

# Living Wages

Spring 2023



**Northside Neighborhood House**



# Introduction

The strength of any community’s economy is tied to the stability of all its residents. Yet many essential workers are continuously underpaid, preventing them from fully participating in the economy and often relying on assistance to pay monthly expenses. The U.S. has not had a federal minimum wage increase since 2009 when it increased to \$7.25 an hour. Tennessee is one of six states that does not have a state minimum wage, meaning it defaults to the federal law. A minimum wage is nearly impossible to live on, and while many employers are providing higher wages, a gap between the minimum wage and a living wage still exists.

When discussing wage increases, it is important to understand the difference between a minimum wage and a living wage. Minimum wage laws are meant to protect workers from unfair compensation, but the current federal minimum wage does not provide enough for a person to meet basic needs. A living wage is the minimum amount needed to meet an individual’s basic needs and allow for self-sufficiency relative to geographic location. The Living Wage Calculator developed by researchers at MIT estimates the wage needed for...

... individuals and families to afford food, childcare, health insurance, housing, transportation and other basic necessities. Table 1 outlines MIT estimates for living wages in Hamilton County based on family size and number of working adults in the home. In 2021, the U.S. Census Bureau estimated the average individual annual wage for Hamilton County was \$30,683 or \$14.75 per hour, and that 20.2% of Hamilton County residents make less than \$12.00 an hour.<sup>2</sup> Both of these average actual wages are lower than the \$15.81 per hour living wage estimate from MIT. As a consequence, many of our community members are making less than needed to afford growing costs such as food, gas, and housing.

This white paper aims to provide a comprehensive overview of the concept and importance of a living wage. It examines the challenges faced by low-wage workers; explores the impact higher wages have on workers, businesses, and society; and discusses key considerations for supporting higher wages. The goal is to inform policymakers, businesses, and individuals about the potential of providing a living wage as a means to address income inequality and improve the well-being of our neighbors.

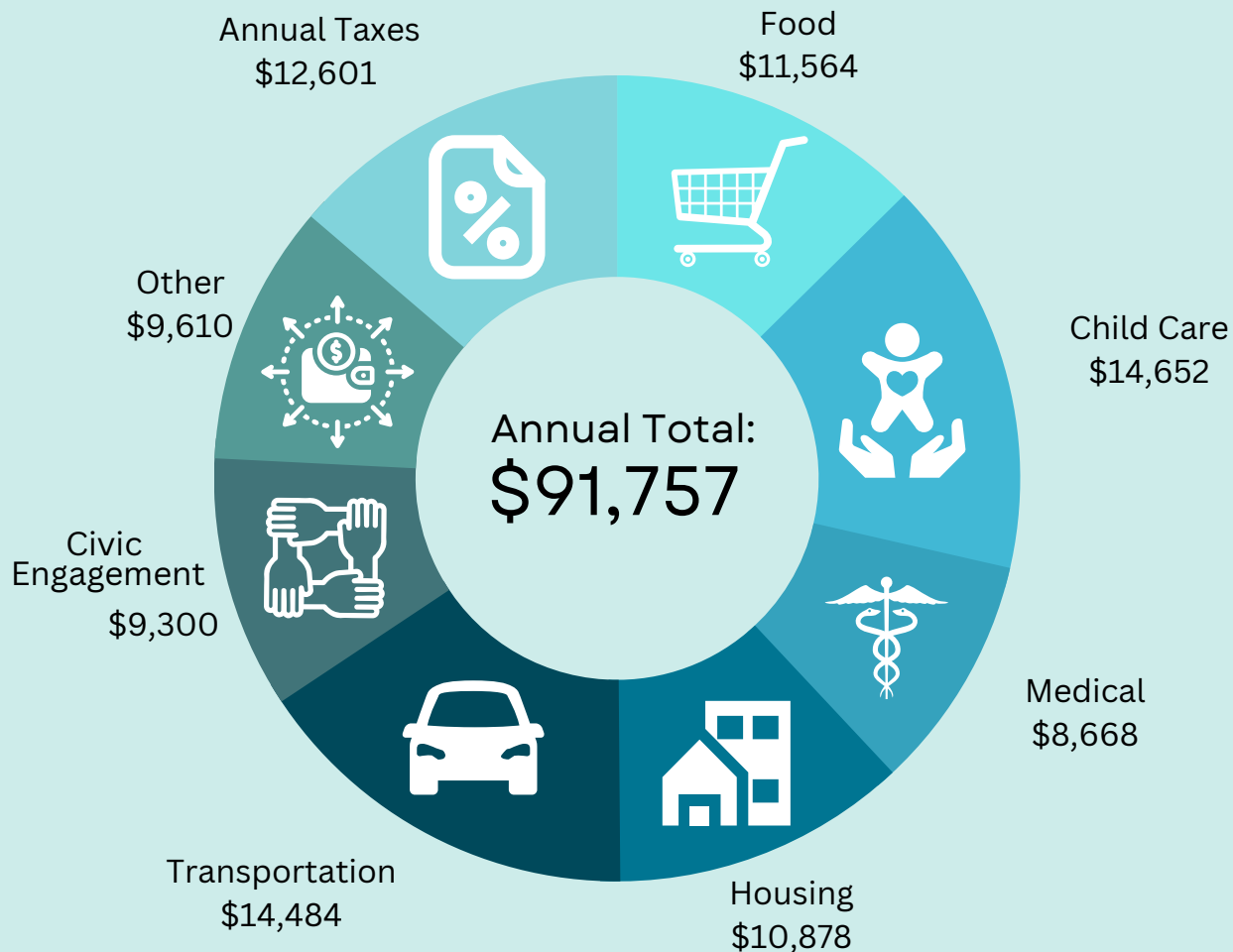
Table 1: Living Wage in Hamilton County by Family Size  
Hourly Rate per Working Adult

	1 Adult			2 Adults (1 Working)			2 Adults (Both Working)		
	0 children	1 child	2 children	0 children	1 child	2 children	0 children	1 child	2 children
Living Wage	\$15.81	\$31.09	\$39.43	\$25.22	\$30.72	\$35.49	\$12.61	\$17.47	\$21.96

# Challenges Faced by Low-Wage Workers

In 2022, the Northside Neighborhood House (NNH) provided financial assistance to 719 unique households. Of those households, 52% reported employment (full or part-time) with an average yearly income of \$20,088. While this income may place some individuals without families above the Federal Poverty Level (FPL), they are still not able to afford necessities. Figure 1 shows the typical annual expenses for a family of four with two working adults in Hamilton County according to the Living Wage Calculator.<sup>1</sup> These estimates were pulled from publicly available data and while geographically specific, may still be low when compared to actual costs.<sup>3</sup> For instance, the housing cost uses the HUD Fair Market Rents, which was \$883 for a two-bedroom in Hamilton County in 2022.<sup>4</sup> As discussed in our Affordable Housing white paper there is shortage in housing, especially affordable housing, making it difficult to find anything at this cost. Even with these estimates, it is easy to see that \$20,000 would not cover the expenses for a typical family. These individuals face daily challenges and are often left in need of assistance from organizations like the NNH.

Figure 1: Typical Expenses for Family of Four with Two Working Adults



Households that earn above the FPL but cannot afford the basic cost of living in their community are referred to as Asset Limited, Income Constrained, Employed or ALICE.<sup>5</sup> These households are present in every community, including those served by the NNH. Figure 2 shows the median household income for the seven zip codes served by the NNH for both the general population and NNH clients. Additionally, Figure 3 shows the percentage of households making below the ALICE threshold. For reference, the ALICE threshold for a family of four in Tennessee in 2021 was \$57,240. These charts highlight the disparities across the county. Even in communities with higher incomes, there are still people struggling to make ends meet.

Low wages limit access to needed resources and prohibit households from reaching stability. Without a living wage, families are more likely to fall behind on rent or mortgage payments, placing them at greater risk of becoming homeless. Those with lower incomes are more likely to experience food insecurity and are less likely to seek physical and mental health services, which often leads to more serious conditions. Economic disruptions or sudden loss of wages can be devastating for ALICE households. For example, recent inflation has put additional strain on already stretched budgets.

Figure 2: 2021 Median Household Income

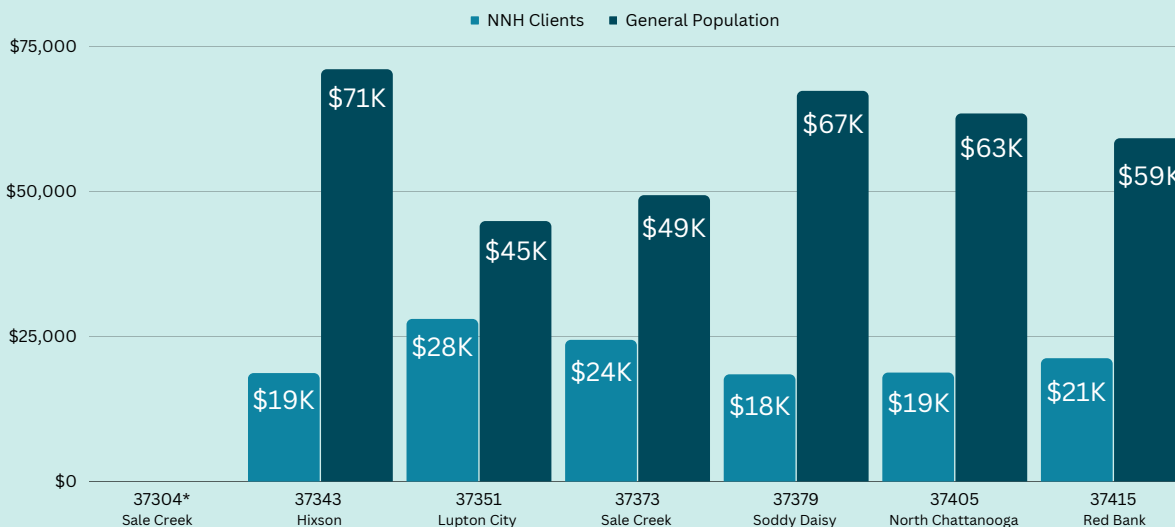
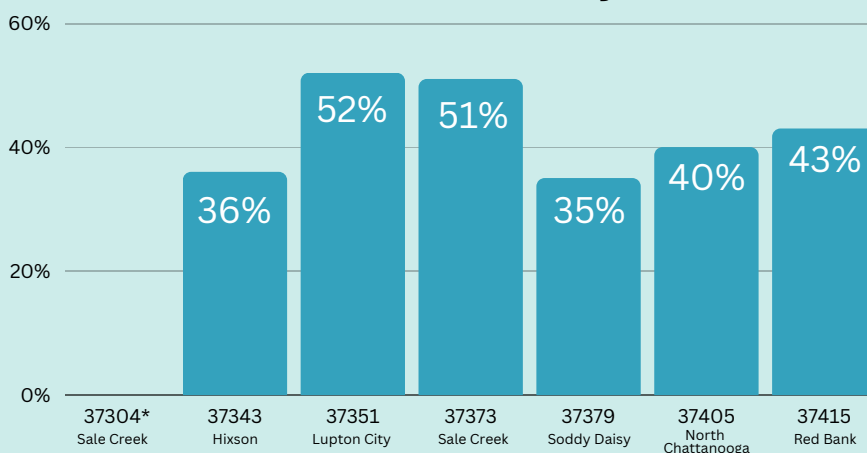


Figure 3: Percent of Households Making Less than ALICE Threshold for Family of 4 in 2021



\*Data not available

In November of 2022, 58% of households below the ALICE threshold in Tennessee said it was somewhat or very difficult to pay for usual items such as food, rent or mortgage, car payments, or medical expenses.<sup>5</sup> Comparatively, 26% of those living above the ALICE threshold reported the same. While federal and state funded public assistance programs exist to help the most vulnerable, these programs do not reach all households that are struggling financially. Many ALICE households do not qualify for these programs because they make more than the income eligibility. Even for households that do meet the eligibility, strict requirements and stigma often prevent them from participating.

In addition to restricting access, income limits for public assistance create a “benefits cliff.” The “benefits cliff” occurs when a household's income becomes more than the eligibility threshold for assistance programs which causes them to lose the benefits.<sup>6</sup> Many times, the income increase is still not enough to cover essentials and can result in a family being financially worse due to the loss of benefits. This fear of losing benefits is a barrier to economic mobility for many low-wage individuals.

The problem that all ALICE households face is the imbalance of wages and the cost of basic living. For example, cashiers make a median wage of \$10.93 an hour, which doesn't meet the living wage for any household and leaves 49% of cashiers below the ALICE threshold.<sup>5</sup> Table 2 shows common occupations in Tennessee and the average median hourly wage in 2022 according to the U.S. Bureau of Labor Statistics.<sup>7</sup> Many of these jobs are considered essential to our communities, yet these employees are being vastly underpaid.

Recently, the labor market has been recovering from record-breaking unemployment and decreases in total employment caused by the pandemic. This has led to an increase in demand for essential workers and pushed wage increases in these jobs.

**Table 2: Median Hourly Wage for Common Occupations in Tennessee in 2022**

Occupation	Wage
Waiters and Waitresses	\$9.78
Fast Food & Counter Workers	\$11.03
Cashiers	\$11.74
Retail Salespersons	\$13.52
Cooks & Restaurant Staff	\$14.21
Driver/Sales Workers and Truck Drivers	\$14.37
Stocker and Order Fillers	\$14.87
Office Clerks, General	\$15.69
Laborers and Freight, Stock, and Material Movers	\$17.29
Customer Service Representatives	\$17.61

From 2020 to 2021, Tennessee saw a 7.3% increase in wages across all industries with low-wage workers experiencing faster wage growth.<sup>8</sup> Even with these increases, ALICE workers still face challenges. While experiencing faster wage growth, low-wage workers were starting at much lower points. Many are still not making a living wage even after increases. Additionally, increases have not been enough to overcome years of stagnant wages. The ALICE Essential Index shows that the cost of essential goods has been outpacing wages for many years.<sup>5</sup> This has caused ALICE families to live on stretched budgets for several years, and even with wage increases it will take time to pay off past debts and build up savings to create stability.

## **Benefits of a Living Wage**

Increasing wages for workers not only increases their economic mobility but also has positive effects on their physical and mental health. Higher wages are associated with improvements in access to care and making better dietary choices.<sup>9</sup> These habits are known to lead to lower rates of disease and mortality. Research also finds that higher wages lead to more leisure time and increased job satisfaction which has a positive effect on one's mental health.<sup>10</sup> A recent study found that a \$1 increase in minimum wage led to a 3.4% to 5.9% decrease in suicide rates among adults with a high school education or less.<sup>11</sup> Improved health not only benefits the individual, but reduces societal burden on costs associated with disease and the...

...amount of time off one needs from their job. Wage increases can also have positive impacts for employers. Higher wages can lead to increased motivation and improved productivity of employees. Studies have found that employee morale and work ethic increase when employees believe they are being paid a fair wage.<sup>12</sup> Offering higher wages can attract and retain skilled and experienced workers, reducing turnover costs and increasing institutional knowledge. Additionally, businesses that pay higher wages may develop a positive reputation in the community. This can lead to interest in working for the company as well as increased business from customers who support businesses with a reputation for prioritizing their employees.

When workers are paid more, the local economy benefits. Higher wages contribute to an increase in consumer spending that can have a positive ripple effect on other local businesses. As demand increases, businesses may need to hire additional employees leading to new job creation and unemployment reduction. Furthermore, when workers earn a living wage or higher, they can support their families, reducing the need for public assistance programs.<sup>13</sup> This can alleviate strain on public assistance systems and free up resources to be allocated to other community needs.

## Call to Action

The discussion of wages can be hard, and there isn't a widespread agreement on what should be done. It is clear, however, that many people are making below a living wage, causing them and their families to either go without essentials or rely on public or nonprofit assistance to live. There are many ways to support low-wage workers. You can advocate for policies that promote a living wage. For instance, you could support a state minimum wage increase for Tennessee. As mentioned earlier, Tennessee does not have a state minimum wage. Furthermore, Tennessee law prohibits cities and counties from setting their own minimum wage, preventing local governments from implementing changes and keeping the federal minimum wage as the standard statewide.

Encourage businesses to pay their employees living wages by sharing the benefits of fair compensation. Show your support for those that already prioritize fair wages by choosing to patronize them. Doing so will help increase their demand and profits, allowing them to continue to pay their employees well.

If you are a business owner, consider the benefits that increasing wages could have for your employees and your business. Over the past 4 years the NNH has increased hourly pay by \$5 or more across all hourly positions, recognizing that these positions typically work only 20-30 hours per week. For the 2023-2024 Fiscal Year the hourly starting pay rate is \$15 per hour. The NNH leadership team and board realized we needed to make the commitment to be part of the solution around living wages, even though it would be a stretch on our annual budget. We have seen increases in retention and believe that our employees feel more appreciated because of this. We realize that not all businesses have the luxury of making large increases right away, but you can start making a plan and developing what a realistic budget would look like to do so.

Recognizing that the living wage issue won't be solved overnight, the NNH will continue to stand in the gap to keep our neighbors housed and stable. Investing in the work of the NNH ensures that our hard working neighbors will find the hope and resources they need when in crisis, as well as providing pathways to prosperity for students in our CommUNITY School spaces.

## The Effect on Our Neighbors

The NNH provides stability services to help ALICE households when a need arises. The majority of our clients do not make a living wage and therefore rely on agencies like us to help fill in the gap from time to time. Brenda\* recently became a single mother with four children. She had relied on her husband to pay the bills and needed to find a job to cover their expenses. She was able to find employment as a cashier making \$1,300 per month, but this wasn't enough even with some additional assistance she was receiving. Brenda was referred to NNH through one of our CommUNITY Schools to help with rent for the month. When she met with the case manager, she shared that she had secured a job at a larger business that was going to pay her a higher wage. After building a budget together, she and the case manager agreed that the new job would cover her monthly expenses and leave her in a better position going forward. Brenda was able to improve her situation by finding employment that paid enough to cover her family's expenses, but she needed assistance to fill in the gaps.

\*Name changed to protect client's privacy.

## **About the NNH**

Since 1924, the Northside Neighborhood House has focused on empowering residents north of the Tennessee River to create thriving communities across northern Hamilton County. From ensuring individuals are housed with working utilities to supporting students in achieving academic success, the NNH focuses on creating relationships and connecting individuals to supports that aid them in creating stability for themselves and their families. Our ability to address the varying needs of our neighbors positions us to provide a holistic support approach for individuals at all ages and stages of life. Learn more by visiting our website, [nnhouse.org](http://nnhouse.org).

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