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**Office of Management and Budget
Legislative Reference Division
Labor, Welfare, Personnel Branch**

M E M O R A N D U M

To: Larry Matlack, Debra Bond, Karen Tramontano, Caroline
Fredrickson, Cynthia Rice, Jeffrey Farrow

From: Melissa Benton
(202) 395-7887; (202) 395-6148 (fax)

Date: April 26, 1999

Re: Final Minimum Wage letter

To follow is the final Labor letter on Kennedy's minimum wage amendment.

SECRETARY OF LABOR
WASHINGTON

APR 23 1999

The Honorable Edward M. Kennedy
United States Senate
Washington, D.C. 20510

Dear Senator Kennedy:

I am writing in strong support of your efforts in the Senate to increase the minimum wage by \$1 to \$6.15 an hour by September 1, 2000. Earlier this year, President Clinton strongly endorsed raising the minimum wage by a dollar an hour over the next two years to "do more to support the millions of parents who give their all every day at home and at work. The most basic tool of all is a decent income."

We now have the strongest economy in a generation: inflation and unemployment are low and steady, and family incomes are on the rise. But millions of people are still struggling to make ends meet. A full-time worker earning the current minimum wage for 50 weeks of work receives only \$10,300. This is not enough to move families from welfare dependency to self-sufficiency. A one dollar increase in the minimum wage would make an enormous difference in the lives of these workers and their families. It would mean an additional \$2,000 a year for someone working year-round, full-time at the minimum wage -- enough to buy a family of four groceries for 6 months or pay for 7 months rent.

Your efforts offer more than 11 million Americans a greater opportunity to share in our Nation's prosperity. Seventy percent of all workers who would benefit are adults, age 20 or over, and about three out of five are women, many of whom are the sole breadwinners for their families.

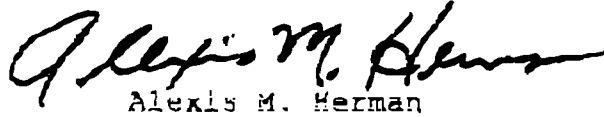
When we last raised the minimum wage and expanded the earned-income tax credit, we took important steps to reward work and help millions of Americans raise their families with dignity and move off of welfare. Because of our actions, a full-time working parent with two children does not have to live in poverty. We must ensure that this continues to be the case, and that we continue to make progress towards ensuring that all working families are lifted out of poverty. That is why we must increase the minimum wage.

The Administration strongly supports your efforts to increase the minimum wage to \$6.15 an hour. Working together, we can make work pay for America's minimum wage workers.

WORKING TO IMPROVE THE LIVES OF AMERICA'S WORKING FAMILIES

The Office of Management and Budget advises that there is no objection to presentation of this report from the standpoint of the Administration's program.

Sincerely,



Alexis M. Herman



Green Susan <green-susan @ dol.gov>
02/23/99 04:09:57 PM

Record Type: Record

To: holly_fechner @ labor.senate.gov, Caroline R. Fredrickson/WHO/EOP, cowens @ aflcio.org, Bingham
Barbara <bingham-barbara @ dol.gov>

cc:

Subject: Hastert on the minimum wage Sun.2/21/99 Fox Sun. AM show

SNOW: The majority of the American people would like a higher
minimum
wage. Are you going to support that?
HASTERT: Well, I think we needed two things. You know, I came out
of the
restaurant business. I worked my way through college cooking. And if
we
couldn't afford to hire the second cook, I worked longer hours. So
it
depends. The minimum wage really affects entry level jobs. We need
to make
sure that folks have a quality of life of entry level. We also need
to make
sure that we don't diminish those jobs or take those jobs away.
There has
to be a balance, and I think we can come to that balance.

AT&T
Enhanced FAX

*cc: Caroline
Brodeur*

Date: Fri Mar 12 15:07:04 EST 1999

Attention To: Larry Stein

Destination Fax: +1 202 456 6220

From: UAW WASHINGTON DC

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**INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA—UAW**

STEPHEN P. YOKICH, President

RUBEN BURKS, Secretary-Treasurer

VICE PRESIDENTS

ELIZABETH BUNN • RON GETTELFINGER • BOB KING • JACK LASKOWSKI • RICHARD SHOEMAKER

IN REPLY REFER TO

March 12, 1999

1757 N STREET, N.W.
WASHINGTON, D.C. 20036
TELEPHONE: (202) 828-8500
FAX (202) 283-3467

Dear Representative/Senator:

The UAW strongly supports the proposed "Fair Minimum Wage Act of 1999" (H.R. 325; S. 192), sponsored by Representative David Bonior and Senator Ted Kennedy. We urge you to co-sponsor this legislation and to support efforts to enact it this year.

This vital legislation would increase the minimum wage by 50 cents on September 1, 1999 and by another 50 cents on September 1, 2000. When enacted this bill would provide a much needed increase in the purchasing power for millions of low income working families.

A single mother with two children who works full time at the minimum wage currently earns just \$10,700 per year, which is \$2,600 below the official poverty line. This reflects the sad reality that the minimum wage has not kept pace with inflation, and is significantly below the value of the minimum wage in the late 1960s.

The UAW believes that all workers should be entitled to a living wage that will lift them out of poverty and provide them with basic necessities. This objective can only be realized if the existing minimum wage is increased. Opinion polls consistently demonstrate that the American people overwhelmingly support an increase in the minimum wage. In our judgment, Congress should heed this mandate and move expeditiously to pass the "Fair Minimum Wage Act of 1999" (H.R. 325; S. 192).

Accordingly, the UAW urges you to join as a co-sponsor of this legislation, and to support efforts to enact this measure.

Sincerely,

Alan Reuther
Legislative DirectorAR:car
opeiu494
C3937

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<http://www.senate.gov/~labor/>

United States Senate

COMMITTEE ON LABOR AND
HUMAN RESOURCES

WASHINGTON, DC 20510-6300

TO:

Caroline Anderson

FROM:

Stephanie Williams

NUMBER OF PAGES:

COVER + 5

RETURN FAX NUMBER:

(202) 224-3533

IF THERE IS TROUBLE IN RECEIVING THIS FAX, PLEASE CALL (202) 224-5441

MESSAGE:

Here is the info on minimum
wage - Alaska draft proposal
included. Thanks

FAX NUMBER:

456-6468

106TH CONGRESS
1ST SESSION

S. _____

IN THE SENATE OF THE UNITED STATES

Mr. KENNEDY (for himself, Mr. DASCHLE, and Ms. MIKULSKI) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Fair Minimum Wage
5 Act of 1999".

6 **SEC. 2. MINIMUM WAGE INCREASE.**

7 (a) WAGE.—Paragraph (1) of section 6(a) of the Fair
8 Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is
9 amended to read as follows:

O:\KIN\KIN99.007

2

1 “(1) except as otherwise provided in this sec-
2 tion, not less than—

3 “(A) \$5.65 an hour during the year begin-
4 ning on September 1, 1999; and

5 “(B) \$6.15 an hour beginning on Septem-
6 ber 1, 2000;”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) takes effect on September 1, 1999.

1 SEC. ____ . APPLICABILITY OF MINIMUM WAGE TO THE COM-
2 MONWEALTH OF THE NORTHERN MARIANA
3 ISLANDS.

4 The provisions of section 6 of the Act of June 25,
5 1938 (52 Stat. 1062) shall apply to the Commonwealth
6 of the Northern Mariana Islands.

THE WHITE HOUSE

WASHINGTON

May 30, 1997

The Honorable Froilan C. Tenorio
Governor of the Northern Mariana Islands
Saipan, MP 96950

Dear Froilan:

As you know, the 1976 Covenant that established the political union between the Northern Mariana Islands and the United States did not immediately extend all of our Nation's immigration, naturalization, and minimum wage laws to the Commonwealth. The Covenant provided, however, that these laws would be extended at a later time.

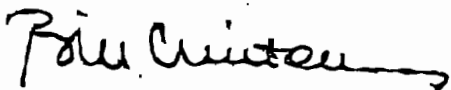
I am writing now out of concern about certain labor practices in the islands that are inconsistent with our country's values. More than half of the people in the islands are temporary alien workers; these workers, who comprise an overwhelming majority of the islands' work force, are imported to fill permanent jobs, while the jobless rate among residents remains high; the minimum wage is plainly inadequate; there have been persistent incidents of improper treatment of alien workers and inadequate enforcement of their rights; and manufacturers using foreign workers unfairly compete with other production under the U.S. flag.

Federal officials have, for many years, strongly encouraged Commonwealth officials to rectify these problems and have provided substantial assistance for doing so, but the problems persist and, in some cases, are getting worse. I have, therefore, concluded that federal immigration, naturalization, and minimum wage laws should now be applied to the Commonwealth, as provided by the Covenant.

My Administration will work with the Congress to extend these laws in a reasonable and appropriate manner. We will, of course, consult with you and other representatives of the Commonwealth about how these laws should be applied.

I am dedicated, as I am sure you are, to protecting the rights and well-being of all who work and live in the islands as well as to fulfilling our mutual Covenant responsibilities.

Sincerely,



THE WASHINGTON POSTWEDNESDAY, JUNE 4, 1997 A21

Clinton Urges Immigration, Wage Controls on Marianas

Citing persistent labor and human rights violations, President Clinton has endorsed imposition of federal immigration and minimum wage laws in a remote Pacific Ocean territory that has been criticized as an outpost of iniquity under the U.S. flag.

In a May 30 letter to Froilan C. Tenorio, governor of the Commonwealth of the Northern Mariana Islands, Clinton said the territory 3,900 miles west of Hawaii has used exemptions from those laws to import thousands of temporary foreign workers who are often poorly paid and mistreated in a pattern of labor practices "inconsistent with our country's values." The letter was made public Monday.

Saying that "the problems persist and, in some cases, are getting worse," Clinton said he would work with Congress to amend a 1976 "covenant" that created a political union with the islands and made their inhabitants U.S. citizens, but allowed them to keep control of immigration and the minimum wage. Although the issue has come up previously in Congress, the letter marked the first time that a U.S. president has endorsed such a unilateral change in the covenant.

Government officials and businessmen in the commonwealth reacted negatively, according to news media on Saipan, the territory's largest island. Tenorio suggested that Clinton has been "misled," but expressed confidence that his lobbying strategy of bringing dozens of congressional members and staffers to the islands on expense-paid junkets would head off the changes. Tenorio's deputy said the imposition of federal immigration law would be "a disaster."

One of the chief beneficiaries of the labor situation has been Saipan's \$500 million-a-year garment industry, which employs thousands of workers imported from China. In a "gross abuse" of congressional intent, the industry has become "a huge loophole for Asian garment manufacturers to get around U.S. quotas at the expense of U.S. employers and U.S. workers, all the while using the 'Made in U.S.A.' label," an Interior Department background paper said.

—William Branigin

**Good News for Low Income Families:
Expansions in the Earned Income Tax Credit and the Minimum Wage**

December 1998

A report by
The Council of Economic Advisers

Executive Summary

- The strongest labor market in a generation has resulted in particularly large gains among low-wage and disadvantaged workers. From 1979 to 1993, the real wages of low-wage workers fell sharply. Recently, however, low-wage workers have experienced large increases in real wages: For low-wage men, wages are up since 1996 by 5.7 percent after inflation. And for low-wage women, real wages have risen 6.1 percent.
- These strong wage gains have been accompanied by a steep decline in unemployment for low-skilled workers. In 1993, 11.1 percent of workers without a high school degree were unemployed; today that rate has fallen to 7.2 percent. Among high school graduates (with no college), the rate has fallen from 6.6 to 3.9 percent. Low-wage workers are thus gaining both by working more and by earning more for every hour that they work.
- The effects of a strong economy have been reinforced by successful policies designed to make work pay. Expansions in the Earned Income Tax Credit (EITC) since 1993 are supplementing the incomes of low-wage working parents. The EITC is one of our most successful programs for fighting poverty and encouraging work:

Lifts more than 4 million Americans out of poverty. The EITC lifted 4.3 million Americans out of poverty in 1997 -- more than double the number in 1993.

Dramatically reduces child poverty. In 1997, the EITC reduced the number of children living in poverty by 2.2 million. This report finds that over half of the decline in child poverty between 1993 and 1997 can be explained by changes in taxes, most importantly the EITC.

Encourages work among single women with children. In 1992, 73.7 percent of single women with children were in the labor force. In 1997, 84.2 percent of such women were in the labor force. The percentage of single women with children who received welfare and did not work has been cut by more than half -- from 19.3 percent in 1992 to 8.3 percent in 1997. Research studies suggest that the increase in labor force participation among single mothers is strongly linked to the expansion in the EITC.

- Increases in the minimum wage have been important in raising the earnings of low-wage workers. Empirical research suggests that recent minimum wage increases have had little or no adverse effect on employment.

- The combined effects of the minimum wage and the EITC have dramatically increased the returns to work for families with children. Between 1993 and 1997, families with one child and one earner who worked full-time at the minimum wage (i.e., \$4.72 in 1993 and \$5.15 in 1997, in 1997 dollars) experienced a 14 percent -- \$1,402 -- increase in their income, after inflation, just because of these two policies alone. Similar families with two children experienced a 27 percent -- \$2,761 -- increase in their income.

Good News for Low Income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage

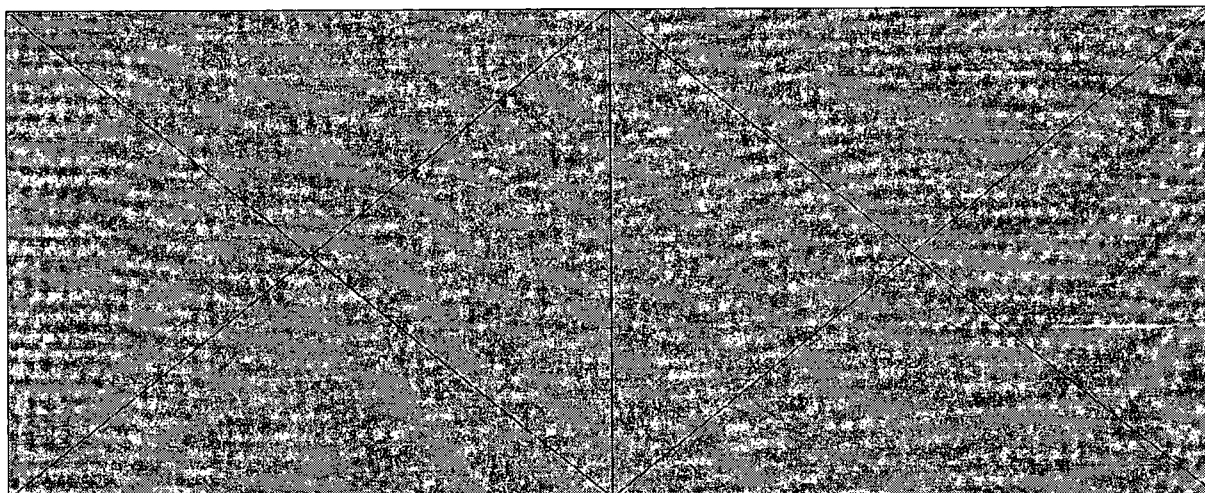
1. The Labor Market Continues to Perform at a Record Pace

American workers are currently benefiting from the strongest labor market in a generation. Employment is at an all-time high, with 132 million Americans at work in November 1998, up from 119 million in January of 1993. Only 4.4 percent of the labor force is unemployed, having fallen by 2.9 percentage points since this Administration took office; the unemployment rate is now at its lowest level since 1969. Moreover, wages of workers are up sharply in the past several years, with a gain in median wages (after inflation) of 4.4 percent from 1996 through August of this year. As this report indicates, these gains are particularly strong among low-wage and disadvantaged workers, following more than a decade of labor market losses. Administration policies have been important in helping those at the bottom end of the labor market begin to catch up and share in the overall economic growth of the 1990s.

2. Low-Wage and Disadvantaged Workers are Making Particularly Large Gains

Low-wage and disadvantaged workers have experienced substantial gains in wages and employment. The real wages of low-wage male workers have shown large increases in the past few years, in contrast to the period from 1979 to 1993, when they declined by 14.7 percent. (We define low-wage as those workers at the bottom decile of the wage distribution.) Among low-wage women, the decline was 15.8 percent over this period. Charts 1 and 2 show recent significant improvements in real wages among all workers, but with particularly large gains among the lowest paid. Since 1996, men in the bottom decile have increased their earnings by 5.7 percent after inflation (Chart 1), while women have gained 6.1 percent (Chart 2).

At the same time, unemployment rates among the least skilled have plummeted. When this Administration took office in 1993, 11.1 percent of workers without a high school degree were unemployed; today that rate has fallen to 7.2 percent. Among high school graduates (with no college), the rate has fallen from 6.6 to 3.9 percent. Hence, low-wage workers are working more and earning more for every hour that they work.



One group in particular -- single mothers -- has also experienced significant increases in labor force participation during this time period. Labor force participation rates among single mothers began to climb in 1993 after remaining essentially unchanged at 74 percent since 1984. By 1997, 84 percent of single mothers were in the labor force, a marked change for a group that has traditionally had extremely high rates of poverty and welfare usage.

3. Administration Policies Have Played a Key Role in These Gains

The strong overall economy has been an important factor in increasing the wages and employment of less-skilled workers. Typically, employment among workers with less education is more sensitive to changes in the economy, with larger gains in recoveries and larger losses in downturns. This Administration has worked hard to maintain an environment in which economic growth can flourish and American businesses can compete fairly, both at home and abroad. However, the strong economy is not the only reason for these gains among less skilled workers. Administration policies to "make work pay" by expanding the Earned Income Tax Credit and raising the minimum wage have also been important.

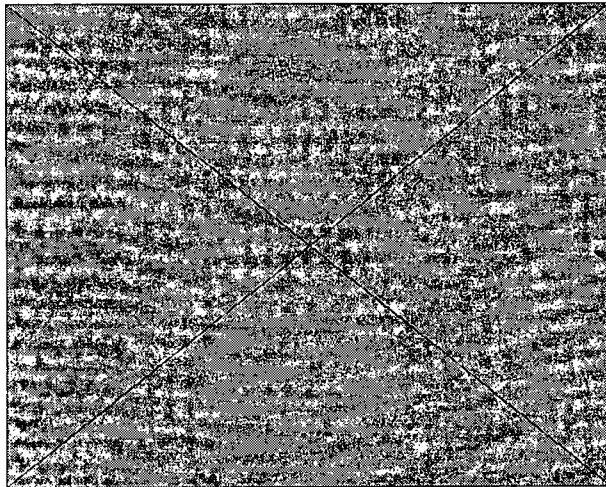
3.1 Expanding the Earned Income Tax Credit

Description of the EITC

The goals of the Earned Income Tax Credit (EITC) are to make work pay, to help ensure that working parents do not have to raise their children in poverty, and to offset the total tax burden of low and moderate income working families. As a result, the EITC eases the transition from welfare to work. To achieve these goals, the EITC consists of a refundable tax credit for working families with low incomes that offsets a family's total tax burden. Because the credit is refundable, individuals can receive the full amount to which they are entitled even if the amount exceeds

the individual income taxes they owe. About 80 percent of EITC payments offset individual income, social security, and other Federal taxes borne by families receiving the credit.

Only families that work are eligible for the tax credit, and the amount of the credit depends on a family's labor market earnings. In 1998, for every dollar a low-income worker earns up to an established limit, as much as 40 cents is added to compensation in the form of a tax credit. In particular, the amount of the credit rises with earnings up to a maximum credit of \$2,271 for a family with one child and \$3,756 for a family with two or more children. The credit is flat for a range of earnings and then is phased out.



The EITC was significantly expanded in the Omnibus Budget Reconciliation Acts (OBRA) of 1990 and 1993. As a consequence of these expansions, the EITC now provides a greater incentive for labor force participation than in 1993. In 1993, very low-income parents receive an additional 19 to 20 cents for each additional dollar earned. In 1998, a very low income parent with one child will receive 34 cents for additional earnings; if he or she has two children, the EITC will add 40 cents to their take-home pay (Chart 3).

OBRA 1993 significantly increased the credit for families with two or more children. The maximum credit was increased by over \$1,500 (1998 dollars), while eligibility for the credit was extended to families with incomes up to \$30,050 (or about \$3,600 above the prior law level). In addition, the 1993 expansion helped lower taxes for 15 million working families in 1996.

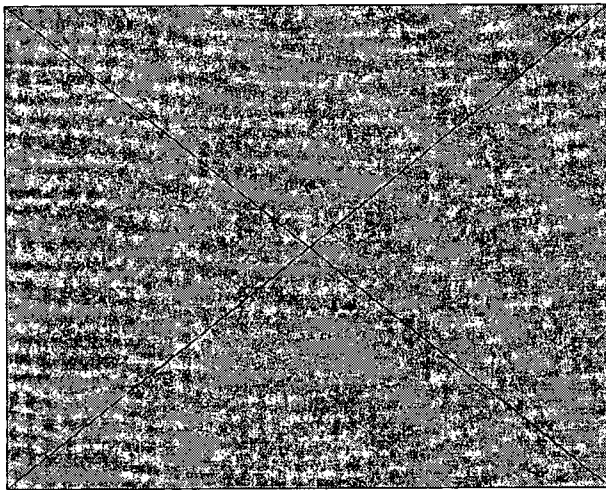
About 19.7 million workers are expected to claim the EITC in tax year 1998, receiving an average credit of \$1,547. About 16.5 million of these claims will be for workers living with children, who will receive an average credit of \$1,807.

The EITC is a non-bureaucratic way to reward work effort. There are no middlemen service providers, no long lines at government offices, and there is no need to take time off from work to apply for the credit. Working families apply directly to the Internal Revenue Service for the EITC and generally receive the credit

as part of their tax refund.

Participation in the EITC

While the EITC offers a substantial incentive to work and move out of poverty, the credit is effective if low-income families apply for it. A relatively high fraction of families eligible for the EITC -- 81 to 86 percent in 1990 -- have claimed the credit.¹ The participation rate has been substantially higher than those for other antipoverty programs, including AFDC (62 to 72 percent in 1986/87), and Food Stamps (54 to 66 percent in 1986/87).²



The EITC has reduced poverty

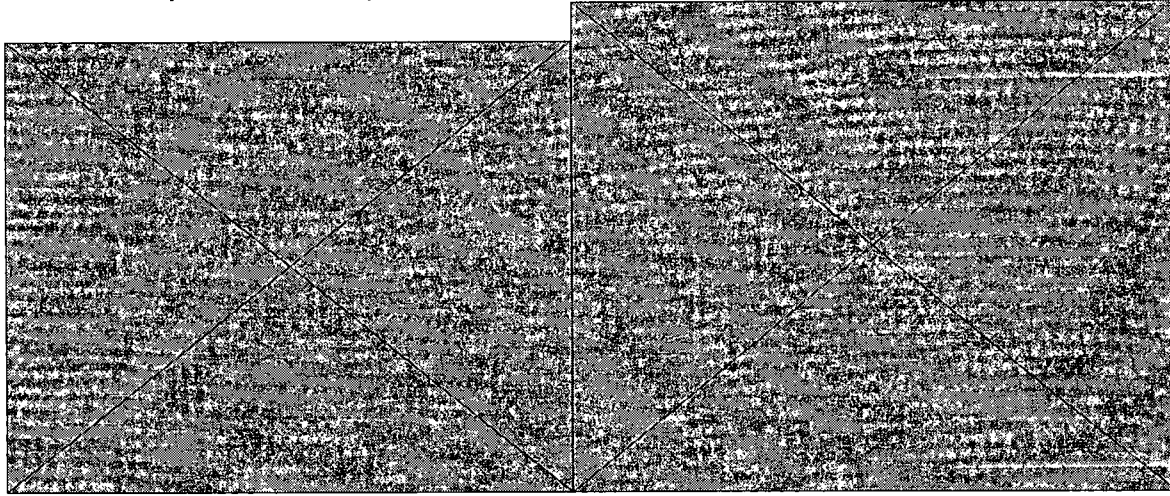
The EITC is targeted to families living in poverty with the goal of lifting their income above the poverty line. As shown in Chart 4, the latest estimate from the Census Bureau shows that the EITC removed 4.3 million persons from poverty in 1997, which is more than double the number who were removed from poverty in 1993.

Over half of the people removed from poverty by the EITC (2.2 million) were children under the age of 18, and 1.8 million were living in families headed by unmarried women. Updating analyses reported in the 1998 Economic Report of the President, it is found that over half of the decline in child poverty between 1993 and 1997 can be explained by changes in taxes, most importantly the EITC (Table 1). In addition, the EITC removed about 1.1 million African-Americans and nearly 1.2 million persons of Hispanic origin from poverty in 1997. It is clear that the EITC has become a major weapon in our fight against poverty.

The EITC has increased the labor force participation of single mothers

Between 1993 and 1997, the real value of the maximum EITC payment increased by 38 percent for single mothers with one child and by 116 percent for

single mothers with two or more children.³ These increases coincided with the period when the proportion of single mothers in the labor force increased dramatically, from 73.7 percent in 1992 to 84.2 percent in 1997.



In contrast, the labor force participation of single women without children -- who became eligible for a very small credit in 1994 if their earnings were very low -- did not change over this period (Chart 5). As Chart 6 indicates, the difference in the labor force participation rates of single women with and without children has closely tracked the growth in maximum EITC benefits.⁴

One recent study concluded that as much as 60 percent of the increase in employment of single mothers since 1984 was attributable to expansions in the EITC.⁵ For the period between 1992 and 1996, the EITC explains 33 percent of the increase in annual employment. A second study examined the 1986 EITC expansion, which was more modest than the 1993 expansion, and found that it significantly increased labor force participation among single mothers, especially for less educated women.⁶ Yet another study found that the EITC could result in an increase in labor supply of 19.9 million hours in 1996 relative to 1993 law and induce 516,000 families to move from welfare into the workforce.⁷

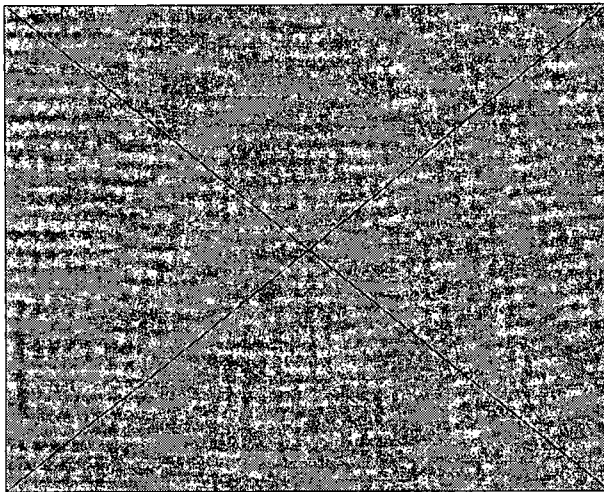
EITC benefits for married couples are based on the combined earnings of both husband and wife. Hence, married couples are more likely than single parent families to fall in the range of earnings where the EITC is being phased out. This has caused some researchers to predict that the EITC might cause a decrease in hours of work among married couples. However, the limited available evidence suggests that the expansions in 1986, 1990, and 1993 had modest disincentive effects of 1.2 percentage points on labor force participation of wives, and they actually had a small positive effect on married men (of 0.2 percentage points).⁸

How is the extra income from the EITC being used?

Most families receive their EITC dollars at tax payment time, in the form of a larger refund. A recent study interviewed low-income workers who had gone to a volunteer tax preparation office in Chicago for assistance with their tax return. The study asked the workers what they planned to do with the EITC they were expecting to receive and found that 61 percent planned to use at least some of

their refund for investment purposes, such as to pay for education (9 percent), repair, buy, or finance a car (10 percent), or to pay for a move (5 percent). Twenty-eight percent said they were saving at least some of the EITC for future use.⁹

3.2 Increasing the Minimum Wage



The Administration has fought for increases in the minimum wage, and on October 1, 1996 the rate was raised from \$4.25 to \$4.75. The rate was increased again to \$5.15 on September 1, 1997. Prior to these increases, it had been five years since the minimum wage was last raised, and its real value had decreased by 15 percent (Chart 7).

As shown in Charts 1 and 2, the wages of low-wage workers increased substantially since 1996, and the recent minimum wage increases are likely to explain much of this rise. It has been estimated that almost 10 million workers benefited from the recent minimum wage hikes.¹⁰

Most of the workers benefiting from the wage increases are adults from lower income families, and their wages are a major source of their family's earnings. Among workers who were earning between \$4.25 and \$5.15 just prior to the minimum wage increases, 71 percent were adults (20 or older), 58 percent were women, and one-third were black or Hispanic workers. Almost half of the affected workers (46 percent) worked full-time, and most of the low-wage workers were in low-income households. That is, over half of the benefits from the minimum wage increases were received by households in the bottom 40 percent of the income distribution. And in 1997, the earnings of the average minimum wage worker accounted for 54 percent of their family's total earnings.

One of the potential side effects of increasing the minimum wage is a reduction in employment. That is, with labor more expensive, some firms may hire fewer workers. Many empirical studies have examined this issue, and the weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment. In fact, a recent study of the 1996-97 wage increases used several different methods and found that the employment

effects were statistically insignificant. Moreover, the unemployment rates of African-American teens and high school dropouts, who are two groups of workers most likely to be affected by the wage hike, are lower today than they were just prior to the increases.

4. The Combined Effects of EITC and Minimum Wage Expansions

Increases in the minimum wage and expansions in the EITC reinforce each other. Among low-wage workers, these changes have produced substantial increases in income. Table 2 demonstrates the combined effect of the two policies (after inflation), comparing 1993 and 1997 (as if the minimum wage was in effect the full year). During this period the minimum wage rose by 9 percent, while the maximum EITC credit rose by 38 percent for one-child families (116 percent for two-child families). For families with one earner working full-time at the minimum wage, their combined earnings-plus-tax refund would have risen 14 percent if they had one child (27 percent if they had two or more children). This is a significant gain in real purchasing power among these parents.

As the bottom of Table 2 demonstrates, full-time work at the minimum wage no longer leaves families below the poverty line. As a result of these policy changes, one and two-child families with a single full-time minimum wage worker now earn enough to escape poverty.

5. Conclusion

The past several years have been very good ones for less-skilled workers in the labor market. Wages are up and unemployment is down. Among single mothers, many more are participating in the labor market, while welfare caseloads have declined steeply. The research evidence indicates that these gains partially reflect the strong economy, but that the gains have been reinforced by Administration policies that have increased the financial rewards for low-wage and less skilled persons to work.

Providing the economic incentives to work are an important legacy of this Administration. These gains mesh well with other goals this Administration has pursued, such as adequate child care for the children of working mothers and available training for those workers who want to increase their skills and work opportunities. In the long run, a healthy strong economy must rely on a trained and hard-working labor force, with opportunities for both the more and less educated. There has been real progress toward this goal in recent years.

Table 1. Factors Accounting for Changes in Child Poverty

	1979-97	1979-89	1989-93	1993-97
Changes to official poverty rate attributable to changes in:				
Family structure	2.1%	1.2%	0.8%	0.3%
Earnings and other before-tax-and-after income	1.4%	1.1%	3.5%	-3.6%
Cash social insurance and welfare payments	0.3%	1.0%	-1.1%	0.5%
Total change in official poverty measure	3.8%	3.2%	3.1%	-2.8%
Change in extended poverty rate attributable to changes in:				
Means-tested food and housing transfers	0.4%	0.4%	-0.3%	0.4%
Taxes	-2.3%	0.3%	0.0%	-2.6%
Total change in extended poverty rate	1.9%	4.0%	2.9%	-5.0%

Table 2. The Effects of Changing Minimum Wage and EITC on Earnings of Single Parents
(All numbers in \$1997)

	1993	1997	Percent Change
<u>Program</u>			
<u>Parameters</u>			
Minimum wage	\$4.72	\$5.15	9
Maximum EITC			
One-child family	\$1,602	\$2,210	38
Two-child family	\$1,689	\$3,656	116
Earnings minus taxes*			
One-child family	\$10,320	\$11,722	14
Two-child family	\$10,407	\$13,168	27
Ratio of earnings minus taxes to poverty line			
One-child family	0.93	1.06	
Two-child family	0.80	1.02	

* Assumes one earner works full-time/full-year (2000 hours) at minimum wage. Taxes include income taxes (including the EITC) and employee share of social security taxes.

DOING THE MINIMUM

A Battle for Credit

Turning to their favorite playbook, Democrats are ready to begin their annual push to raise the minimum wage. Some Republicans are preparing a pre-emptive retreat.

Sen. Edward M. Kennedy, D-Mass., may try the week of April 26 to attach the matter to a Year 2000 computer bill (S 96) that is dear to GOP leaders, an aide said. He plans to use the strategy that worked in 1996: offer the amendment to every bill in sight.

Kennedy and House Democratic Whip David E. Bonior will join AFL-CIO President John Sweeney and Labor Secretary Alexis M. Herman on April 27 to propose a \$1 increase, to \$6.15, by Jan. 1, 2000.

Behind the scenes, moderate House Republicans are working with their leaders to craft their own wage bill — an idea that is anathema to many conservatives. Speaker J. Dennis Hastert and Majority Leader Dick Armey — who

in 1996 vowed to fight an increase “with every fiber in my being” — have both acknowledged that a vote may be inevitable.

Largely, it is a matter of math. Jack Quinn, R-N.Y., claims the support of two dozen or so Republicans who would vote to increase the wage. “Rather than bring Republicans kicking and screaming all the way, why not take the lead and get some credit for it?” he says.

Quinn is talking about a \$1 increase over three to five years and automatic adjustments up to 4 percent based on inflation. Republicans are looking for “sweeteners” in the form of tax breaks to mollify business owners.

Kennedy’s staff says a drawn-out extension is unacceptable. Automatic adjustments may sound good, but Democrats may be reluctant to take the wage issue out of the legislative arena, where it has lived a fruitful political life for their party.

— Lori Nitschke

Past as Prologue

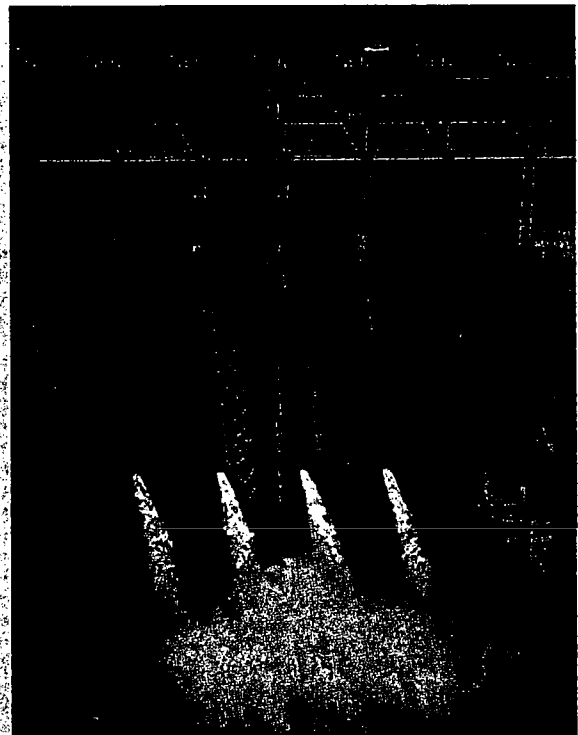
“There are so many needs in the military. This would be a great opportunity.”

—House Appropriations Chairman C.W. Bill Young, on plans to increase military funding in a supplemental appropriations bill.

“I’ve never seen a disaster that wasn’t an opportunity.”

—Former Rep. Jamie L. Whitten (Appropriations chairman 1979-92), on the political appeal of supplemental appropriations bills.

What’s Ahead



The House will take up HR 1480, which would authorize about \$3 billion in federal spending for dams and other water projects across the country. Some California members are likely to fight provisions in the bill that would redistribute water from the American River near the Folsom Dam, above.

The House may take up the question of U.S. involvement in Kosovo, although a definitive vote is unlikely. Under the 1973 War Powers Act, resolutions to require the president to withdraw troops or to declare war can be forced to the floor for a vote by early May. Leaders, however, may move to blunt a clear-cut decision.

The Senate is due to vote April 26 on whether to forestall a filibuster on a bill (S 96) to lessen business liability for computer problems that could occur when the calendar turns to 2000. Majority Leader Trent Lott, saying “the clock is ticking,” said he expects to spend the whole week on the effort to pass the measure.

Provisions that are being rumored as possible attachments to minimum wage

Proposal	Descriptions	Estimated Cost	Comments
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at \$2.15.		1) Oppose.
Small business equipment deduction	Accelerate \$17,500 to \$25,000 increase in allowable first year deduction for equipment purchased by small businesses. \$25,000 deduction to be allowed in 2003 per 1996 MW act.	1999: \$19,000 2000: \$20,000 2001: \$24,000 2003: \$25,000 (?)Estimated 5 year revenue loss in 1996 was \$1.6 billion	1) How this is accelerated has big impact. Get more details.
R&D experimentation tax credit	Extend Credit for research and experimentation, due to expire June 30, 1999, for one year. (Our budget extends through June 30, 2000) Credit was extended in through May 31, 1997 in 1996 MW Act.	\$2.1 billion loss over five years from 1 year extension.	1) OK for permanent extension.
WOTC	Make permanent. Due to expire June 30, 1999. Our proposal is to extend to June 30, 2000.	\$415 million loss over five years from 1 year extension.	1) OK for permanent extension
Self-employed health insurance deduction	Accelerate 100% health deduction for self-employed, currently due to occur in 2005.	\$2.5 billion over 5 years ?	1) Not great, but just acceleration OK. 2) Cost a factor.
FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	\$1.3 – \$1.6 billion.	1) Very expensive. 2) Policy problems ?
Tax Deduction for business meals	Increase somehow- once was 100%, now 50%. They want 80%.	\$3 billion	1)

Subchapter S corporations	Raise ceiling on number allowed on board to qualify ?		??
Inside sales overtime	Make salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople.		1) Oppose ?
Comp Time	Reduce overtime pay requirements by allowing workers to request comp time or request a more flexible schedule.		1) Oppose

Provisions that are being rumored as possible attachments to minimum wage

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304179

GEORGE MILLER

7TH DISTRICT, CALIFORNIA

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DANIEL WEISS
CHIEF OF STAFF

COMMITTEE ON RESOURCES
SENIOR DEMOCRAT

COMMITTEE ON EDUCATION
AND THE WORKFORCE

Congress of the United States
House of Representatives
Washington, DC 20515-0507

May 7, 1999

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TTY (202) 225-1904

Hon. William Jefferson Clinton
President of the United States
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear Mr. President:

This letter is in response to inquiries by your Administration to clarify the requests I made in my March 24 letter. In that letter, I requested that you work with students to ensure that apparel and other items bearing the logo of their colleges and universities are not made under sweatshop conditions. I also expressed concerns with college and university participation in the Fair Labor Association (FLA).

Again, I would like to recognize your Administration's efforts against sweatshops, including your efforts to bring together a diverse coalition of interests under the Apparel Industry Partnership.

To clarify my request in my March 24 letter, I would like to reiterate my belief that students have played and continue to play a critical role in the anti-sweatshop movement. Not only do students have deeply held beliefs about fairness, about work, and about the future of their country and the world, they also have a direct stake in the university merchandise business. It is the students, the alumni and their families who are the primary consumers of university and college merchandise. Their views should be given prominent attention in determining university policy in this area. If colleges and universities join the FLA, student and school concerns should be given strong consideration.

In accordance with the primary role students have taken in the effort to reform university licensing agreements, I respectfully request that you take the following steps.

- 1) Ensure that colleges and universities have full autonomy to amend (not just recommend changes to) the FLA so that schools can uphold their own codes of conduct which were forged with student participation.
- 2) Ensure student representation in the autonomous role colleges and universities are given in the FLA.

Honorable William Jefferson Clinton

May 7, 1999

Page 2

3) Encourage the FLA to acknowledge that the legitimate demands students are making are part of the ongoing effort to improve labor standards. Students across the country have raised a number of important issues, such as the need for full public disclosure of factory locations and monitoring reports, payment of a livable wage, improved handling of reported violations from outside groups, transparent and credible monitoring, and university selection of independent monitors and factories to be monitored.

4) Offer to meet with leaders of the student anti-sweatshop movement such as the United Students Against Sweatshops.

I understand that the FLA has many actors and that you cannot unilaterally make changes to it. However, your leadership now is critical to ensure that the anti-sweatshop movement continues as a united effort involving all sectors of our society, including highly motivated and dedicated students.

Thank you very much for your support.

Sincerely,

A handwritten signature in black ink, appearing to read "George Miller". The signature is fluid and cursive, with a large, stylized "G" at the beginning.

GEORGE MILLER

Member of Congress, 7th District

cc: Hon. Alexis Herman, Secretary of Labor

June 9, 1999

MEMORANDUM TO: BRIAN KENNEDY

FROM: ALEX VEYTSMAN

SUBJECT: SMALL EMPLOYER TAX RELIEF ACT OF 1999

Below are the highlights from the House Small Business Committee hearing:
(NOTE: Nothing was mentioned on minimal wage)

I. Provisions of Small Employer Tax Relief Act of 1999 (SETRA) *Tablet*

- meal*
- A. *Increases Deduction for Health Insurance Costs of Self-Employed.* The bill amends section 162 (l) (1) of the Internal Revenue Code to increase the deduction for the health insurance costs of self-employed individuals to 100%, beginning on January 1, 1999. The self-employed currently can deduct only 60% of these costs. The bill also corrects the disparity under current law that bars a self-employed individual from deducting any of his or her insurance costs, if the individual is eligible to participate in another health insurance plan.
- oppose (??)*
- B. *Increases Deduction For Meal and Entertainment Expenses For Small Businesses.* The bill amends section 274(n) of the Internal Revenue Code of 1986 to meal and entertainment expenses for small business taxpayers to 80%. The Internal Revenue Code of 1986 reduced the meal and entertainment expenses for all businesses from 80% to 50%. Under current law, small businesses and self-employed taxpayers can deduct only 50% of meal and entertainment expenses.
- n*
- C. *Increases Expense Treatment for Small Businesses.* The bill amends Section 179(b) of the Internal Revenue Code of 1986 to increase expensing for small businesses. Current law allows taxpayers to expense up to \$19,000 (in 1999) of the cost of certain tangible, depreciable personal property purchased for use in some trade or business.
- ?*
- D. *Reduces Maximum Income Tax Rate For Small Business Taxpayers.* The bill amends Section 1 of the Internal Revenue Code of 1986 by adding a provision limiting the tax on certain small business income if a small business taxpayer has taxable income for any taxable year. The bill limits the tax on the taxable income of a small business taxpayer to no greater than 34% on the net taxable income currently taxed above that rate.

The bill also grants the Secretary of the Treasury authority to issue regulations to carry out the purpose of this section, including regulations to prevent the characterization of income for purposes of compensation or personal use as qualified small business income.

- prob oppose*
- E. *Repeals Federal Unemployment Payroll Surtax.* The bill repeals the Federal Unemployment Surtax of 0.2% under current law. The bill amends Section 3301 of the Internal Revenue Code of 1986 to provide a 6.0% excise tax under the Federal Unemployment system instead of a 6.2% tax under current law.

- oppose (technical reasons)*
- F. *Clarifies Cash Accounting Rules For Small Business.* The bill amends Section 446 of the Internal Revenue Code of 1986 to clarify that small business taxpayers with average annual gross receipts for the prior three preceding years of \$5,000,000 or less are entitled to use the cash method of accounting without limitation.

II. Testimony of the Panelists (summaries).

- A. *James Wordsworth for the National Restaurant Association.* He argued for the ease of tax barriers on the restaurant chains. He claimed that many businessmen use restaurants as the meeting places, which sometimes last up to four hours. Therefore, imposing harsh tax only thwarts owners like him from expanding his facilities and providing cheaper lunches and dinners. An average business meal at his Fairfax restaurant is \$11.60; it could be cheaper, he asserts. "For people in the business world, a business meal is just that – business. They are not trying to scam the system for a tax break. And they're not out to eat a meal for their own personal enjoyment." Wordsworth supports the business tax meal deduction to 80% for small businesses.
- B. *Frank S. Joseph for the National Association for the Self-Employed.* He commends the bill for keeping up the effort to raise the health insurance deduction for the self-employed up to 100%. For millions of self-employed Americans, this deduction ameliorates their "no-insurance" status. Over 6 million self-employed Americans are not insured, and this number does not even include their dependents. Chairman Jim Talent interrupted the panelist and said that the number of dependents ranges between 5 and 7 million. Joseph passionately argued for the SETRA, claiming that it would not only improve the plight of the uninsured but will also expand on the H.R. 1496, the Small Business Access and Choice for Entrepreneurs Act of 1999.
- C. *Eric Wallace for Associate Builders and Contractors.* He argued against the IRS targeting of all contractors and service providers who report their taxable income on the cash basis of accounting. When IRS changes its tax accounting methods from the cash to accrual method, the burden on contractors and service providers is especially onerous. The IRS, Wallace claims, is pushing their cash audit change position on the national level. This position is not based on any specific code section but is the result of several court cases. Wallace wants SETRA's clarification of cash accounting rules for small businesses to address that issue and protect contractors and service providers against the IRS infringement.
- D. *Terry Neese for the National Association of Women Business Owners.* Neese focused on fair tax relief proposals for small business but especially for women-owned businesses. She briefly argued for increasing small business expensing and providing tax accounting relief for small businesses. However, most of her testimony and questions of the House members focused on capital gains. 84% of women start their businesses with personal savings. A lower capital gains tax rate would increase incentives among businesswomen, investors, and entrepreneurs. Neese also mentioned the death-tax, which prevents children from getting the rightfully inherited money. At the end, she asked to eliminate the tax burden as soon as possible.

Provisions Rumored as Possible Amendments to Minimum Wage Legislation

Proposal	Description	Estimated Cost	Comments
<i>Tax-Law Provisions</i>			
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at \$2.15.		Oppose.
Small business equipment deduction	Accelerate \$17,500 to \$25,000 increase in allowable first year deduction for equipment purchased by small businesses. \$25,000 deduction to be allowed in 2003 per 1996 MW act.	1999: \$19,000 2000: \$20,000 2001: \$24,000 2003: \$25,000 (?)Estimated 5 year revenue loss in 1996 was \$1.6 billion	1) How this is accelerated has big impact. Get more details.
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FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	\$1.3 – \$1.6 billion.	1) Very expensive. 2) Policy problems ?
Tax Deduction for business meals	Increase somehow- once was 100%, now 50%. They want 80%.	\$3 billion	??
Business meals for small businesses	H.R. 3667, McCrery-Tanner (introduced 4/1/98)		
Reduce max tax rate for small business	Limit tax on small business to 34% on net taxable income	??	??
Increase expense deductions for small business	How much? Current law allows up to \$19,000 for small businesses.		How much increase?
Subchapter S corporations	Raise ceiling on number allowed on board to qualify ?		??
Independent contractors	Make it easier to characterize what are now “employees” as “independent contractors.”		
Pension incentives	H.R. 1590, Gejdenson-Gephardt-Bonior-Rangel-Clay (introduced 4/28/99)		
Pension changes to section 415	(a) (b) income calculation (c) employer pension plans	high 3 years raising the corporate aggregating mult-	
<i>Labor-Law Provisions</i>			
Anti-Ergo	Delay or prohibit OSHA rulemaking on ergonomics. Bond and Blunt bills.		Oppose

Bonus			Oppose
Volunteers	Allow workers to volunteer to work for their employers.		Oppose
Inside sales overtime	Make salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople.		Oppose
Helpers			Oppose
Project Labor Agreements	Hutchinson bill?		Oppose
Labor Responsibility	Repeal or block proposed regulation that would allow contracting officer to take into consideration contractors record of obeying the law.		Oppose
Indexing	Quinn bill.		We are not opposed to indexing in principle, but would examine it in its particular circumstances.
Comp Time	Reduce employers' overtime pay requirements through comp time or flex-time changes.		Oppose

June 11, 1999

MEMORANDUM FOR: DAVID BEIER (OVP)
BARBARA CHOW (OMB)
JOHN FRASER (DOL)
CAROLINE FREDRICKSON (WH)
SUSAN GREEN (DOL)
CARL HAACKE (NEC)
BRODERICK JOHNSON (WH)
BRIAN KENNEDY (NEC)
LARRY MATLACK (OMB)
JOE MINARIK (OMB)
GERI PALAST (DOL)
BILL SAMUEL (DOL)
KAREN TRAMONTANO (WH)

FROM: BILL DAUSTER

RE: LIVING WAGE

Here are some background materials on living wage campaigns for our meeting Thursday, June 17, to which I have invited Stephen Kest of ACORN and Chris Owens of the AFL-CIO.

Attachments

33 jurisdictions he passed
pol. implications - Chicago, trade now on City Council
can help \$ should go to low wage jobs



ACORN

June 10, 1999

Bill Dauster
Deputy Assistant to the President for Economic Policy
National Economic Council
The White House
OEOP Room 235
Washington DC 20502

Dear Bill:

Enclosed is some background information on living wage campaigns, prepared by ACORN's National Living Wage Resource Center. As the material indicates, at this point 33 local jurisdictions have passed living wage ordinances, and eight states have passed across-the-board increases in the state minimum wage. (Additional information is available at our web site: www.acorn.org.)

This is an extremely popular issue; as Bob Kuttner put it in a syndicated column last year,

The living wage campaign, which dates only to 1993, is the most interesting (and underreported) grassroots enterprise to emerge since the civil rights movement. Promoted by a loose coalition of community, religious and labor groups, often spearheaded by ACORN (the Association of Community Organizations for Reform Now), it signals a resurgence of local activism around pocketbook issues.

We believe that the Administration should support and promote the living wage movement, which is consistent with and complements your current support for an increase in the federal minimum wage. Indeed, local living wage campaigns provide a ready-made base of membership organizations that can be (and in 1996 were) activated to support federal minimum wage legislation.

When we meet next Thursday we would like to discuss some proposals on how the Administration could increase the visibility of these campaigns. One suggestion we would like to pursue is that the President or Vice President participate in an event celebrating a local living wage victory. In several cities we can identify low-wage workers who have received or who will soon receive significant pay increases due to a local living wage ordinance. We could assemble local union, church, community, and public official supporters of the campaign, along with affected workers, and demonstrate the broad-based support that these measures enjoy.

Please contact me if you need any additional information. I can be reached at our Brooklyn office (718-246-7900, ext. 201) or by e-mail at skest@acorn.org. Thanks for your help in this matter, and for pulling together next week's meeting. I look forward to seeing you Thursday.

Sincerely,

Steven Kest
Executive Director

Association of Community Organizations for Reform Now

National Office: 739 8th Street S.E., Washington, D.C. 20003 • 202-547-2500 FAX 202-546-2483

The Fight for Jobs and Living Wages



A National Summary of ACORN/Labor Living Wage Campaigns

March 1999

**Association of Community Organizations for Reform Now (ACORN)
739 Eighth St. SE, Washington, D.C. 20003 • 202-547-2500 • 202-546-2483**

Summary of ACORN/Labor Living Wage Campaigns

March 1999

City or State	Type of Campaign	Mechanism	Description of Measure	Timeline	Sample Labor Endorsers
Chicago, IL	corporate accountability	legislative	Requires city contractors and subcontractors to pay employees at least \$7.60 an hour.	Ordinance passed in July '98 after two and a half year high profile campaign. Mayor and council opposition overcome by political pressure to pass living wage bill before voting to raise their own salaries. Coalition working with city on implementation.	SEIU Local 880, 1,7,25,46,73,236 and Joint Council, AFGE Local 1395, AFSCME Council 31, ATU Local 308, Chicago Fed. of Labor, UE Dist. Cncl 11, IBEW Local 134&1031, Teamsters Local 705,726, 738&743, UAW Reg. 4, UFCW Local 881&100A, UNITE, USWA Local 110
Cook County, IL	corporate accountability	legislative	Requires county contractors of any size to pay employees working under such contracts at least \$7.60 an hour.	Pushed by the Chicago Jobs and Living Wage Campaign, the County Board of Supervisors voted in this policy in September, on the heels of successful passage in Chicago.	See Chicago, principally SEIU Local 880
Boston, MA	corporate accountability	legislative	Original bill required public contractors and subsidized businesses to pay a living wage of \$8.23/hr. Amended version covers contractors, encourages community hiring and establishes a community advisory board with ACORN, labor and local business reps.	Ordinance passed city council 11-1 in summer of '97. Strong community-labor coalition credited. Fight to put into effect in '98 led to amended version; Coalition involved in implementation process and expanded to state min. wage and EITC campaign.	Mass. AFL-CIO, Greater Boston Labor Council, SEIU 285&509, UNITE, IBEW 2222, Teamsters 25,122, 379&504
Oakland, CA	corporate accountability	legislative	Requires public contractors and subsidized businesses to pay a living wage of \$8.00/hour (\$9.25 if no health benefits), provide 12 compensated and 10 unpaid days off per year.	Ordinance passed city council 9-0 March 24. Strong community/labor coalition plans to move new campaigns in Bay Area.	Alameda County Central Labor Council, HERE Local 2850, National Lawyers' Guild, SEIU Locals 250, 535, 790 &1877, Teamsters Local 70, UFCW Local 870

Summary of ACORN/Labor Living Wage Campaigns

March 1999

City or State	Type of Campaign	Mechanism	Description of Measure	Timeline	Sample Labor Endorsers
Denver, CO	corporate accountability	legislative	Require public contractors and subsidized businesses to pay a living wage of \$7.91/hour, require reporting requirements and citizens advisory board.	Coalition over 40 orgs. and churches strong. 5 of 12 city councilors in support. Council task force to consider. Mayor remains opposed. Campaign to build political pressure continues.	Initiative supporters included: Denver Area Labor Federation, GCIU Local 440, SEIU Local 105, CWA Quad 7, AFSCME Regional Council 76, Pipefitters
Philadelphia, PA	corporate accountability	legislative	Would require public contractors and subsidized businesses to pay a living wage of \$7.90/hour and hire from the community.	Community-labor coalition now over 40 groups strong; Council hearings around ordinance in May and November; Coalition continues to build public pressure and council support for ordinance through research, press, voter guide, etc.	Greater Philly AFL-CIO, PA State Labor Fed., SEIU Locals 668&36, AFSCME District Council 47 Exec. Bd. and Locals 1723 & 2187; AFSCME DC 33 Exec. Council and Locals 394, 408, 427, 1637 & 1971, UFCW 1776, APWU
St. Louis, MO	corporate accountability	legislative (then initiative if need be)	Would require public contractors and subsidized businesses to pay a living wage and health benefits, hire from the community, report on jobs and wages, create a community advisory board on business assistance.	Corporate accountability campaign coalition already at over 20 orgs. Aldermanic meetings started. Have already targeted high profile subsidy recipients for jobs, living wage.	96 initiative supporters included: Teamsters Joint Council 13, SEIU Local 50&96, AFSCME Local 410, Elevator Constructors Local 3, CWA MO Pol. Cmte, UNITE Central States Reg, Iron Workers 396, IBEW Local 1, American Postal Workers Union Springfield Local.
Albuquerque, NM	corporate accountability	legislative	Would require subsidized businesses to pay a living wage of \$7.91/hr. or \$9.16 if no health benefits are provided.	Coalition meeting with city officials; planning to introduce this year. Organizing temp workers covered by proposal.	Bernalillo County Central Labor Council, Operating Enigneers Local 953, AFSCME Local 624, Machinists Local 1635
Minneapolis/St. Paul, MN	corporate accountability	legislative	ACORN's unsuccessful 1995 living wage initiative leads to joint Twin Cities task force recommendations for city council living wage resolutions.	Living Wage Task Force recommendations led to resolutions in both cities including \$8.70/hr. living wage (110% of poverty) for some subsidized employers, pro-labor language, local hiring requirements.	Involved in process: St. Paul Trades and Labor Assembly, AFSCME Councils 6 & 14, HERE Local 17, UFCW Local 789, Minnesota Building Trades

Summary of ACORN/Labor Living Wage Campaigns

March 1999

City or State	Type of Campaign	Mechanism	Description of Measure	Timeline	Sample Labor Endorsers
New Orleans, LA	minimum wage	initiative	Would set city-wide minimum wage at \$1.00 above federal minimum wage.	Twice gathered over 25,000 signatures for initiative. Campaign scuttled by new state legislation banning local wage-raising efforts. Preparing lawsuit to challenge constitutionality of state law. Economist and living wage expert Bob Pollin to testify.	SEIU Local 100, Greater New Orleans AFL-CIO
Little Rock, AR	corporate accountability	legislative	Would require city contractors and subsidized businesses to pay a living wage and hire from the community.	Campaign kicked off in September; two labor and community-endorsed candidates won on living wage platform; Plan to introduce in council in 1999.	Arkansas Central Labor Council, SEIU Local 100
Detroit, MI	corporate accountability	initiative	Requires city contractors and subsidized businesses to pay a living wage of at least \$8.23 an hour (\$10.29 if no health benefits are offered) and encourages local hiring by these businesses.	Measure passed with 81% of the vote on November 3, 1998.	Greater Detroit Metro AFL-CIO and 83 endorsing organizations.
Dallas, TX	corporate accountability	legislative	Would require city contractors and subsidized businesses to pay a living wage and hire from the community.	Campaign in initial stages; Building campaign coalition and steering committee.	SEIU Local 100

Living Wage Successes:

A Compilation of Living Wage Policies on the Books

Prepared by ACORN
Association of Community Organizations for Reform Now
739 Eighth St. SE, Washington, D.C. 20003
202-547-2500 • fax 202-546-2483

May, 1999

*Listed below, in reverse chronological order, are examples of local living wage laws tying wage and/or benefits requirements to government contract eligibility or other government financial assistance.**

- **Somerville, MA (1999)** -- In May, the Somerville Board of Aldermen unanimously passed an ordinance requiring that a living wage be paid to full and part time direct employees of the City of Somerville, as well as employees of firms carrying out service contracts with the city for at least \$50,000 (this threshold will decrease to \$30,000 in 2 years and again to encompass all contracts valued at \$10,000 or more two years after that). The living wage is set at no less than \$8.35 an hour, the poverty line for a family of four (based on 40 hours a week for 50 weeks), adjusted annually in accordance with the poverty guidelines (Somerville Living Wage Committee, local labor, Massachusetts AFL-CIO).
- **Miami-Dade County, FL (1999)** -- In May, the Board of County Commissioners of Miami-Dade County voted unanimously to enact a living wage ordinance requiring that the County itself, certain of its service contractors, and airport licensees (for ground service personnel) pay employees a living wage of no less than \$8.56 an hour if employer-paid health benefits are offered, or \$9.81 without health benefits. The ordinance covers the following categories of county service contracts worth at least \$100,000: food preparation and/or distribution; security services; routine maintenance services such as custodial, cleaning, refuse removal, repair, refinishing, and recycling; clerical or other non-supervisory office work, whether temporary or permanent; transportation and parking services including airport and seaport services; printing and reproduction services; and, landscaping, lawn, and/or agricultural services. The ordinance establishes a Living Wage Commission to enhance compliance and review the effectiveness of the law (South Florida AFL-CIO, Human Services Coalition of Dade County, Florida Legal Services).
- **Cambridge, MA (1999)** -- In May, the Cambridge City Council adopted an ordinance requiring a living wage of at least \$10.00 an hour be paid to employees of the City of Cambridge, as well as to employees of companies or non-profits that enter into service contracts or subcontracts with the city worth at least \$10,000 and to employees of firms that benefit from at least \$10,000 in city subsidies in a year (as well as their tenants and leaseholders). The wage

* These summaries are not specific as to some important features such as exemptions, reporting requirements, and enforcement provisions, which vary significantly among ordinances. For more specific information, contact ACORN or the organizations listed as responsible for each victory. In addition, this list does not include existing or proposed state-wide legislation to impose wage, job creation benefit or disclosure requirements on firms doing business with the states. Such measures do exist and are being explored, proposed or expanded in states such as Connecticut, Minnesota, New York, and Montana. *Please report any omissions to Jen Kern at ACORN.*

level is to be adjusted yearly in accordance with the area Consumer Price Index. The ordinance directs the city agencies to report annually on subsidies and establishes a Community Advisory Board to review and recommend action on waiver requests. (Eviction Free Zone, Carpenters Local 40, National Lawyers Guild).

- **Hayward, CA (1999)** -- In April, the Hayward City Council approved the Hayward Living Wage Ordinance which provided that a living wage be paid to direct employees of the City of Hayward, as well as employees of certain firms contracting with the city for at least \$25,000. The living wage is set at no less than \$8.00 an hour if health benefits are paid to the employees, or \$9.25 per hour if no such benefits are paid. The wage will be upwardly adjusted annually in accordance with the area cost of living calculation. The contracted service categories covered under the policy are: automotive repair and maintenance, facility and building maintenance, janitorial and custodial, landscaping, laundry services, temporary personnel, pest control, security services, and social service agencies. The ordinance entitles covered workers to a minimum of 12 paid days off and 5 uncompensated days off per year. The ordinance also allows for the terms of a collective bargaining agreement to provide that said agreement may supersede the requirements of the living wage ordinance upon mutual agreement by both parties (Alameda County Central Labor Council, Hayward Democratic Club).

- **Madison, WI (1999)** -- In March, the Madison City Council passed an ordinance that requires employers holding city service contracts (and their subcontractors) worth at least \$5,000 and firms receiving \$100,000 or more in financial assistance (and their contractors) from the city to pay employees on city funded projects a living wage of at least \$7.91 an hour. The wage will be upwardly adjusted in two steps to 110% of the federal poverty guidelines for a family of four by January 1, 2001 and continuing thereafter. City of Madison employees are also covered. The ordinance also allows that the terms of a collective bargaining agreement may supersede the requirements of the living wage ordinance (Progressive Dane/New Party, South Central Federation of Labor).

- **Dane County, WI (1999)** -- In March, the Dane County Board of Supervisors passed an ordinance requiring that a living wage be paid to county employees, employees of county service contractors, subcontractors, and beneficiaries of economic development assistance of \$5,000 or more from the county. The living wage is established at the federal poverty level for a family of four, currently \$8.03 an hour. By July 1, 1999 a Living Wage Review Council will make recommendations on possible adjustments for employers that do not provide health insurance (Progressive Dane/New Party, South Central Federation of Labor, Developmental Disabilities Coalition).

- **Hudson County, NJ (1999)** -- In January, the Hudson County Board of Freeholders unanimously adopted an ordinance requiring County service contractors employing security, food service, and janitorial workers to pay all employees working at least 20 hours per week on County contracts at an hourly rate of pay of 150% of the federal minimum wage, currently \$7.73 an hour. Contractors must also provide health benefits and one week paid vacation to these employees.

- **San Jose, CA (1998)** -- In November, the San Jose City Council voted to require companies holding city service contracts worth at least \$20,000 to pay those employed on such contracts a wage of at least \$9.50 an hour with health benefits, or \$10.75 if the company does not provide benefits. In addition, the ordinance requires companies seeking these service contracts to provide assurances of good labor relations and requires certain companies awarded a new contract by the city to offer jobs to the employees of the city's former contractor. Employees of companies receiving direct financial grants from the city valued at \$100,000 or more in a year are also covered. The contracted service categories covered under the policy are: automotive repair and maintenance, food service, janitorial, landscaping, laundry, office/clerical, parking lot management, pest control, property maintenance, recreation, security shuttle services, street

sweeping, and towing (South Bay AFL-CIO/Working Partnerships USA with ACORN and other groups).

- **Detroit, MI (1998)** -- At the ballot box on November 3, Detroit voters overwhelmingly approved a living wage measure that requires city service contractors or recipients of city financial assistance worth \$50,000 or more to pay employees a wage equivalent to the federal poverty line for a family of four, currently \$8.35 an hour (the ordinance calculates the work year at 40 hrs./50 weeks a year), or 125% of the poverty line, \$10.44 an hour, if no health benefits are provided. The ordinance also requires companies to attempt to hire Detroit residents to fill any new jobs created as a result of the contract or assistance granted by the city (Metropolitan Detroit AFL-CIO with ACORN and other groups).

- **Multnomah County, OR (1998)** -- In October, the Multnomah County Board of Commissioners passed a living wage policy that requires county janitorial and security services contractors to pay their employees a combined wage and benefit package of \$9.00 per hour (adjusted annually by the Consumer Price Index). The County's action will also apply to food service contracts when those are rebid in 2000. In addition, the resolution includes a retention provision requiring new janitorial contractors to first interview employees of the previous contractor before hiring new workers. Language in the ordinance commits living wage advocates and County officials to a joint lobbying effort aimed at increasing state funding sources that would enable the County to extend the current living wage policy to social service contract workers (Jobs with Justice, Oregon Public Employees Union Local 503, New Party).

- **Boston, MA (1997, amended 1998)** -- In September of 1998, the Boston City Council approved an amended version of an earlier, more comprehensive living wage ordinance. In its current form, the ordinance requires companies getting city service contracts worth at least \$100,000 (or subcontracts of at least \$25,000) to pay their employees a wage at least \$8.23 an hour, equal to the poverty level for a family of four upon date of passage (assuming 40 hrs/50 wks. a yr.), indexed annually on July 1 to whichever is higher of the adjusted poverty guidelines or 110% of the state minimum wage. The measure also includes community hiring provisions for both contractors and recipients of subsidies or other financial assistance, requires covered companies to report on jobs created and wages paid, and creates a Living Wage Advisory Committee to oversee the implementation of the ordinance (ACORN, Greater Boston Labor Council and the Massachusetts AFL-CIO led the 40-member Boston Jobs and Living Wage Coalition).

- **Pasadena, CA (1998)** -- On September 14, the Pasadena City Council adopted a living wage ordinance which requires city service contractors (with contracts worth at least \$25,000) to pay employees \$7.25 per hour, \$8.50 if health benefits are not provided. In August, the Coalition succeeded in getting the City to make a permanent budget adjustment to provide the same wage and benefits package to City employees. Coalition set to work on expanding coverage to recipients of economic development and other city subsidies (Pasadena Living Wage Coalition, including Clergy and Laity United for Economic Justice).

- **Cook County, IL (1998)** -- In September, the Cook County Board of Commissioners passed an ordinance that requires County contractors of any size to pay employees working under such contracts at least \$7.60 an hour (Commissioners Stroger, Maldonado, and Daley; Chicago Jobs and Living Wage Coalition led by ACORN, SEIU Local 880).

- **Chicago, IL (1998)** -- In July, the Chicago City Council voted 49-0 to require for-profit city contractors and subcontractors to pay their workers at least \$7.60 an hour in the following categories: home and health care workers, security guards, parking attendants, day laborers, cashiers, elevator operators, custodial workers and clerical workers (Chicago Jobs and

Living Wage Coalition led by ACORN, SEIU Local 880, New Party, Chicago Coalition for the Homeless).

- **San Antonio, TX (1998)** -- In July, the San Antonio City Council passed an ordinance adopting guidelines and criteria pertaining to tax abatements that includes a requirement for beneficiaries to pay at least 70% of employees in new jobs created at least \$9.27 per hour (non-durable goods manufacturing and service companies; and \$10.13/hr for durable goods manufacturing). The guidelines deem retail industry facilities ineligible for tax abatements. In addition, businesses may be eligible for more tax abatement if they fill 25% of new jobs created with economically disadvantaged individuals (COPS/Metro Alliance, San Antonio Central Labor Council).
- **Portland, OR (1996, amended 1998)** -- June 1996 City Council ordinance required city contractors employing janitors, parking lot attendants, temporary clerical services and security workers to pay their employees \$6.75/hour starting July 1, 1996, \$7.00/hour in 1997. April 1998 amendment requires a new wage floor of \$7.50 an hour beginning July 1, 1998 and \$8.00/hour beginning July, 1999 through the year 2000. In addition, the amendment requires that such service contractors offer basic medical benefits to their employees performing work for the City (Jobs with Justice).
- **Oakland, CA (1998)** -- In March, the Oakland City Council unanimously approved an ordinance requiring companies or non-profits that enter into service contracts with the city worth at least \$25,000 or and firms that benefit from at least \$100,000 in city subsidies in a year (as well as their tenants and leaseholders) to pay workers a minimum of \$9.25 an hour or \$8.00 if the firm provides health benefits. The wage level is to be adjusted by April 1 each year in accordance with the Bay Region Consumer Price Index, bringing the current wage requirements to \$8.35 and \$9.60 an hour. The ordinance entitles covered workers to 12 paid days off per year. The ordinance also allows for the terms of a collective bargaining agreement to provide that said agreement may supersede the requirements of the living wage ordinance (Oakland Jobs and Living Wage Campaign led by ACORN and the Alameda County Central Labor Council, including HERE, SEIU, UFCW, etc.).
- **Durham, NC (1998)** -- In January, 1998 the Durham City Council passed an ordinance requiring City service contractors to pay their employees working on city projects an hourly wage at least equal to the minimum hourly wage rate paid to Durham City employees, currently \$7.55 an hour.
- **Duluth, MN (1997)** -- In July, 1997, the City Council passed a living wage ordinance requiring recipients of city economic development assistance of \$25,000 or more to pay at least 90% of employees on the assisted project at least \$7.25 an hour. (\$6.50 with health benefits). (Coalition led by AFSCME Council 96).
- **Milwaukee, WI (1995,1996,1997)** -- November 1995 City Council ordinance requires certain city service contractors to pay employees at least \$6.05/hr, adjusted annually to the poverty level for a family of three (currently \$6.67). Jan. 1996 school board measure requires all Milwaukee Public School system employees and employees of MPS contractors to be paid \$7.70/hr. County Board of Supervisors voted in May 1997 to require county contractors to pay at least \$6.25/hr. in the areas of janitorial, security, and parking lot attendant, indexed to increased wages of county employees (Progressive Milwaukee/New Party, Campaign for a Sustainable Milwaukee).
- **New Haven, CT (1997)** -- In April, 1997, the Board of Aldermen passed living wage ordinance requiring city service contractors to pay their employees a wage at least equivalent to the poverty line for a family of four. The wage will be phased up to 120% of poverty over 5 years beginning July '97. The ordinance also requires such contractors to give first consideration

to referrals from community based hiring halls to fill vacant service positions. (Labor/community/church coalition led by HERE Locals 34, 35, 217).

- **Los Angeles, CA (1997)** -- On March 18, 1997, City Council overwhelmingly approved a living wage ordinance requiring recipients of public service contracts worth \$25,000 or more as well as any business benefiting from a subsidy of at least \$1,000,000 in one year or \$100,000 on a continuing annual basis to pay their employees a living wage. The wage -- indexed yearly to the rise in cost of living-- is set at \$7.25 an hour plus family health benefits, or \$8.50 without. The wage is to be adjusted annually to correspond with adjustments to retirement benefits paid to members of the City Employees Retirement System, bringing the current wage requirements up to \$7.39 and \$8.64 an hour. Affected workers are entitled to 12 paid days off a year. The ordinance also allows that a collective bargaining agreement may supersede the requirements of the living wage ordinance (Los Angeles Living Wage Coalition).
- **Minneapolis, MN (1997)** -- In March, 1997 city council unanimously passed a living wage policy requiring businesses benefiting from \$100,000 or more in city assistance in one year to pay employees a living wage. The wage will be defined and indexed as 110% of the federal poverty level for a family of four, currently \$8.83. Recipients of such assistance must also set a goal that 60% of new jobs created will be held by City residents. Additional provisions prohibit privatization of services currently performed by city employees that would result in lower wages, and preferences for assistance to union-friendly businesses (defined as neutrality on union organizing, providing complete list of names and addresses of employees, access to facilities during non-work hours, card-check recognition, etc.). Administrative guidelines determine implementation details (Based on recommendations of the Joint Twin Cities Living Wage Task Force -- including ACORN, New Party, and labor unions -- convened to respond to issues raised by a 1995 living wage initiative effort spearheaded by ACORN, New Party and labor).
- **St. Paul, MN (1997)** -- In January 1997, city council unanimously passed a directive requiring recipients of \$100,000 or more of city economic development assistance in one year to pay employees a living wage, defined as 110% of the federal poverty level for a family of four, currently about \$8.83 an hour (100% of poverty line required for companies who provide health insurance; currently \$8.03). At least 60% of new jobs created as a result of such assistance must go to St. Paul residents (As above, based on recommendations of the Living Wage Task Force, including ACORN, New Party, and labor unions).
- **New York City, NY (1996)** -- September 1996 City Council ordinance requires that employees of city contractors for security, temporary, cleaning and food services be paid the applicable prevailing wage for the industry to be determined by the City Comptroller (Industrial Areas Foundation, Councilmember Albanese).
- **Jersey City, NJ (1996)** -- June 1996 City Council ordinance requires that city contractors employing clerical, food service, janitorial workers, or security guards pay these workers \$7.50/hour and provide health benefits and vacation (Interfaith Community Organization/IAF).
- **Santa Clara County, CA (1995)** -- County Board of Supervisors law requires manufacturing firms applying for tax abatements to disclose how many jobs they will create, what wages and benefits they will pay, and what other subsidies they are seeking. Businesses benefiting from abatements must also pay a minimum wage of \$10/hr. and provide health insurance or a suitable alternative to all permanent employees. The measure gives the county money-back guarantee protection if goals are not met (South Bay AFL-CIO Labor Council, California Budget Project, Working Partnership USA).
- **Baltimore, MD (1994)** -- In December 1994 the Baltimore City Council passed a bill requiring companies that have service contracts with the city of Baltimore to pay workers

\$6.10/hr. The bill included steps to increase the wage to its current level of \$7.70/hr. over a four year period (BUILD/Solidarity Support Committee, AFSCME).

- **San Jose, CA (1991)** -- Prevailing wage ordinance requires city contractors to pay union-scale wages and requires the city to evaluate health benefits, workplace grievance procedures, workplace health and safety standards, and labor standard compliance records of companies bidding for city contracts.
- **Gary, IN (1991)** -- Ordinance requires recipients of any tax abatement to pay prevailing wage and provide complete health care package to employees working over 25 hours a week. Also includes public disclosure provisions (Calumet Project for Industrial Jobs).
- **Des Moines, IA (1988, amended 1996)** -- In 1988 City Council set a \$7.00/hr. minimum compensation policy for City-funded urban renewal and loan projects. In 1996, this policy was amended to require such city funded projects to set a goal of a \$9.00/hr. average wage, including benefits (Councilmember George Flagg).

And the movement continues. . .

Growing coalitions of community, labor and religious organizations continue to organize campaigns to tie higher wages, benefits, and other worker protections to public contracts, tax breaks and other subsidies in cities and counties all over the country. Such campaigns are now underway in places such as Philadelphia, Albuquerque, St. Louis, Denver, Cleveland, Pittsburgh, Buffalo, San Francisco, Marin County, CA, Missoula, MT, Manhattan, KS, Montgomery County, MD, Alexandria, VA, Austin, TX, South Bend, IN, and are being explored in dozens of additional cities, counties and states.

Summary of Research on Living Wage Ordinances

*Prepared by ACORN
February, 1999*

Living wage ordinances are relatively new and therefore have not yet been the focus of much research. However, some recent studies evaluating or predicting the economic effects of living wage ordinances are instructive. On the whole, these analyses effectively debunk the arguments of living wage opponents that such ordinances lead to cost increases and/or unemployment:

Baltimore's Living Wage Law: An Analysis of the Economic Costs of Baltimore City Ordinance 442, October 1996.

In October 1996, the Preamble Center for Public Policy, a Washington-based independent research and education organization, conducted a study on the effect of Baltimore's living wage ordinance. The 1994 ordinance mandated a minimum hourly wage of \$6.10 for anyone working on a city service contract, with an increase to \$6.60 on July 1, 1996. The wage is indexed to \$7.70 by 1999.

The study found:

- The real cost of city contracts actually *decreased* since the ordinance went into effect.
- Business investment in the city increased substantially in the year following the ordinance.
- Companies interviewed that held contracts before and after passage of the ordinance did not report reducing staff levels in response to the higher wage requirement. Some contractors praised the ordinance for "leveling the playing field" by relieving pressure on employers to squeeze labor costs in order to win low-bid contracts.
- The cost to taxpayers of compliance with the ordinance has been minimal, with the City allocating about 17 cents per person annually for this purpose.

The authors note that while the study effectively disproves the predicted negative effects of the ordinance, their analysis includes no assessment of the potentially significant *benefits* of the living wage ordinance including substantially higher incomes for low wage workers and their families,

higher quality of life, and cost savings as a result of decreased demand on federal, state and local government assistance programs.

The Effects of the Living Wage in Baltimore, February 1999.

This study, commissioned by the Economic Policy Institute in Washington, D.C. and carried out by researchers at The Johns Hopkins University, this study updates and largely confirms the earlier findings of the Preamble study (above). Benefiting from an additional year of data since the 1996 study, the EPI study examines the impact of the 1994 living wage ordinance on the City budget, comparing contract data from before the ordinance was passed to data from living wage-covered contracts as of August 1997. In addition, using payroll data and interviews, the new study surveys the impact on workers covered by the ordinance.

In short, the researchers conclude that the living wage ordinance has had direct positive impact on a relatively modest number of workers in Baltimore without significant financial cost to the city. The study's findings also suggest that the City may be failing to sufficiently implement the ordinance:

- For contracts that could be directly compared before and after the law went into effect, the real aggregate cost to the city for these contracts actually declined slightly, when adjusted for inflation, despite the increase in wage rates.
- Cost changes varied considerably by contract type, with the largest percentage increase in the labor-intensive janitorial sector. However, other contracts with concentrations of low wage workers (i.e. bus aides) did not produce proportional contract cost increases.
- The number of workers directly affected by the ordinance is estimated to be around 1,500. Since some part time workers "share" living wage jobs, the number could be substantially higher.
- Payroll evidence suggests that higher wages and hours improve the stability of the workforce.
- Non-compliance with the living wage ordinance with respect to both wage rates and payroll reporting is a significant problem that limits the benefits of the ordinance to an unknown degree.
- While praising the ordinance highly, the majority of living wage workers interviewed work only part time and report a need for full time work to raise themselves above poverty. Workers indicate a greatly

enhanced sense of recognition for work, which may in turn be linked to increased job commitment, reduced turnover, and increased productivity.

Economic Analysis of the Los Angeles Living Wage Ordinance, October 1996 (study).

The Living Wage: Building a Fair Economy by Robert Pollin and Stephanie Luce: New Press, 1998 (book, includes above study)

In 1996, a research team at the University of California-Riverside lead by Professor Robert Pollin of the Department of Economics, was commissioned by the Los Angeles City Council to conduct an extensive study to estimate the economic impact of the proposed Los Angeles Living Wage Ordinance. The Ordinance was passed unanimously by the Council in March of 1997.

- The study reviews experiences with federal and state minimum wage laws as well as existing living wage and prevailing wage regulations and concludes that these measures did not result in either unemployment or significant cost to their respective cities.
- The study calculates the total cost of the proposed wage increase to affected firm as a percentage of their total output (production of goods and services) and concludes that the ordinance could be implemented while causing no net increase in the City budget, no employment loss and no loss of city services to the residents of Los Angeles.
- The study also quantifies potential benefits of such an ordinance, including a 50.4% reduction in the amount of government subsidies received by affected workers and their families, as well as growth in spending, homeownership, and small business markets for at least three areas of the city.
- Researchers document case studies of successful "high road" employers and predict that the ordinance has the potential to encourage "high road" competition among businesses, characterized by decent wages, increased productivity, reduced turnover, and increased efficiency.

Among the researchers' other findings are:

- The living wage ordinance will not increase unemployment among less-skilled workers in Los Angeles

- The living wage ordinance does not place small business at any disadvantage
- The ordinance will not discourage businesses from either locating in Los Angeles or doing business with the city itself.

In their 1998 book, *The Living Wage: Building a Fair Economy*, Pollin and Luce present a revised version of the original L.A. study, as well as propose to answer the same impact questions given the alternative (hypothetical) coverage scenarios of a minimum wage increase and an ordinance covering just service contracts (like Baltimore) .

The authors also provide a useful review of the available economic research on the effects of comparable wage interventions -- minimum wage and prevailing wage laws -- noting the positive affects of both.

In addition, they discuss evidence of the failure of the prevailing "business subsidy model" of economic development to produce living wage jobs and effectively reduce poverty, giving specific city examples and proposing alternative sustainable development policies predicated on the creation of living wage jobs.

Living Wage Campaigns: A Small Step in the Right Direction, February, 1998.

Labor economist Jared Bernstein of the Economic Policy Institute issued a paper examining the growing phenomenon of living wage campaigns as a strategy to raise the wages of low-wage workers. The paper provides a context of stagnating wages at the bottom of the wage scale and increasing income inequality. It also reviews both the research on the impact of living wage ordinances and the more substantial economic evidence on the impact of past minimum wage increases.

Bernstein concludes that living wage ordinances as they are currently being proposed clearly raise the earnings of covered workers while not lowering their employment opportunities. He further notes that by counteracting trends that have a negative distributional consequences for low wage workers -- such as privatization and increased use of tax abatements -- living wage policies take the place of some of the eroded bargaining power that has been lost to low wage workers.

[Dr. Bernstein is a labor economist who specializes in the analysis of wage and income inequality, with an emphasis on low-wage labor markets and poverty. Between 1995 and 1996, he held the post of deputy chief economist at the U.S. Department of Labor.]

Living Wage Ordinances: A Closer Look

*Prepared by ACORN
April, 1999*

Over the last five years, over 29 local jurisdictions have passed what have commonly come to be known as "Living Wage Ordinances". These measures are all similar in that they require certain employers who do business with the city or county¹ to pay their employees a "living wage". These ordinances are a result of organized community-labor coalitions who have successfully argued that public tax dollars should not be used to subsidize poverty wages.

Despite their similarities, living wage ordinances differ in significant ways, such as how broadly they apply, the wage levels they impose, and whether or not they include other components such as health benefits, vacation days, local hiring, public disclosure requirements, or labor-friendly language.

The following summary attempts only to clarify some of the differences in scope of coverage between existing ordinances by grouping them in distinct categories.²

City Contracts -- The Baltimore Model (1994)

Perhaps the best known and one of the oldest living wage ordinances was passed in Baltimore in 1994.³ The ordinance:

- Covers only city service contractors and their subcontractors
- Defines a living wage as \$6.10 an hour at passage, phased up over four years to \$7.70 in 1999:
- Compliance monitored by the Wage Commission of the Board of Estimates, including requiring payroll records, also made available to public.
- Sanctions for non-compliance include forfeited payment for services, fines, back pay to workers, debarment from future contracts.

Subsequent ordinances in Milwaukee (1995), New York (1996), Portland (1996 and 1998), Jersey City (1996), New Haven (1997), Milwaukee County (1997), Durham, NC (1998), Chicago, IL (1998), Cook County, IL (1998), Pasadena, CA (1998), Multnomah County, OR (1998), San Jose, CA (1998), Hudson County, NJ (1999) and Hayward, CA (1999) also cover city or county service contractors. Each of these ordinances, with the exception of Milwaukee (city), Pasadena and Cook County, further narrows living wage coverage to certain contractors concentrated in typically low wage industries such as janitorial, clerical, food services, parking attendants, security, temporary work. The Los Angeles and Durham ordinances apply only to service contractors performing work that could or would otherwise have been provided by city employees.

The wage levels required by these ordinances range from \$6.25 to \$10.75 an hour.⁴ Most are "indexed" to increase over time with the cost of living.

¹ And - in the case of Milwaukee, WI - the local school district.

² This is not a complete list of living wage ordinances on the books. Others considered precursors: Des Moines, IA (1988, amended 1996), San Jose, CA and Gary, IN (both 1991), Santa Clara County, CA (1995).

³ Earlier ordinances in San Jose, CA and Gary, IN (1991) require tax abatement recipients to pay prevailing wage. The Gary measure also requires health benefits and includes public disclosure provisions.

⁴ New York City's ordinance requires service contractors to pay the industry's prevailing wage as determined by the city's Comptroller.

Subsidies and Tax Abatements-- Minneapolis and St. Paul (1997)

In January and March of 1997, resolutions passed city councils in the Twin Cities requiring companies benefiting from \$100,000 or more in city economic development assistance in a year to pay employees at least 110% of the poverty level for a family of four, currently \$8.70 an hour. Both resolutions stipulate that 60% of new jobs created should be filled by city residents.⁵ Although these resolutions do not immediately cover city contractors, Minneapolis contains language to phase in living wage for contractors over four years and to immediately prohibit any new privatization of city services that results in lower workers' wages.

In July, the city council of **Duluth, MN (1997)** followed suit, passing an ordinance that requires recipients of city economic development assistance of \$25,000 or more to pay at least 90% of their employees at least \$7.25 an hour, \$6.50 with health benefits. Subsequently, the city council in **San Antonio, TX (1998)** approved an ordinance requiring beneficiaries of tax abatements to pay at least 70% of employees in any new jobs a living wage of \$9.27 an hour (non-durable goods and services) or \$10.13 an hour (durable goods manufacturing).

Contracts and Subsidies -- Los Angeles (1997), Oakland (1998), Detroit (1998), Dane County, WI (1999), Madison, WI (1999)

In March of 1997, the Los Angeles city council passed the first living wage ordinance to cover both city service contractors and subsidy recipients in some form. In March of 1998, the Oakland City Council passed a similar measure and in November, Detroit voters approved an ordinance with similar coverage. Most recently, both Dane County and Madison, WI passed such comprehensive measures. All of these also include some non-profit coverage. The Oakland provisions follow as the best example:

- Covers city service contractors who receive public contracts of at least \$25,000 and have at least 5 employees, as well as their subcontractors.
- Covers employers with 5 or more employees who receive at least \$100,000 in city financial assistance in a one year period, as well as their subcontractors and leaseholders.
- Sets a living wage at \$8.00 per hour, \$9.25 if no health benefits are provided, indexed to the yearly adjustment in the Consumer Price Index.
- Provides affected workers with twelve compensated days and ten unpaid days off per year.
- Encourages unionization by allowing collective bargaining agreements to supersede requirements.
- Requires covered employers to make regular reports to city on hiring, wages, and benefits.
- Is accompanied by strong implementing regulations for administration, compliance monitoring and enforcement.
- In case of violation, workers may sue for back pay and benefits; the City may terminate contracts, recover the value of the contract or assistance awarded, disbar the employer from future contracts or financial assistance, collect fines, require back pay to employees and pursue other legal remedies.

Contracts, Subsidies, and Community Hiring -- Boston (1997-98)

On August 12, 1997, Boston's mayor signed into law the most comprehensive living wage ordinance to date. The ordinance was weakened before it was set to be implemented in 1998, but still includes the following provisions:

- City service contractors with at least 25 employees who receive public contracts valued at \$100,000 or more (as well as substantial subcontractors) must pay a living wage that would at least bring a family of four to the poverty level (given 50 full time weeks a year), currently \$8.23 an hour, indexed to the cost of living.

⁵ While St. Paul's resolution requires this hiring, Minneapolis states such as a "goal".

- These contractors as well as employers who benefit from \$100,000 or more in city financial assistance (loans, grants, tax abatements, other subsidies) must work with community-based hiring halls or city job centers to provide Boston residents with opportunities for jobs created by public dollars.
- Creates a Citizens Assistance Advisory Committee to review the effectiveness of the ordinance at creating and retaining living wage jobs and securing access to jobs for low income residents in Boston.
- Covers non-profits with more than 100 employees.
- Requires that covered contractors report on workforce profiles including job titles, residency, wage levels and projections for hiring, training, and promotion.
- Designated city department shall monitor compliance, including requiring payroll records, investigating claims of violation, and calling compliance hearings.
- Sanctions for violations include termination of assistance, debarment from future business with the city, fines, back pay, and complaints filed with federal agencies.

Living Wage Ordinances "stats at a glance"

Compiled by ACORN, 5/99

- Thirty two ordinance on the books, counting "pre-cursors" such as Des Moines (1988, amended 1996) and Gary, IN (1991). 29 ordinances have passed since Baltimore in 1994 (largely considered to be the first victory in the modern living wage movement).
- City ordinances = 24
County ordinances = 7 (Santa Clara, Milwaukee, Cook, Multnomah, Hudson, Dane, Miami-Dade)
School board = 1 (Milwaukee)
- Wage ranges from \$6.25 (Milwaukee County) to \$10.75/hour (San Jose, assuming employer doesn't pay health benefits, otherwise \$9.50/hour)
[Note: \$9.00 in Des Moines stated as a "goal" and includes substantial exemptions; \$10.00 an hour in Santa Clara County covers only manufacturers that get tax abatements]
- Seventeen ordinances cover only city or county service contractors
- Seven cover only some form of economic development subsidy (Minneapolis, St. Paul, Duluth, Gary, Santa Clara County, Des Moines, San Antonio)
- Eight cover both (L.A., Boston, Oakland, Detroit, San Jose (sort of), Dane County, Madison, Cambridge)
- Several also cover direct city or county employees in addition to contracts and/or subsidy recipient coverage (Cambridge, Somerville, Miami-Dade Co., etc)
- Ten ordinances specifically limit coverage to *certain* service contracts (Miami-Dade Co., Hayward, Hudson County, San Jose, Chicago, Multnomah County, New York, Jersey City, Portland, Milwaukee County)
[Note: Job categories covered generally: janitorial, food service, security, parking lot attendants, clerical workers. Hayward and San Jose include more; Chicago includes home health care workers]
- Seven ordinances include some "jobs" language -- e.g. job creation goals, targeted community hiring (Detroit, San Antonio, Minneapolis, St. Paul, Boston, New Haven, and Santa Clara County)
- Two require covered firms to work with community hiring halls to fill jobs created with contract/subsidy (Boston, New Haven)
- Sixteen ordinances require (or encourage) some form of health benefits (Hayward, Hudson County, San Jose, Detroit, Multnomah County, Pasadena, Oakland, Los Angeles, St. Paul, Minneapolis, Gary, Santa Clara County, Des Moines, Jersey City, Duluth, and Portland, as amended in 1998)

* This compilation attempts only to provide a thumbnail sketch of some of the technical points of the living wage measures on the books. It does not catalog many important aspects of the ordinances, such as monitoring, enforcement and sanctions. While the information was gathered carefully, we cannot guarantee complete accuracy. Feel free to flag mistakes and report any omissions to Jen Kern at ACORN; 202-547-2500.

[Note: In some ordinances, the health benefit requirement is simply stated as such (Santa Clara County, Gary, IN). Other ordinances require a wage at a higher percentage of the poverty calculation for firms that don't provide health benefits (Twin Cities); other ordinances just tack on an extra dollar-plus per hour (San Jose, Oakland, L.A., Hayward, Duluth, etc.)]

- Nine ordinances cover some non-profits (Somerville, Cambridge, Hayward, Madison, Dane County, Detroit, Oakland, Boston, L.A.)

[Notes: L.A. -- if non-profit executive director makes more than eight times lowest paid worker; Boston -- if non-profit has over 100 employees; Hayward, Madison, Dane County, Oakland and Detroit -- cover all (within established dollar and employee number thresholds) except certain training and educational programs]

- Five include vacation benefits (Hayward, Hudson County, Jersey City, Los Angeles, Oakland)

- Six ordinances include specific labor language (San Jose -- worker retention and good labor relations; Minneapolis -- preference given to firms with broadly defined "responsible labor relations"; Hayward, Madison, L.A. and Oakland -- collective bargaining supersession clause; many also prohibit retaliation against employees inquiring about coverage or making claims of non-compliance with the ordinance)

- Some ordinances set dollar-value and/or employee-minimum thresholds for coverage of service contractors:

Madison, Dane County and Milwaukee (city): \$5,000

Cambridge -- \$10,000

San Jose: \$20,000

Hayward: \$25,000

Detroit: \$50,000

Somerville: \$50,000 (goes down to \$10,000 over four years)

Los Angeles: at least \$25,000 and at least 5 employees

Miami-Dade -- \$100,000

Boston: at least \$100,000 and 25 employees for a for-profit firm, 100/non-profit.

Oakland: at least \$25,000 and 5 employees

- Most ordinances define subsidy thresholds:

Cambridge -- \$10,000

Dane County -- \$5,000

Duluth -- \$25,000/year

Detroit -- \$50,000

Madison -- \$100,000

L.A. -- \$1,000,000 in a year or \$100,000 on a "continuing basis"

Boston -- \$100,000 in a year

Oakland -- \$100,000 in a year

St. Paul -- \$100,000/year

Minneapolis -- \$100,000/year

The Living-Wage Wars

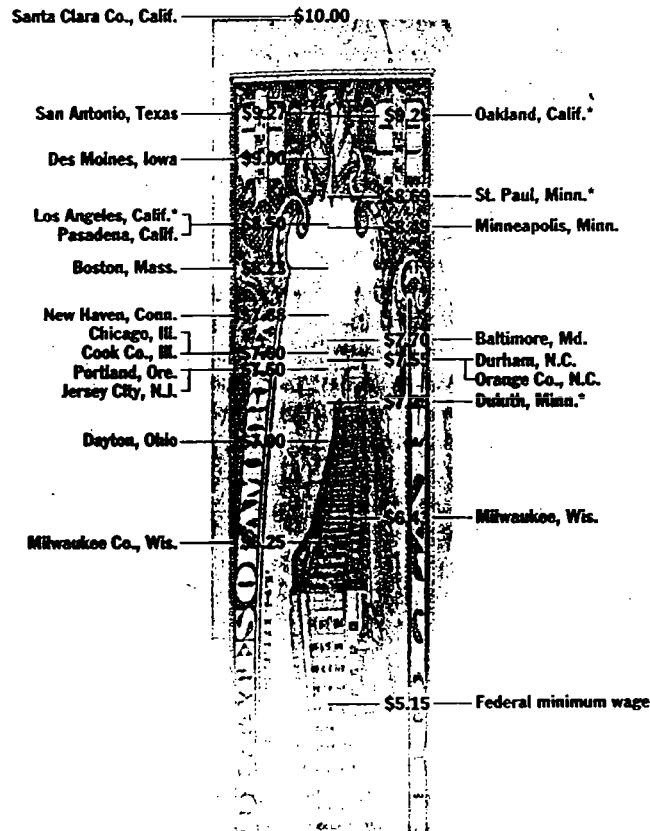
Increasingly, governments are requiring contractors to raise their workers' pay. Businesses are responding with rearguard resistance.

Just over a year ago, the prospects for passing a "living wage" law in Chicago appeared dead. Mayor Richard M. Daley opposed the idea, and most of the city's aldermen agreed with him. The plan, which would have required city contractors to pay their employees at least \$7.60 an hour, was bad for business, they said. When it came to a vote, they killed the living wage proposal overwhelmingly, 31 to 17.

As things turned out, however, that wasn't the final word. In the ensuing months, a grassroots coalition of boosters for the working poor rallied thousands of supporters and conducted petition drives in low-income districts whose aldermen had voted down the living-wage measure. Altogether, more than 50 organizations—including the local service employees union, an association of community groups known nationally as ACORN, churches, the Chicago Coalition for the Homeless, and a group of political reformers known as the New Party—had jumped on the living-wage bandwagon since the issue first emerged there three years earlier.

While their long-running effort was based on the notion of economic justice and the moral argument that governments should not be funding poverty-level jobs, it was shrewd politics that ultimately carried them to victory. This past summer, when lawmakers proposed giving themselves a pay raise, living-wage supporters linked the two issues. It would be political suicide, they reasoned, for aldermen to raise their own pay while denying a raise for the working poor. The tactic worked, and when it came to a vote again this July, the living wage prevailed—unanimously.

The dramatic turnaround in Chicago reflects the resilience of a nationwide living-wage movement that is gathering more and more steam. Since 1994, when Baltimore



STRETCHING PAYCHECKS

Hourly rate in localities with a living-wage requirement, as of October 1998

Note: New York City has a "prevailing-wage" law that sets varying hourly rates for different service-sector jobs.

* Indicates a lower wage applies for employees who receive health benefits

Sources: ACORN and Employment Policies Institute

□ CHRISTOPHER SWOPE

became the first municipality to adopt a living-wage law, nearly two dozen others from Boston to Los Angeles have followed suit. At the same time, the magnitude of the measures is increasing: In mid-November, the San Jose city council passed the nation's highest living-wage rate: \$10.75 an hour (or \$9.50 with benefits).

At the core of these campaigns is the idea that the federal minimum wage of \$5.15 an hour (around \$10,700 a year for a full-time employee) still leaves many working families in poverty. The "living" wage, as the name suggests, is meant to be a higher rate that would raise their standard of living. In truth, however, the term is something of a misnomer; the higher rate that most localities have set—typically between \$7.50 and \$8.50—barely brings a family up to the poverty line.

In most living-wage cities, the higher wage requirement applies only to vendors who contract with the city. Workers who get the pay hike are usually low-paid service employees—janitors, cashiers or security guards, for example. As employees of government contractors, living-wage supporters point out, these workers

say the added expense could be enough to drive them away. Others say they'll stay, but will either have to lay off workers or pass along their higher labor costs in the form of higher bids. And luring a company with a tax abatement while simultaneously raising its labor costs strikes opponents as an incongruous and misguided economic development strategy. In Boston, that requirement stood to put long-sought development in neighborhood business districts at risk. "It's difficult to attract developers to these areas, even with financial support from the city," says Sam Tyler, president of the pro-business Boston Municipal Research Bureau. "Boston has one of the highest tax rates in Massachusetts. We don't need any more disincentives."

While business interests, such as local chambers of commerce, clearly oppose living-wage ordinances, they have shown real difficulty marshaling their forces to actively fight against enactment in various cities. This seems particularly surprising coming on the heels of major triumphs only a few years ago, when grassroots activists were trying to pass broad minimum-wage laws on the local level. In both Houston and

hardly enough to warrant the intervention of big guns such as the National Federation of Independent Business.

Another problem for business is the sheer complexity of the proposals. In a system where contractors often subcontract, and even the subcontractors contract out, it is anything but clear exactly who would have to pay the higher rate. Some don't realize that a proposed ordinance targets them until after it has been enacted. "It would be difficult to know you're covered without reading the fine print," says John Doyle, spokesman for the Employment Policies Institute, an opposition think tank. "They don't realize it until after the fact, when they get a letter from some city wage commission saying that they have to pay the higher rate."

That would explain the more spirited fight that business is putting up against implementation of these laws. In Boston, for example, it was only after the living wage passed last August that business mounted a serious counterattack—managing to delay the law and investigate its impact. Business leaders were particularly upset with the law's open-book reporting requirements, which they feared could be exploited by their competitors or by living-wage supporters themselves. After negotiations this summer, both sides agreed to a revised law that dropped the reporting requirements. The rewrite also ditched the living-wage requirement for companies that get tax abatements and the like, but kept the mandate for city contractors.

Likewise, business and its allies are gumming up implementation of Los Angeles' year-old living-wage law. At L.A.'s two airports, airlines are refusing to pay the \$8.50 living wage to about 3,000 baggage handlers, wheelchair runners and security officers. Although they hold leases with the city, the airlines argue, the jobs are contracted out. The airlines won backing from Mayor Richard Riordan, who opposes the living-wage policy and whose administration has been less than diligent about enforcing the law. A study conducted recently found fewer than 10 percent of L.A.'s contractors in compliance with the law.

Rearguard resistance may in fact be business' best strategy, suggests Robert Pollin, a University of Massachusetts economics professor and co-author of a new book entitled *The Living Wage*. They may be content to let supporters claim what is still a limited victory, and then get to work in further minimizing it. "They're saying, 'We'll hang around, and when the more complicated

For unions, the living-wage issue is a tool for organizing, as well as battling privatization.

are only one step removed from the relative comforts of civil service. Yet they are relegated to the ranks of the working poor.

The living-wage movement has another dimension in cities such as Oakland, San Antonio and Minneapolis, which target businesses that benefit from tax abatements, subsidies or other forms of economic development assistance. Although subsidies are often touted as necessary to lure jobs, living-wage supporters say there is no guarantee that those jobs pay well. "Economic development dollars are being used poorly," says Jen Kern, a national organizer at ACORN, which is spearheading most of the living-wage campaigns. "We should expect a return on that money. Low-wage jobs will always be there. Why are we paying for more of them?"

Not surprisingly, the business community disagrees. Vendors view the living wage as yet another unwelcome cost of doing business with government. Some—especially those in labor-intensive businesses—

Denver, where proposals for a \$6.50 city-wide minimum wage made it onto the ballot, business counter-attacked with fistfuls of cash and a media campaign. The initiatives were crushed by a 3-to-1 margin in each of the two cities.

Veterans of the campaigns, such as ACORN organizer Brian Kettenring, learned a key lesson. "Politically, the business community will raise more money and fight more on a minimum wage than on a living wage," he says. "We don't have the strength yet to win a minimum wage on a local level in a lot of places."

So higher-pay proponents have adopted something of a divide-and-conquer strategy. Because the living-wage proposals are so narrowly targeted, not all businesses are in the same boat. Their limited scope affects only those companies that contract with the government or receive subsidies. Opposition, therefore, is diluted. And even in a large city like Chicago, the pay of only 3,000 or so workers stands to be raised—

part of implementing this comes along, we can hire lawyers to re-interpret the law."

Even if implementation had gone smoothly in L.A., the living wage was only expected to apply to about 8,000 workers in a city of more than 3.5 million people. Supporters, of course, are quick to point out that the pay raises do have a very real impact on individual lives. But given their narrow focus, these laws aren't a panacea for the problem of the working poor.

Yet by all accounts, the living-wage battle has been a tremendous success for the groups behind it. Of perhaps wider significance, however, is the issue's role as an organizing tool. The simple message—that working people should not live in poverty—has an appeal that is a magnet for all kinds of groups looking to energize their members. In city after city, labor unions, community organizations, religious groups and others are forming coalitions and rallying under the living-wage banner.

ACORN hopes they'll become permanent fixtures of its grassroots efforts, ready to move on other issues such as low-income housing or bank lending. "There's more to these living-wage campaigns than policy," says ACORN's Kern. "We're about raising issues, building alliances and having strength in numbers. In Boston, the mayor's office wouldn't return our calls last year, and now we're in regular meetings."

For labor, the living wage is acting as a catalyst for union organizing. By rallying home-care workers for the living-wage effort in Chicago, for example, the Service Employees International Union Local 880 discovered new home-care companies that it has now set out to organize. In Los Angeles, unions jumped on the controversy over the airport workers to launch an organizing drive. And for the public employee unions involved in some cities, the living wage is becoming a tool to battle privatization. By increasing the private sector's labor costs, the living wage can level the playing field. Gerald McEntee, president of the American Federation of State, County and Municipal Employees, says, "We fight for these people, to bring up their wages, benefits and health care, first because it's good for them, but also so they're not in direct competition with folks in the public sector."

The living-wage movement, however, is more than various groups acting out of self-interest. Although their immediate focus is the microcosm of government subsidies and contracting, supporters clearly have

the big picture in mind. They see the living wage as a step, if a small one, toward narrowing the gap between the rich and poor. And they hope that some businesses that pay the minimum wage will follow the example of government and its contractors and give their workers a raise.

That may be a quixotic dream. But then again, it might not. After four years of championing on this issue, living wage activists have embedded the phrase "living wage"

into both the public consciousness and the political lexicon. Increasingly, Americans are coming to understand the difference between a minimum-wage job and a living-wage job—and are expressing their desire for more of the latter. "The term 'living wage' is a new way of conceptualizing an old idea—that people must make enough to live on," says Kettenring. "This political organizing around the term has given it currency. It is a label that people can relate to." **G**

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Setting a Living Wage Level

Some questions to consider:

- How should your figure compare to the average wage of the greatest segment of low wages potentially affected by the proposal?
- What "definition" of a living wage is rhetorically most defensible/useful?
- Cost of living in area (see below)
- What makes sense given the constituency of your coalition organizations (members of community orgs, unions)
- Can you also win indexing of the wage? (if not, argue to set it higher)
- What's winnable?

Some numbers to consider:

1. "Poverty Line" figures

Hourly wages based on the "1999 Poverty Guidelines" provided by the U.S. Department of Health and Human Services for a family of four = \$16,700 and \$13,880 for a family of three. (Can do different family sizes here too, as well as different percentages of the poverty level):

Family of four

- \$8.03 -- 52 weeks at 40 hours
- \$8.35 -- 50 weeks at 40 hours
- \$9.18 -- 52 weeks at 35 hours
- \$9.54 -- 50 weeks at 35 hours

Family of three

- \$6.67 -- 52 weeks at 40 hours
- \$6.94 -- 50 weeks at 40 hours (given unpaid time off)
- \$7.63 -- 52 weeks at 35 hours (given "full time" is often less than 40 hrs)
- \$7.93 -- 50 weeks at 35 hours (given both possibilities)

2. Food Stamp eligibility

In order to qualify for food stamps, the federal government sets two thresholds. First, your gross income cannot exceed 130% of the poverty line. Second, your net monthly income cannot exceed 100% of the poverty line.

Family of 4 (130% of \$16,700 = \$21,710)

- \$10.44 -- 52 weeks at 40 hours
- \$10.86 -- 50 weeks at 40 hours
- \$11.93 -- 52 weeks at 35 hours
- \$12.40 -- 50 weeks at 35 hours

Family of 3 (130% of 13,880 = \$18,044)

- \$8.67 -- 52 wks at 40 hrs
- \$9.02 -- 50 wks at 40 hrs
- \$9.92 -- 52 wks at 35 hrs
- \$10.31 -- 50 wks at 35 hrs

Some studies to consider:

There are now countless examples of "Cost of Living", "Minimum Standard of Need", or "Self-Sufficiency Standards" study methodologies that take advantage geographically specific data on expenditures (food, housing, health care, transportation, child care, misc.) to calculate a truer "living wage" for different family sizes in different cities and states. These figures are, obviously, higher than the poverty line -- ranging from around \$8.00 an hour for a single person with a child to as much as \$15+ an hour for two workers and two kids; higher in more expensive cities and depending on the methodology.

Some living wage campaigns have chosen to base their ordinance's living wage on these figures. Other campaigns are using these higher "real cost of living" figures to make a point about the insufficiency of lower wages, while at the same time making their ordinance's own (lower) "living wage" figure look modest in comparison.

Sample studies:

- Wide Opportunities for Women (WOW) has developed a Self Sufficiency Standard that is being used in several cities, states, and a number of community organizations. For further information about the Standard, to obtain report copies, or to learn about how to have WOW develop the Standard for your community, contact WOW at 202-638-3143, 815 Fifteenth Street, NW, Suite 916, Washington, D.C. 20005

- ACORN has also developed a Basic Needs Budget methodology for three different family sizes (based substantially on that used by Patricia Funk, Ph.D. in her study cost of family support in Nebraska in 1994, updated in 1997) and has produced reports in several cities. Several living wage coalitions have used this basis and developed their own cost of living studies. ACORN studies available: ACORN, 739 8th St., SE, Washington, D.C. 20003; 202-547-2500.

- National Priorities Project developed statewide "living wage" figures for their December 1998 study entitled: *Working Harder, Earning Less: The Story of Job Growth in America* available by calling: 413-584-9556.

- "The Cost of Living in Minnesota" by the JOBS NOW coalition on the minimum cost of basic needs for Minnesota families in 1997. Reports available: JOBS NOW Coalition, 46 East Fourth Street, 818 Minnesota Building, St. Paul, MN 55101-1101; 651-290-0240; jobsnow@mtn.org.

- Increasingly, city and county social service agencies are conducting similar studies.

Prepared by ACORN, 1999
202-547-2500

Elements of a Living Wage Ordinance (Outline of Questions to Grapple With)

I. "The Basics"

1. Wage level
2. Scope of coverage
 - Direct city and/or county employees?
 - City or county contractors and/or subcontractors?
 - Recipients of city or county economic development assistance/subsidies ?
 - Contractors of economic development assistance recipients?
 - Tenants or leaseholders of economic development assistance recipients?
3. Covered workers
 - All workers employed by covered employer?
 - Just workers employed on contract or assisted project?
 - All employees working within the city or county limits?
 - How much of their time must be spent on project before they're covered?
4. Thresholds for coverage
 - By dollar value of contract or subsidy?
 - By number of employees?
 - Are there different thresholds for different types of assistance?
5. Monitoring/Disclosure, Enforcement, and Sanctions
6. Duration of coverage

II. Possible "Add-ons"

- Indexing the wage
- Health benefits
- Job creation requirements -- maximum cost per job (e.g. must create X jobs for every \$10,000)
- Community hiring
- Vacation days and/or sick leave
- Union-friendly language/organizing handles (retention, collective bargaining supersession, labor peace considerations, etc.)
- Community oversight board
- Up-front reporting and regular disclosure of wage and hiring info

III. Possible exemptions (to consider ... or to beware of!)

- Construction or other work covered by prevailing wage laws
- Contracts for goods, as opposed to service contracts
- "Hardship" waivers
- Non-profits (CEO to lowest paid worker ratio cutoff, phase-ins, employee thresholds)
- Loans
- Redevelopment authorities, airport and port authorities, etc.
- Summer youth jobs programs
- Part time and temporary workers
- Welfare-to-work trainees or "workfare" workers
- New businesses
- New employees

§ Society should be independently organized outside the government—a simple idea with complicated and controversial implications. One major site of organization is work. Labor laws need to be strengthened, not to deepen divisions between a minority of relatively privileged workers in traditional industries and everyone else but to facilitate unionization everywhere, particularly in the expanding area of temporary work. We must resist the entrenchment of stark divisions between insiders—relatively privileged, organized workers with jobs in the capital- and knowledge-rich sectors of the economy—and outsiders with unstable, dead-end jobs in the capital- and knowledge-poor sectors.

To advance such a program, we must encourage the master practice of democratic experimentalism: motivated, sustained and cumulative tinkering with the institutional arrangements of the government and the economy, relying on a more engaged and informed citizenry rather than on a more enlightened technocratic elite. The gradual emergence of a lasting, transracial progressive majority in American politics is both the condition and the consequence of such democratizing changes. Ultimately, this project will move us not toward the humanization of the inevitable, but toward the alternative to an unnecessary and unacceptable fate. ■

SUCCESSFUL CAMPAIGNS SHOW THE VALUE OF STRONG ORGANIZING AT THE LOCAL LEVEL.

Living Wage, Live Action

ROBERT POLLIN

This past summer, security workers at LAX airport in Los Angeles began their first-ever union organizing drive. They were motivated, labor activists say, by the city's foot-dragging in implementing a living-wage ordinance that had passed the previous year and guaranteed a minimum of \$7.25 an hour (rising with inflation every July 1), plus health benefits and twelve paid days off. Workers unaccustomed to challenging income and power inequities suddenly felt emboldened by the experience of that earlier drive, which, like similar efforts taking off elsewhere in the country, began with the simple premise that no one who works for a living should have to struggle in poverty.

As of 1997, 7.3 million American families were officially poor, and in 66 percent of them at least one person had a job. At the current minimum wage of \$5.15 an hour, someone who works full time for fifty weeks earns only \$10,300 a year—below the national poverty threshold for a family of two. A “traditional” family of four with one wage-earner falls nearly 40 percent below the line. True, this family is eligible to receive an earned-income tax credit, food stamps and Medicaid, but the need for such programs to support a full-time worker's household only underscores the fact that \$5.15 an hour is not close to being a living wage.

In opposition to this state of affairs the living-wage movement was initiated four years ago by unions, community groups and religious organizations. It has succeeded in passing living-wage ordinances—higher minimum-wage standards for workers affected by the measures—in seventeen cities. Now organizing campaigns are pressing forward in twenty-four other municipalities.

There are a number of lessons from these campaigns, not least



that even in an expansion, real wages will not rise without strong, creative organizing efforts. The real value of the minimum wage is 30 percent below what it was in 1968, even though the economy is 50 percent more productive than it was thirty years ago, and even after the seven-year “Clinton boom.” Now it looks as if we’re coming to the end of that boom. Given the September 22 defeat of Senator Kennedy’s bill to raise the minimum wage by a dollar over two years, it’s clear that, in a weakening economy, workers can win

higher wages and better conditions only if they fight effectively.

The living-wage movement has been strategically astute since its inception. It has emerged primarily at the level of municipal politics because organizers correctly assessed that their efforts have a greater chance of success when they attempt to change municipal laws rather than those of states or the federal government, where business has a great capacity to use its money and lobbying clout. Various local campaigns are gaining strength through building national connections. This past May, the first National Living Wage Campaign Training Conference, sponsored by labor groups and ACORN, drew organizers from thirty-four cities to discuss strategy and consider ways to coordinate their work. But a local focus is still central to building grassroots support.

Organizing at the municipal level is also the most effective tactic for fighting the trend toward outsourcing—contracting out government services to private firms. Because private contractors pay lower wages and offer fewer benefits, outsourcing saves cities money by driving down the living standards of workers. In Chicago the outsourcing of public sector jobs from 1989 to 1995 meant income losses of between 25 and 49 percent for watchmen, elevator operators, cashiers, parking attendants, security guards and custodians whose jobs were privatized. Forcing private firms with city contracts to pay living wages at least weakens the incentive for cities to achieve budget cuts on the backs of their workers.

The first living-wage victory was in Baltimore in 1994. The ordinance there stipulated that firms holding service contracts with

Robert Pollin is a professor of economics and co-director of the Political Economy Research Institute at the University of Massachusetts. He is co-author, with Stephanie Luce, of The Living Wage: Building a Fair Economy (New Press). This article is part of the continuing Haywood Burns series on Community Activist Journalism.

the city pay a minimum of \$6.10 an hour, rising to \$7.70 as of July 1998 and after that moving in step with inflation. A single mother working full time at \$7.70 an hour would thus be able to live with her child above the poverty line. However, a family of one jobholder, one homemaker and two children would still be in poverty. The Baltimore "living wage," in other words, is not much of a living, though in light of the precipitous fall in the real value of the national minimum wage, it was a major breakthrough.

Within four years of the Baltimore ordinance, living-wage laws passed in New York, Los Angeles, Chicago, Boston, Milwaukee, Jersey City, Durham, Portland, Oregon, and eight other cities. Municipalities with ongoing campaigns include Philadelphia, New Orleans, Albuquerque, Knoxville and Santa Cruz. Proposals vary, but the basic idea is the same almost everywhere: If private firms want city contracts, they must pay their workers substantially better than the subpoverty wage of the national minimum.

Living-wage laws targeting city contractors will, however, affect only a small proportion of low-wage workers. Some organizers have thus taken a more ambitious approach, pushing for laws that would apply to all workers in a municipality, regardless of who their employer is, just as national or statewide minimum-wage laws apply to virtually all workers within a geographic area. Recently, organizers in Denver and Houston advanced these more ambitious proposals but were soundly defeated at the polls. At least in part, they lost because of their ambitious scope, which invited an even more determined opposition. So how are living-wage organizers and supporters to assess the range of possibilities before them? And how are they to answer their critics?

Will Living-Wage Laws Backfire?

Opponents of *minimum-wage* laws—of which the municipal living-wage ordinances are one variant—have long argued that such laws actually hurt their intended beneficiaries, pricing unskilled workers out of the job market and so causing unemployment among the poor [see Pollin, "Barely Minimum," April 6]. Against municipal living-wage laws in particular, opponents make two other arguments: that these will place severe strains on the already overstretched budgets of cities, perhaps forcing painful cuts in other benefits to low-income families; and that they will discourage firms from locating in municipalities, thus increasing unemployment and poverty in these areas.

Blustering politicians are usually the most visible mouthpieces for such views. In Los Angeles, then-deputy mayor for economic development Gary Mendoza said a living-wage law there would mean "entire industries could be wiped out or move overseas." Such fulminations can be easily dismissed. But can we be confident that the critics are completely wrong?

The answer depends, first, on the specifics of any given ordinance. The LA law, for example, affects employees of three types of private businesses: those holding city service contracts of more than \$25,000, such as accounting or janitorial companies; concessionaires on city property, such as LAX; and firms receiving city subsidies of more than \$1 million. This law, applying as it does only to city contractors and subsidy recipients, resembles those passed in Baltimore, Boston, Portland and Chicago.

My colleague Stephanie Luce and I have estimated that, at the outside, this ordinance will raise the pay of 7,600 full- and part-

time workers in LA. Over a year, the income of a full-time living-wage worker will rise by \$3,600. These increases will be spread among the roughly 1,000 firms that are obligated to comply with the law, making the cost per firm about \$24,000. But since these 1,000 firms produce about \$4.4 billion in goods and services in a year, the extra \$24 million in their combined wage bill amounts to only about 0.5 percent of their annual budgets.

The health benefits to workers and the paid days off provided under the ordinance will together amount to another \$28 million. A final likely, though not mandated, effect of the law is pressure for wage increases for workers in the affected firms who now earn more than the \$7.25 minimum. This ripple effect of wage increases is likely to pertain to workers earning perhaps as much as \$9.25 once their lower-paid co-workers get a raise.

When we add these additional costs to the basic mandated wage increases, the sum still comes to only about 1.5 percent of the total annual budget of the average affected firm. Indeed, for about 85 percent of the firms involved, the total annual increase in costs will be less than 1 percent of their budgets.

City Budgets Won't Go Bust

Most companies faced with a cost increase of 1 percent or less would be willing to absorb the cost if it were the only condition on which they could keep winning city contracts. Some may refuse to absorb these increases, but competitors seeking the same contracts would likely step into the breach. This means that, through intelligent bargaining, a city government can purchase essentially the same quality of services from most private firms after the passage of a living-wage ordinance with virtually no impact on its budget.

For the roughly 15 percent of firms that will experience cost increases over 1 percent, a city should expect to absorb some of these increased costs if it wants to maintain at least a stable level of services. Here too the impact should be negligible. If, for example, LA's city government allowed companies to pass on all increases above 3 percent of their total budgets, the new costs to the city would amount to less than 0.5 percent of its \$3.4 billion budget.

Will firms simply exit the city rather than face the higher costs? In fact, there is nothing in the Los Angeles ordinance or its equivalents elsewhere that encourages relocation. That's because these ordinances apply to *all* firms with city contracts, regardless of where they are located. The same rules for city contracting, including adherence to the living-wage ordinance, apply to companies whether they are in LA, an adjacent city like Santa Monica, or anywhere inside or outside the United States.

Moreover, consider that many companies already pay their workers higher minimums and still compete successfully. They do so because they have much lower turnover and absenteeism and higher morale. A living-wage ordinance encourages more companies to operate along this high efficiency/high morale path, thereby diminishing the cost increases they face.

Considering all these factors, it is not hard to understand the striking result that emerged in both Baltimore and LA after their initial year of experience with living-wage ordinances. In both cities, the law on the books had no significant impact on contracts. To understand this, Mark Weisbrot and Michelle Sforza of the Preamble Center for Public Policy interviewed business owners in

Job Opening: Woodward Chair in Public Policy

Sarah Lawrence College, a small liberal arts college close to New York City, seeks applicants to teach in Public Policy for a tenure-track position, beginning fall semester 1999. "The Joanne Woodward Chair in Public Policy" was endowed in honor of Joanne Woodward, as a tribute to the breadth of Ms. Woodward's social commitment and concern with public issues. The Chair provides a prominent focus for interdisciplinary work, and the College's efforts to integrate liberal arts courses with major public policy issues. It emphasizes the power of informed citizen advocacy to affect outcomes in areas such as promoting peace, protecting the environment, safeguarding human rights, alleviating poverty and supporting a free and uncensored forum for original voices in the arts. The holder of the chair will be expected to develop courses and public policy field placements for students.

The ideal candidate will have teaching and public policy practice experience, evidence of active engagement in scholarly research and a commitment to liberal arts education. Candidates should have demonstrated scholarship and teaching experience in areas such as Legal Studies, Racial/Ethnic Studies, Environmental Studies, Poverty Studies.

Applicants should send a letter addressing the criteria noted above, including a concise statement about their public policy work, scholarship and research interests, a *curriculum vitae*, two relevant course syllabi or descriptions of courses to be proposed and three letters of reference by December 15 to: Regina A. Arnold, Ph.D., Professor of Sociology, Chairperson, Search Committee in Public Policy, Social Science Division, Sarah Lawrence College, 1 Mead Way, Bronxville, NY 10708.

Early submission is strongly recommended. An equal opportunity employer, Sarah Lawrence College encourages applications from minority candidates and women.

Sarah Lawrence College

Baltimore affected by the ordinance. These owners were actually positive about how the living-wage law affected bidding, since it "levels the playing field." One bus company manager said, "We feel more able to compete against businesses who were drastically reducing wages in order to put in a low bid."

All these estimates of the impact of living-wage laws do, however, make one strong assumption: that the affected city contractors will abide by the law. This will not happen automatically. In LA the mayor's office vehemently opposed the ordinance, and has sought to exempt as many contractors as possible. This and experiences elsewhere make it clear that living-wage supporters cannot assume their job is done once a law has been passed.

Would a Citywide Living-Wage Law Work?

The very features that make the LA proposal and its equivalents so manageable are also their limitations. Getting raises for 7,000 low-wage workers in a city is a major accomplishment. But 2.4 million other low-wage workers in the LA area are still not covered by the ordinance. What would be the impact of a more sweeping municipalitywide law, such as those that were proposed but defeated in Denver and Houston and the one that is now getting off the ground in New York? Peter Phillips, an organizer in Sonoma County, California, told me at a recent conference that this sort of proposal was the only one that made sense for his area. With either proposal, he argued, the organizers would have to launch an ambitious educational campaign. But only a few hundred workers would get raises through a contractors-only proposal, while several thousand would benefit through the municipalitywide approach.

In LA a countywide minimum wage of \$7.25 would bring raises to some 2.4 million workers. At the same time, the impact per firm, on average, would not be significantly different from that of the contractors-only law now in place in the city. In terms of creating incentives for firms to relocate, however, a countywide ordinance could be substantially different. This is because, under such a proposal, affected firms could avoid paying higher wages by moving outside the municipal boundaries. The question, therefore, is: How many firms would actually leave rather than pay a living wage, and what would be the effect of their departure?

In fact, even here, fears of a mass exodus are unfounded. Most companies facing significant cost increases under a countywide ordinance would not relocate. A high proportion of these are restaurants, hotels or retail outlets, and are tied to their existing locations. Indeed, only one type of firm would have a strong incentive to relocate. These are manufacturers that are not tied to their locations and that employ a high percentage of low-wage workers. Some of these may choose simply to raise wages rather than incur the costs of relocation. But even if we assume that *all* such manufacturers did relocate just outside the county limits, the main loss for the Los Angeles County government would be the loss of tax revenues. Stephanie Luce and I estimate that the number of firms likely to leave would generate a loss in county tax revenue of between \$50 million and \$60 million. This is no small amount, but it is still less than 1 percent of the total wage increases that workers would enjoy with a \$7.25 minimum wage. The county would likely experience some additional losses, such as a decline in property values due to firms leaving their existing locations.

But all those costs would also total less than an additional 1 percent of the wage increases received by workers. Meanwhile, the workers would have more money to spend, would pay more in taxes and would rely less on government subsidies. The negative effects would be more severe if firms moved completely outside the region, since workers would also have to move to keep their jobs. But here again, nothing in a municipalitywide living wage would encourage firms to leave the region altogether, as opposed to getting themselves just beyond the county line.

Why Not a National Living Wage?

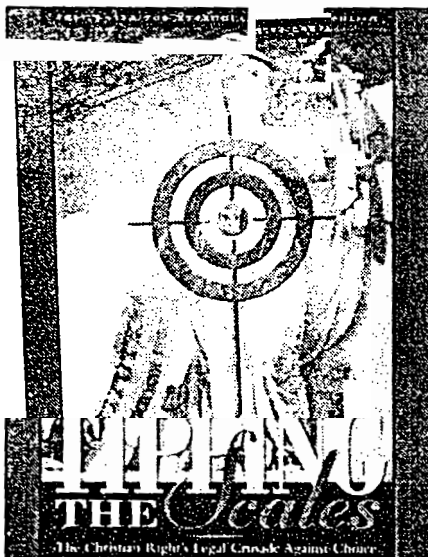
The viability of the living-wage proposals, whether applied to government contractors alone or to all companies in a region, invites consideration of an even more ambitious proposal: a national living wage of \$7.25. If that sounds outlandish, it is only because the presumptions of greed have so dominated US economic policy discussions for a generation. After all, in today's dollars, the minimum wage was \$7.37 thirty years ago when the economy was 50 percent less productive. If the minimum wage had just kept pace with productivity over the intervening years, it would today be \$11.07. If nothing else were to change in the economy, bringing all workers up to at least \$7.25 would require only small adjustments in income distribution. Just to illustrate the degree of redistribution necessary, the wage increases needed to bring all minimum-wage workers up to \$7.25 would be equal to a reduction of only 6.6 percent in the incomes of the richest 20 percent of households, from roughly \$106,600 to \$100,000.

However, even this small sacrifice by the well-off could be avoided if the economy's rate of growth increased. But to think seriously about accelerating growth means confronting the commitment of Wall Street and the Federal Reserve to an economy whose real growth is slow, even while financial markets are allowed to expand at dizzying—and ultimately destabilizing—rates.

As the nineties boom economy appears to be ending, it is important to be clear on just how weak—from the standpoint of real productive growth as opposed to speculative financial excess—this expansion has been. On average, national income grew only 2 percent between 1990 and 1997. This is in contrast to an average income growth rate of 4.4 percent in the sixties and an average of 3 percent in the seventies and eighties, widely considered to be decades of poor economic performance. What if the growth rate rose to an average of only 3 percent over the next ten years? In that situation, all workers earning less than \$7.25 could be raised to this new minimum and there would still be an additional \$3,000 per year to distribute equally to all other workers, on top of what they would otherwise receive were the economy growing at 2 percent.

This growth solution is obviously much more complicated than this simple illustration can convey. For one thing, a new financial regulatory structure is clearly needed to channel funds away from stock run-ups and into productive activity. But even if new regulations could dampen speculative excesses, rapid growth still presents problems from the standpoint of business. Workers gain confidence because of the better wages and greater job security that result from a faster-growing economy, and this can lead to further demands for full employment, higher wages and improved

Tipping the Scales: The Christian Right's Legal Crusade Against Choice



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working conditions. Businesses want to prevent workers from gaining this bargaining strength, and the job of national policymakers is to articulate the self-interested position of business for slow growth, as if it were the only sensible policy for everyone.

Such thinking was cogently expressed before Congress in July 1997 by Federal Reserve chairman Alan Greenspan. Testifying that the economy's performance in 1997 was "extraordinary" and "exceptional," he noted that a major factor contributing to this outstanding performance was "a heightened sense of job insecurity and, as a consequence, subdued wage gains."

Thus, for Greenspan, the "economy" is doing well when workers can't get raises. Could it be more clear that the real barriers to achieving a national minimum wage of \$7.25 are not economic but political? But how can political power be mobilized in support of economic justice? Here we return to the central importance of the living-wage movement. Organizers are clear that their agenda includes more than passing local ordinances, even while the ordinances themselves represent major victories. Tammy Johnson, until recently with Progressive Milwaukee, an affiliate of the New Party, says that because of living-wage campaigns, "the phrase 'living-wage job' is in the vocabulary in a way it wasn't two or three years ago. When jobs are being created, people will ask, 'Is it a livable wage job?'" The director of the LA Living Wage Coalition, Madeline Janis-Aparicio, says the goal of the campaign has been, first, "to directly affect the lives of workers who are getting a raise." But she also sees the campaign as "a tool for union organizing, for confronting the problem of wage inequality and for ex-

pressing a certain level of dignified treatment of workers." That such a campaign can spark further demands on the part of workers is illustrated by the LAX union organizing drive.

The living-wage proposals gaining ground will directly contribute only modestly toward eliminating poverty. But their importance far exceeds their immediate measurable impact. As more cities gain experience with these laws over the next few years, their limitations as well as strengths will become evident. The process of political and economic education will then provide a platform from which to launch more ambitious egalitarian wage and employment programs and to deepen the movement for economic justice in this country. ■

For further information, here is a partial list of contacts:

ACORN, *Jen Kern*, (202) 547-2500

AFL-CIO, *Christine Owens*, (202) 637-5178

Solidarity Sponsoring Committee, *Kerry Miciotto*, (410) 837-3458

Boston Jobs & Living Wage Campaign, *Lisa Clauson*, (617) 436-7100

Cleveland SEIU Local 47, *Willie Howard*, (216) 621-0995

Metropolitan Detroit AFL-CIO, *Joyce Lartigue*, (313) 896-2600

Duluth Coalition for a Living Wage, *Erik Peterson*, (218) 722-0577

LA Living Wage Coalition, *Madeline Janis-Aparicio*, (213) 486-9880

Campaign for a Sustainable Milwaukee, *Bill Dempsey*, (414) 444-0525

Progressive Minnesota, *Jennifer Smith* (651) 641-6199

New Haven Living Wage Campaign, *Andrea Cole*, (203) 624-5161

Oakland Living Wage Campaign, *Jim DuPont*, (510) 893-3181

Portland Jobs With Justice, *Nancy Haque*, (503) 236-5573

A RANK-AND-FILE POLL FINDS STRONG CONSENSUS ON PROBLEMS, LESS ON SOLUTIONS.

Notes for a Progressive Agenda

DAVID DYSEGAARD KALLICK

Most political strategists assume the road to victory is through the middle. What if, instead of fishing for supporters in the center, progressives began by getting our own house in order? What if we decided to hash out our differences, get clear about our priorities and move into the broader public debate from an impassioned and coherent base (think Christian Coalition)?

In order to learn more about who the members of progressive organizations are and what could galvanize them, the New World Foundation commissioned a poll of members of nine progressive organizations. The poll, conducted by the respected firm Zogby International, was jointly released on November 5 by the New World Foundation, the Preamble Center and *The Nation*.

Not even the most poll-driven politician would craft a message



around a single survey. Still, the 113-question poll of more than 1,800 people "is a much-needed beginning to open a window into what a program might look like if we led with our membership," says Colin Greer, president of the New World Foundation. And if the experience of the pollsters making these phone calls is any guide, the members are hungry for engagement in this kind of conversation and pleased to feel their views count. Except on issues directly related to the group's purpose (environment for

environmentalists, labor for labor organizations) there was little divergence in either beliefs or demographics among the poll respondents, who were drawn from a variety of grassroots and national organizations that agreed to cooperate with the poll. They were: the Center for Health, Environment and Justice; the Hunger Action Network of New York State; Jobs With Justice; the Labor Party; the National Network for Immigrant Rights; the Natural Resources Defense Council; the World Federalist Association; and the subscription lists of *The Progressive Populist* and the *Utne Reader*. Here are some of the major findings:

David Dyssegaard Kallick was staff consultant to the New World Foundation and is a senior fellow of the Preamble Center. A full report of the poll results can be found at www.preamble.org.

The Washington Post

WEDNESDAY, AUGUST 20, 1997

Price
Metro: 50¢

Robert Kuttner

The 'Living Wage' Movement

Boston Mayor Tom Menino has just approved the most far-reaching "living wage" law yet enacted. Effective 1998, Boston will require any private company that does business with the city to pay its workers at least \$7.49 an hour.

This is more than \$2 above the federal minimum wage; it is the hourly pay rate that yields an annual income equal to the federal poverty line for a family of four. Firms are covered if the city awards them contracts, grants, loans, tax breaks or other financial benefits worth at least \$100,000.

Los Angeles enacted similar legislation last March by a unanimous vote of its city council. Variations are already on the books in New York, Milwaukee, Baltimore, New Haven, San Jose, Minneapolis, St. Paul, Portland (Ore.) and several smaller cities.

The living wage campaign, which dates only to 1993, is the most interesting (and underreported) grass-roots enterprise to emerge since the civil rights movement. Promoted by a loose coalition of community, religious and labor groups, often spearheaded

by ACORN (the Association of Community Organizations for Reform Now), it signals a resurgence of local activism around pocketbook issues.

The basic theme is that, in a nation as rich as America, anyone who works full time should not have to live in poverty. In one city after another, ordinarily powerful business groups have been blindsided by a surprisingly strong organizing drive that puts local elected officials on the spot. Who could be against paying workers a living wage?

Business, not surprisingly, insists that such initiatives are bad for the business climate. Seemingly, a living-wage law enacted one city at a time would be economic suicide: Companies confronted with such ordinances would just relocate, and the city with the higher wage standards would lose jobs.

However, these laws are astutely crafted to require that city contractors, wherever they are located, must meet city wage standards. Business can run, but it can't hide.

The Boston ordinance has been legitimately criticized for disclosure requirements that fail to protect confidential business information. This could create a competitive disadvantage for Boston if it caused firms to locate elsewhere. But that provision will likely be fine-tuned; the basic living-wage concept remains sound.

Opponents also say higher wage costs eliminate jobs. But similar arguments were made against the rise in the federal minimum wage. In fact, the good economic times have more than offset the slightly higher wage costs; better pay is frequently associated with lower turnover and with productivity gains. Business continues to create jobs at an impressive clip.

Since John Sweeney took over as president of the AFL-CIO, the national labor movement has embraced the living wage campaign. Local drives are now underway in several other cities, including Albuquerque, Denver, Philadelphia and St. Louis.

The living wage campaign, like the Teamsters' effort to curtail the shift to

part-time jobs, helps spotlight the split-level character of the current economic boom. Despite a relatively low overall unemployment rate, millions of jobs don't pay what used to be called a family wage.

This trend can be challenged on multiple fronts. A higher federal minimum, as proposed by Sen. Edward Kennedy, would make a living wage national policy; an expanded earned income tax credit can reward work by increasing take-home pay; and unions can escalate the campaign against a two-tier work force.

Living-wage legislation at the city level not only raises earnings of low-wage workers; it also discourages privatizations intended mainly to cut pay scales. If even private contract workers must be paid nearly \$7.49 an hour, cities have less temptation to contract work out.

In this era of diminished expectations and hollow politics, the living wage campaigns are a heartening reminder that economic distress can rekindle grass-roots political energy. In

this case, the movement is an overdue reunion of unions and community activists.

The gross inequality of the 1990s is national disgrace. At one extreme some may think it shameful that Bill Gates makes more money before lunch than most people make in a lifetime.

But the bigger disgrace is that amid glittering affluence, millions of Americans report punctually to work, perform conscientiously—and still do not take home enough money to escape poverty. If remedying that disgrace truly bad for business, the flaw is not the remedy but in the system.

Correction: My column of Aug. 17 erroneously reported that part-time UPS workers do not get health benefits. In fact, part-timers who work at least 60 hours a month do get benefits. I regret the error.

Robert Kuttner is co-editor of the *American Prospect*.

Chicago Tribune

Thursday, May 9, 1986

Wage warriors

Labor unions, religious groups and community organizations push for standard of \$15,000 a year.

By Melita Marie Garza
TRIBUNE STAFF WRITER

As the national debate over the minimum wage continues to generate political heat, another movement that could force some employers to almost double the salaries of their workers is developing in several major U.S. cities.

The living wage campaign, led by an unlikely coalition of labor unions, religious groups and community-based organizations, has brought together working-class Americans to flex their political muscle.

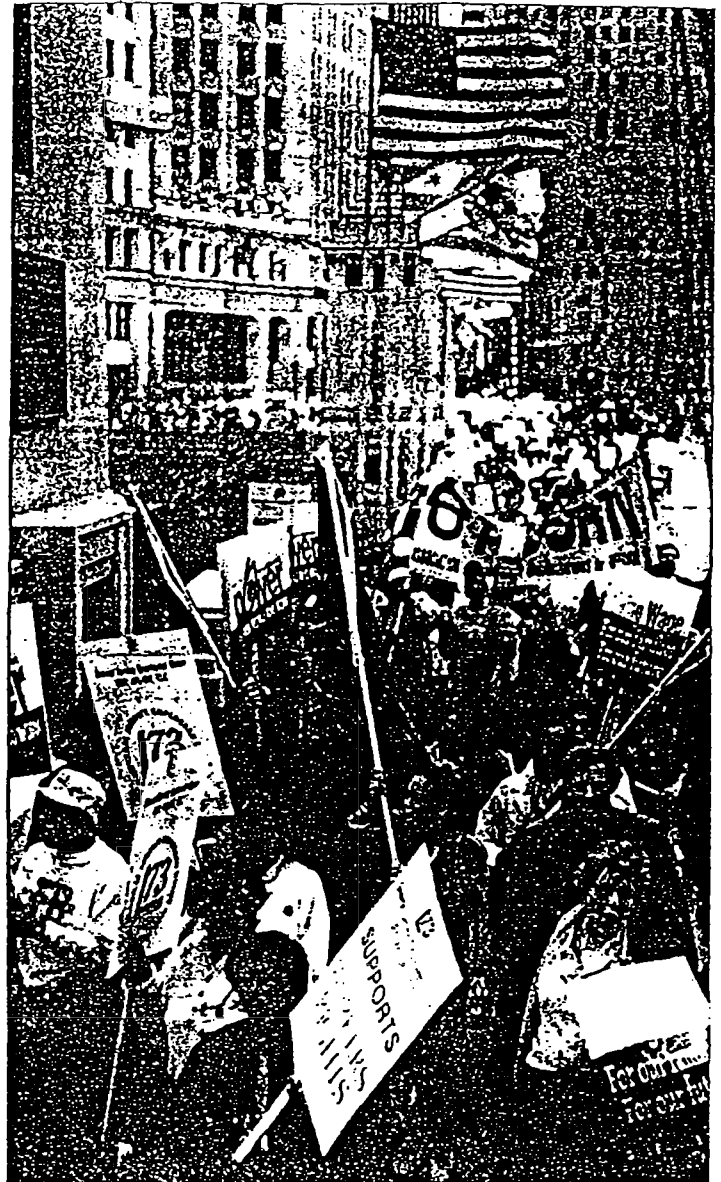
The effort is underway in 30 cities but has been especially visible in Chicago, where weekly rallies, demonstrations and town hall meetings have attracted hundreds of supporters in recent months.

On Thursday, an ordinance is expected to be introduced in the City Council that would require businesses that receive city contracts or subsidies to pay their workers at least \$7.57 an hour, or \$15,000 a year—the federal poverty level for a family of four. Many such jobs currently pay the minimum wage of \$4.25 an hour.

Without the support of Mayor Richard Daley, who has questions about the budget implications of such a requirement, the legislation likely will not go far. But organizers of the local campaign, led by ACORN, the Association of Community Organizations for Reform Now, say 36 aldermen have indicated they are receptive to the concept.

The City of Chicago has an obligation to ensure that when it spends

SEE WAGE, PAGE 2



Some 500 demonstrators (above) who support passage of a proposed city Living Wage Ordinance joined a May Day march through downtown Chicago with other members of union locals and religious and community groups. Among those who would benefit from such an ordinance is Lech Doughty, left photo, center, a city contract worker in the Special Services Department at O'Hare International Airport. His pay would jump to \$7.57 an hour from \$4.25, the minimum wage.

PHOTO BY MELITA MARIE GARZA
AND ANTHONY D'AMICO FOR THE TRIBUNE

Wage

CONTINUED FROM PAGE 1

money, it spends it wisely," said Ald. Ricardo Munoz (22nd), who will jointly sponsor the ordinance with Ald. Toni Preckwinkle (4th). "In this case, it means supporting a living wage."

Thus far, Baltimore and Milwaukee are the only cities that have passed living wage laws. The Minnesota legislature approved a similar statewide law this year that was vetoed by Gov. Arne Carlson.

The proposed Chicago ordinance would apply to firms that receive at least \$50,000 in city subsidies and employ at least 25 employees, with the exception of those that employ construction workers, virtually all of whom already earn above living-wage pay. It would also affect companies with at least 10 employees that hold city contracts valued at a minimum of \$5,000.

In all, the ordinance would affect more than 1,000 businesses and some 10,000 workers. It also would require firms to attempt to fill vacant jobs with unemployed and underemployed Chicago residents and to recruit first in the neighborhood where the business is located.

As it has elsewhere, the proposed ordinance is opposed by such business interests as the Chicagoland Chamber of Commerce and the Illinois Restaurant Association. The reasoning is similar to that of opponents on the national level to efforts to increase the minimum wage to \$5.15 an hour: that forcing companies to pay higher wages would be devastating to small businesses that already are on financially shaky ground.

According to Colleen McShane, executive director of the restaurant association, the national organization documented a loss of 500,000 jobs in 1992 and 1993 following the last minimum wage hike in 1991.

"The living wage, like the minimum wage, would be counterproductive," said McShane. "If wages go up, there will be layoffs."

The Chicago-based Heartland Alliance has calculated that increasing wages to \$7.57 an hour from \$4.25 will cost businesses about \$200 more a month per worker. However, a worker earning \$7.57 an hour contributes an average of \$101 a month in taxes, while a minimum wage worker qualifies for a monthly tax credit, they point out.

Daley—as well as several aldermen, including Finance Committee Chairman Ed Burke (14th)—has expressed concern that living wages will increase the cost of some city contracts.

come from?" Daley said last month before a meeting with ACORN.

On Wednesday, he pointed out that many city contractors are already required to pay the prevailing wage—an amount at least comparable to what unionized workers earn doing the same job in the private sector, generally more than \$7.57 an hour.

Living wage laws, like the minimum wage hike proposal, are aimed at raising the pay base for the working poor. The main difference is that minimum wage laws affect 95 percent of all workers, while living wage laws affect primarily government contract workers, such as Leon Doughty of Chicago.

Doughty, 65, works for Andy Frain Services Inc., a city contractor that provides passenger security and services at the United Airlines terminal at O'Hare International Airport.

Doughty is a retired Chicago Head Start coordinator who needed to take the job with Frain seven months ago to help pay the rent on the apartment he shares with his wife. He never expected to be doing this kind of work at retirement age.

"We are just getting by," said Doughty.

Organized labor, which has lost membership and bargaining power in recent years, has led many of the ongoing demonstrations in support of living wage laws in various cities.

The grass-roots movements have picked up local steam because of the widespread sentiment that the shape of the economy has had a devastating effect on the working class. And, political savvy organizers, such as ACORN, have taken advantage of an election year to boost their local agenda to state and national levels.

Ted Thomas, a postal worker from the Englewood neighborhood, sees the issue as one of economic parity.

"Living wage workers pay more taxes than minimum wage workers. Living wage workers spend more in their communities," said Thomas, president of the ACORN board. "It's time we quit promoting welfare and give people an incentive to work."

Carl Tannenbaum, chief economist for LaSalle National Bank, said most businesses probably could afford the proposed 21 percent increase in the minimum wage.

But regarding a living wage law, he said: "Asking businesses to absorb 2 bucks more than that—a 78 percent increase—might be too much to ask."

Staff writer Jacquelyn Heard contributed to this article.

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Vol. 6 No. 23

Aug. 4 - Aug. 16, 1998

City Labor Wins Living Wage Battle

By William Gordon
Staff Writer

After a press conference on the 28th of July and a rally on the 29th were held in City Hall by the Association of Community Organizations for Reform Now, Service Employee International Union Local 880, the Chicago Coalition for the Homeless, and the New Party, the city's aldermen decided to pass the living wage ordinance, along with increases in the salaries of public officials, including aldermen and the mayor.

Last year a similar ordinance was proposed, but was rejected by a vote of 31 to 17. Since then the ordinance has been stuck in committee, going through changes that would make it more politically viable. After the rally, the ordinance sponsored by Ald. John Buchanan (10), Ald. Toni Preckwinkle (4th), and Ald. Ricardo Muñoz (22nd) passed easily — 49-0 (there are 50 wards in the city).

At the press conference on July 28, the organizations present had a simple plea: Increase the wages of the people of Chicago before increasing the wages of the politicians who serve them. Ald. Buchanan agreed, saying, "The people of Chicago should get a living wage, and get that first. Then let's consider a wage increase [for the aldermen]."

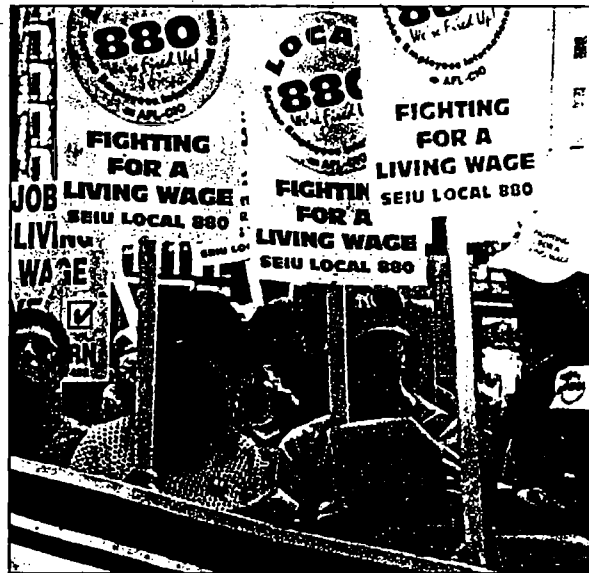
The ordinance requires city contractors and sub-contractors to pay their workers the minimum of \$7.60 an hour, beginning with contracts awarded after Jan. 1, 1999. The federal minimum wage is \$5.15 an hour.

This was a very convenient time to pass the ordinance, according to Ald. Dorothy Tillman (3rd). She has been fighting to pass this ordinance since its development, but acknowledges that the politics involved helped pass this controversial piece of legislation. "Elected officials always use circumstances to leverage. At least it was leveraged for the people," Tillman said.

At the same time the aldermen were considering an increase in their wages, from \$75,000 a year to \$85,000, they were also preparing to go on vacation. Also, the organizations fighting for this change pointed out loud and clear at the press conference on the 28th that if they didn't win this year, they would make this an issue in 1999—an election year.

Now that the ordinance has been passed, most of those involved are satisfied, except the Chicagoland Chamber of Commerce. According to the director of government relations, Mark Pufundt, this ordinance hinders the city's ability "to attract and expand businesses and corporate investment."

"Employers must have the right to negotiate wage rates and benefits with current or potential employees within the federally established law," said Pufundt.



Members of SEIU, Local 880, along with other organizations, pressured city aldermen to pass the Living Wage ordinance before the aldermen voted to increase their own salaries.

The Chamber views low wages as an opportunity for people to enter into a company and develop marketable workplace skills. Now they believe that employers will actually decrease their labor force, because of the increase in spending on wages, decreasing the amount of jobs available.

The earlier ordinance was hindered by the issues raised by the Chamber, and also by its inability to convince some aldermen that it would be the most beneficial legislation for all involved. Ald. Bernard Hansen (44) linked his earlier refusal to vote for a living wage to the penalties present in the ordinance. He wouldn't comment on any particular penalties, but repeatedly said, "They had penalties that I felt were unreasonable."

The recent passing of the current ordinance shouldn't be linked to the absence of harsh penalties, said Keith Kelleher of the SEIU, Local 880. Since the rejection of the previous ordinance, his organization and its affiliates focused advocacy efforts in the wards of the aldermen who voted against it. "We targeted the 31 wards for retribution at the polls," he said. "We passed out fliers in the same wards where they voted against it, moved referendums in the wards, and the aldermen felt a lot of heat. They vastly underestimated public support for the ordinance."

In the current ordinance there are restrictions to protect small businesses that may have been hurt by the previous legislation. The new ordinance only applies to for-profit businesses with over 25 employees that have contracts with the

city.

It is hoped that this will set an example for businesses throughout the city to increase their minimum wage. "It sets a policy example in the city of Chicago that people should be required to pay a living wage, otherwise we have to pay for food and shelter [for the working poor]," said John Donahue of the Chicago Coalition for the Homeless. This is one of many

issues his organization fights for, to, in his words, "find real solutions to homelessness."

"Corporations have made more money over the past 20 years by depressing the wages," said Donahue. "They are making overwhelming profit using minimum wage as slave labor."

In the July 16-31, 1997 issue of *StreetWise* it is pointed out that the proposed \$7.60 an hour would raise thousands of families to the poverty level. With a minimum wage, families only net \$811 a month, whereas a living wage brings in about \$1,188.90 a month. The living wage ordinance is based on the cost of supporting a family of four. The expenses of which was estimated at about \$1,450 a month by the original supporters.

Living wage supporters go further to point out that it costs taxpayers less to support a living wage family, since a household on minimum wage receives about \$637 in aid, food stamps and Medicaid, and \$83.64 in federal tax returns. The living wage family receives almost \$300 less in aid, and pays more than \$100 dollars in federal taxes.

Chicago is now the third largest city in the country to pass a living wage, but organizations like the SEIU Local 880, ACORN, and the New Party still have work to do in the city. Now their efforts are directed to ensure the proper implementation of the ordinance and expand the benefits. According to Kelleher, it now benefits only two to three thousand people, covering only ten job descriptions. "This is just the first stop, round one," he said.

CONTRA COSTA TIMES

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TUESDAY, MARCH 17, 1998

c 46 cents plus tax

Working hard for a living wage

■ Oakland activists lead push to increase minimum pay for companies doing business with the city

By Jessica Guynn
TIMES STAFF WRITER

OAKLAND — In an East Oakland neighborhood, rich only in welfare recipients and the working poor, is the campaign headquarters of ACORN — the Association of Community Organizations for Reform Now, the national grassroots organization of low- and moderate-income families that is leading the fight for a "living wage."

Even in the fading daylight, it is clear the makeshift office and the neighborhood that surrounds it have seen better days. The smell of urban decay is everywhere in the cavernous hall. Wrought iron chandeliers hang from tall ceilings, but the bulbs have burned out. Cracked and peeling walls are patched with political posters. The hollow expanse is littered with an old couch here, a sagging armchair there, and a handful of desks where staff members busily work the phones.

On the far wall, a sign says bluntly, "No common wealth."

And that is ACORN's point.

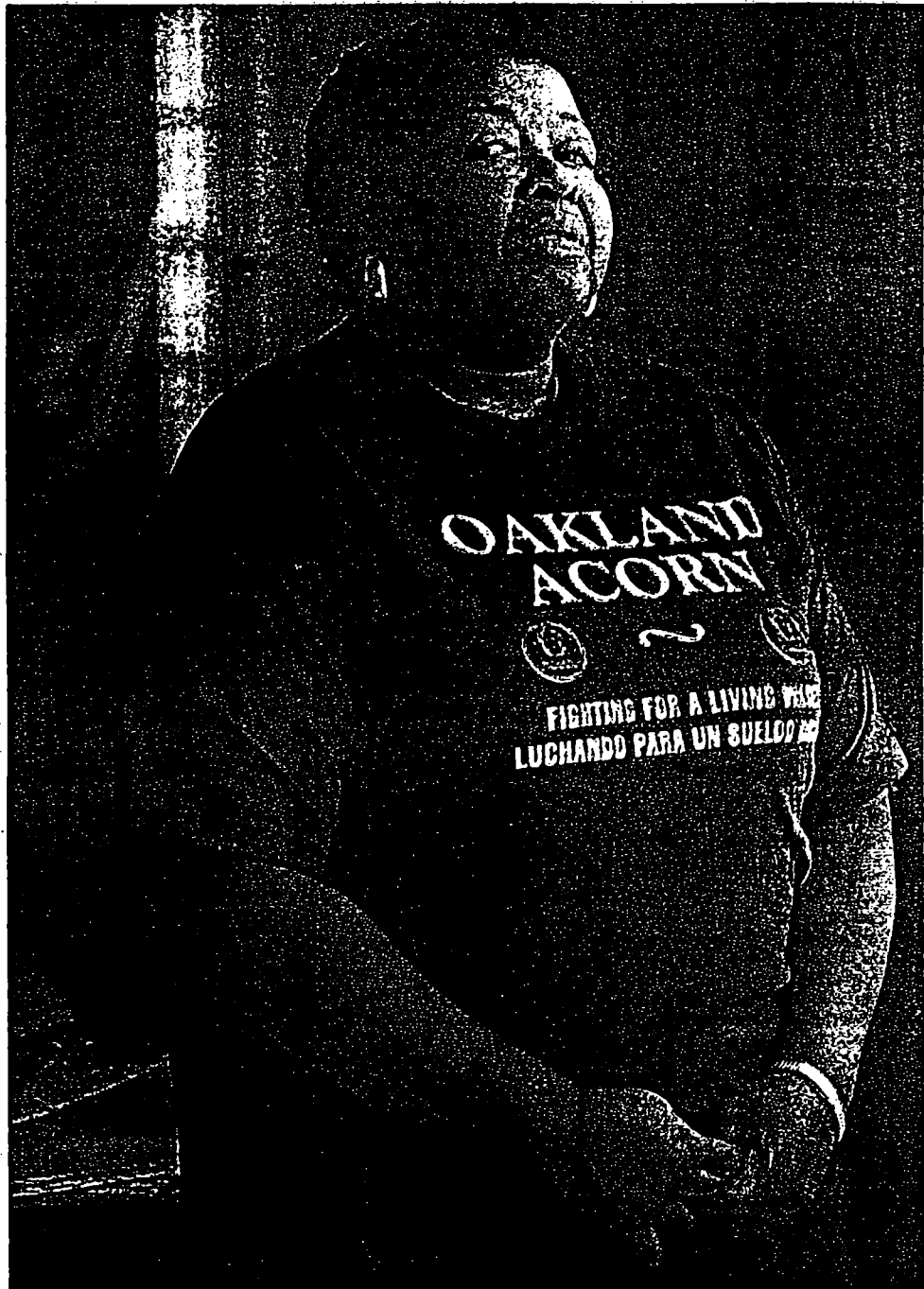
In this dilapidated neighborhood forgotten in the shadow of the wealthy Oakland hills, the gap between rich and poor continues to widen, undaunted by the region's near-record prosperity.

ACORN and its 1,300 Oakland members have drawn the battle line here, at the poverty line. And, if the organization's efforts around the country to improve the standard of living for the working poor are any indication, this is where a key battle waged against poverty in the East Bay may be won.

In Oakland, living-wage activists are campaigning to boost wages in city contracts granted to businesses that either have a service contract worth at least \$25,000 or receive \$100,000 in financial assistance. The proposed ordinance would require employers to pay at least \$8 an hour — the federal poverty wage level for a family of four — in addition to health benefits. Companies that do not offer health benefits would be required to pay workers \$9.25 an hour.

A year in the making, Oakland's

See WAGES, Page C2



SHIRLEY BURNELL, board member of a grassroots organization of low- and moderate-income families, is campaigning for a living wage in Oakland.

GREGORY URQUIGUA/TIMES



Business

Activists fight for wage law in Oakland / C1

Wages

FROM PAGE C1

living-wage ordinance, championed by mayoral candidate Ignacio De La Fuente, was unanimously adopted by the Oakland City Council's community and economic development committee last week. If it gains final passage at a March 24 vote of the full city council, it will go into effect July 1 and become the strongest legislation of its kind enacted in the country.

"It is not a panacea; it doesn't affect millions of workers," said Jen Kern, an ACORN researcher in Washington, D.C. "It's a way to raise the issue and open up debate."

The proposed city legislation faces strong opposition from business owners and Oakland Metropolitan Chamber of Commerce officials, who say it would eliminate jobs, increase the cost of doing business and send a message to corporate America that Oakland is unfriendly to business at a time when the city is attempting to revive the local economy.

"The city and the chamber ultimately want the same thing, a prosperous and economically vital community," said Barbara Leslie, the chamber's public policy manager. "Our means to that end are just different."

Living-wage activists counter that using taxpayer money as leverage to raise wages for the working poor is good for workers and for business. The ordinance, they say, would ease demands on overburdened public assistance programs, funnel more money into the local economy and discourage privatization, which lowers pay scales. Moreover, the Bay Area's current economic boom would offset higher wage costs, activists said.

"Our community needs this ordinance," said Shirley Burnell, a West Oakland board member who believes low-paying jobs that offer no benefits have eroded living conditions for thousands of workers in the East Bay. "People can't make it on \$5.75 an hour."

The campaign for a living wage, founded in 1993 by a coalition of community activists, religious groups and labor unions, is one of the most

powerful grassroots movements to emerge on the national political scene since the civil rights movement.

Its rallying cry is politically powerful: In the world's richest nation, American workers should not have to live in poverty. "A lot of families aren't getting by, our communities are becoming polarized based on income," said John Dalrymple, secretary-treasurer of the Contra Costa Labor Council, which has begun to explore the possibility of a living-wage campaign. "When we don't address the income gap, it creates lot of social dysfunction."

Tapping into a growing sense of community despair, the living-wage grassroots movement has gathered momentum. This year, nearly two dozen municipal government officials are considering or adopting proposals that would force government contractors to pay higher wages to thousands of workers or forfeit government contracts, Kern said.

Los Angeles, Baltimore and Boston are among the major cities that already have adopted living-wage ordinances. ACORN officials will conduct their first national training conference in May to teach strategies on mounting a successful living-wage campaign.

Supporters of the "Oakland Jobs and Living Wage Campaign" pledge that Oakland is just the first city they will target in the Bay Area, home to one of the greatest concentrations of wealth in the country. Owen Marron, executive secretary of the Alameda County Labor Council, said the local living-wage movement will call on officials in all 13 of Alameda County's cities to support a living-wage ordinance. Community activists have embarked on similar efforts in San Francisco, San Mateo and Santa Cruz. In San Jose, ACORN hopes to strengthen an existing prevailing wage ordinance.

"The whole idea is not to spend taxpayer dollars to subsidize poverty-wage jobs," Kern said. "In cities like Oakland, we have a lot to bargain with, great locations and good work forces. If a business person passes up a lucrative city contract in Oakland because of a living-wage ordinance, that person is a fool."

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

THURSDAY, APRIL 9, 1998

'Living Wage' Gives Hope to Poor

By Arthalia Ray

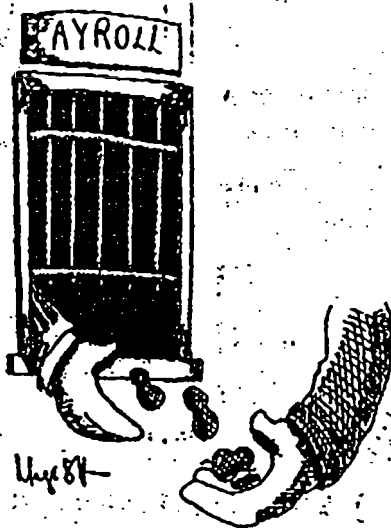
IF YOU LISTEN closely, you can hear a truth whispered in the Bay Area and around the country. It is beginning to be heard even above the din of self-congratulations on our national economic upswing. The truth is: Working people are still poor.

Even as the entire American economic pie grows, the slices reserved for America's lowest wage workers are getting thinner. In the Bay Area and elsewhere, working citizens struggle to support families on wages below the poverty line. Despite the 1996 increase, the minimum wage buys far less now than it did in the 1960s. Over the same 30-year period, corporate profits and CEO salaries have dramatically increased. For example, in 1976 the pay ratio between top managers and the average worker was 41:1; now that ratio exceeds 200:1.

Today, an impressive grassroots movement — led by labor unions, the community group ACORN, and religious leaders — has arisen to fight wage stagnation and the growing income gap. In California and across the country, well-organized coalitions are pushing city councils to enact living wage ordinances that raise wages and promote corporate accountability — putting an end to taxpayer subsidies to businesses that pay poverty wages and force their workers to rely on public social services to meet their basic needs.

On March 10, in a room packed with 200 community supporters, Oakland City Council's Economic Development Committee took a first step in improving the lives of working families by unanimously approving a living wage ordinance. The full City Council unanimously adopted the bill April 7; the law takes effect July 1.

The Oakland effort, like similar cam-



paigns nationwide, calls for businesses receiving substantial financial benefits from the city to pay employees a wage sufficient to keep a family of four above the poverty line — \$8.00 plus benefits or \$9.25 without benefits. The argument is simple: We must target our limited public resources to businesses that are committed to creating living wage jobs — not poverty wage jobs that drain our limited city services.

Not surprisingly, living wage campaigns have come under withering attack from business interests that insist that any proposal to increase the wages of even the lowest paid workers will lead to economic stagnation. Time and again, these dire predictions prove wrong. Witness the last increase in the federal minimum wage — it boosted the earnings of America's lowest wage earners without hindering the country's economic growth and low unemployment.

Consider further that there are now

over a dozen living wage ordinances on the books with no evidence of harm done. Many contractors — from janitorial services to bus companies — noted that the living wage "levels the playing field" and relieves pressure on employers to squeeze labor costs in order to win city service contracts. Still others noted a marked change in worker morale and productivity brought about by the higher wage. A new study by researchers at Johns Hopkins University, set for release next month, expands and confirms these findings.

Economists estimating the impact of the 1996 Los Angeles living wage ordinance predicted an increase in local spending, homeownership, and entrepreneurship in low income and minority neighborhoods. Jobs that allow working families to be economically self-sufficient promote public savings by decreasing demand for public assistance. Unlike low-wage jobs, living-wage jobs create consumers of goods and services, who in turn create more business opportunity and an engine for job growth in our cities.

Oakland — and the country — stands at a crossroads. One road leads to corporate giveaways at the expense of working people. The other holds the promise of economic prosperity shared by all. That promise is starting to being fulfilled as the living wage movement grows across the country. Against the backdrop of a booming economy, the working poor are building a movement for our fair share — and we are starting to be heard.

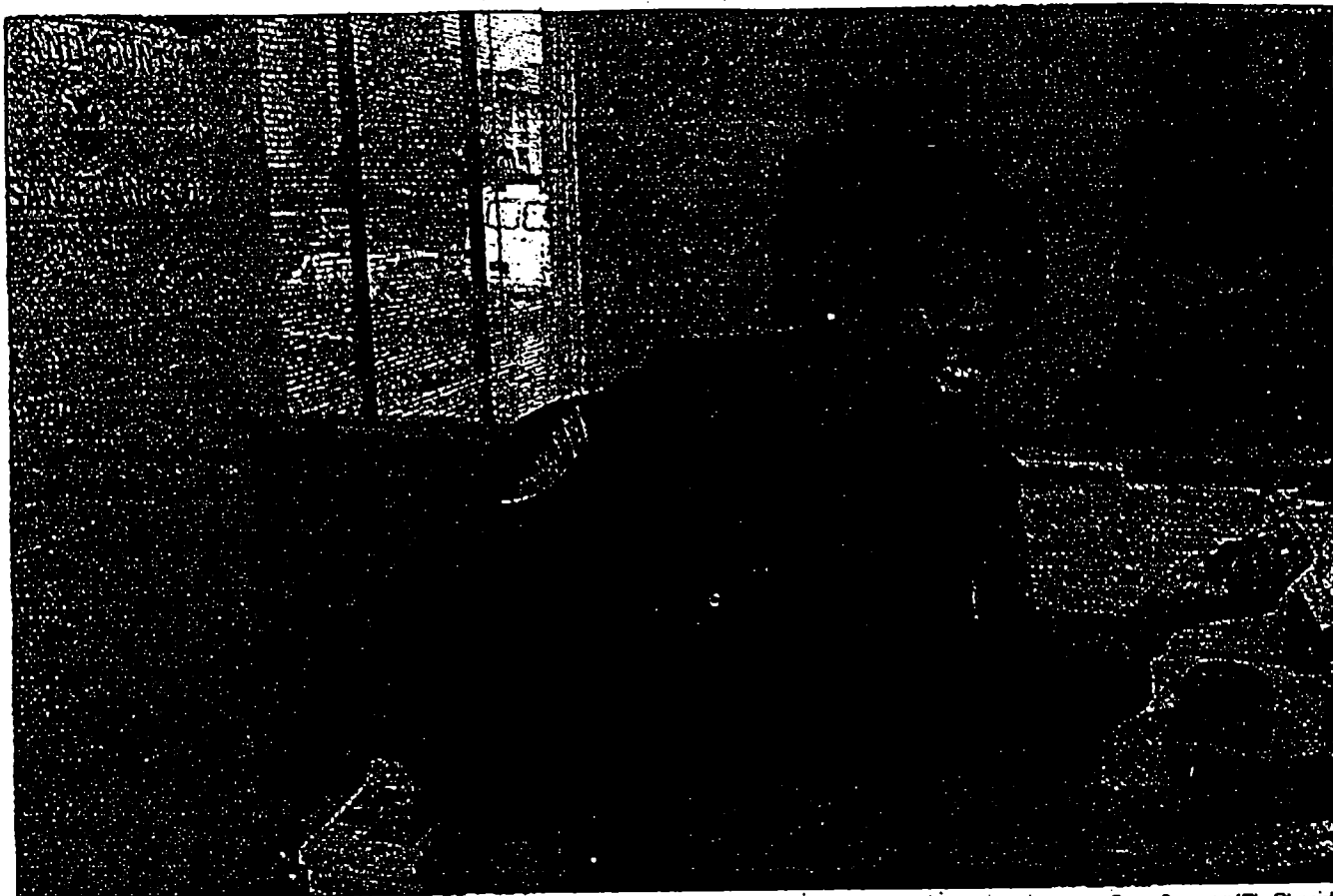
Arthalia Ray is a board member of California ACORN, the Association of Community Organizations for Reform Now. For more information on ACORN, The Website is www.ocorn.org/community or call (510) 436-5690.

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

FRIDAY, APRIL 9, 1999

WORKPLACE



CHRIS STEWART / The Chronicle

San Francisco Department of Social Services security guard Hilda Wade would benefit if a living-wage ordinance were passed.

Living-Wage Wildfire

By Ilana DeBare
CHRONICLE STAFF WRITER

Cities
ponder
laws to
raise
workers'
pay

The road to a higher U.S. minimum wage could lead through San Francisco. And through San Jose, Hayward, Los Angeles, Detroit, Baltimore and even Duluth, Minn.

San Francisco may soon be the latest of about two dozen U.S. cities to pass "living wage" laws, which typically require firms doing business with local government to pay higher-than-minimum wages.

These laws — including San Francisco's proposal — tend to be limited in scope and apply only to a relatively small number of workers.

But they're part of a large, growing campaign that

could end up sparking a national debate about economic inequality and raising the U.S. minimum wage.

It's a campaign in which — for a change — organized labor and its liberal allies are outsmarting and outmaneuvering their business opponents.

"It's a model case of changing social policy through an issue with widespread appeal. After all, who would say they're for a wage that you can't live on?" said Harley Shaiken, a UC Berkeley professor who studies the labor movement.

"Labor has been very focused and very effective in these campaigns, while much of business hasn't been real focused," Shaiken added. "This campaign has been a marked success for labor, while business has

► PAY: Page B2 Col. 3

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

FRIDAY, APRIL 9, 1999

WORKPLACE

Living-Wage Laws

► PAY

From Page B1

just been reacting."

San Francisco city officials are analyzing a living-wage proposal that would require firms with city contracts to pay hourly wages of \$14.50, or \$13 if the company provides health benefits. The Board of Supervisors could vote on the proposal or a modified version of it as early as May or June.

Supporters say the law is a matter of simple fairness. They note that it takes far more than the state minimum wage of \$5.75 to survive in a high-cost region like the Bay Area.

"Anyone who works full time in a city-supported job should receive enough money to support their family and make it through the month without turning to charity," said Ken Jacobs, a spokesman for San Francisco's Coalition for a Living Wage.

Opponents — including many small firms with city contracts — say hiking wages as high as \$14 could drive them out of business or force them to lay people off.

"If wages are raised to \$14, a small number of people will get that \$14, but it will also expand the welfare rolls since companies won't pay that much money for unskilled people," said John Doyle, spokesman for the libertarian Employment Policies Institute in Washington, D.C.

Nationally, the living-wage movement has mushroomed during the past year. Within the Bay Area, the cities of Oakland, San Jose and Hayward all passed laws within the past 12 months.

But the movement first started in Baltimore in 1994. Religious groups there noticed that more and more of the people showing up at their soup kitchens were actually working full time, at wages too low to survive.

The religious leaders formed an alliance with labor unions and community activists that became a model for other cities where living-wage laws have passed.

"Everyone thinks of this segment as grouped together, but really, they hadn't worked together before the living-wage movement," said Jen

Kern, director of the living-wage resource center at ACORN, a nationwide community group that is very involved in promoting living-wage laws.

What led labor and anti-poverty activists to embark on a series of local wage campaigns?

One big reason is that unions and their allies had been stymied at trying to win significant hikes in the federal minimum wage.

Despite increases in 1996 and 1997, today's U.S. minimum wage of \$5.15 has 20 percent less buying power than it did two decades ago. (If the 1979 minimum wage of \$2.90 had kept up with inflation, it would today amount to \$6.92.)

Living-wage advocates figured they might have more success working locally than contending with the Republican majority in Congress.

And in fact, opposition to living-wage laws has been relatively weak on the local level.

That's partly because local business communities are divided on the issue: Companies with city contracts see living-wage laws as a serious pocketbook issue but those without city contracts haven't seen much reason to get involved.

"Most businesspeople in San Francisco, San Jose or Boston can say, 'I have no dealings with the city. It's not my problem,'" said Doyle.

"There really has been no concerted (business) effort to oppose it, although people are now starting to wake up to the issue."

Doyle's organization — which is funded largely by employers — fears that the spread of local living-wage laws will provide ammunition for a campaign to raise state and federal minimum wage levels.

"Take Wisconsin, where the city of Madison recently passed a living-wage law for various groups of workers," Doyle said. "Now the Wisconsin state Senate president has written an op-ed piece saying that a minimum wage of \$7.25 should apply to all workers."

The phrase is seeping into the political vernacular and changing the dynamics of political discussion," Doyle added.

Supporters of living-wage laws acknowledge their goals stretch far be-

LIVING-WAGE ORDINANCES IN THE UNITED STATES

City	Hourly Wage Requirement
Baltimore	\$7.70
Boston	8.25
Chicago	7.60
Cook County, Ill.	7.60
Dane County, Wis.	8.00
Des Moines	9.00
Detroit	8.35/10.43
Duluth, Minn.	6.50/7.25
Durham, N.C.	8.25
Gary, Ind.	Prevailing industry wage
Hayward	8.00/9.25
Hudson County, N.J.	7.75
Jersey City	7.50 plus \$2,000/year toward benefits
Los Angeles	7.39/8.64
Madison, Wis.	7.90
Milwaukee	6.00
Minneapolis	8.40
Multnomah County, Ore.	9.00
New Haven, Conn.	8.00
New York	Prevailing industry wage
Oakland	8.00/9.25
Pasadena	7.25/8.50
Portland, Ore.	7.75
San Antonio, Texas	9.25
San Jose	9.50/10.75
Santa Clara County	10.00
St. Paul, Minn.	8.40

US Minimum Wage: \$5.15
California Minimum Wage: \$6.85

*Cities with two-tier wage levels require companies that don't provide health benefits to pay a higher wage.

Note: Several of these standards are based on the federal poverty level, so they will rise if the poverty level is revised upwards. Most apply to firms that hold local government service contracts, while a few apply to firms that receive local tax breaks.

Sources: San Francisco Coalition for a Living Wage; Association of Community Organizations for Reform Now. See www.livingwagecampaign.org.

yond the local ordinances they're busy promoting.

They hope that, as the 2000 election season approaches, they can pressure Congress into passing another, larger minimum wage increase.

And they hope to put issues of economic inequality at the center of the country's political debate.

"These living-wage ordinances tend to be very narrow and affect just a tiny pocket of poor working families," said Robert Pollin, a Uni-

versity of Massachusetts economist and author of the 1998 book "Living Wage."

"But you have to start somewhere," Pollin continued. "The movement has given voice to people's sense that if someone is going to go to work, they should at least earn a living wage. Just the term 'living wage' is part of the policy culture now, in a way it wasn't a year two ago. . . . The debate in Congress is now being driven by these living-wage ordinances."

The Miami Herald

www.herald.com

TUESDAY, MAY 11, 1999

OPINION

JOHN C. KNIGHT (1934-1991)

The Miami Herald

JAMES L. KNIGHT (1906-1991)

EDITORIAL PAGES EDITOR ■ DOUGLAS C. CLIFTON EXECUTIVE EDITOR ■ LARRY OLNSTEAD MANAGING EDITOR ■ MARTHA MUSCROVE AND JIM F.

ADOPT THE LIVING WAGE

MIAMI-DADE COUNTY

The positive effects outweigh extra costs.

Now and then, government should be in the business of engineering social change. Promoting a "living wage" for Miami-Dade County and its contractors is one of those issues — and today is the time.

It's worth noting that three of the four sponsors of the living-wage ordinance on the Miami-Dade County Commission agenda are steadfast opponents of tax and fee hikes to meet budget demands. So it's a pleasant surprise to see Commissioners Natcha Millan, Javier Souto and Miguel Diaz de la Portilla promoting this proposed hourly wage base for the county and its contractors. The fourth sponsor is Commissioner Donna Rolle.

Together, they are asking colleagues to require the county to pay all employees a salary that's at least 10 percent above the 1997 national poverty level for a family of four. That would be a guaranteed hourly rate of \$8.56. In addition, the living-wage ordinance would require the county and all contractors to provide health-care insurance at the rate of \$1.25 an hour or else add the equivalent of that onto employees' wage.

Granted, this will increase county expenses, something that these commissioners must remember when setting tax rates. But good social policy doesn't come cheap, and this one is worth the price. Other county policies long have promoted rules — minority-set-aside programs and other contracting requirements, for instance — whose intent is to improve the lives of Miami-Dade residents. So will this one.

The ordinance has been fashioned in a manner sensitive to budget restrictions and the commission's own acknowledged reluctance to increase taxes. The living wage would be phased in over three years, at least. If the ordinance is adopted, it wouldn't be implemented for six months, affecting only new contracts made from then on. Forewarned, county numbers crunchers can adapt annual budgets to the higher wage requirements.

A Florida International University study estimates — with all available data — that it will "most likely" cost the county \$4.3 million in the first year of implementation, and \$360,000 the second and third years. The county's estimates run higher, up to \$16.5 million. The real price of this good-faith effort to bring more equity to residents likely falls somewhere in between.

What would the county get for its money? Well, in other metropolitan areas that have adopted the living wage, notably Baltimore, early results show a more-stable work force. That means less money to recruit and endlessly train new workers.

The community benefits from the multiplier effect. Higher wages mean people spend more money in the local economy. More people can qualify for home loans, which builds families and neighborhoods. Finally, a wage that includes health-care coverage or money to buy it means fewer people end up getting indigent health-care on the public's tab. But more important is fairness: Nobody should work for the public and remain in poverty because of it.

The Boston Globe

TUESDAY, MAY 13, 1997

Opinion

Robert A. Jordan

Boston needs the 'living wage'

THERE'S THE MINIMUM WAGE, THE prevailing wage, and now the living wage — the newest member of the wage family. Although the current federal minimum wage of \$4.75 will go up to \$5.15 Sept. 1, and the current state minimum wage is \$5.25 an hour, these wages would not be high enough to bring workers' wages to even the federal poverty line.

The "living wage," however, has a floor of \$7.49 an hour, which would equal the federal poverty level for a full-time employee supporting a family of four.

A coalition of labor, religious, and community groups are spearheading a strong campaign to bring the living wage to Boston. The coalition will lead a rally today at 5:30 p.m. at City Hall, followed by a 6 p.m. hearing on an ordinance to make the living wage a reality.

This proposed ordinance would apply to any company with more than 25 employees that receives from the City of Boston a loan, a major subsidy, or a tax break of more than \$100,000.

It would also apply to a company that receives a city contract of more than \$10,000. Subcontractors and leaseholders would be excluded. As drafted, the ordinance would require such firms to make an effort to do community-based hiring for nonconstruction jobs.

As supporters point out, the ordinance's goal is to utilize taxpayers' money to create decent jobs for Boston residents. By doing so, supporters further argue, the ordinance would also save taxpayers' money. The living wage would reduce the need for city money to subsidize day care, housing, and other city services.

The state's prevailing wage law, enacted in 1916, requires contractors to pay wages that reflect community standards for all publicly funded construction projects.

The living wage, in effect, is the prevailing wage for nonconstruction city projects.

Some critics argue the ordinance goes too far because it includes service organizations and nonprofit agencies. But it would be limited to such groups that receive very large amounts of funding from the city.

For these nonprofits, some supporters suggest the city provide any extra funds these organizations need to pay the living wage. The provision would help to gain more support for this bill.

Under the bill, the City Council could approve exemptions to the ordinance. The law would also have some teeth. There would be fines for noncompliance, wage restitution. And the city could also suspend contract payments to firms violating the law, as well as the company from future eligibility for city contracts.

Boston would not be the first city to enact a living wage law. Baltimore passed a similar law that started wages at \$6.10 and would increase to \$7.25 an hour.

Los Angeles recently passed a contract and subsidy living wage ordinance for companies that receive contracts for more than \$100,000. Under this ordinance, workers would be paid \$7.25/hour with subsidies, or \$8.50/hour without subsidies.

Other cities including New York, Minneapolis, Milwaukee, and Portland passed similar ordinances.

Opponents also argue the bill would lead to higher bids on contracts, which would cost the city more. But the evidence in other cities suggests otherwise.

In Baltimore, a study done a year after the city enacted its ordinance found that the bids did not come any higher when adjusted for inflation.

For owners and executives of large companies who oppose such a bill, proponents suggest these executives compare their own "living wages" to the proposed \$7.49 an hour living wage.

Although the proposed law has strong backers, it does not yet have the endorsement of all Boston City Council members.

Supporters hope to gain the backing of Boston Mayor Thomas M. Menino. His opposition is a bit puzzling, even his own supporters, since he reportedly backs both the minimum and prevailing wage laws.

Earning a decent living from a wage with a \$7.49/hour minimum is the prevailing theme behind the ordinance, and that is reason enough why it should

Robert A. Jordan is a Globe columnist.

The Oakland Tribune

FRIEND OF THE PEOPLE IT SERVES

Sunday

MARCH 22, 1998

EDITORIALS

Oakland should adopt Living Wage Ordinance

THE Oakland City Council seems to be on the road toward approving the Bay Area's first living wage ordinance. The Oakland Jobs and Living Wage Ordinance raises the minimum wage for workers at companies that do business with the city. While we have some concerns the ordinance could be interpreted as anti-business, on balance, we believe it is good for the city.

We support the Oakland Jobs and Living Wage Ordinance and urge the City Council to approve it.

The ordinance, drafted by Councilmember Ignacio De La Fuente's office after months of study, was recently approved by the council's community and economic development committee.

It increases the minimum wage to \$8 an hour for workers with health benefits, and \$9.25 an hour for workers who don't have benefits. Companies that have a service contract of \$25,000 or more or receive \$100,000 in financial assistance, city subsidies or tax breaks would be covered by the ordinance. The law is not retroactive.

In one version, the ordinance would have required the companies to give workers 20 paid days off a year and guarantee 16 hours of work a week. In response to concerns of the business community, the number of paid days off was reduced to 12 and the guarantee of work hours was dropped.

Representatives of the Chamber of Commerce wanted small businesses exempted from the ordinance; we think such an exemption would make the law more attractive.

Some critics, including Audrey Rice Oliver, Oakland mayoral candidate, warn it will scare business away from the city.

We understand the concerns, however, we don't think the ordinance as it is written would have that effect. It only covers businesses with city contracts. It's those contracts that attract the businesses; a living wage is simply one of the conditions of the contract. Analysts estimate the ordinance will effect only about 20 to 50 companies, primarily those that provide security guards, parking lot attendants and temporary workers. Built into the ordinance is a provision to reevaluate it in one year. A benefit to the city, especially in the case of security guards, would be that by offering higher pay, stricter qualifications could be required.

On balance, we think it will be good for the city's economy. As supporters point out, a higher minimum wage puts more money in the pockets of lower-paid workers who will therefore have more money to spend at city businesses. It puts into practice the belief that a living wage, as opposed to the growing disparity between rich and poor, creates a stronger economy. Supporters call it a strategy for economic development.

Furthermore, the studies of cities that have living wage ordinances indicate they have neither had a negative impact on the economy nor led to increased costs to taxpayers through higher priced city contracts.

We support the Oakland Jobs and Living Wage Ordinance. A move toward greater equity in wages is a step toward a stronger economy.

Provisions Rumored as Possible Amendments to Minimum Wage Legislation

Proposal	Description	Estimated Cost	Comments
<i>Tax-Law Provisions</i>			
Small business equipment deduction	Accelerate \$17,500 to \$25,000 increase in allowable first year deduction for equipment purchased by small businesses. \$25,000 deduction to be allowed in 2003 per 1996 MW act.	1999: \$19,000 2000: \$20,000 2001: \$24,000 2003: \$25,000 (?)Estimated 5 year revenue loss in 1996 was \$1.6 billion	How this is accelerated has big impact. We are probably OK if it is paid for.
R&D experimentation tax credit	Extend Credit for research and experimentation, due to expire June 30, 1999, for one year. (Our budget extends through June 30, 2000) Credit was extended in through May 31, 1997 in 1996 MW Act.	\$2.1 billion loss over five years from 1 year extension.	OK for permanent extension.
WOTC	Make permanent. Due to expire June 30, 1999. Our proposal is to extend to June 30, 2000.	\$415 million loss over five years from 1 year extension.	We should resist making it permanent, as it is a new program and we should assess its effectiveness before committing to it permanently.
Self-employed health insurance deduction	Accelerate 100 percent health deduction for self-employed, currently due to occur in 2005.	\$2.5 billion over 5 years ?	Not great, but just acceleration OK if paid for. Cost is a factor.

FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	\$1.3 – \$1.6 billion.	Very expensive. Doing this independently of other Administration-supported UI changes weakens the ability to achieve broad-based UI reforms and would conflict with the President's budget.
Tax Deduction for business meals	Increase somehow—once was 100 percent, now 50 percent. They want 80 percent.	\$3 billion	Oppose.
Business meals for small businesses	H.R. 3667, McCrery-Tanner (introduced 4/1/98)		Oppose.
Reduce max tax rate for small business	Limit tax on small business to 34 percent on net taxable income	??	Oppose.
Subchapter S corporations	Raise ceiling on number allowed on board to qualify ?		Oppose as unnecessary. The ceiling on the number of shareholders allowed in an S Corporation was raised from 35 to 75 last year.
Independent contractors	Make it easier to characterize what are now "employees" as "independent contractors."		We could support the Kleczka bill with minor modifications. We oppose other bills.
Pension incentives	H.R. 1590, Gejdenson-Gephardt-Bonior-Rangel-Clay (introduced 4/28/99)		We are generally favorable to it, although we do have concerns about a handful of provisions, some of which are quite controversial.

Pension changes to section 415	(a) (a) income calculation (c) employer pension plans	high 3 years raising the corporate aggregating mult-	We could use more information on these.
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Labor-Law Provisions

Anti-Ergo	Delay or prohibit OSHA rulemaking on ergonomics. Bond and Blunt bills.		Oppose.
Bonus	Reduces overtime pay by excluding bonuses form the calculation of base pay.		Oppose.
Volunteers	Allow workers to volunteer to work for their employers.		Oppose.
Inside sales overtime	Make salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople.		Oppose.
Helpers	Norwood bill H.R. 1012 "provides for the creation of an additional category of laborers or mechanics known as helpers under the Davis-Bacon Act."		Oppose.
Project Labor Agreements	Tim Hutchinson bill, S.1194, "prohibits discrimination in contracting on federally funded projects on the basis of certain labor policies of potential contractors."		Oppose.

Contractor Responsibility	Repeal or block proposed regulation that would allow contracting officer to take into consideration contractors record of obeying the law.		Oppose.
Indexing	Quinn bill.		We are not opposed to indexing in principle, but would examine it in its particular circumstances.
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at \$2.15.		Oppose.
Youth subminimum training wage			Such a subminimum has been authorized and assessed in the past. Virtually no one adopted it. We would oppose.
Subminimum wage for former welfare recipients			We already have the Welfare-to-Work tax credit that effectively achieves this hiring incentive for employers. Oppose as unnecessary (not to say punitive).
Lower wage increase or extended time frame for wage increase			Oppose.
Credit health insurance premiums to minimum wage obligation			Unlikely to support.
Amish child labor bill			Oppose. Single-agency veto threat by DOL.

Comp Time	Reduce employers' overtime pay requirements through comp time or flex-time changes.		Oppose.
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Provisions Rumored as Possible Amendments to Minimum Wage Legislation

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Self-employed health insurance deduction	Accelerate 100 percent health deduction for self-employed, currently due to occur in 2005.	\$2.5 billion over 5 years ?	Not great, but just acceleration OK if paid for. Cost is a factor.

FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	\$1.3 – \$1.6 billion./yr	Very expensive. Doing this independently of other Administration-supported UI changes weakens the ability to achieve broad-based UI reforms and would conflict with the President's budget.
Tax Deduction for business meals	Increase somehow—once was 100 percent, now 50 percent. They want 80 percent.	\$3 billion/5 yr?	Oppose.
Business meals for small businesses	H.R. 3667, McCrery-Tanner (introduced 4/1/98) \$5 million cap		Oppose.
Reduce max tax rate for small business	Limit tax on small business to 34 percent on net taxable income	??	Oppose.
Subchapter S corporations	Raise ceiling on number allowed on board to qualify?		Oppose as unnecessary. The ceiling on the number of shareholders allowed in an S Corporation was raised from 35 to 75 last year.
Independent contractors	Make it easier to characterize what are now "employees" as "independent contractors."		We could support the Kleczka bill with minor modifications. We oppose other bills.
Pension incentives	H.R. 1590, Gejdenson-Gephardt-Bonior-Rangel-Clay (introduced 4/28/99)		We are generally favorable to it, although we do have concerns about a handful of provisions, some of which are quite controversial.

Pension changes to section 415	(a) (a) income calculation (c) ~~.....~~ employer pension plans	high 3 years \ raising the corporate aggregating multi-	We could use more information on these.
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Labor-Law Provisions

Anti-Ergo	Delay or prohibit OSHA rulemaking on ergonomics. Bond and Blunt bills.		Oppose.
Bonus	Reduces overtime pay by excluding bonuses form the calculation of base pay.		Oppose.
Volunteers	Allow workers to volunteer to work for their employers.		Oppose.
Inside sales overtime	Make salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople.		Oppose.
Helpers	Norwood bill H.R. 1012 "provides for the creation of an additional category of laborers or mechanics known as helpers under the Davis-Bacon Act."		Oppose.
Project Labor Agreements	Tim Hutchinson bill, S.1194, "prohibits discrimination in contracting on federally funded projects on the basis of certain labor policies of potential contractors."		Oppose.

Contractor Responsibility	Repeal or block proposed regulation that would allow contracting officer to take into consideration contractors record of obeying the law.		Oppose.
Indexing	Quinn bill.		We are not opposed to indexing in principle, but would examine it in its particular circumstances.
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at \$2.15.		Oppose.
Youth subminimum training wage			Such a subminimum has been authorized and assessed in the past. Virtually no one adopted it. We would oppose.
Subminimum wage for former welfare recipients			We already have the Welfare-to-Work tax credit that effectively achieves this hiring incentive for employers. Oppose as unnecessary (not to say punitive).
Lower wage increase or extended time frame for wage increase			Oppose.
Credit health insurance premiums to minimum wage obligation			Unlikely to support.
Amish child labor bill			Oppose. Single-agency veto threat by DOL.

Comp Time	Reduce employers' overtime pay requirements through comp time or flex-time changes.		Oppose.
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