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Minimum Wage

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001. list	re: Living wage meeting [Personally Identifiable Information] [partial] (1 page)	06/17/1999	b(6)
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COLLECTION:

Clinton Presidential Records
National Economic Council
Bill Dauster
OA/Box Number: 15246

FOLDER TITLE:

Minimum Wage

2016-0531-F

jm1816

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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Living Wage Meeting
2:00 Thursday June 17
248 OEOB

Jared Bernstein
Holly Fechner
Earl Gohl
Susan Green
Jerry Hartz
Jennifer Kern
Steven L. Kest
Chris Owens
Geri Palast
William Samuel
Christine Silvia

(b)(6)

<Gohl-Earl@dol.gov>

<Jerry.Hartz@mail.house.gov>

cowens@aficio.org

csilvia@aficio.org

[001]



William G. Dauster

06/02/99 04:14:44 PM



Record Type: Record

To: jon.talisman@do.treas.gov @ inet
cc: Carl Haacke/OPD/EOP@EOP, Brian V. Kennedy/OPD/EOP@EOP
Subject: Minimum Wage Rumors

Jon,

Thanks for agreeing to help us out evaluating and costing out minimum wage tax rumors. Below Carl Haacke's table (which may reflect some preliminary conversations with Len) is attached. In addition, let me report that House Democrats are considering (confidentially) the following package (in whole or in part or with additions) to persuade their Blue Dogs:

speed up the 100% deductibility of small bus health to immediate
WOTC permanent
a pension proposal sought by the building trades for section 415 of the pension law
a Daschle-Gephardt \$1000 tax credit to start pensions
increase business meal deduction to 80%

Any help your office could provide in nailing down the cost or quality of these proposals would be appreciated (both here and at the House). Thanks very much.

Bill

----- Forwarded by William G. Dauster/OPD/EOP on 06/02/99 04:05 PM -----

Carl Haacke 06/02/99 02:42:37 PM

Record Type: Record

To: William G. Dauster/OPD/EOP@EOP
cc:
Subject:



MW-tax.doc

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) Oppose
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



William G. Dauster

04/28/99 04:11:17 PM



Record Type: Record

To: Melissa G. Green/OPD/EOP@EOP

cc: Carl Haacke/OPD/EOP@EOP, Sally Katzen/OPD/EOP@EOP

Subject: Minimum Wage Vote

At 4:10, the Senate just voted 55 to 44 to adopt a Lott motion to table a Kennedy motion to recommit the Y2K bill to included a minimum wage increase (50 cents plus 50 cents).

100/44
No Kennedy?
165
4/28/99

Carl Haacke 06/03/99 08:39:44 AM

Record Type: Record

To: William G. Dauster/OPD/EOP@EOP, Brian V. Kennedy/OPD/EOP@EOP

cc:

Subject: DoL coming today at 1:00pm-room 248

Geri Palast

Darla Letourneau

Steve Heyman

✓ Earl Gohl

Laura Efrete

Carl

will be joinnig us in Room 248 at 1:00pm today to talk about DoL issues, priorities and coordinating with NEC.

June 4, 1999

MEMORANDUM FOR GENE SPERLING

FROM: BILL DAUSTER

RE: MINIMUM WAGE

Attached is Boston Mayor Menino's resolution calling for an increase in the minimum wage. The U.S. Conference of Mayors will consider the resolution at its annual meeting in New Orleans June 10-15.

Copies to Carl Haacke
Brian Kennedy

Resolution No. 14

Submitted By:

The Honorable Thomas M. Menino
Mayor of Boston

FEDERAL MINIMUM HOURLY WAGE RATE ADJUSTMENT

1. WHEREAS, the current federal minimum hourly wage rate is inadequate to raise families out of poverty; and
2. WHEREAS, the real value of the minimum wage continues to fall short since its highest level in 1968; and
3. WHEREAS, the purchasing power of the minimum wage continues to fall short and fails to allow families to make ends meet; and
4. WHEREAS, millions of workers paid by the hour earn at or below minimum wage and the majority of minimum wage workers are adults; and
5. WHEREAS, the poverty line for a family of four leaves many minimum wage earners unable to survive and they are the sole breadwinners for their households; and
6. WHEREAS, the majority of the average share of household income is earned by a minimum wage worker; and
7. WHEREAS, the income disparities between the races have been widening, not narrowing; and
8. WHEREAS, the minimum wage is one factor in these wide income disparities, as minorities work disproportionately in minimum wage jobs; and
9. WHEREAS, these minimum wage jobs often lack medical, sick or vacation leave, other benefits and job security; and
10. WHEREAS, these minimum wage jobs are a major factor in the decision of millions of workers who would likely drop out of the labor force because they see no future in such employment, but there are no other alternatives to raise a family; and
11. WHEREAS, many citizens who cannot survive on minimum wage seek alternatives outside the traditional job market that

may, at time, be destructive to them, their families, and the total society; and

12. WHEREAS, studies have shown that raising the minimum wage does not result in job losses.
13. NOW, THEREFORE, BE IT RESOLVED, that the federal minimum hourly wage rate should be increased to encourage significantly greater labor force participation and enable minimum wage job holders to support themselves and their families at income levels above the nationally defined poverty level.

Projected Cost: Unknown

SUSAN GREEN
Acting Assistant Secretary for
Policy, Deputy Assistant Secretary
for Policy
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room S-2312
Washington, D.C. 20210
TEL: 202/219-6197
FAX: 202/219-9216

FAX COVER SHEET

DATE: April 8, 1999

TO: Bill Dauster/Carl Haacke
456-2223

FROM: Susan Green

NOTE

Number of pages including cover sheet 3

Information contained in this facsimile message is privileged, confidential and protected from disclosure. If you think you have received this fax in error, if you do not receive all the pages, or if you have any problem receiving this transmission, please call 202/219-6197. Thank You

The Washington Post

MONTGOMERY

Weekly

THURSDAY, APRIL 8, 1999



"Something opened up in me to yearning," said Grace Odol, left, of her experience in the support group. Now an office manager, she talks with her new boss, Nan McCoy.

BY TOM ALLEN FOR THE WASHINGTON POST

From Welfare to Faring Well

Skills, Camaraderie Help Members of Support Group Leave Minimum-Wage Jobs

By BARBARA RUBEN
Special to The Washington Post

For a few months, Yvette Gray, 29, worked at Toys R Us. Then, bored with ringing up Barbie dolls and Barney videos at a cash register all day and frustrated at making minimum wage, she quit and went on welfare. Several months later, she got a cashier job at another store, but the tedium and worry about not having benefits set in again. And she quit that job as well.

Gray, who lives in Silver Spring, said she had a hard time picturing herself in anything but a perpetual cycle of dead-end jobs. Then she discovered an employment support group sponsored by the Montgomery County Housing Opportunities Commission, which operates an array of subsidized housing programs for county residents.

The group, which meets weekly at the commission's Kensington office to discuss job-seeking and work-related skills, encouraged her to articulate her dream job. For Gray, it was working with sign language.

Today, after taking sign language classes and spending six months as a volunteer with autistic children at an elementary school, Gray has a full-time job as an instructional aide at Ritchie Elementary School in Rockville, where she uses her sign language skills to help the students communicate.

"This is the first job I've ever loved going to," she said. "I can tell my daughter, who is 11, looks to me for inspiration."

Since it began 15 years ago, the employment support group, which is open only to those receiving subsidized housing through the housing commission, has helped about 1,500 residents gain the skills and confi-

dence to find career-oriented jobs. The commission offers free computer classes, including courses in word processing, spread sheets and the Internet, at its office and at the Shady Grove campus of Johns Hopkins University, which donates space and computers. Most classes are taught by volunteers.

Silver Spring resident Floretta Brown was on her way home from work at Hecht's when she saw a program flier on a bus seat. Until she took advantage of the computer classes, she said, she had been afraid to apply for jobs outside hourly wage retail work, fearing she would be rejected immediately because she couldn't use a computer.

After taking several computer classes, Brown began working last month as a concierge at Kensington

See JOBS, Page 4, Col. 1

MONTGOMERY

In Brief

Library Closing for Repairs

The Twinbrook Community Library in Rockville will close Saturday for nearly one year for major renovations.

Renovation projects will include installing a heating/cooling ventilation system, providing accessibility to the disabled and adding a quiet study room and a children's program area.

Rockville residents who normally use Twinbrook are encouraged to use the Aspen Hill Community Library, 4407 Aspen Hill Rd., or the Rockville Regional Library, 99 Maryland Ave.

Anyone who has reserved a book that has not been received before Twinbrook's closing will be contacted by the Department of Public Libraries, which will send the book to the branch of the customer's choosing.

Cable Channel Offering Course

Montgomery Community Television Inc., which operates cable Channels 21 and 49, will be offering courses in television field production this spring and is accepting applications.

Successful completion of the course provides participants with free use of professional equipment and facilities and the ability to produce television programs that are shown on the public access Channel 49. Any county resident or representative of a local nonprofit may enroll in the 10-week course, which starts in May. For registration information, call 301-517-8620.

— Nicole Lewis

Send short news items to *Weekly Briefs*, 1150 15th St. NW, Washington, D.C. 20071 or fax them to *Weekly Briefs* at 202-334-6138.

Pace of Wage Growth Slowed in Quarter

Slowdown Defies Textbooks As Figures Come in Face Of Tighter Labor Market

By ALEJANDRO BODIPO-MEMBA

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The U.S. economy continues to defy textbook economics as the pace of wage growth slows despite an ever-tightening labor market.

The employment-cost index—the government's best measure of how workers are compensated—rose a modest 0.4% in the first three months of 1999, a sharp deceleration from the 0.7% pace in the fourth quarter and the slowest quarterly rate reported since the government started keeping such statistics 17 years ago. Compared with a year earlier, the index was up just 3%, the slowest annual pace since mid-1997.

The slowdown is remarkable because it comes at a time when the U.S. labor market—already the tightest in nearly three decades—got even tighter, with the unemployment rate falling a tenth of a percentage point during the first quarter to 4.2%. For much of the 1990s boom, pay growth has been moderate, but wages finally accelerated last year as the unemployment rate fell.

As a simple matter of supply and demand, most economists believe that if the pool of available workers shrinks enough, the price companies pay for them should rise. And there's still no sign of labor de-

mand easing. In a separate report yesterday, the Labor Department said the number of first-time claims for weekly unemployment insurance fell by 20,000 last week to 294,000.

The slowdown in pay "is very surprising, I don't think anybody has a good answer," said Rick Egelton, an economist for Harris Bank/Bank of Montreal, who, like many economists, had been expecting a jump of 0.8%. One popular theory is that the U.S. is now fully enjoying the cycle of low inflation: with prices stable for so long, workers' wage demands are no longer

pumped up by fears that escalating prices will erode their paychecks. "We've seen a decline in the measured rate of inflation, which may be lowering inflation expectations," said Mr. Egelton.

Similarly, employers argue that in this low-inflation environment they can't pass on cost increases to customers and thus are pushing harder against wage demands. The Oregon chapter of the National Electrical Association, which represents 4,400 electricians in the Pacific Northwest, recently signed a three-year contract with

Please Turn to Page A4, Column 4

Continued From Page A2

average annual wage increases of 3%—down from the 3.5% raises in the earlier contract. "The union did ask for more, but the contractors basically said, 'If we pay you more, you are going to get less work,'" said Laurence R. Smith, a union leader.

The news may not be great for workers: "We're all underpaid," Mr. Smith gripes. But it's good for companies, and for investors and policy makers worried about the possibility of inflation. A slowdown in compensation helps explain why profits for many companies rebounded in the first quarter. It also lowers the odds of an imminent rate increase by the Federal Reserve, which has been concerned that higher wages would soon force companies to start raising prices.

The bond market, which is highly sensitive to any hints of inflation, rallied on the news. In late trading yesterday, the Treasury's 30-year bond was up 25/32, or \$7.8125 for each \$1,000 in face amount. Its yield fell to 5.522% from 5.578% late Wednesday, as bond yields move inversely to prices.

"It caught everybody off-guard," said Rob McCool, senior bond trader at First Chicago Capital Markets Inc. in Chicago. "My immediate impulse was to buy, but I couldn't get anything because prices ran up."

Wages and salaries, which account for more than three-fourths of the cost index, rose 0.5% for the quarter ended March 31, down from a 0.7% rise in the prior period. Compared with a year earlier, pay was up 3.3%. Benefits, such as health insurance, rose by a paltry 0.3% in the first quarter, down from a 0.6% jump in the previous period. Over the past year, benefit costs rose 2.3%. The combined pay and benefits now amount to an average of roughly \$20 an hour.

Some analysts dismissed the data as a blip. "You can't draw a strong conclusion from one quarter of data," said Lawrence F. Katz, a labor expert at Harvard University. In particular, the index was dragged down by a 0.7% drop in compensation during the quarter for financial-services workers—the likely result of lower bonuses because of market turmoil last year. "The index may overstate the impact of lower Wall Street bonuses on total wage costs," said Ian Shepherdson, an economist with High Frequency Economics in Valhalla, N.Y. The number, he added, "is just implausible."

Still, compensation was muted in many sectors. For service workers as a whole, pay and benefits inched up just 0.1%, compared with 0.8% in the previous period. In the transportation and utilities sector, compensation was flat in the first quarter. Continental Express Airlines, for example, has kept labor costs from encroaching into profits by limiting profit-sharing for its pilots in a five-year contract signed recently. "The pilots only get something if the company earns more than \$650 million a year, while the other employees of the company get profit-sharing at whatever revenue level the company has," said James H. Moody, communications director for the Independent Association of Continental Pilots, which represents the pilots at the Houston-based unit of Continental Airlines.

Compensation growth for workers in goods-producing sectors, like construction and manufacturing did pick up, rising 0.8% in the first quarter compared with an increase of 0.5% in the fourth quarter.

Despite the slowdown in compensation growth, chief White House economist Janet Yellen said that workers were still enjoying "a pretty healthy real-income gain over the past 12 months." She noted that the 3% rise in the compensation index was still twice as high as the 1.5% rise in inflation.

While the weekly jobless-claims report showed continuing labor-market tightness, the Conference Board said its monthly help-wanted advertising index fell in March, indicating some slackening in hiring needs. The New York-based business-research group said its index fell to 88 in March, down four points from February, and also down from 92 a year earlier. Last month's dip may have been an "inconsistency," said Conference Board economist Ken Goldstein, citing the incompatibility of widely expected economic growth and a slowdown in hiring.

New-Home Sales Rose 2.1% in March, Adding to Optimism by Manufacturers

By ALEJANDRO BODIPO-MEMBA

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — New-home sales showed surprising resilience in March as robust gains in the West offset declines in other parts of the country.

The Commerce Department said sales of new single-family homes last month rose 2.1% to a seasonally adjusted annual rate of 909,000. The increase follows a 2% decline in February; sales that month were revised upward to 890,000 from 881,000.

"This is an exceptional report," said Paul Taylor, economist with America's Community Bankers in Washington. "The March figures are a response to the continued strong economy, rising consumer confidence and increasing household wealth in this country."

That may explain why manufacturing and construction industry executives are practically skipping into spring, with high hopes for a productive and profitable second quarter, according to surveys by Dun & Bradstreet Corp.

The financial information-services company said manufacturers are once again tapping the support of strong domestic demand, despite continued pressure from imports. On the export front, "there are indications that the manufacturing sector is strengthening," said Dun & Bradstreet chief economist David T. Kresge. "As our trading partners recover, the situation for U.S. manufacturers will strengthen further," he said.

In a March survey of 1,000 manufacturing executives, Dun & Bradstreet's Industrial Sentiment Index dropped to 25, shedding three points from February, but still two points higher than a year earlier. In a smaller survey of 200 construction executives, the outlook for orders jumped to 74, the highest level ever recorded in the 10-

year history of the monthly survey, a gain of 13 points from February and seven points higher than March 1998.

The strength in new-home sales was led by a tremendous 24% rise in Western states as the booming housing market showed renewed momentum. The rest of the country saw modest declines, such as 2.4% in the Northeast, 4.8% in the South and 6.4% in the Midwest.

Unusually mild weather helped to boost sales during winter, and many analysts had projected a gradual pullback by now. But economists now suggest strong housing demand may continue for a while.

"The warm weather is great for potential home buyers who are out looking for new homes," said James F. Smith, chief economist for the National Association of Realtors. "Obviously, there must have been great weather in the West, given [yesterday's] report."

The average price of a new home in March rose 0.5% to \$188,800, the highest level since February 1998, the Commerce Department said. But the median price fell 1.5% to \$153,000 last month.

The stock of unsold homes inched up to a 4.1-month supply last month from four months in February, leaving new-home inventories quite lean.

"That is good news for home builders and suggests home construction will remain strong this spring," said Mark Vitrner, economist with First Union Corp., Charlotte, N.C.

All figures are adjusted to reflect seasonal fluctuations.

—Tristan Mabry in New York
contributed to this article.

WSJ Journal Link: See the full text of the Commerce Department's report on March new-home sales in The Wall Street Journal Interactive Edition at <http://wsj.com>

Currency-Reserve Need Is Less, Greenspan Says

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Federal Reserve Chairman Alan Greenspan said the need for industrial countries to hold big reserves of foreign currencies is diminishing, but emerging-market countries ought to consider holding enough so they can go for as long as a year without tapping global capital markets.

In a speech at the World Bank, Mr. Greenspan argued that a major reason for the U.S. or Japan to hold foreign-currency reserves is so that their governments can buy their currencies in the open market if they want to bolster their values.

But, Mr. Greenspan argued, it's increasingly clear that such intervention by itself has "only a limited impact on exchange rates." The Japanese, he said, "barely budged" the yen's value last April when they spent \$20 billion buying yen on the open market to try to boost its value. The U.S. has intervened in foreign-exchange markets only once (in June 1998)

since August 1995, he noted.

Industrialized countries haven't tried to increase their reserves to keep pace with the large increase in foreign-exchange trading or cross-border financial flows, Mr. Greenspan said. Measured against the size of the global market, the size of foreign-exchange reserves held by industrial countries has declined.

For emerging-market countries, however, substantial foreign-exchange reserves are often viewed as insurance against default on foreign borrowing and as a way to sustain financial-market confidence. Mr. Greenspan urged emerging-market countries to focus both on their reserves and on their short-term foreign borrowing. He said he supports a suggestion first made by Argentina's deputy finance minister that countries should manage reserves and borrowing so they can always go a full year, if necessary, without new foreign borrowing.

Wage Growth In '99 Below Expectations

Economists Predicted More Gains for Workers

By RICHARD W. STEVENSON

WASHINGTON, April 29 — Despite declining unemployment and a shortage of workers in some industries, wage and benefit increases slowed markedly in the first three months of the year, the Government reported today.

The Government's broadest gauge of compensation, the employment cost index, rose just four-tenths of 1 percent in the first quarter, the Labor Department said. The quarterly increase — the smallest since the index was created in 1982 — was half what economists had been predicting, and showed that compensation growth has now slowed for two consecutive quarters even as joblessness has declined to a 29-year low of 4.2 percent.

The slowing was driven to some degree by a steep decline in bonuses paid to Wall Street executives following last fall's financial market turmoil and a decline in commissions earned by real estate agents as the housing market cooled.

A number of industries, including construction and retailing, showed accelerating wage gains, indicating that tight labor markets are benefiting some workers. And as they have since 1996, workers are still enjoying wage gains after accounting for inflation, a turnabout from long stretches in both the 1980's and 1990's when wages were stagnant or falling in inflation-adjusted terms.

But the overall slowing trend in compensation costs was pronounced in the first quarter, analysts said, and was in line with a slowdown in another key wage indicator, hourly earnings. With inflation dormant, the trend highlighted a conundrum that has economists and policy makers at the Federal Reserve scratching their heads: Why has the combination of steady growth and low unemployment not forced a run-up in wages and then prices as history and traditional economic models suggest it should?

"It does not appear to be a fluke," said Stuart G. Hoffman, an economist at the PNC Corporation in Pittsburgh. "No matter how you slice it or dice it, the story is

the same, that total compensation and wages in particular have actually been rising more slowly in the face of a declining unemployment rate over the last several quarters."

The report suggested that there were no inflationary pressures building in the economy and that compensation costs were unlikely to squeeze corporate profits. Bond prices and blue-chip stocks rallied, pushing the Dow Jones industrial average up 32.93 points, to 10,878.38, its third consecutive record close.

The four-tenths of a percent increase in the employment cost index in the first quarter followed a seventenths of a percent rise in the fourth quarter of last year and a nine-tenths of a percent jump in each of the two previous quarters.

The figures showed a 3 percent increase in wage and benefit costs for private industry in this year's first quarter compared with the same period last year. That was down from a 3.5 percent year-to-year comparison in last year's fourth

quarter and a 3.8 percent increase in the third quarter.

Wage growth in private industry was up 3.3 percent in the first quarter compared with the period a year earlier.

Overall compensation costs were also held down by a decline in the growth of benefit costs. Benefit costs were up just three-tenths of a percent in the first quarter, half the rate of the previous quarter, belying predictions that resurgent medical costs would lead to increased health care expenses for businesses.

To a large extent, economists said, the explanation for the slowdown in compensation appears to rest with the realization among employees that inflation is no longer eating away at the purchasing power of their paychecks. Consumer prices last year rose only 1.5 percent, meaning that even a 3 percent wage increase still puts them ahead of the game.

"We're seeing nominal wages being pulled back down by lower inflation expectations," said James F. O'Sullivan, an economist at the Morgan Guaranty Trust Company. "Both workers and companies were surprised by how low inflation was last year, due in part to lower oil prices."

With wages in private industry having grown 3.9 percent last year and inflation at 1.5 percent, workers enjoyed a real wage increase of 2.4 percent last year, the best in two decades, Mr. O'Sullivan said.

At the same time, companies are making extra efforts to hold down their costs because intense global competition has left them with little ability to raise prices to maintain their profit margins. When they do agree to wage increases, they often demand flexibility from workers in helping the company be more efficient and productive.

Increases in the last several years in the rate of productivity growth have helped companies to absorb higher compensation costs without putting undue pressure on either prices or profits. Economists are debating whether the absence of inflation results from temporary factors like low oil prices, cheap imports and weak economies in much of the rest of the world, or some fundamental improvement in the economy's capacity to grow and create new jobs without igniting inflation.

At the Wisconsin Central Transportation Corporation, a small rail line serving the upper Midwest, 300 locomotive engineers recently approved a union contract that gives them a 3 percent pay increase this year and 2 percent next year. The pay increase was coupled with an agreement to formalize flexible staffing rules that allow the rail line, which is trying to build a business on tracks abandoned as unprofitable by bigger carriers, to respond to the needs of its customers.

"The wage increases we're talking about here are above the rate of inflation," said Ann G. Thoma, a spokeswoman for the railroad. The local union representative, Ken Davis, said he was "very pleased with the result."

When the United Steelworkers of America agreed to a deal with the RMI Titanium Company in Niles, Ohio, this month, it concentrated on winning improvements in its pension package and in job security. The pay increase was 50 cents an hour for five years, or a little over 3 percent a year for a worker earning \$14.50 an hour. RMI is a unit of USX.

"It's a modest wage increase that keeps us up with inflation," said Ray Raschilla, the unit chairman of the union's Local 2155-7. "We had a lot of issues that needed to be addressed quickly, and to be honest it would have been too expensive to hit every area."

Wage increases are being held down, especially in manufacturing, by a persistent fear among workers about losing their jobs despite the strong economy, said Calvin A. Campbell Jr., chairman and chief executive of Goodman Equipment, a maker of mining machinery in Bedford Park, Ill. Unemployment may be low but the pace of layoffs in many industries is high, he said.

"Obviously sometimes you have to find someone with a particular talent, and you may see some wage pressure there," said Mr. Campbell, who is chairman of the National Association of Manufacturers. "But that's in the minority. Growth is slowing and a lot of companies will be cutting back or not expanding. Fewer workers will have a tendency or desire to jump jobs."

The New York Times

FRIDAY, APRIL 30, 1999

Government Loosens Standards On Tuna Deemed 'Dolphin-Safe'

By CONSTANCE L. HAYS

In a decision that has outraged many environmental groups, the Commerce Department yesterday announced that it was broadening the definition of "dolphin-safe" tuna to include fish caught by a method that was banned under a 1990 law.

The method is used by fishermen from Mexico and Venezuela, among other countries, and uses nets a mile wide to capture tuna in the tropical waters of the eastern Pacific Ocean. Fishing boats using the nets chase schools of dolphin and encircle them, since tuna often swim just below the dolphins. The practice has been condemned by animal-protection groups because they say that chasing the dolphins separates mothers from infants and causes stress and injuries. But proponents of the method say dolphins usually wriggle free on their own or with fishermen's help.

"It's a cruel, inhuman method, and to call it dolphin-safe is just a Government-sanctioned consumer fraud," said Nancy Blaney, director of Federal Government affairs for the American Society for the Prevention of Cruelty to Animals, which has joined with 85 environmental groups to protest the decision.

Ms. Blaney and others said pressure from Mexico, whose tuna has been banned in the United States since the law went into effect, had

influenced the change.

Terry D. Garcia, the Assistant Secretary of Commerce for oceans and atmosphere, said the change was "an interim finding" and was based on research that found little evidence that encirclement fishing was harming three dolphin species that are considered depleted: the Northeastern offshore spotted dolphin, the coastal spotted dolphin and the Eastern spinner.

"With this change in the definition, consumers can still be confident they are purchasing dolphin-safe tuna," Mr. Garcia said.

As for international pressure, he said, "Certainly, the Mexicans were anxious to see it lifted, but there was pressure from all sides."

A provision in the International Dolphin Conservation Program Act, which went into effect in 1997, requires the Commerce Department to research the effects of encirclement fishing on depleted species.

Dolphin deaths have decreased from 133,000 in 1986 to 2,000 last year, Mr. Garcia said. Using the Commerce Department's most recent studies, he said, "We cannot conclude that encirclement as a method of fishing for tuna causes significant adverse impact on these depleted stocks of dolphins."

A final ruling will be made in 2002, after further research, he said.

Home Test for Hepatitis C Will Soon Be Available

WASHINGTON, April 29 (AP) — People who are reluctant to visit a clinic to be tested for the dangerous liver virus hepatitis C can soon use the first device for home testing to tell if they have the disease.

An estimated 3.9 million Americans have hepatitis C, which some doctors call a hidden epidemic because many people do not know they have it.

Last fall, the Government began a campaign to persuade people at high risk to be tested, starting with anyone who received a blood transfusion before 1992, when good testing of the blood supply began.

The home test, developed by Home Access Health Inc., was approved by

the Food and Drug Administration on Wednesday. The Hepatitis C Check, as it is known, offers people the choice to be tested anonymously.

Sharing intravenous drug needles causes 60 percent of hepatitis C cases, but blood transfusions before 1992 are estimated to have led to the infection of 300,000 Americans.

The test, which the company said would cost less than \$70, will go on sale in June. It does not require a prescription. The test kit includes a special lancet that is used to prick a finger. A few drops of blood are then to be put on special paper and mailed to Home Access Health's laboratories. Results are to be available within 4 to 10 business days, and the

company will offer counseling and referrals to doctors.

The home test shows whether a person has ever been infected with hepatitis C, but it cannot tell if that infection is active. Most people with the virus develop a chronic, simmering infection that they can spread to others. Users of home tests will have to see a doctor to tell whether they have that infection.

Among those who should be tested are anyone who ever injected drugs, even once as a teen-ager 20 years ago; those who have had sex with an injecting drug user; hemophiliacs who used clotting factors before 1987 and recipients of organ transplants before 1992.

The New York Times

FRIDAY, APRIL 30, 1999

Labor Costs Rose 0.4% In Quarter

U.S. Cites Scant Inflation Pressure

By JOHN M. BERRY
Washington Post Staff Writer

Despite tight labor markets almost everywhere in the country, labor costs are rising so modestly that they are putting virtually no pressure on most firms to raise prices, according to a government report released yesterday.

The Labor Department said its employment cost index rose 0.4 percent in first three months of the year, the smallest seasonally adjusted gain for any quarter since 1982, when the department began tracking figures on the current basis. Over the past 12 months, the ECI increased 3 percent, down from 3.7 percent for the year ended last September, which was the lowest reading in two years.

The good news for workers was that even with only a 3 percent gain in compensation—wages and salaries were up 3.3 percent and the cost of benefits up 2.3 percent—they stayed well ahead of inflation, since consumer prices were up only 1.7 percent over the same period.

The report caught many financial analysts off guard. Most had been expecting an increase for the first quarter of twice the size of that reported.

With low joblessness apparently not causing wages to rise more rapidly, employers aren't incurring cost increases that could push them to raise the prices of the goods and services they sell. As a result, a number of analysts said the Federal Reserve is unlikely to raise short-term interest rates any time soon even if the economy continues to grow faster than Fed officials have forecast.

Other figures released this week concerning strong new orders for durable goods, record sales of existing homes and a decline in initial claims for unemployment benefits all pointed to continuing solid economic growth. This morning the Commerce Department will report its advance estimate for the economy's first-quarter growth rate, predicted by several forecasters to be 3.5 percent or more—about in line with last year's 4 percent increase but well below the 6 percent pace of the final three months of last year.

Economist Stan Shipley of Merrill Lynch & Co. in New York said that in the first quarter, strong productivity gains combined with the very modest increase in labor costs probably allowed firms' profit margins to widen even if they were unable to raise their prices.

"Companies cannot pass along higher labor costs and as a result they are holding the line on compensation gains. Performance-based compensation, such as stock options, are increasingly used to attract new employees and keep existing ones," Shipley said.

"Additionally, [inflation-adjusted] wage gains are near their 30-year high," he said. "As a result, workers are not asking for unsustainable wage advances."

Analysts and policymakers pay close attention to the ECI because it tracks employers' costs for thousands of different jobs, for both wages and salaries and benefits, such as vacations, health insurance and bonuses. The ECI also is not affected by shifts in employment among industries with different levels of pay.

Among the significant factors in the gradual acceleration of the ECI's rate of increase beginning in late

1997 were very large pay gains for workers in the finance, insurance and real estate sector. Pay for em-

ployees of mortgage brokers soared, in large part because of a huge jump in home mortgage refinancings as mortgage interest rates fell. More recently, refinancing activity has slowed and so have pay increases in that area.

In addition, over the past six months compensation in the insurance industry hasn't gone up at all, according to the ECI, because of declines in commissions paid on sales of insurance products.

As a result, the finance, insurance and real estate part of the ECI declined 0.7 percent in the first quarter, a key reason wages and salaries were up only 0.5 percent, compared with 0.7 percent in the October-December period and 1.1 percent in the three months before that.

Some analysts questioned the ECI figures because they were so surprised that labor costs appear to be rising more slowly despite strong U.S. growth and an unemployment rate of 4.2 percent, the lowest in almost 30 years.

Ian Shepherdson, chief U.S. economist for High Frequency Economics in Valhalla, N.Y., said: "This looks great, but we don't believe it for a minute. The rise in wages and salaries was well below the 0.8 percent rise in the familiar hourly earnings numbers over the same period. Previously the two series tracked each other reasonably closely."

"It is just implausible that wage costs are rising at an annualized rate of 2 percent, as implied by these data," Shepherdson said.

The Washington Post

FRIDAY, APRIL 30, 1999

NAMES & FACES

Guess Who's Coming to Dinner?

Where else can you witness **Jennifer Lopez** asking **Donna Shalala** to pass the butter?

Probably nowhere but this Saturday's White House Correspondents' Dinner, the closest that Washington gets to Oscar-style celebrity overload. Actress Lopez and the health and human services secretary are both invitees of *People* magazine.

Among journos, competition is keen to snag the best guests. This year, it seems, past headliner *Vanity Fair* may have fallen by the wayside. While VF guests **Val Kilmer** and **Ron Howard** are none too shabby, *George* magazine has snagged **Claire Danes**, **Larry Flynt**, **Tom Ford**, **Sean Penn** and **Hunter Thompson**. Not to mention the editor himself—**John F. Kennedy Jr.**

Back to the '50s

It was the **Colin Powell** show. Powell looking cool in his shades. Powell crooning to "How Sweet It Is (To Be Loved by You)" and Powell helping his "Roll" team beat the "Rock" team in a golden-oldies "Name That Tune" competition. All for a good cause: the Best Friends Foundation, which encourages adolescent girls to postpone sex and reject drugs and alcohol. The event at the Marriott Wardman Park Hotel raised more than \$1 million. Powell and his wife, **Alma**, **Elayne Bennett** (founder and president), **Bill Bennett**, **Margaret Carlson**, **Paul Berry**, **Tim Russert**, **Robert Duvall** and 500 others munched on Cheez Whiz, Cracker Jack and root beer floats and danced in poodle skirts and capris.



Diana Ross and husband-of-13-years Arne Naess are singing "Where Did Our Love Go?"

Off Again, On Again

Relationship roundup: That fun-loving all-American couple **Pamela Anderson** and **Tommy Lee** are back together. Never mind that the former "Baywatch" star, who recently removed her breast implants, and her rocker hubbie were divorced last year after he was arrested for hitting her while on probation for attacking a photographer. (Lee later was ordered to stay 100 yards away from the mother of his two children.)

Now living in Malibu, they hope to "create a new, safe platform for their family," says their publicist.

"It's been a long, hard year, full of lessons and insights," they said in a statement released Thursday. "We went through a lot of pain while we were separated. And we both learned a lot about what's really important" . . . Where did the love go? Singer **Diana Ross**'s husband says his 13-year marriage to the former Supreme is over. "Yes, we have separated," **Arne Naess** told a Norwegian television station this week . . . **Ellen DeGeneres** and **Anne Heche** appear to be getting closer to some kind of marriage-type ceremony. They've been spotted with rings both engraved with the word "wife."

Bewitched and Bothered

Marilyn Manson cut short his concert in Cedar Rapids, Iowa, Wednesday night and abruptly walked off the stage when he realized someone had stuck a large yellow smiley face on a stage prop. The resulting rowdiness ended in

23 arrests.

The crowd of 4,765 appeared stunned when Manson—already the target of criticism this week alleging that his shocking style influenced the Littleton, Colo., school shootings—became angry and quit mid-song. Some in the crowd later swarmed Manson's tour bus. There were several scuffles between officers and concertgoers, but no reports of injuries.

—Compiled from staff and wire reports by Janelle Erlichman

The Washington Post

FRIDAY, APRIL 30, 1999

June 3, 1999

MEMORANDUM FOR GENE SPERLING

FROM: BILL DAUSTER
CARL HAACKE
BRIAN KENNEDY

RE: MINIMUM WAGE

Howls Article "Partly helpful"
OS 6/3/99

In the Senate, as you recall, Senator Kennedy brought up the minimum wage April 28. The Senate voted along party lines 55 to 44 (Senator Moynihan was out) for Leader Lott's motion to table Senator Kennedy's motion to recommit the Y2K bill with a minimum wage amendment.

Senator Kennedy now plans to offer the minimum wage amendment wherever and whenever he can identify an opportunity. That is, the Senate game plan has settled into waiting for legislative opportunities, which Leader Lott is loathe to provide. Senator Kennedy also hopes to gain the votes of moderate Republicans, but he has few concrete prospects as yet.

More is brewing behind the scenes in the House. There the Republican Leadership does plan to bring up a minimum wage bill, but will link it to a series of special favors to small business. The bill's timing is thus tied to larger tax strategy. Democratic House staff speculate that Republican Leadership will not move the minimum wage bill until after moving the larger tax out bill. Republicans expect that the President will veto that larger bill, and that Congress will then want to move a smaller tax bill for the President to sign. The smaller, subsequent bill could tie tax extenders and small business favors together with the minimum wage.

(Cap Quinn)

The Republican Leadership would like to increase the minimum wage by a dollar over the longest time for which they can get the votes. Congressman Shimkus's proposal, for example, would raise the minimum wage by a dollar over 5 years. The rumor is that Congressmen Shimkus and Largent and perhaps others are courting moderates for the Leadership.

At the other end of the Republican Caucus, Congressman Quinn would raise it over 3 years (and then index it). Secretary Herman is meeting Congressman Quinn shortly. House staff feel that there are 20 to 30 moderate Republicans who might be susceptible to voting for a strong version of the minimum wage. Legislative Affairs is working up a list of up to 40 Republican House Members who may for one reason or another feel the need to vote correctly on minimum wage, guns, managed care, or other hot issues this session.

So far, Blue Dog Democrats have resisted overtures to change the number of years over which to raise the wage. Congressman Bonior believes, however, that Democrats will need to offer their own set of small business tax benefits to maintain support among moderates. Congressman Bonior is now developing his list of potential tax provisions. Among those he is considering are:

- speeding up the 100 percent deductibility of small business health;
- making WOTC permanent;
- a pension proposal sought by the building trades for section 415 of the pension law;
- a Daschle-Gephardt ~~\$1000 tax credit to start pensions;~~
- ~~increasing the business meal deduction to 80 percent; or~~
- ~~reducing the FUTA tax from 0.8 percent to 0.6 percent.~~

We have asked Treasury tax policy to evaluate these options.

Other proposals that Republicans have been rumored to be considering include:

- accelerating the ~~\$17,500 to \$25,000~~ increase in the allowable first year deduction for equipment purchased by small businesses;
- extending the R&D experimentation tax credit; or
- loosening Subchapter S corporation rules.

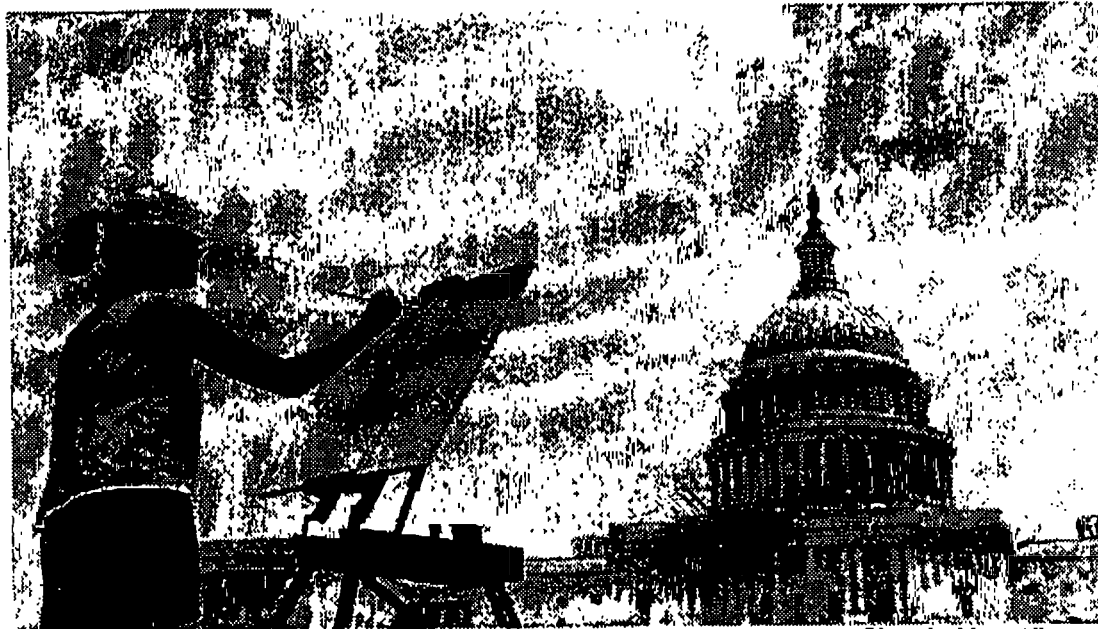
Rumors about Republican provisions also include labor-related provisions, including:

- maintaining the minimum wage for tipped employers at \$2.15;
- making salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople; or
- some variation on Comp Time legislation.

We will coordinate an analysis of all these proposals.

For background, in case you missed it, the attached article from today's *Roll Call* highlights how small business interest groups are working both sides of the aisle to get tax benefits in the minimum wage bill.

BRUSHING UP



Nicole Bourgea, a recent high school graduate, took advantage of Tuesday's warm weather to paint her impression of the Capitol. Bourgea will be studying art at Providence College in the fall.

Photo by Maya Alleruzzo

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Wage Bill Gets Unusual Support

Business Lobbyists Quietly Working With Democrats

By Ethan Wallison

Wading into the new majority politics of the House, business groups are playing a key, behind-the-scenes role in structuring minimum wage legislation with the Democrats, sources said.

While it has been known that the groups, which all carry strong GOP

credentials, have been working closely with key Republicans involved in the minimum wage issue, their involvement with Democrats represents a significant departure from previous practice.

Insiders from both parties said the efforts are led by the National Restaurant Association and its chief federal lobbyist, Lee Culp, who is also registered as the principal contact for the Coalition for Job Opportunities, an industry umbrella group organized specifically to oppose a minimum wage hike.

The groups have been pressing lawmakers to include a list of as many as eight tax breaks or "sweeteners" in a minimum wage package, with the tacit understanding that more cooperation would mean less resistance to the final bill from the business community.

"[The business groups] know we're going to have a minimum wage bill this year, and I think they've got their back up against the wall — they don't have a choice" but to participate, said Fred Clarke,

Continued on page 18

HEARD ON THE HILL

By Ed Henry

Hefty Lefty? Sen. Edward Kennedy (D-Mass.) has shed about 40 pounds in recent months — turning himself into a lean, mean fighting machine — just in time for yet another re-election battle.

"Thin is in," a source close to Kennedy boasted to HOH.

The New York Post published photos this week of a svelte Kennedy — relatively speaking — celebrating the Memorial Day weekend with

Vitter Win Makes a Full Ho

Treen Bitter At Rival's Last-Minute Campaign Tactics

By John Mercurio

On the night that Rep.-elect David Vitter edged out David Treen in the all-Republican runoff to succeed ex-Rep. Bob Livingston (R), only one member of the Louisiana delegation, Rep. Jim McCrery (R), telephoned to congratulate the new House Member.

Since then, Vitter has spoken briefly with Rep. Chris John (D-La.)



Business Groups Working Quietly With Democrats on Wage Hike

Continued from page 1

spokesman for Minority Whip David Bonior (D-Mich.), who is drafting the Democrats' minimum wage bill.

Bonior has been working closely on his bill with the Caucus' conservative Blue Dog Coalition, which has emerged as the go-between in discussions with the business groups.

Rep. Jack Quinn (R-N.Y.), who has worked separately on a GOP minimum wage bill — and occasionally in concert with the conservative Democrats — acknowledged that the business groups have been playing both sides of the aisle.

"Given the fact that it's likely to pass — and [the business lobby has] a vested interest in the bill — why not get involved?" Quinn said, explaining the groups' mind-set. "It just seems logical."

"Officially, they are against [a wage hike]," noted one Democratic aide close to the discussions. "But they are definitely, unofficially, informally encouraging Members to reach an agreement."

Culpepper conceded that his group has been "in contact" with conservative Democrats — as well as moderate Republicans — but denied any direct involvement in crafting minimum wage legislation.

"There are shades of gray in something like this," Culpepper acknowledged, while insisting he would not "shop around some proposal" on Capitol Hill.

"Every business group has to eventually come to its own conclusion whether they'll be 100 percent against it, mostly against it or neutral — whenever or whatever it may be," he said.

Working with the restaurateurs are nearly all the top business lobbies, including the National Federation of Independent Business and the U.S. Chamber of Commerce, according to insiders. These organizations are also members of the job opportunities coalition.

Nelson Litterst, the top Congressional lobbyist for the NFIB, essentially echoed Culpepper's remarks, saying his group has been "talking" to Members of both parties about what their tax preferences are — and about their opposition to a wage hike.

"Our bottom line is that we're opposed to the minimum wage [hike], but there are also tax incentives that are good for our members," Litterst said. "As far as putting those two things together, we haven't seen that yet."

A spokesman for the chamber did not return repeated calls for comment.

Member organizations in the coalition gave



File Photo

Republican Rep. Jack Quinn has also been working on a minimum wage bill.

more than 90 percent of their contributions in the last election cycle to Republican candidates. Soft-money totals were even more lopsided, with many member groups — such as the restaurateurs — spending lavishly on Republican Party committees while giving no money to their Democratic counterparts.

The involvement by the business groups on minimum wage represents a sharp turnaround in tactics from previous years, when these groups would come out strongly against a minimum wage hike, then focus on keeping Republican allies in line.

Republican leaders have also shifted tactics. Faced with the likelihood of a voting majority for a wage hike, party leaders encouraged Quinn and other moderates to craft a GOP minimum wage bill that would include tax breaks for business.

"We're in the majority, let us get the credit," Quinn said. "Let us bring the bill, rather than oppose it, oppose it, oppose it — then have to vote for it anyway."

While wage hikes ultimately passed Congress with pro-business riders attached — the most recent being in 1996 — those amendments were

der strong political pressure to support the bill.

The restaurateurs have had perhaps the greatest stake in the wage debates because their industry relies on a disproportionately large population of minimum wage workers.

The shift on minimum wage dovetails with a larger business community trend of openness toward the Democrats, as the traditional GOP allies hedge their bets in the run-up to 2000. A recent survey by Congressional Quarterly found that 20 of 42 corporations that gave at least \$15,000 to the Democratic Congressional Campaign Committee in the last election cycle have already either matched or surpassed those gifts this year.

If the new dynamics have strengthened the Democrats' hand in Congress and in the bank, insiders suggested the consensus building may prove to be a political handicap for the party on the campaign trail.

Whereas in other years the party could use Republican resistance to a wage hike to galvanize support in the labor community, the involvement of the business community and Republican moderates — who would be the most likely election targets of organized labor — has now taken the edge off the issue.

Democrats remain leery with the involvement of the Republicans in crafting a minimum wage bill. While a top aide to House Minority Leader Richard Gephardt (D-Mo.) said the parties should work together on a wage hike, he added that "it's a pretty good bet" the Democrats will bolt from any bill that garners support from a majority of Republicans.

"The Republicans have definitely thrown a new wrinkle in this," one senior Democratic aide said. "If they put up a plan that divides our Caucus, that's the worst thing that can happen."

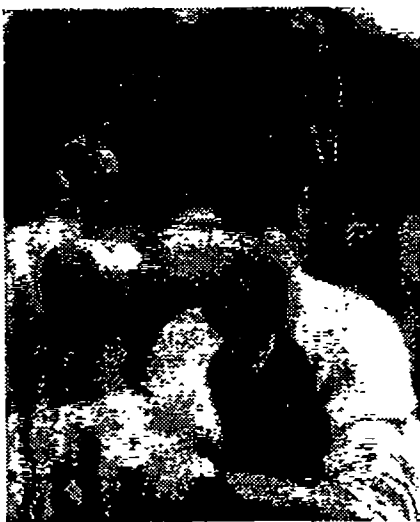
Quinn said he has warned GOP leaders against getting "too cute" in mixing a minimum wage proposal in with tax cuts. He speculated that too many tax cuts would prompt Democrats to introduce a straight wage hike as a motion to recommit on the House floor.

"I've told my leadership that if that happens, there may be a dozen Republicans — including myself — who will have to vote for that," Quinn said. "Given that, I think you have to be very careful that [the minimum wage

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Congresswoman **NYDIA M. VELAZQUEZ**

Representing New York's 12th Congressional District

FOR IMMEDIATE RELEASE

June 8, 1999



CONTACT: Dwayne Lawler
(202) 225-5875

VELAZQUEZ WORKS FOR SMALL BUSINESSES TAX BREAKS

(Washington, DC) -- As part of her continued efforts to strengthen the nation's small businesses, Congresswoman Nydia Velázquez (D-NY), Ranking Democrat of the House Small Business helped conduct a hearing today which focused on tax issues for small businesses.

"The hearing today is a good forum to discuss the issues that are in the forefront of the small business community," said Velázquez. "We examined several provisions which could help businesses on Main Street better compete with Wall Street."

"One of the most progressive and meaningful changes we discussed today was health insurance deductibility, which allows small businesses to deduct 100% of health insurance premiums paid by the self-employed," said Velázquez. "Together with the Chairman, I introduced a bill that would do this. Today, we discussed measures that would enable the self-employed to deduct health insurance premiums, putting them on a par with other businesses."

Other issues discussed included: raising the allowable amount that small businesses can deduct for capital costs; revising Federal Unemployment Tax Reduction status; and changing cash accounting methods.

"Another great concern to small businesses is finding ways to attract clients," said Velázquez. "The meal expense deduction is critical to small business owners who do not have large promotional budgets. Since small businesses cannot advertise in the same way larger companies can, they must rely on personal contact, meetings and meals together with their clients."

The Meal Tax Deduction applies only to small businesses, defined as those averaging less than \$5 million in annual gross receipts over the three preceding years. This provision would increase the meal expense deduction for small business gradually from the present 50% to 80%. Ten years ago business and travel meals were 100% tax deductible as ordinary and necessary business expenditures. Velázquez is a co-sponsor of a measure which would implement this initiative.

"Listening to the needs of small businesses with an open mind is the best way to help them succeed," said Velázquez. "We have started the climb today to make this nation's small business community even more successful."

###

.....
(Original Signature of Member)

106TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. TALENT (for himself, Mr. MCCRERY, Mr. ENGLISH, Mrs. BONO, and Mr. DEMINT) introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, and for other purposes.

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 "Small Employer Tax
5 Relief Act of 1999".

1 **SEC. 2. DEDUCTION FOR HEALTH INSURANCE COSTS OF**
2 **SELF-EMPLOYED INDIVIDUALS INCREASED.**

3 (a) IN GENERAL.—Paragraph (1) of section 162(l)
4 of the Internal Revenue Code of 1986 (relating to special
5 rules for health insurance costs of self-employed individ-
6 uals) is amended to read as follows:

7 “(1) ALLOWANCE OF DEDUCTION.—In the case
8 of an individual who is an employee within the
9 meaning of section 401(c)(1), there shall be allowed
10 as a deduction under this section an amount equal
11 to the amount paid during the taxable year for in-
12 surance which constitutes medical care for the tax-
13 payer, the taxpayer’s spouse, and dependents.”.

14 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-
15 ERAGE.—The first sentence of section 162(l)(2)(B) of the
16 Internal Revenue Code of 1986 is amended to read as fol-
17 lows: “Paragraph (1) shall not apply to any taxpayer for
18 any calendar month for which the taxpayer ~~participates~~
19 in any subsidized health plan maintained by any employer
20 (other than an employer described in section 401(c)(4))
21 of the taxpayer or the spouse of the taxpayer.”.

22 **SEC. 3. SMALL BUSINESSES ALLOWED INCREASED DEDUC-**
23 **TION FOR MEAL AND ENTERTAINMENT EX-**
24 **PENSES.**

25 Subsection (n) of section 274 of the Internal Revenue
26 Code of 1986 (relating to only 50 percent of meal and

1 entertainment expenses allowed as deduction) is amended
2 by adding at the end the following new paragraph:

3 “(4) SPECIAL RULE FOR SMALL BUSINESSES.—

4 “(A) IN GENERAL.—In the case of any
5 taxpayer which is a small business, paragraph
6 (1) shall be applied by substituting ‘the applica-
7 ble percentage (as defined in paragraph
8 (3)(B))’ for ‘50 percent’.

9 “(B) SMALL BUSINESS.—For purposes of
10 this paragraph, the term ‘small business’
11 means, with respect to expenses paid or in-
12 curred during any taxable year—

13 “(i) any C corporation which meets
14 the requirements of section 55(e)(1) for
15 such year, and

16 “(ii) any S corporation, partnership,
17 or sole proprietorship which would meet
18 such requirements if it were a C corpora-
19 tion.”.

20 **SEC. 4. INCREASE IN EXPENSE TREATMENT FOR SMALL**
21 **BUSINESSES.**

22 Paragraph (1) of section 179(b) of the Internal Reve-
23 nue Code of 1986 (relating to dollar limitation) is amend-
24 ed to read as follows:

1 “(1) DOLLAR LIMITATION.—The aggregate cost
2 which may be taken into account under subsection
3 (a) for any taxable year shall not exceed \$35,000.”.

4 **SEC. 5. REDUCTION OF MAXIMUM INCOME TAX RATE FOR**
5 **SMALL BUSINESS TAXPAYERS.**

6 Section 1 of the Internal Revenue Code of 1986 (re-
7 lating to tax imposed) is amended by adding at the end
8 the following new subsection:

9 “(i) TAX RATE ON CERTAIN SMALL BUSINESS IN-
10 COME.—

11 “(1) IN GENERAL.—Except as provided in para-
12 graph (4), if a small business taxpayer has taxable
13 income for any taxable year to which this subsection
14 applies, then the tax imposed by this section shall
15 not exceed the sum of—

16 “(A) a tax computed at the rates and in
17 the same manner as if this subsection had not
18 been enacted on the greater of—

19 “(i) taxable income reduced by quali-
20 fied small business income, or

21 “(ii) the amount of taxable income
22 taxed at a rate below 34 percent, plus

23 “(B) a tax of 34 percent of qualified small
24 business income in excess of the taxable income
25 that is subject to tax under subparagraph (A).

1 “(2) TAXABLE SMALL BUSINESS INCOME.—For
2 purposes of this subsection—

3 “(A) QUALIFIED SMALL BUSINESS IN-
4 COME.—The term ‘qualified small business in-
5 come’ means taxable income of a small business
6 to the extent such income does not exceed
7 \$5,000,000.

8 “(B) TAXABLE SMALL BUSINESS IN-
9 COME.—The term ‘taxable small business in-
10 come’ means, with respect to any taxable year,
11 the taxable income of the taxpayer for such
12 year attributable to the active conduct of any
13 trade or business of an eligible small business.

14 “(D) ELIGIBLE SMALL BUSINESS.—The
15 term ‘eligible small business’ means an S cor-
16 poration, partnership, limited liability company
17 or sole proprietorship, except that such term
18 does not include a personal service corporation
19 (as defined in section 469(j)(2)) unless such
20 corporation is a qualified personal service cor-
21 poration (as defined in section 448(d)(2)).

22 “(3) REGULATIONS.—The Secretary shall pre-
23 scribe such regulations as may be necessary or ap-
24 propriate to carry out the purposes of this section,
25 including regulations preventing the characterization

1 of income for purposes of compensation or personal
2 use as qualified small business income.”.

3 **SEC. 6. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.**

4 (a) IN GENERAL.—The text of section 3301 of the
5 Internal Revenue Code of 1986 is amended to read as fol-
6 lows:

7 “There is hereby imposed on every employer (as de-
8 fined in section 3306(a)) for each calendar year an excise
9 tax, with respect to having individuals in his employ, equal
10 to 6.0 percent of the total wages (as defined in section
11 3306(b)) paid by him during the calendar year with re-
12 spect to employment (as defined in section 3306(c)).”

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to calendar years beginning
15 after the date of the enactment of this Act.

16 **SEC. 7. CLARIFICATION OF CASH ACCOUNTING RULES FOR**
17 **SMALL BUSINESS.**

18 Section 446 of the Internal Revenue Code of 1986
19 (relating to general rule for methods of accounting) is
20 amended by adding at the end the following new sub-
21 section:

22 “(g) SMALL TAXPAYERS PERMITTED TO USE CASH
23 ACCOUNTING METHOD WITHOUT LIMITATION.—A tax-
24 payer shall not be required to use an accrual method of
25 accounting for any taxable year by reason of using mer-

1 chandise or inventory, if the average annual gross receipts
2 of such taxpayer (or any predecessor) for the 3-year-period
3 ending with such prior taxable year does not exceed
4 \$5,000,000. The rules of paragraphs (2) and (3) of section
5 448(c) shall apply for purposes of the preceding sentence.
6 In the case of a C corporation or a partnership which has
7 a C corporation as a partner, the first sentence of this
8 subsection shall apply only if such C corporation or part-
9 nership meets the requirements of section 448(b)(3).”

10 **SEC. 8. EFFECTIVE DATE.**

11 Except as otherwise provided in this Act, the amend-
12 ments made by this Act shall apply to taxable years begin-
13 ning after the date of the enactment of this Act.

June 17, 1999

MEMORANDUM

TO: BILL DAUSTER
FROM: JAYNA ZWEIMAN
RE: LIVING WAGE

Following are selected cities and their provisions for living wages.

SOMERVILLE, MA

WHEN PASSED: The Somerville Board of Alderman passed the provision in May 1999. The bill will be put into effect July 1.

VOTE: unanimous

WHO BENEFITS: Full and part time direct employees of the city of Somerville and employees of firms carrying out service contracts to the city for at least \$50,000 (the threshold will decrease to \$30,00 in 3 years and again to \$10,000 in 2 years after that)

PROVISIONS: The living wage is set at \$8.35 an hour, the poverty line for a family of four, and will be adjusted annually in accordance with the poverty guidelines.

ESTIMATED COST TO CITY: According to City Weekly, the wage requirement could cost the city \$500,000 for salaries in the school department alone.

MIAMI-DADE COUNTY, FL

WHEN PASSED: Miami-Dade Commission passed the measure May 27.

VOTE: 12-0

WHO BENEFITS: County workers and those employed by companies that contract with the county.

PROVISIONS: \$8.56 an hour including health benefits

ESTIMATED COST TO THE CITY: According to Florida International university's Center of Labor Studies, the measure will cost \$4.3 million in the first year and an additional \$360,000 in years two and three. However, the study also noted that 80% of the initial cost in payroll could potentially be saved through the reduction of government subsidies for the workers and their families.

CAMBRIDGE, MA

WHEN PASSED: Cambridge City Council passed the measure in MAY

VOTE: unanimous

WHO BENEFITS: city workers and employees of a majority of contractors who have contracts with the city of at least \$10,000. Nonprofit employers who obtain hardship waivers and or instances when the ordinance would conflict with state or federal laws are exempt.

PROVISIONS: \$10 an hour

HAYWARD, CA

WHEN PASSED: Hayward City Council approved the Hayward Living Wage Ordinance in April 1999.

WHO BENEFITS: Direct employees of the city as well as employees of certain firms contracting with the city for at least \$25,000.

PROVISIONS: no less than \$8.00 an hour if health benefits are being paid to employees and \$9.25 if health benefits are being paid. The wage will be upwardly adjusted annually with the annual 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 12 days paid vacation and 5 uncompensated days off per year. The ordinance also allows for the terms of collective bargaining agreement to provide that said agreement might supersede the requirements of the living wage ordinance upon mutual agreement of both parties. (ACORN)

MADISON, WI

WHEN PASSED: Madison City Council passed the ordinance in March 1999

VOTE: 4-1

WHO BENEFITS: City workers, employees of non-profits and private companies working under city contracts, and private companies that receive more than \$100,000 in city financial assistance.

PROVISIONS: The law ties the wage to the federal poverty level. It will begin at \$7.91 per hour this year and would increase to \$ 8.55 in 2000 and reach \$9.23--- 1000% of the poverty level for a family of four. The ordinance allows that terms of a collective bargaining agreement may supersede the requirements of the living wage ordinance.

ESTIMATED COST TO THE CITY: According to the Wisconsin State Journal, the cost for the living wage minimum would be \$66,000 in 2000 for public sector employees. The affect on the private sector is unclear.

DANE COUNTY, WI

WHEN PASSED: Madison City Council passed the measure March 1999.

VOTE: 13-5

WHO BENEFITS: city workers, employees of non-profits and private companies working under city contracts and private companies that get more than \$100,000 in financial assistance.

PROVISIONS: The law ties the wage to the federal poverty level. It would start at \$7.91 an hour this year, increase to \$8.55 in 2000 and reach 9.23 in 2001. By July 1, 1999 a Living Wage review council will make provisions for employers who do not include health benefits.

ESTIMATED COST TO THE CITY: According to the Wisconsin State Journal, one estimate put the cost at \$100,000 by 2001.

HUDSON COUNTY, NJ

WHEN PASSED: The Hudson county Board of Freeholders adopted the ordinance in January 1999.

VOTE: unanimous

WHO BENEFITS: all employees working of County service contractors employing security, food service, and janitorial work and employees working at least 20 hours per week on County contracts.

PROVISIONS: 150% the federal minimum wage, which is currently \$7.73 an hour. Contractors must also provide health benefits and one week paid vacation.

SAN JOSE, CA

WHEN PASSED: San Jose City Council voted in November 1998.

VOTE: 7-3

WHO BENEFITS: City workers and employees of firms with contracts with the city of at least \$100,000

PROVISIONS: The new wage is subject to adjusted annually based on the federal poverty rate. The new labor policy is estimated to benefit more than 800 workers in the next several years. Contractors are required to contribute at least \$1.25 an hour towards a worker's health benefits and to pay a minimum hourly wage of \$9.50. Contractors who do not provide health benefits are required to pay workers 10.75 an hour, plus an additional \$1.25 an hour intended to help pay for private insurance plans.

ESTIMATED COST TO THE CITY: According to AP, the cost will be about \$2 million

DETROIT, MI

WHEN PASSED: Detroit voters approved the living wage measure on November 3, 1998.

VOTE: 80%

WHO BENEFITS: employees of city service contractors or recipients of city financial assistance worth \$50,000 or more.

PROVISIONS: the federal poverty line wage, equivalent to \$7.70 an hour if health benefits are included and \$9.63 an hour if not.

MULTANOMAH COUNTY

WHEN PASSED: The Multonomah County Board passed a living wage policy in October 1998.

WHO BENEFITS: employees of county janitorial and security services, food service contractors.

PROVISIONS: \$9.00 an hour, adjusted annually by CPI. There is a retention provision requiring new janitorial contractors to first interview employees of the previous contractor before hiring new workers.

BOSTON, MA

WHEN PASSED: Boston city Council approved an amended version of a living wage ordinance in September 1998.

WHO BENEFITS: employees of companies receiving city service contracts worth at least \$100,000.

PROVISIONS: \$8.23 an hour adjusted to the CPI, or 110% the state minimum wage. Companies are required to report on jobs created and jobs paid.

PASADENA, CA

WHEN PASSED: The Pasadena City Council adopted a living wage ordinance in September, 1998 to be put into effect December 1, 1998.

WHO BENEFITS: employees of city service contractors who have contracts of at least \$25,000

PROVISIONS: \$7.25 an hour or \$8.50 if health benefits are not provided.

COOK COUNTY, IL

WHEN PASSED: Cook County board of Commissioners passed a living wage ordinance in September 1998.

WHO BENEFITS: employees of County contractors of any size and employees of a city agency that requires employment of non-city security guards, parking attendants, day laborers, home and health care workers, cashiers, elevator operators, custodial workers and clerical workers.

PROVISIONS: \$7.60 an hour. There are exemptions for non-profit organizations, Community Development block grants; President's Office of Employment Training, the Sheriff's Work Alternative Program, and the department of Correction inmates.

ESTIMATED COST TO THE CITY: 600,000 per year

CHICAGO, IL

WHEN PASSED: Chicago City Council voted in July 1998 and was enacted January 1, 1999.

VOTE: 49-0

WHO BENEFITS: employees of for-profit city contractors and subcontractors in the home and health care, security, parking, day labor, cashiering, elevator operation, custodial work and clerical work. Non-profits and training organizations are exempt

PROVISIONS: \$7.60 and hour

ESTIMATED COST TO THE CITY: \$4 million per year

SAN ANTONIO, TX

WHEN PASSED: The San Antonio City Council passed the ordinance in July 1998

VOTE: 7-4

WHO BENEFITS: Employees of companies with a tax break and other (see provisions)

PROVISIONS: Companies hoping to get a tax break from the city of San Antonio will have to pay a majority of their workers at least \$9.27 an hour. Under new rules, durable-manufacturing companies would have to pay \$10.13 an hour. Other jobs, such as aviation, technology, hotels and warehouses would have to pay at least \$9.27 an hour. For the first year of the abatement period, companies would have to pay only 80% of the new wage standards.

PORTLAND, OR

WHEN PASSED: The Portland City Council passed the ordinance first in 1996 and amended it in 1998.

WHO BENEFITS: janitors, parking lot attendants, temporary clerical service employees and security workers employed by companies contracted by the City.

PROVISIONS: \$7.50 an hour (beginning July 1, 1998 and \$8.00 beginning July 1999). Service contractors must offer medical benefits.

OAKLAND, CA

WHEN PASSED: In March 1998, Oakland City Council approved an ordinance for a living wage.

VOTE: unanimous

WHO BENEFITS: Employees of companies or non-profits that enter into service contracts with the city worth at least \$25,000 in subcontracts and/or firms that benefit from at least \$100,000 in city subsidies in a year.

PROVISIONS: \$8.00 an hour with health benefits or \$9.25 an hour without. Non-profits and the private sector are excluded.

DURHAM, NC

WHEN PASSED: The Durham City Council

WHO BENEFITS: Employees working on city projects and Durham City employees

PROVISIONS: \$7.55 an hour

DULUTH, MN

WHEN PASSED: Duluth city council passed a living wage ordinance in July 1997.

VOTE: 5-4

WHO BENEFITS: Employees of recipients of city economic development assistance of \$25,000

PROVISIONS: \$7.25 an hour or \$6.50 with health benefits. (Companies more must pay 90% of their employees a living wage)

MILWAUKEE, WI

WHEN PASSED: The Milwaukee City Council passed the ordinance in 1995 and amended it in 1996 and 1997

WHO BENEFITS: Employees of County contractors (Janitorial, security, and parking lot attendants)

PROVISIONS: \$6.25 an hour and indexed to increased wages of county employees.

NEW HAVEN, CT

WHEN PASSED: The Board of Aldermen passed the living wage ordinance in April 1997.

WHO BENEFITS: Employees of city service contractors

PROVISIONS: employees would be paid according to a wage that is 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 in July 1997.

LOS ANGELES, CA

WHEN PASSED: The City Council in March 1997

WHO BENEFITS: employees of recipients of public service contracts worth \$25,000 or more as well as any business benefiting from a subsidy of at least \$100,000 per year.

PROVISIONS: The wage is indexed yearly to the rise of cost of living was set originally at \$7.25 an hour plus family health benefits or \$8.50 without. Affected workers are entitled to 12 paid days off a year.

MINNEAPOLIS, MN

WHEN PASSED: The Minneapolis City Council passed a living wage policy in March 1997.

VOTE: unanimous

WHO BENEFITS: employees of businesses benefiting from \$100,000 or more in city assistance in one year.

PROVISIONS: 110% of the federal poverty level for a family of four, at the time, \$8.83. The companies must set a goal to employ 60% of new jobs created to 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 union-friendly businesses.

ST. PAUL, MN

WHEN PASSED: The City Council passed a directive in January 1997.

VOTE: unanimous

WHO BENEFITS: employees of recipients of \$100,000 or more of city economic development assistance in one year.

PROVISIONS: \$8.25 an hour or 110% of the federal poverty level for a family of four, at the time, \$8.83 (100% the poverty line if health benefits are included.) At least 60% of new jobs created as a result of such assistance must go to St. Paul residents.

NEW YORK, NY

WHEN PASSED: City Council created an ordinance in September 1996, overriding Mayor Giuliani's veto.

VOTE: 42-5

WHO BENEFITS: employees of city contractors (about 3,000 city-contracted janitors, food service workers, office temps and security guards)

PROVISIONS: wages and benefits of \$7.12 to \$12 an hour. Nonprofit city contractors are exempt.

ESTIMATED COST TO THE CITY: \$15.6 million, according to Mayor Guiliani

JERSEY CITY, NJ

WHEN PASSED: City Council passed an ordinance in June 1996

WHO BENEFITS: clerical workers, food service workers; janitorial workers, and security guards contracted by the city

PROVISIONS: \$7.50 an hour and health benefits and vacation.

SANTA CLARA COUNTY, CA

WHEN PASSED: County Board of Supervisors created the law in 1995

WHO BENEFITS: employees of manufacturing firms applying for tax abatements. These firms must disclose how many jobs they will create, what wages and benefits they will pay, and what other subsidies they are seeking.

PROVISIONS: \$10 an hour and health insurance or a suitable alternative to permanent employees. The measure gives the county money-back guarantee protection if the goals are not met.

BALTIMORE, MD

WHEN PASSED: Baltimore City Council passed a bill in December 1994

WHO BENEFITS: employees of companies that have service contracts with the city.

PROVISIONS: \$6.10 an hour in 1994 and up to \$7.70 by 1998

SAN JOSE, CA

WHEN PASSED: City council created a living wage ordinance in 1991

WHO BENEFITS: employees of city contractors

PROVISIONS: union-scale wages and the city would evaluate health benefits, workplace grievance procedure, workplace health and safety standards, and labor standard compliance records of companies bidding for city contracts.

GARY, IN

WHEN PASSED: The County Commission passed the ordinance in 1991.

WHO BENEFITS: employees working for companies under government contract.

PROVISIONS: New contractors must retain workers employed by its predecessor for at least 90 days, then offer permanent employment if their work is satisfactory. The ordinance requires recipients of any tax abatement to pay prevailing wage and provide complete health care packages to employees working over 25 hours a week.

DES MOINES, IA

WHEN PASSED: The City Council first past the ordinance in 1988 and amended it in 1996.

WHO BENEFITS: employees of City-funded urban renewal and loan projects.

PROVISIONS: \$9.00 average wage and benefits.



ACORN

June 10, 1999

Bill Dauster
Deputy Assistant to the President for Economic Policy
National Economic Council
The White House
OEOB 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

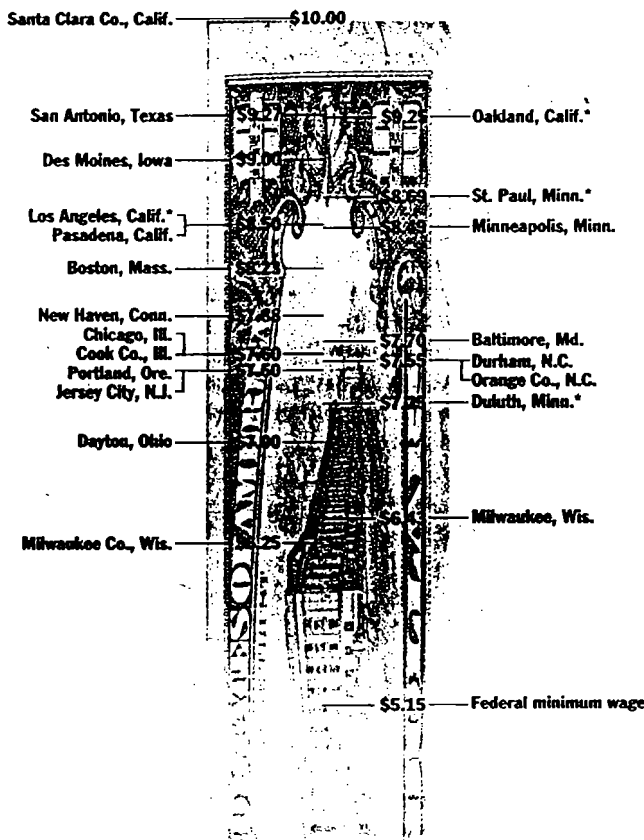
Increasingly, governments are requiring contractors to raise their workers' pay. Businesses are responding with rearguard resistance.

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

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

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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.

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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

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working conditions. Businesses want to prevent workers from gaining this bargaining strength, and the job of national policy-makers 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 DYSSEGAARD 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 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

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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 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 August 11 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, 1996

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.

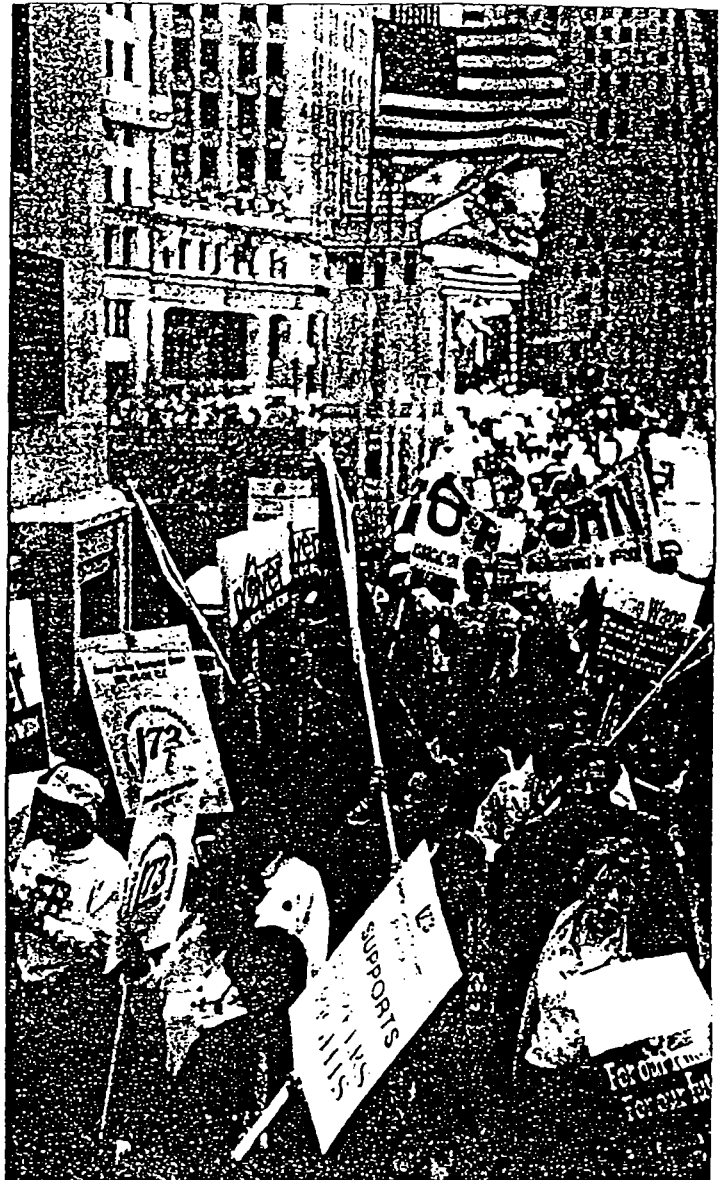
The effort is underway in 30 cities but has been especially visible in Chicago, where weekly rallies, demonstrations and town hall meetings have attracted hundreds of supporters in recent months.

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 Leon 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 TOP BY AP/WIDEWORLD; BOTTOM BY AP/WIDEWORLD

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 Chicago Land 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.

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]."

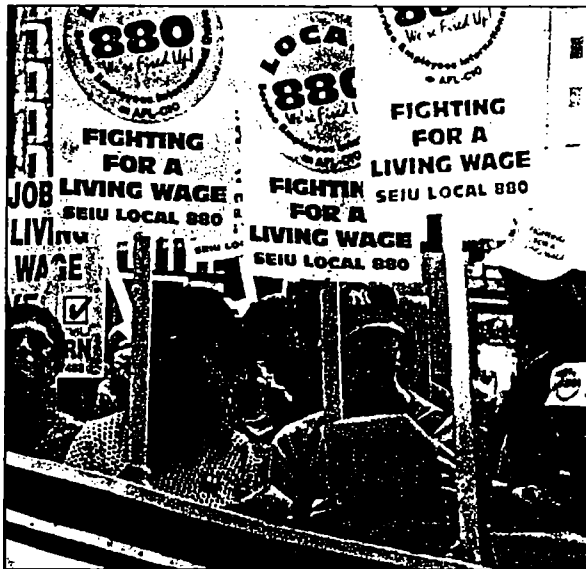
The ordinance requires city contractors and sub-contractors to pay their workers the minimum of \$7.60 an hour, beginning with contracts awarded after Jan. 1, 1999. The federal minimum wage is \$5.15 an hour.

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

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Working hard for a living wage

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

By Jessica Gwynn

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.

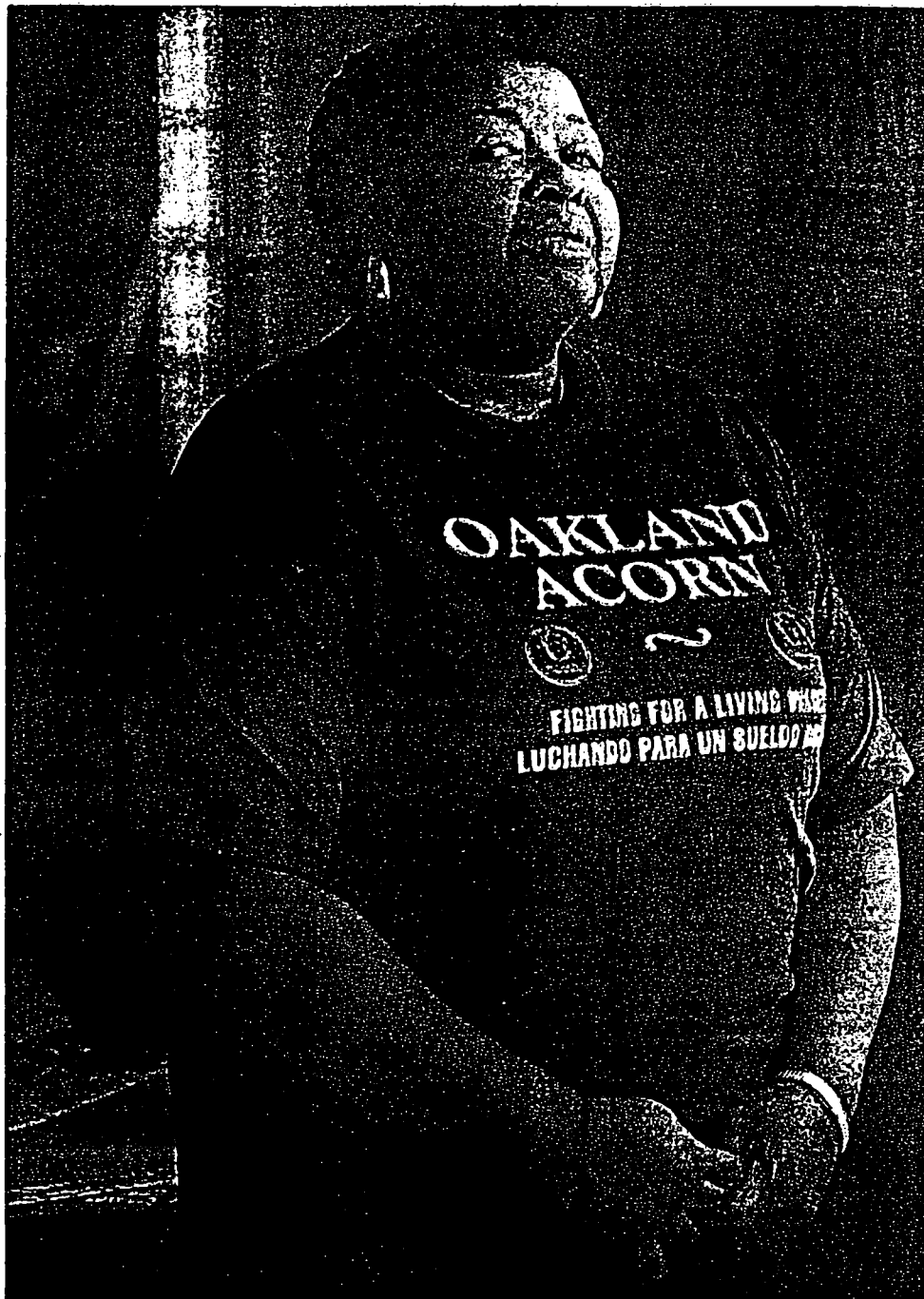
In this dilapidated neighborhood forgotten in the shadow of the wealthy Oakland hills, the gap between rich and poor continues to widen, undaunted by the region's near-record prosperity.

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



GREGORY UROUAGA/TIMES

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



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 a 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

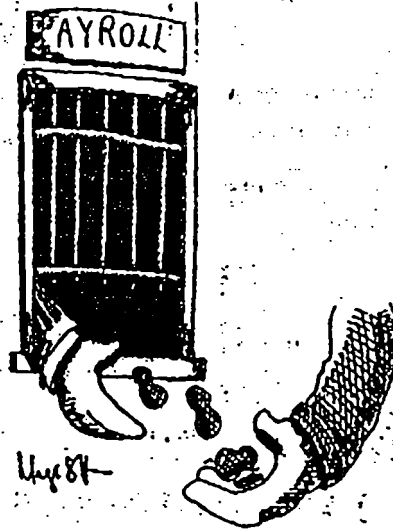
IF YOU LISTEN closely, you can hear a truth whispered in the Bay Area and around the country. It is beginning to be heard even above the din of self-congratulations on our national economic upswing. The truth is: Working people are still poor.

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 amid 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 be 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 see 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	9.00
San Jose	9.50/10.75
Santa Clara County	10.00
St. Paul, Minn.	8.40
Union City, N.J.	7.50
Washington, D.C.	7.50
Washington State	7.50
Westchester County, N.Y.	7.50
Wichita, Kan.	7.50
Winnipeg, Man.	7.50
Yonkers, N.Y.	7.50

*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. "Any 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 E. KNIGHT (1894-1961)

The Miami Herald

JAMES L. KNIGHT (1900-1991)

CA EDITORIAL PAGES EDITOR ■ DOUGLAS C. CLYTON EXECUTIVE EDITOR ■ LARRY OLMSTEAD MANAGING EDITOR ■ MARTHA MUSCROVE AND THE

ADOPT THE LIVING WAGE

IN 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 Natacha 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 Dornia 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 and 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 subcontract 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 in 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 backed 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 pass.

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.