

Testimony of Sylvia Allegretto, Economist, Economic Policy Institute

After filing for bankruptcy, the Delphi Corporation told the United Auto Workers union (UAW) that it wants to cut wages more than 50 percent and reduce benefits, including health insurance and vacation time. The 33,000 Delphi workers and their families depend on the earnings from their job to make ends meet. The proposed wage of \$10-\$12.50 an hour, down from an average of about \$27 an hour, would therefore impose significant hardship on Delphi workers.

The ability of working families to meet their most basic needs is an important measure of economic stability and well-being. The Basic Family Budget Calculator, derived by the Economic Policy Institute, is an analytical tool that calculates the dollar amount required to adequately afford a safe and decent, yet modest, standard of living in communities throughout the country.¹ The budget items that are included in the basic family budget are: housing, food, child care, transportation, health care, other necessities, and taxes.² These budgets are truly basic. We exclude many expenses that seem essential to a middle class life, including savings for a college education, retirement savings, and the cost of travel or entertainment.

Table 1 displays Basic Family Budgets for 21 communities where UAW Delphi facilities are located. For communities that do not have corresponding family budgets, which are for the most part non-metropolitan statistical areas, we have substituted the basic budget figure for the relevant state's rural areas. These calculations are based on expenses for a family of four: two parents with two children. The last two columns of Table 1 represent annual totals with and without child care expenditures. If only one parent is employed it can be assumed that the other takes care of the children. Where one parent is employed full-time and the second parent is employed full- or part-time the budgets can be adjusted by the child care costs. The expenditures that are listed are what a family can expect to pay if two children are in child care.

A full-time, full-year worker earning Delphi's current wage of \$27 per hour will earn approximately \$56,000 per year--an annual amount that exceeds the basic family budgets for all 21 areas. On average, taking all 21 communities into consideration, an annual income of \$56,000 exceeds the basic budgets by almost \$29,000.

It is clear that a job that pays \$27 per hour enables families to live at a standard that is comfortably above the basic level. By contrast, an hourly wage of \$12 per hour generates an annual income of approximately \$25,000 per year, which is below the basic family budget for 14 of the 21 communities and \$31,000 less than their current income. The

¹ The EPI Basic Family Budget Calculator along with detailed Technical Documentation of how they were conceptualized and constructed can be found at: http://www.epi.org/content.cfm/datazone_fambud_budget

² Appendix A provides a brief description of each budget item and the restrictions and/or working assumptions employed in the basic family budget calculations

shortfall for the 14 communities—almost \$3,700 on average—is likely to cause economic hardship for many of these families. In the other seven communities, the annual earnings from a \$12 hourly wage exceed the basic family budget by, on average, about \$650.

| Table 1 Basic Family Budgets for UAW Delphi locations for families with two parents and two children ³ | | | | | | | | | |
|---|------------------|--------|------------|-----------|--------|--------|--------|--------------------|-----------------|
| Delphi areas: | Monthly Expenses | | | | | | | Annual Totals | |
| | Housing | Food | Child care | Transport | Health | Other | Taxes | Without Child Care | With Child Care |
| Grand Rapids, MI | \$ 658 | \$ 587 | \$ 701 | \$ 358 | \$ 110 | \$ 336 | \$ 211 | \$ 27,120 | \$ 35,532 |
| Livonia, MI | \$ 805 | \$ 587 | \$ 701 | \$ 321 | \$ 110 | \$ 376 | \$ 316 | \$ 30,180 | \$ 38,592 |
| Kokomo, IN | \$ 589 | \$ 587 | \$ 847 | \$ 375 | \$ 110 | \$ 318 | \$ 264 | \$ 26,916 | \$ 37,080 |
| Milwaukee, WI | \$ 694 | \$ 587 | \$ 765 | \$ 358 | \$ 110 | \$ 346 | \$ 232 | \$ 27,924 | \$ 37,104 |
| Saginaw, MI | \$ 560 | \$ 587 | \$ 701 | \$ 324 | \$ 110 | \$ 310 | \$ 156 | \$ 24,564 | \$ 32,976 |
| Flint, MI | \$ 612 | \$ 587 | \$ 701 | \$ 324 | \$ 110 | \$ 324 | \$ 158 | \$ 25,380 | \$ 33,792 |
| Dayton, OH | \$ 595 | \$ 587 | \$ 1,111 | \$ 387 | \$ 110 | \$ 319 | \$ 347 | \$ 28,140 | \$ 41,472 |
| Columbus, OH | \$ 640 | \$ 587 | \$ 1,111 | \$ 358 | \$ 110 | \$ 331 | \$ 358 | \$ 28,608 | \$ 41,940 |
| Rochester & E. Rochester, NY | \$ 687 | \$ 587 | \$ 1,195 | \$ 358 | \$ 110 | \$ 344 | \$ 360 | \$ 29,352 | \$ 43,692 |
| Tuscaloosa, AL | \$ 571 | \$ 587 | \$ 1,047 | \$ 375 | \$ 110 | \$ 313 | \$ 392 | \$ 28,176 | \$ 40,740 |
| Wichita Falls, TX | \$ 538 | \$ 587 | \$ 720 | \$ 375 | \$ 110 | \$ 304 | \$ 65 | \$ 23,748 | \$ 32,388 |
| Athens, GA | \$ 622 | \$ 587 | \$ 880 | \$ 375 | \$ 110 | \$ 326 | \$ 299 | \$ 27,828 | \$ 38,388 |
| Anderson, IN | \$ 534 | \$ 587 | \$ 730 | \$ 420 | \$ 110 | \$ 303 | \$ 203 | \$ 25,884 | \$ 34,644 |
| Lockport, IL | \$ 486 | \$ 587 | \$ 763 | \$ 420 | \$ 110 | \$ 290 | \$ 138 | \$ 24,372 | \$ 33,528 |
| Sandusky, OH | \$ 514 | \$ 587 | \$ 747 | \$ 420 | \$ 110 | \$ 297 | \$ 151 | \$ 24,948 | \$ 33,912 |
| Adrian & Coopersville, MI | \$ 514 | \$ 587 | \$ 586 | \$ 420 | \$ 110 | \$ 297 | \$ 85 | \$ 24,156 | \$ 31,188 |
| Fitzgerald, GA | \$ 486 | \$ 587 | \$ 592 | \$ 420 | \$ 110 | \$ 290 | \$ 125 | \$ 24,216 | \$ 31,320 |
| Laurel, MD | \$ 1,187 | \$ 587 | \$ 837 | \$ 321 | \$ 110 | \$ 479 | \$ 558 | \$ 38,904 | \$ 48,948 |
| Olathe, KS | \$ 691 | \$ 587 | \$ 748 | \$ 358 | \$ 110 | \$ 345 | \$ 171 | \$ 27,144 | \$ 36,120 |

³To better represent the budget outlays of Delphi workers, the EPI budgets have been modified slightly; monthly health care expenses are based on a conservative estimate of the outlays an average family of four with the current Delphi health care coverage could expect to pay out of pocket.

Appendix A

The following is a brief description of each budget item and the restrictions and/or working assumptions employed for basic family budget calculations:

Housing. Housing costs are based on the Department of Housing and Urban Development's fair market rents (FMRs). FMRs represent 40th percentile rents (shelter rent plus utilities) for privately owned, decent, structurally safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities. Rents for two-bedroom apartments were used for families with one or two children, and rents for three-bedroom apartments were used for families with three children (these assumptions were based on HUD guidelines).

Food. Food costs are based on the "low-cost plan" taken from the Department of Agriculture's report, "Official USDA Food Plans: Cost of Food at Home at Four Levels." The USDA food plans represent the amount families need to spend to achieve nutritionally adequate diets.

Transportation. Transportation expenses are based on the costs of owning and operating a car for work and other necessary trips. The National Travel Household Survey is used to derive costs that are based on average miles driven per month by size of the metropolitan statistical or rural area multiplied by the cost-per-mile.

Child care. Child care expenses are based on center-based child care or family child care centers for four and eight year olds, as reported by the Children's Defense Fund.

Health care. Health care expenses are based on a conservative estimate of outlays a family of four could expect to pay out of pocket.

Other necessities. The cost of other necessities includes the cost of clothing, personal care expenses, household supplies, reading materials, school supplies, and other miscellaneous items of necessity from the Consumer Expenditure Survey.

Taxes. Citizens for Tax Justice (CTJ) computed the taxes for tax year 2004. The six line items from above represent after-tax budgets. CTJ determined the amount of tax liability that each after-tax budget would incur. Therefore, the after-tax budget along with the additional tax burden represents the total pre-tax budget. Taxes included federal personal income taxes, federal Social Security and Medicare payroll taxes (direct worker payments only), and state income taxes. Local income or wage taxes were also included. Included in the calculation are federal tax credits for children and the earned-income tax credit.