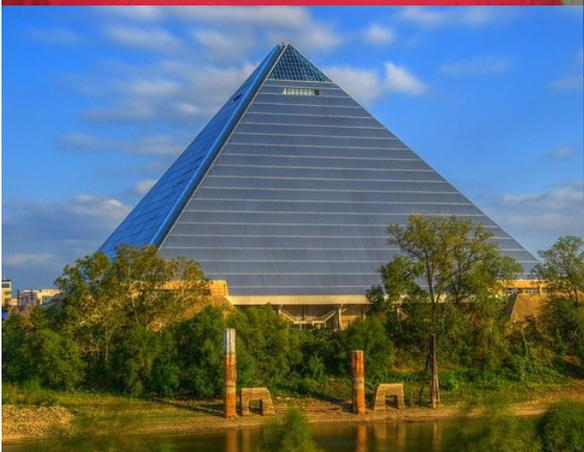


What is a Living Wage for Memphis?

2010 Edition

Prepared for the
Workers Interfaith Network

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Working in Memphis

The boom years of the last two decades have come and gone. Nationally, the economy is near the end of a severe recession, the second in ten years. Workers are still losing their jobs. Families are losing their homes to foreclosure. In Memphis, workers who relied on construction for employment find few jobs. The transportation and wholesale sectors that have been the engine of growth in recent years are also shedding jobs. Unemployment hovers at 10 percent overall – but many workers are discouraged about finding any work.

With or without a job, most workers have a family to support. Workers need to stay healthy and eat right so they will be productive on the job when they are able to find a job. And, of course, well-cared for children are the citizens of tomorrow's economy.

The minimum wage is currently set at \$7.25 per hour, far less than required for self-sufficiency. Higher wages do benefit the economy. For example, the minimum wage was enacted during the Great Depression as a measure to promote economic recovery. Higher wages mean families spend more to support themselves, and, in the overall economy, high wages act a stimulus to economic growth.

That is why it important to discuss a living wage even when many people are unable to find a job. The whole purpose of the economy is provisioning – providing a living for those who work in it. The economy – and, in particular, the Memphis economy, is currently failing in this primary task.

Memphis has been known as a low-wage economy. The Living Wage movement is an attempt to convince people that low wages are short sighted for the economy as a whole and disastrous for those who have to live on them.

This edition of *What is a Living Wage for Memphis?* details what it takes for four different types of households to live a minimally decent life without subsidies like the Supplemental Nutrition Assistance Program (Food Stamps), Temporary Assistance to Needy Families (TANF), or assistance with rent.

It is the basic cost of doing business for a family. If the labor market pays less, the family is effectively in bankruptcy. It could be destroyed by the next illness, the next auto accident, or other unexpected expense.

A Living Wage won't protect a family from every disaster, but it will make coping easier. A Living Wage provides the potential that the family to emerge intact from an unexpected disruption.

The Memphis regional economy is no longer producing new jobs. In late 2009 (October), national unemployment stood at 9.9 percent of the labor force, up from 5.1 percent in 2006. Unemployment

Table 1
A Living Wage for Memphis
The Cost of Raising a Family in 2010

	Yearly Income	Hourly Wage per Adult
One Adult with:		
--one child	\$29,503	\$14.75
-- two children	\$35,667	\$17.83
Two Adults with:		
-- one child	\$38,642	\$11.04
-- two children	\$40,660	\$11.62

in the City of Memphis was 11.0 percent in late 2009. The number of unemployed in the regional economy rose from 31,340 in 2006 to 60,630 in 2009. Meanwhile the number of people working or looking for work fell from its peak in 2007 of 624,580 to 612,080. Clearly, there were many discouraged workers in the area who have given up trying to find a job. One of the obvious reasons was that number of part and full-time jobs being offered in the regional economy fell from 647,500 in 2007 to 618,800 in 2009. The key sector of the economy, trade and transportation, lost almost 12,000 jobs.

If the economy begins to expand in 2010, new jobs will be created. But not just any new job will do. It is necessary to ask whether or not the job delivers a Living Wage.

A Living Wage

The Living Wage is a concept that allows us to measure the level of income required for a family to live independent of monthly public assistance, food stamps, childcare subsidies, and rent subsidies. It is a measure of self-sufficiency. A Living Wage can be calculated for any region or metropolitan area and, although the answer is dependent on the type and size of family, it yields a specific dollar figure for each family configuration.

In Memphis, a Living Wage for an adult with one or two children is between \$29,502 and \$35,666 per year (Table 2). If a worker can find full-time employment (40 hours per week, 50 weeks per year), self-sufficiency requires an hourly wage of \$14.75 if she has one child, or \$17.83 if she has two children.

In Memphis, a Living Wage for a family with two working adults and one or two children is between \$38,642 and

Table 2
A Living Wage Yearly Budget for Memphis
 Self-Sufficiency Income 2010¹

	Living Wage for One Adult			
	with one child ²		with two children ²	
Rental Housing	\$7,210	24.4%	\$8,482	23.8%
Utilities & Phone	\$1,891	6.4%	\$2,265	6.4%
Child Care	\$5,317	18.0%	\$6,646	18.6%
Food	\$3,824	13.0%	\$6,121	17.2%
Transportation	\$2,963	10.0%	\$2,963	8.3%
Medical Care Ins.	\$2,333	7.9%	\$2,333	6.5%
Clothing & Personal Care	\$2,527	8.6%	\$2,612	7.3%
Taxes	\$3,437	11.6%	\$4,244	11.9%
Living Wage	\$29,502	100.0%	\$35,666	100.0%
Monthly	\$2,459		\$2,972	
Hours per week	40		40	
Hourly	\$14.75		\$17.83	

¹One working adult spending 2,000 hours per year in the paid labor force (40 hours per week, 50 weeks per year).

²A family with one child is assumed to have a pre-school child who attends day care all year in a center or family child-care home. A family with two children is assumed to have one pre-school child and one school age child. The school age child uses a day care facility during vacations and summers, but not before and/or after school.

\$40,660 per year (Table 3). If one adult works 40 hours per week and the other works 30 hours per week (50 weeks per year), then self-sufficiency requires an hourly wage of \$11.04 for each worker in a family with one child, and \$11.62 for each worker in a family with two children.

Poverty

The Living Wage assumes a bare-bones budget. It allows only for necessities, not for luxuries, and it is not the same as the traditional poverty thresholds. The 2009 poverty thresholds published by the U.S. Department of Health and Human Services provide a measure of the break between poverty and the beginning of self-sufficiency. The poverty thresholds are:

- \$14,570 for a family of two
- \$18,310 for a family of three, and
- \$22,050 for a family of four.

The poverty thresholds do not represent enough income for a family to be independent or self-sufficient. A Living Wage requires approximately twice the poverty income level. In 2008, 18.0 percent (159,896 people) of the Shelby County population lived below the poverty thresholds. 26.4 percent of all children in Shelby County lived in poverty. Consequently, a basic level of decency would require large public subsidies if a family earned only poverty level wages. Tennessee does not provide public assistance such as TANF and Food Stamps to families living at or above the poverty line. The definition of the poverty level in the U.S. does

Table 3
A Living Wage Yearly Budget for Memphis
 Self-Sufficiency Income 2010¹

	Living Wage for Two Adults with one child ²		with two children ²	
Rental Housing	\$8,482	21.9%	\$8,482	20.9%
Utilities & Phone	\$2,265	5.9%	\$2,265	5.6%
Child Care	\$5,317	13.8%	\$6,646	16.3%
Food	\$8,428	21.8%	\$8,637	21.2%
Transportation	\$3,278	8.5%	\$3,278	8.1%
Medical Care Ins.	\$3,200	8.3%	\$3,200	7.9%
Clothing & Personal Care	\$2,901	7.5%	\$3,130	7.7%
Taxes	\$4,772	12.4%	\$5,022	12.4%
Living Wage	\$38,642	100.0%	\$40,660	100.0%
Monthly	\$3,220		\$3,388	
Hours per week	70		70	
Hourly	\$11.04		11.62	

¹Two working adults spending 3,500 hours per year in the paid labor force (40 hours per week for one adult, 30 hours per week for the other, 50 weeks per year for each adult.

²A family with one child is assumed to have a pre-school child who attends day care all year in a center or family child-care home. A family with two children is assumed to have one pre-school child and one school age child. The school age child uses a day care facility during vacations and summers, but not before and/or after school.

not allow for independence. Rather, it assumes a significant level of dependence on public subsidies or private charity in order to carry out a subsistence existence.

Is a Living Wage Income Really Available?

Many people look at the Living Wage and ask if there really is enough income to provide every family with a Living Wage. Memphis is, after all, not a rich town. Incomes in the Memphis region tend to be right below the national averages. Poverty rates are very high, especially in the City of Memphis.

So can we really afford Living Wage incomes in the Memphis region? The answer is clearly “yes.” Table 4 provides a simple table of the income availability in the Memphis economy.

Personal Income includes all sorts of income streams to individuals: wages, salaries, transfer payments like Social Security, and property income like interest and dividends. In 2007, personal income was almost \$37 billion in Shelby County (\$46 billion in the whole Metropolitan Statistical Area). Per capita income for the one million residents of Shelby County was \$40,265 in 2007.

If we just look at the 649,000 workers who work for wages or salaries or are proprietors of their own businesses, then the regional economy produces even more income on a per person basis. Personal income per worker added up to \$56,402 (\$28.20 per hour) for every worker in the Memphis economy.

	2007
Personal Income ¹	\$36,603,183
Population	909,062
Personal Income per Capita	\$40,265
Employment ²	648,979
Personal Income per Worker	\$56,402

¹This is the total Shelby County personal income that includes wage, salary, and property income.
²Includes both wage salary workers and business proprietors.

Finding the Living Wage

The Living Wage concept defines the minimum income required to meet a family’s basic economic needs including payment of taxes. It assumes that all income is earned in the regular labor market. The Living Wage is the amount required for a family to achieve self-sufficiency and avoid public subsidies such as TANF, Food Stamps, or publicly subsidized childcare. A family’s income is considered inadequate if it falls below the Living Wage amount.

Three issues help to define the calculation of the Living Wage:

- The Living Wage is different for different family types--one adult earner v. two adult earners, children of different ages--and for different areas of the country. For example, the costs of housing in Memphis will be different from the costs in Chicago.
- The Living Wage is only the amount that is required to provide basic self-sufficiency. It does not reflect the costs of the many pleasures of life: eating out, entertainment, a new car, or the regular purchase of new clothes or electronic gadgets. The Living Wage does not leave room for paying down debts from purchases or from uncovered medical care. In addition, it does not leave any extra funds for savings or retirement.

- The Living Wage is based on the cost of supporting the basic well-being of the family. That is, an employer may argue that an employee is not worth the living wage to the company, but if the employer pays less than a living wage, then the job is not providing for basic maintenance of the worker’s family.

How Many Hours

The Living Wage can look deceptively low if two adults in a family are employed. Another way to look at this is to ask how many hours of labor each week it takes to earn a living at each wage level. Table 5 provides that answer. A single mother with one child could earn a Living Wage at just \$7.25 per hour (the current federal minimum wage) if she were willing (or able) to work 81 hours per week in the paid labor force. Similarly, a couple with one child can earn a Living Wage at just \$8.00 per hour if they are, together, willing to labor a total of 96 hours a week in the labor force. In other words, a family can only earn its self-sufficiency in one of two ways: a higher hourly wage or many hours on the job.

In addition to working in the paid labor force, parents also spend a number of hours each week in unpaid labor working in the home. The typical female single parent with a job spends 16 hours per week on household labor with one child, 19 hours per week with two children. Working couple parents spend 27 hours per week on housework if they have one child, or 29 hours per week if they have two children.

Components of the Living Wage

An income that provides for self-sufficiency is made up of the usual components in a family budget. There are eight components to calculating a Living Wage:

Table 5
Weekly Labor Hours Required to Earn a Living Wage¹

Hourly Wages	Yearly Living Wage for Self-Sufficiency			
	One adult with		Two adults with	
	1 child	2 children	1 child	2 children
	\$29,503	\$35,667	\$38,642	\$40,660
Total Weekly Working Hours Required				
\$7.25	81	98	107	112
\$8.00	74	89	97	102
\$9.00	66	79	86	90
\$10.00	59	71	77	81
\$11.00	54	65	70	74
\$12.00	49	59	64	68
\$13.00	45	55	59	63
\$14.00	42	51	55	58
\$15.00	39	48	52	54
\$16.00	37	45	48	51
\$17.00	35	42	45	48
\$18.00	33	40	43	45

¹Overtime pay at time and a half is not calculated in this table. Since many workers expand their time to earn additional income through second and third jobs, this report uses straight time for all hours worked.

1. Rental Housing

This calculation comprises the monthly rent on an apartment or home that meets minimum standards of decency. That is, it is likely to have separate bedrooms for adults and for children, a common room, and an operating bathroom and kitchen. The apartment has a heating system and has window air conditioners. The rent level is the 50th percentile of the 2004 rents from the American Housing Survey for the Memphis MSA. The rents were adjusted upward for cost of living changes (2.57 % per year) to get 2010 rent levels. A one bedroom apartment is estimated to cost \$601 per month (\$7,210 per year) and a two-bedroom apartment is estimated to cost \$707 per month (\$8,482 per year). Utilities are calculated on a separate line.

2. Utilities

Some apartments come with utilities provided – this analysis adjusts the rent for that potential. Phone service is estimated at \$33 per month (\$396 per year). Utilities (light and gas) are estimated to be \$125 per month (\$1,495 per year) for a one bedroom apartment and \$156 per month (\$1,869 per year) for a two bedroom apartment. As these numbers indicate, housing and utilities, even in a relatively inexpensive city like Memphis, are major monthly expense items. At a \$12.00 per hour wage, it takes over two weeks of labor each month just to cover rent and utilities for a two-bedroom apartment.

3. Childcare

The cost of childcare is calculated for families having young children. In the one-child family, the child is assumed to be less than six years old (pre-school) and spending fifty weeks per year in a day care center while the parents are at work. For two-child families, one child is assumed to be less than six (pre-school) and the other is assumed to be older (in-school), using day care facilities only during the summer and holidays (14 weeks per year). The Tennessee Child Care Resource and Referral Network and the National Association of Child Care Resource and Referral Agencies provide a 2009 estimate of childcare costs in Tennessee. Adjusting their estimates for cost of living changes, for a one-child family, the yearly cost is \$443 per month or \$5317 per year. For a two-child family, the cost is \$554 per month or \$6,646 per year.

4. Food

The Living Wage income uses the U.S. Department of Agriculture's 2009 Low-Cost Food Plan, adjusted for a one year increase in the cost of living. This plan is about 25 percent higher than the Thrifty-Food Plan used to calculate official poverty thresholds, but lower than the Moderate and Liberal food plans. The cost of food assumes that all food is purchased at the store and prepared at home. The family eats no meals in restaurants and family members do not buy snacks from machines at work. Based on June 2009 data, a two-person (one adult woman) family spends \$319 per month on food, a three-person (one adult woman) family spends \$520 per month, a three-person (two adults) family spends \$597 per month, and a four-person (two adults) family spends \$720 per month.

5. Transportation

Since Memphis, like most American cities, has a very weak public transportation system, the Living Wage assumes that the adults will drive to work in a car that is at least five

years old. The transportation costs are those of a typical annual commute for each adult earner for insurance, gas and repair for 7,500 miles for a one-adult family and 10,000 miles for a two-adult family. No allowance is made for depreciation of the car; thus, the family would not have savings or income to purchase a new car if this one quits. Data used to develop this measure come from the 2009 Ward's Motor Vehicle Facts & Figures for running a 2004 American model sedan. The cost of running a car for work and errands is \$2,963 for a one-adult-worker family and \$3,278 for a two-adult-worker family.

6. Medical care

The cost of medical care turned out to be very difficult to estimate for this edition of *What is a Living Wage for Memphis?* TennCare is no longer accepting open enrollment. Instead, this edition uses a blend of two state programs and two large not-for-profits. The two state programs are CoverTN And AccessTN. The not-for-profits are the City of Memphis and the University of Memphis health benefits as posted on their web sites. CoverTN premiums result in low yearly costs while AccessTN premiums result in high yearly costs. The City of Memphis has a basic health plan used here. The University of Memphis offers three programs with various yearly costs.

	Monthly Premiums	Year Family Costs
Access TN Family ¹	\$191	\$3,292
Cover TN Individual ²	\$46	\$1,551
University of Memphis Family ³	\$218	\$3,116
City of Memphis Basic Family ⁴	\$128	\$3,260

¹Non-smoker, normal weight, 200% of Federal Poverty Level
²Non-smoker, normal weight, 200% of Federal Poverty Level, children on TN SCHIP.
³Average of three plans, \$600 per year for co-payments.
⁴Deductibles, plus co-payments.
 Note: Yearly costs are estimates given the data available on website.

For the one-adult family, this edition estimates a yearly premium plus deductible costs at \$2,333. For a two-adult family the yearly costs \$3,200. Both of these estimates depend on significant subsidies of the total yearly costs of health care from the employer or the government. Tennessee's CoverKids plan covers almost all costs for children if they are not included in a family medical plan. This would be important if the adult were covered under AccessTN. The income rates used for premiums are for a family earning 200 percent of the poverty threshold or around \$30,000 per year of family income. In addition, for AccessTN and CoverTN, it assumed the adults are in the normal weight range and are not tobacco users.

7. Clothing and Personal Care

Decent clothing and grooming products are real necessities for holding a job and for regular social contacts at churches, schools, and community organizations. But these costs of a Living Wage are difficult to estimate for regional areas. Using cost of living adjusted average expenditures for Southern households data from the U.S. Bureau of Labor Statistics for 2007, apparel and personal care purchases are about \$211 per month or \$2,527 per year for a one adult, one-child family. A four-person – two adults, two children -- family spends \$261 per

month or \$3,130 per year. This provides a very modest calculation of personal needs, representing mostly work and school clothes and basic personal care products for family members.

8. Taxes

The taxes include the Tennessee sales tax for Memphis (8.25 percent) on food, clothing and personal products, plus Social Security/Medicare taxes (7.65 percent of total income) and federal income taxes (2.9 percent of total income). The federal income tax is adjusted for the approximate impact of Earned Income Tax Credit.

What's Left Out?

The Living Wage income leaves out a lot. While it provides for basic self-sufficiency, it does little more than that. It provides for no entertainment (no cable TV, no restaurants, no movies or video rentals, and no out of town trips). In addition, there are no extra monies for tobacco or alcohol. If the family car breaks down, there are no funds for a new used car.

And the family is not able to save for retirement, for debt payments, for further education, or for enhanced security during hard times. Some employers provide retirement programs. However, increasingly these programs are defined contribution systems (e.g. 401k programs) and require employee participation in order to receive employer contributions. No funds out of the Living Wage are available to join this type of retirement system.

In addition, the Living Wage income assumes that the workers in the family have 50 paid weeks of work per year. For many men and women in today's high unemployment economy, this is an unlikely assumption. Full-time continuous employment is hard for many workers to find. It is particularly hard for someone who has been unemployed for a number of months or has a skill set that is overly abundant in today's economy (e.g. construction sector workers or finance sector skills). For a two-worker family, it is assumed that both workers work 50 weeks per year. In addition to the first worker working 40 hours per week, the spouse is assumed to work 30 hours per week in the paid labor market. Given the housework demands of running a home and raising children, these assumptions require these two types of families to put out heroic efforts in order to achieve self-sufficiency.

About the Author

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About the Workers Interfaith Network

Workers Interfaith Network (WIN) is a coalition of members of the faith and labor communities who seek justice in the workplace. WIN's members address the root causes of poverty that cause many hard-working people to seek charitable assistance even while they work full-time jobs. By organizing people of faith, low-wage workers, and workers' allies, WIN is able to establish living wages and fair working conditions for low-wage workers in the greater Memphis area.

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