Annual Wages	\$46,819	43rd	94.45%
After Tax Wages	\$37,287	32nd	94.47%
Purchasing Power	\$42,275	7th	105.56%

The 2016 GOED Wage Study shows the purchasing power of the average wage in South Dakota to be the 7th highest in the nation. This result is in-line with the 2010 to 2015 results where the purchasing power of the average South Dakota wage(s) were 10th, 6th, 8th, 11th, 7th and 5th highest respectively.

With seven years of wage studies completed it is informative to look at trends:

- Over these seven years, SD average gross wages increased by 17.86%, which was the 3rd highest rate of increase, behind North Dakota and Nebraska. The average increase nationally was 12.68%.
- Over these seven years the average purchasing power of South Dakota wages increased from \$37,049 to \$42,275, a 14.11% increase which was the 8th highest rate of increase nationally. The average increase nationally was 11.31%.
- In all seven years the purchasing power of the average annual gross wage in South Dakota was higher than the national average. Ranging from 102.9% in 2010 to 105.65% in 2012. In 2016 the purchase power of the average wage in South Dakota was 105.50% of the national average.

## GOED WAGE STUDY METHODOLOGY

The GOED Wage Study is based on median (mid-point) annual wages for every occupation, in every state. The data is provided by the US Dept. of Labor, via the South Dakota Labor Market Information Center.

The median wage data, for every occupation in every state (approximately a 37,000 line Excel file) is then sent to Eide Bailly CPAs, who build the formulas to calculate exact federal and state income tax along with social security taxes. Taxes are calculated for each median wage as if that taxpayer were single, claims the standard deduction, and has no additional dependents.

The total income taxes and social security taxes are then deducted from the median annual wage to arrive at “take home pay” for each occupation in each state.

Take home pay is then adjusted for cost of living to arrive at purchasing power, which is what matters to a wage earner—how much can you buy with your net wages.