CHRIS KAPENGA

STATE REPRESENTATIVE • 99TH ASSEMBLY DISTRICT

March 3, 2014
To: Senate Committee on Judiciary and Labor
From: Representative Chris Kapenga
Re: AB 750/ SB 626

Thank you Chairman Grothman and Committee Members for hearing AB750/ SB626 today. This bill protects funds that come from the state treasury from being used to subsidize local ordinances. This is done in two ways:

1. No funds from the state treasury can be used to fund local inflated wage ordinances for contract employees. An example would be where a local municipality requires contract employees to be paid a rate higher than the federal minimum wage. It is important to note that current statute has this restriction in place but has an exemption for contract employees.

2. There can be no residency requirement on contracts utilizing funds that pass through the state treasury. I have spoken with a contractor who has had contracts in a municipality that has a residency requirement, and because none of his crew lived in that municipality he had to pay a resident to sit in his car at the job site every day until the project was complete.

Although well intentioned, these types of ordinances have proven to hurt the people they are intended to help. Even the Journal Sentinel Editorial Board, who I am not often in agreement with, agrees with this.

The state taxpayers should not be responsible for subsidizing activities like this, and it is our responsibility as their representatives to be good stewards of their money. This bill will put accountability in place for local elected officials and ensure that the impact of the policies they put in place is clear. The voters they work for can then make a decision on if they approve or disapprove of those policies.

Thank you for your time, and I would be happy to answer any questions.

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SHO
Supportive Homecare Options

Dear Senators,

Thank you for the opportunity to speak to you today in support of Senate Bill 626 and Assembly Bill 750. My name is Sally Sprenger. I am the President and Owner of Supportive Homecare Options.

The issue of living wage ordinances has been addressed before under Wisconsin Statute Chapter 104.

I bring your attention to one portion of that statute in particular – 104.001(3)(b). This portion provides exceptions to the statewide uniformity rule for living wages and appears to allow Milwaukee County living wage ordinances of this sort.

However, Chapter 104 does not appear to address or contemplate employees who perform work under contract to a county, city, village, or town and whose contract is funded with State or Federal moneys. Senate Bill 626 and Assembly Bill 750 address this shortcoming.

This bill is particularly important to the State of Wisconsin Family Care program. Let me explain.

As written, the Living Wage Ordinance in Milwaukee County affects only two exclusive Family Care providers, Supportive Homecare Options and New Health Services. Both companies are represented by SEIU.

The Living Wage Ordinance in Milwaukee County appears to be intended to hold Supportive Homecare Options and the Family Care program in Milwaukee County hostage to SEIU demands. In return for union security, SEIU has proposed a contract clause exempting Supportive Homecare Options from the Living Wage Ordinance. So, in exchange for quadrupling SEIU union dues, and indirectly funding more union tactics of this sort, Supportive Homecare Option employees do not benefit from the increased wages required under the Living Wage Ordinance. Instead, three-quarters of my employees would now take home less in wages after paying union dues they weren't paying before.

Why would I agree to such a "deal"? Strange as it may sound, this **"deal"** helps control Family Care costs and the long term viability in Milwaukee County even though it hurts the very workers SEIU represents. If I don't agree, the LWO increases State-funded Family Care costs dramatically, consumes the reserve fund in Milwaukee County and put its long term viability in question.

This is just wrong! No union should be allowed to manipulate our elected officials through laws or ordinances intended solely to benefit the union. Especially when State and Federal money is used to improperly fill union coffers!

It is not prudent to allow local ordinances to drive State of Wisconsin costs. I urge you all to support this bill. Protect Wisconsin businesses and Wisconsin Residents from these union bullying tactics.

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SHO
Supportive Homecare Options

Thank you Mr. Chairman and Committee members. I am here today to speak to you in support of AB750.

My name is Sally Sprenger. I am president and owner of Supportive Homecare Options in Wauwatosa.

As a friend and strong supporter of the Family Care program for the State of Wisconsin and one of Milwaukee County Department of Family Care's largest supportive and personal care providers, I'd like to make the Committee aware of the impact the Milwaukee County Living Wage Ordinance (LWO) will have on Supportive Homecare Options (SHO), its approximately 1150 SEIU represented employees and 1200 Milwaukee County residents.

During the pilot stage of Family Care in 1997 SHO was awarded a contract to provide personal care and supportive home care services to Family Care members in Milwaukee County.

At that time 13 million dollars in State COP Waiver funds were converted into the Milwaukee County Family Care program. SHO designed the SHCES-Supportive Home Care Employment Services program. Through our cost effective program we were able to stream line the administrative costs of the former COP-Waiver program by eliminating duplication of services already paid for under the Medicaid program.

We were able to serve twice the number of Milwaukee County residents at half the cost by establishing standardized guidelines of care, assessment tools, training programs and quality assurance programs for the elderly. Our successful program continues today using State dollars funded through the Family Care program in Milwaukee County and remains very cost effective under the Family Care Managed Care Organization.

This cost efficiency in now under attack. The Milwaukee County Living Wage Ordinance threatens to drive costs up dramatically - **so much so** that the solvency of Family Care in Milwaukee County and SHO may be threatened.

Currently SHO serves around 1200 members and employs over 1150 people. Under the terms of the former Milwaukee County Labor Peace Ordinance SHO was forced to allow SEIU to unionize its employees. Today only about 27% of these employees actually joined the union and pay union dues under our open shop agreement.

When I became of aware of the Milwaukee County Living Wage Ordinance in mid-December 2013, I learned from SHO's SEIU Collective Barging Representative that SEIU wrote the 15 drafts of this ordinance and singled out only those companies which they represented to be affected by this ordinance.

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After the Living Wage Ordinance was presented at the Milwaukee County Finance Committee meeting in December, SHO was offered the opportunity to "sell out" all its employees to SEIU under the terms of "union security". If SHO agreed to make all employees pay their fair share of union dues, then SEIU would give SHO the collective bargaining exemption in the Living Wage Ordinance - a way out that would save Family Care dollars.

This LWO was based upon the presumption of a family of four and, similar to the Labor Peace Agreement, SHO would be required to give the Department of Audit our payroll records every 3 months verifying the amount paid to employees, their names, addresses and hourly rate of pay. As a service company, our employees are our assets. This information would become public.

So I did some research on SHO employee data.

1. Based on the 2013 payroll deductions, of the approximately 317 employees who willingly joined the union and paid dues, SEIU was paid $110,271.70 or an average of $347.86 per employee.
2. If all employees under the "union security" clause paid dues, SEIU would collect at least $404,213.22 in 2014 and more with increases in rate of pay. The union collects $100 for initiation dues, then 2% gross or $3.23 per week whichever is more.
3. Approximately 80% of SHO employees provide care to their family members and most live with them.
4. About 1022 employee work less than 30 hours/week (426 work 10 hours or less; 371 work 11-20 hours; and 225 work between 21-29 hours/week). Most SHO employees are part time.
5. Under the assumption that the LWO should be based on a family of four: 202 employees claimed 0 deductions; 334 claimed 1 deduction; 193 claimed 2 deductions and 219 claimed 3 deductions = 948 employees claiming less than a family of 4. For SHO the LWO should not have based on a family of four.

Our current employees earn at least $10.27/hour. The Milwaukee County Department of Family Care was already in the ballgame. They gave all SHO employees who worked in 2013 a rate increase in November to earn at least $10.27 per hour and made it retroactive to January 1, 2013. Perhaps tellingly, this is higher than President Obama's proposed federal rate increase to $10.10/hour.

The Milwaukee County LWO is not spending Milwaukee County dollars. The LWO is spending State of WI dollars.

In conclusion, I personally have no problem paying employees a living wage. But to have a union literally dictate public policy at the expense of the public - lining their own pocket - is outrageous.

Thank you for this opportunity to speak in support of AB750.

Sally Sprenger

Sally Sprenger

President and Owner

Supportive Homecare Options, Inc.

Milwaukee County Board of Supervisors

Supervisor David F. Bowen, District 10

March 3, 2014

To: Senator Glenn Grothman, Chair Senate Committee on Judiciary and Labor

From: Supervisor David F. Bowen

Re: Opposition to Assembly Bill 750/Senate Bill 626

Thank you Chairman Grothman and members of the committee. I appreciate the opportunity to address you today about an important issue facing our communities. As people continue to get back to work and try to recover from the worst recession in history, we have seen an increase in the wage gap with a higher percentage of hard working people falling into poverty wages.

Yes it is true that as local elected officials we worked hard to put forward a legal ordinance to provide our hard working taxpayers who make the least with hope that hard work may pay off. This was a local decision and we would hope that you would oppose AB 750 and respect local control.

Hard working class people do not want handouts! Let me repeat, hard working class people do not want handouts! They want dignity of work to provide for them selves. They want to feed and clothe their children, take care of their aging parents, and pay their high January energy bills with their heads held high.

It is unconscionable that we would not all want to ensure that hard working citizens are paid a decent wage for a hard days work. Paying people more than a poverty wage for their labor means they can pay for their health care, food, heat and child care instead of relying on state assistance. Any local ordinance to increase the wage of the lowest paid workers seems only fair and also saves costs to government elsewhere.

Lifting up people who make less than or around $20,000 a year is the right thing to do. I ask you all to think seriously about how you would live on that wage.

This is not about giving money to people who haven't earned it. Not about wasting money or raising taxes. We have a chance to expand the Milwaukee County tax base by ensuring more money goes into the pockets of working families to pay for essentials and put it back into the economy. It may even some day allow some of them, for the first time, the ability to save for a home and the ability to go back for retraining and education to increase their work skills. And increasing consumer spending power is what makes up 70% of economic growth according to economists.

A local economist estimates these local changes could move $38 million more dollars moving through our local economy! Without this ordinance, the existing wage gap continues to increase and be distributed to the highest wage earners in companies and governments. Income inequality is dwindling upward mobility all around the US, Wisconsin and especially in Milwaukee's condensed areas of poverty. Forcing hard working families to rely on tax dollars to get by while they already have jobs.
We as elected officials must be good stewards of tax dollars. It is our responsibility as lawmakers to ensure we are not subsidizing or promoting inadequate pay that keeps people on public assistance programs.

How many foreclosed properties that become monuments of destruction need to be in our neighborhoods? How many children coming home from school only to see their family belongings outside because of eviction? How many people must go without essentials because they have to choose between paying bills or buying groceries?

Raising the living wage does not hurt business and it does not stop development. People deserve the right to be self sufficient and they deserve to right to know they have fought for change at the local level and it will be implemented not pre-empted by another level of government. It seems instead of rolling back local ordinances our time would be better spent raising wages for the lowest paid workers so they can put money back into the economy and not be reliant of government.

Please support our local economy and hard working people and oppose this bill.

Thank you for your time.

Testimony Supporting SB 626 and AB 750

From Milwaukee County Supervisor Deanna Alexander
March 3, 2014

Dear Honorable Senators and Representatives,

As you all know, Milwaukee County government was created by the state and except for allowances specifically outlined in the statutes, exists solely to serve as an arm of this state government.

I have been elected represent about 53,000 in Milwaukee County. I take my job very seriously and offer this testimony to you to provide perspective that will support the passage of SB 626 and AB 750.

The Living Wage Ordinance

I assume that you know Milwaukee County is currently in the process of legislating what some have called a "Living Wage Ordinance" or "LWO." The County Board has passed the LWO on a 12-6 supermajority vote and we are awaiting an expected veto from our County Executive. While I know that this is the venue for vetting proposals on state law, this state law would directly affect the ability for Milwaukee County to pass or enforce the LWO, so it is relevant and important for you understand the powerful intervention you could rightfully provide.

The LWO that the Milwaukee County Board passed last month would require that employees of the county, the county's contractors, and the county's contractors' contractors be paid at least $11.32 per hour, subject to automatic annual increases.

Those supporting the LWO are selling hope to the public by saying that these new rules will create an atmosphere of fairness and change the game by lifting people out of poverty. They also claim that they have the right to impose these requirements on private businesses because the county has a right to dictate how its money will be spent.

But as we all know, when it comes to legislation, the headlines rarely tell the full story. Here's what we learn when we read the fine print in the county's legislation: it creates a greater and more unexplainable unfairness than what currently exists.

Reduced Value in Service: Getting Less for More

The authors of this ordinance claim that it will not cost taxpayers anything. We can only assume that they are (correctly) asserting that there will never be a line on our budgets telling us how much more we will pay for services under the LWO. But what they miss is how we account for fewer services – how we will receive less in our contracts in exchange for the same amount.

Milwaukee County is almost complete with a full and intricate evaluation, (called the 'JEQ') of every position we employ. We are evaluating job descriptions, job duties, the management chain, and comparable external jobs; along with each individual employee's level of education, experience, and performance in order to determine the proper pay scale for each position. If the LWO is enacted, it will preempt that entire study and the fair results we are expecting from it. The LWO will artificially raise wages without any correlation to increased efficiency, service, production, or expertise, and by default require many of the first-line supervisors of everyone receiving an increase to also receive an arbitrary and potentially unwarranted change in compensation. In what world should taxpayers be required to pay something for nothing; other than one where fair evaluations would justify it?

Bankrupting Family Care

Milwaukee County's independently elected non-partisan Comptroller has advised that the LWO, as amended, will not only cost taxpayers millions of dollars to receive the same services or less than what we receive now, but that it will inevitably lead to the bankruptcy of Family Care.

Unlike many contractors that the county does business with, that will have the option of either reducing profits or increasing revenue in order to pay for the additional expenses caused by the LWO; Family Care contractors are prohibited by law from increasing revenues or tinkering with the administration fees. This is a situation where we already have government telling service providers who they will serve, what service they will provide, how much they will bill, and how much they are allowed to profit. If we as elected officials also begin to demand that their expenses exceed the revenues that we, ourselves have limited for these contractors, then we can only expect that the Comptroller is telling the truth in foreseeing the program's demise. And if Family Care goes bankrupt, that will hurt our most vulnerable – the elderly and disabled. How is it that the LWO will lead to fairness?

Arbitrary Rules

The LWO itself contains arbitrary provisions dictating times for enforcement. For example, why should a contractor with a $19,000 contract be allowed to 'skirt fairness' and pay their employees only $8.00 per hour, while a contractor with a $20,000 contract is required to pay employees a so-called living wage for a family of four – regardless of whether or not those employee actually support a family of four? How is this fair?

The LWO requires that if the county, or one of its contractors changes contractors, all of the employees that could lose their job must be offered employment with the new service provider. For example, if a contracted caterer for a county facility decides to hire a new janitorial service, the winning bidder will be required by government mandate to hire all of the employees from the old janitorial service provider that is no longer under contract. So now, on account of winning a new contract, we have private employers having to lay off their employees in order to hire new people. How is that fair?

Mitchell Airport & Starbucks

Can anyone explain why the LWO exempts Mitchell General Int'l Airport from compliance? Starbucks is one of the companies that will be affected by the LWO in a very interesting way. Many of us know that national coffee shop as being a company that cares about fairness. Won't it be interesting when the employees working in downtown Milwaukee at the Starbucks at Red Arrow Park get government mandated raises and the employees working at the Starbucks at the airport are overlooked because some politicians thought it better that way? How will that be fair?

We can only guess that they can't allow the airport to be affected right away because then the airport, which is financially self-sustaining, would have to raise airline fees, which would immediately cause travelers' prices to fly in or out of Milwaukee to increase without any corresponding increase in service quantity or quality. While the LWO exempts the airport at first, the ordinance will roll it in for compliance beginning in only a few years. How many of you want to see prices at our premier airport go up?

Exemptions: All About Politics

Another concern - Why has the County Board created two paths to exemption for companies not wanting to comply with the LWO?

While a good portion of the public sees politicians as corrupt and only out for themselves, their campaigns, and 'big business,' we have a county board willing to state an explicit exemption for employers right in the ordinances: just lobby enough county board members to vote for an override and you don't have to comply. I'm almost surprised that the ordinance doesn't list the campaign addresses that lobbyists can send their checks to.

Filling the Union Coffers and Hurting the Employees
There is a second explicit exemption that should alarm you even more: employers with union contracts are exempt from complying with the living wage ordinance. Let me put that another way: Unions now have a bargaining chip to take to employers. Now, I know that union bargaining is a sensitive topic with the state; but I want to show you why, whether you generally side with the unions or not, this is still a raw deal for workers.

When the employers agree to a closed shop, exclusive, and mandatory union contract, unions will be empowered by the county board to offer an exemption to the living wage. This means that the employers get to keep wages at their current rates and in exchange the unions get to collect dues. The employees... well, they get to NOT make the "Living Wage" that politicians are saying are so vital to help people survive. All because of a backroom deal. I know that this sounds too disparaging to be true, but we've verified a real example already: one of our family care providers was approached by the Service Employees International Union (SEIU) and offered a deal like this. The employer currently has a contract with the SEIU whereby employees have the option to join – if they want to. About one out of every four of the 1,200 employees has joined and things have worked well. But now, the employer has employees asking her not to agree to the SEIU's proposed 'backroom deal' because they don't want to join the union, and they certainly don't want to give up the chance at a higher wage.

When one does the math, the LWO will cause the SEIU to receive an additional $300,000 per year through this employer alone, while the employees receive NO INCREASE IN PAY and become required to pay union dues, against their will. With provisions like these, it doesn't have the effects you would expect in a living wage ordinance; it's more like an employee betrayal ordinance. Our workers deserve better than this.

***Your* Power Over State Money**
The naysayers will tell you to stop meddling with Milwaukee County.
Don't forget that these are the same people that claim Milwaukee County has the right to interfere with private businesses because it's the county's money. By that logic, ~~do~~ you here at the state have the same right to create boundaries for the county, since it's the state's money. Don't let anyone guilt you into not doing your job. And of course, shouldn't we all be doing what is best for the taxpayers, since in the end, it is all their money?

Call to Action
The Milwaukee County LWO is not about a living wage; and it's surely not about fairness. You have an opportunity to demand something better of local officials, particularly those that are supposed to be functioning as an arm of your decisions here at the state. As someone living in Milwaukee and working in its County Government, I can testify that, in this case, the best thing you could do is *save us from ourselves.*

Milwaukee County is dictating how taxpayer funds will be spent, and you have the opportunity to rightfully exert that same power over funds flowing to us from your own accounts here in Madison. Now, are you really willing to keep writing us checks without so much as a requirement that we spend it in a sensible way?

I urge you to vote in favor of AB750 and SB626.

Dennis Hoolihan

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Metropolitan Milwaukee
Association of Commerce

DATE: MARCH 3, 2014

TO: SENATE COMMITTEE ON JUDICIARY AND LABOR

FROM: STEVE BAAS, VICE PRESIDENT OF GOVERNMENT AFFAIRS
METROPOLITAN MILWAUKEE ASSOCIATION OF COMMERCE

RE: SB 626

On behalf of the Metropolitan Milwaukee Association of Commerce (MMAC) I'd like to thank you for the opportunity to comment on the Living Wage preemption legislation you have before you today.

The MMAC represents nearly 1800 member businesses employing more than 300,000 workers throughout the metropolitan Milwaukee area. We are also a founding partner of the Milwaukee 7 regional economic development organization. As such, we are acutely aware of just how intense the competition for jobs and economic development nationwide and globally is. In that context we are sensitive to the impact of local mandates that make communities within our region islands of high cost within the marketplace.

In past years, the legislature has recognized the legitimate state interest in ensuring a uniform statewide playing field for things like minimum wages, prevailing wages, family and medical leave and other employment benefits. Our economy works best when we have a single, statewide standard on these things rather than a confusing patchwork of different standards from community to community. SB 626 merely applies that same logic to "living wage" mandates.

While we are supportive of the bill's wage uniformity provisions, I do want to raise our concern over the residency provision in this legislation. We view this as a separate issue that muddies both the intent and impact of this bill, and would urge the committee to remove this section and return the bill to a more narrow focus on protections that ensure a consistent playing field statewide with regard to wages.

We are aware that these issues are often emotionally charged and can easily become political hot potatoes. It is our hope that this would not be the case with this bill. Instead, we hope you would view it in the larger context of our state's economic competitiveness and how we look from the outside to employers considering moving jobs and investment into Wisconsin. Having a statewide standard for wages and benefits allows all the regions of our state to present a more consistent, understandable, and welcoming landscape to employers and developers looking to locate or grow in Wisconsin. It is one small but important way to reinforce the message that Wisconsin is "Open for Business."

Thank you again for your consideration of this legislation.

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MEMORANDUM

TO: Honorable Members of the Senate Committee on Judiciary and Labor

FROM: Sarah Diedrick-Kasdorf, Deputy Director of Government Affairs

DATE: March 3, 2014

SUBJECT: Opposition to Senate Bill 626 / Assembly Bill 750

The Wisconsin Counties Association (WCA) opposes Senate Bill 626 (SB 626) / Assembly Bill 750 (AB 750), relating to the preemption of city, village, town or county living wage ordinances with respect to employees who perform work that is funded, in whole or in part, with state funds. WCA has long believed that local decisions are best made at the local level by locally elected representatives accountable to the voters. SB 626 / AB 750 preempts local authority and local autonomy.

While WCA has no position on the appropriateness of local living wage ordinances, WCA believes counties should be free to enact local ordinances without interference from the state. If local taxpayers are unsatisfied with decisions made by their local governments, they can address those concerns with their local elected officials or at the ballot box.

Senate Bill 626 / Assembly Bill 750 only preempt local living wage ordinances when state or federal dollars are used. However, counties do not typically segregate revenue sources within their budgets. In most instances, state and federal funds are co-mingled with local property tax revenue for the provision of services (underfunded mandates), as well as public works projects. As a result, this legislation effectively negates a county's ability to impose a living wage ordinance under any circumstance.

WCA has long defended local control and respectfully requests the committee reject SB 626 / AB 750.

Please feel free to contact WCA for more information.

Local Living Wage Ordinances

Experience, Evidence and Best Practice
November 2013

Executive Summary

Living wage ordinances are enacted by local governments to raise job standards for workers at firms that do business with a city or county, or that benefit from taxpayer assistance. At least 140 communities in the U.S. have passed such laws over the past two decades, and there is now a significant body of research on their effect. The evidence shows that living wage ordinances raise wages for low-income workers, often by a significant amount, with few if any measurable negative effects on either employment or taxes. Any government considering a living wage ordinance of its own should consider the track record of living wage laws in other communities in order to implement the best living wage law possible. This white paper provides these details.

Local governments spend billions of tax dollars every year with private businesses on service contracts, lease and concession agreements, and economic development incentives and subsidies. Instead of ensuring that taxpayer dollars pave the way for stronger local economies by going only to benefit employers that provide good, family-supporting jobs, in too many cases government spending goes to fund low-wage, low-benefit jobs that consign the families of workers who do them to poverty, even forcing some to rely on public assistance just to make ends meet. In Wisconsin, local governments have the power to pass living wage ordinances to ensure that when taxpayer dollars are spent, the jobs created meet minimum standards.

There has been little movement in Washington or Madison on policies to improve job quality. Local policy-makers in struggling communities are desperate for policies that can deliver tangible economic benefits, but have relatively few policy levers at their disposal. Living wage ordinances are one effective tool for increasing wages and raising the bar for job standards. They help raise and stabilize the wage floor for low-income workers. They boost local economies by putting more money in the pockets of low-income workers, money that is almost immediately recirculated via increased consumer spending on basic needs. And, just as important, living wage laws represent a community declaration of values about hard work, poverty and family economic security. At a time when almost 200,000 Milwaukee-area workers, more than one quarter of the workforce, are working poverty-wage jobs, one can see why Milwaukee County legislators would consider a living wage ordinance.

A living wage ordinance requires businesses that benefit from local public dollars, whether through a service contract, a concession or lease agreement, or a development deal, to pay a "living wage" to the workers employed as a result of these taxpayer dollars. The wage, often pegged as a percentage above the federal poverty level, is intended to be high enough to allow a full-time worker to make enough to be able to live out of poverty. Many living wage ordinances also include standards beyond a basic wage, like health insurance coverage or earned sick time. And good living wage laws set up enforcement and compliance mechanisms to ensure that the law has its intended effect. This white paper outlines key best practices for the core components of a living wage law.

COWS

BUILDING THE HIGH ROAD

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equity. sustainability. democracy.

About COWS
Based at the University of Wisconsin-Madison, COWS is a national think-and-do tank that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

About ALICE
The American Legislative and Issue Campaign Exchange, or ALICE, is a one-stop, web-based, public library of progressive law on a wide range of issues in state and local policy. ALICE is a project of COWS.

Despite nearly 20 years of experience and considerable evidence to the contrary, living wage opponents continue to trot out the same objections - the claims that living wage laws are job killers, that they raise the cost of public services, and that they lead to higher taxes. These opponents rely on a simplistic logic – higher wages must reduce the demand for labor and must increase costs to taxpayers - that has simply not been borne out by experience. In fact, because many of the companies benefitting from public resources are very large, very profitable firms that can afford to pay their workers more, because higher wages improve firm performance by increasing worker productivity and lowering worker turnover, and because higher labor costs actually lead to more competitive bidding on municipal contracts, the higher wages that the living wage law brings to workers employed by these firms do not translate directly into higher costs to local governments, or higher taxes. Likewise, the claim that living wage laws decrease employment - by limiting the number of workers employed by firms benefiting from public resources or simply chasing employers to other locations – has also not been borne out in practice. Numerous studies of existing living wage laws show that living wage laws do not kill jobs.

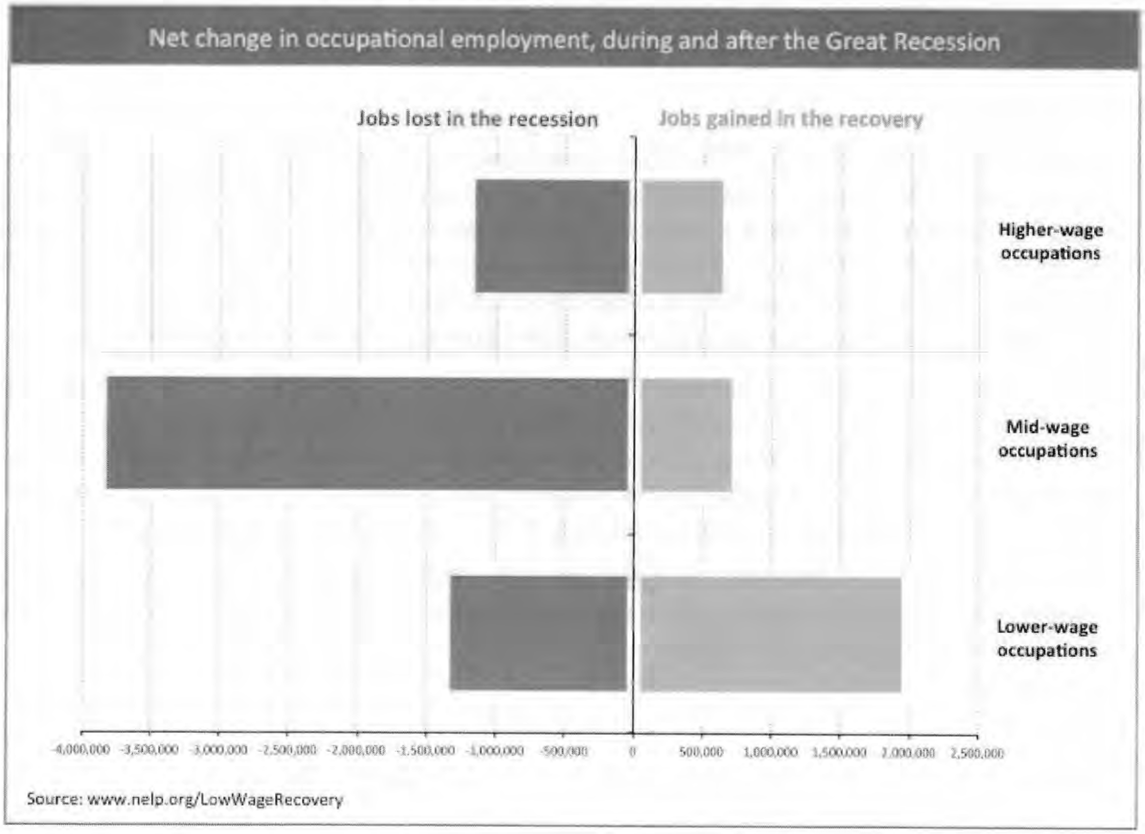
The experience of the jurisdictions that have passed living wage laws is that they raise wages and boost local economies. As Milwaukee County considers its own living wage ordinance, proponents and opponents would do well to consider the evidence from other communities.

I. The Good Jobs Crisis

A. Nationwide

The entire United States suffers from a shortage of good jobs. Even before the housing bubble inflated and then burst, crashing the economy with it, long-term trends - the decline of U.S. manufacturing, the shrinking percentage of jobs that offer decent pensions or health insurance coverage, and the fact that **worker productivity has increased 80 percent over the past forty years but real wages for working people have stayed flat or actually declined**[1] - were shrinking the number of good jobs. According to the Center for Economic and Policy Research, despite the fact that today's workforce is older, more experienced, better educated and working with better technology than ever, the share of jobs in the U.S. that qualify as "good jobs" has fallen three percentage points from 1979 to 2012.[2] Four years into the supposed recovery from the Great Recession, we still face **a shortage of perhaps 9 million family-supporting jobs.**[3]

As the industries and professions that used to provide middle-class jobs decline, how likely is it that new industries and professions will fill the void? The U.S. Bureau of Labor Statistics reports that **the jobs expected to gain the most employment over the next decade are disproportionately low-wage: retail sales, food prep and food service workers, personal care and home health aides.**[4]



And the most recent data is perhaps the most alarming. Nationwide, **60 percent of the 6.3 million jobs lost in the first two years of the Great Recession of 2007-09 were middle-wage jobs; only 1 in 5 was low-wage.**[5] After three full years of recovery, there are still **two million fewer jobs** in the U.S. than there were before the

1 For example, from 1973 to 2012, the inflation-adjusted wages of low-wage workers (those at the 10th percentile) fell by an average of 0.6 percent, and wages of the typical worker grew by just 3.4 percent. See Sylvia A. Allegretto and Steven C. Pitts, "To Work With Dignity: The Unfinished March to a Decent Minimum Wage," Economic Policy Institute, August 26, 2013. Available at: http://www.epi.org/publication/work-dignity-unfinished-march-decent-minimum.

2 John Schmidt and Janelle Jones, "Where Have All the Good Jobs Gone?" Center for Economic and Policy Research, July 2012. Available at: http://www.cepr.net/documents/publications/good-jobs-2012-07.pdf

3 Josh Bivens, Andrew Fieldhouse, and Heidi Shierholz, "From free-fall to stagnation: Five years after the start of the Great Recession, extraordinary policy measures are still needed, but are not forthcoming," Economic Policy Institute, February 14, 2013, p. 3. http://www.epi.org/publication/bp355-five-years-after-start-of-great-recession/

4 http://www.bls.gov/emp/ep_table_104.htm

5 National Employment Law Project, "The Low-wage Recovery and Growing Inequality", NELP Policy Brief, August 2012, p. 1. http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1

recession.[6] And fully **60 percent of the net new jobs created in the first two years of recovery were low-wage jobs; only 1 in 5 paid middle-class wages (see chart 1).**[7] A staggering 57 percent of new jobs gained since the labor market began growing in February 2010 have come in the low-wage industries of retail trade, leisure and hospitality, health care services, and temporary jobs.[8]

Some economists and business people claim that these are inherently low-skill, low-productivity jobs, and that no one should expect a job like this to provide a decent standard of living to a working person or family. One sometimes hears that these jobs are mostly held by teenagers working for spending money, or by young people just starting out in a first job. This has never been more than partially true, and it is less true today. In 1979, 26 percent of all low-wage workers were teenagers and just under half were in the prime working ages from 25-64. **By 2012, fully 60 percent of low-wage workers were aged 25-64; only 12 percent (fewer than one-in-eight) were teenagers.**[9]

Too many poverty-wage jobs means too many working people and families who cannot cover basic living expenses, who do not have health insurance, who need public assistance in order to have enough to eat, to see a doctor, or to maintain a place to live.

Of course, many of the construction and manufacturing jobs that supported the "old" middle-class were also once low-wage jobs. Those workers and their families also lived in poverty. It wasn't the invisible hand of the free market that turned those jobs into middle-class jobs. It was working people and communities coming together to pass progressive legislation and organize unions.

B. Milwaukee

The recent COWS report, *Raise the Floor, Milwaukee,* provides a stark picture of how these trends have played out in metropolitan Milwaukee. **As with the rest of the country, Milwaukee suffers from a lack of good jobs. Almost 200,000 workers in the 4-county metro area, more than one-quarter of the workforce, worked for poverty-level wages in 2012.**[10] The median age of a poverty-wage worker in Milwaukee is 28[11] - which means half the poverty-wage workforce is older than that. **Yet just 37 percent of workers in poverty-wage jobs received health insurance through work. One-third had no health insurance at all.**[12]

The decline of U.S. manufacturing has hit Milwaukee harder than many other communities. Manufacturing was one sector where a non-college educated worker could still earn a middle-class living. As late as 1979, a third of all jobs in Milwaukee County were still in manufacturing; only about one-quarter were service-sector jobs. By 2012, that situation was entirely reversed: almost half of all jobs in Milwaukee County were in the service sector; fewer than one in five was in manufacturing.[13]

The disappearance of good jobs hurts everyone. But some Milwaukee-area communities have suffered more than others. More than a third of the jobs in the city of Milwaukee pay poverty wages and in some Milwaukee neighborhoods it is fifty percent or higher.

6 Josh Bivens, Andrew Fieldhouse, and Heidi Shierholz, "From free-fall to stagnation: Five years after the start of the Great Recession, extraordinary policy measures are still needed, but are not forthcoming," Economic Policy Institute, February 14, 2013, p. 3. http://www.epi.org/publication/bp355-five-years-after-start-of-great-recession/

7 National Employment Law Project, "The Low-wage Recovery and Growing Inequality," p. 1.

8 Adam Hersh, "Most New Jobs Don't Pay a Middle-Class Wage," Center for American Progress, Nov. 8, 2013. http://www.americanprogress.org/issues/economy/news/2013/11/08/79237/most-new-jobs-dont-pay-a-middle-class-wage/.

9 John Schmidt and Janelle Jones, " Low-wage Workers Are Older and Better Educated than Ever," CEPR, April 2012. http://www.cepr.net/documents/publications/min-wage3-2012-04.pdf

10 This report defines "metropolitan Milwaukee" as the four core counties: Milwaukee, Waukesha, Ozaukee, and Washington. Center on Wisconsin Strategy, "Raise the Floor, Milwaukee," June 2013, p. 4. http://www.cows.org/_data/documents/1491.pdf.

11 "Raise the Floor, Milwaukee," p. 6.

12 "Raise the Floor, Milwaukee," p. 6.

13 "Raise the Floor, Milwaukee," p. 12.

II. How Living Wage Ordinances Can Raise Wages and Local Job Standards

A. Why A Local Living Wage Ordinance?

Raising job standards has historically been seen as a national responsibility. However, as the federal government has failed to keep up with the needs of low-wage workers and communities, state and local efforts to improve job quality have become increasingly important.

Inflation eats away at the value of the minimum wage each year and only sporadically do national leaders respond to fix the problem. **Over the last forty years, the federal government has allowed the real value of the federal minimum wage to fall thirty percent**[14] (and the real value of the minimum wage for tipped workers to fall by an astounding 60 percent[15]). Since it was last raised to $7.25 per hour worked four years ago, the inflation-adjusted value of the federal minimum wage has fallen by almost ten percent.[16]

Because the federal standard is too low, **nineteen states around the nation have raised their state's minimum wage above the federal level,** most recently California and New Jersey. While several more states are contemplating increases in 2014, **Wisconsin is not among them.** Furthermore, Wisconsin is one of the states where anti-worker legislators have succeeded in passing state legislation explicitly outlawing local minimum wage laws.

Yet the same state law that prevents local minimum wage ordinances expressly allows local laws that raise wage and benefit standards for employees at firms with public contracts, leases, or concessions, or that receive subsidies or other public benefits from local government, or that lease from firms who do. These are exactly the workers who could benefit from a local living wage law.

Cities and counties around the country have used local living wage laws to raise wages for workers at firms that do business with the locality. This is one area where local government has led the effort to increase the number of good jobs. **A living wage ordinance ensures that jobs supported by local taxpayers pay a decent wage and that companies benefitting from taxpayer-supported projects or contracts pay their workers enough to make ends meet.**

Why is this good? One study in Illinois study showed that 37 percent of all public benefits spending in the state went to working families, primarily families where the breadwinner earned $10 per hour or less. Four-fifths of the working families receiving public assistance were supported by a full-time worker employed 35 hours or more per week. One-third of the year-round workers with families receiving public assistance are employed at firms with 1,000 or more workers.[17] **With a local living wage law, the community is saying that firms benefitting from public dollars are morally obligated to pay their workers decently. It is as simple as that.**

B. The spread of living wage laws in the U.S.

Since Baltimore passed the first living wage ordinance in 1994, more than 140 U.S. cities and counties have followed suit. It was estimated in 2005 that nearly 20 percent of the U.S. population was living in a locality covered by a living wage law, **almost 40 percent of residents of large cities.**[18] There is nothing extreme or radical about a local living wage law.

The first local living wage laws were mostly a response to local government outsourcing decisions. Private contractors like to promote outsourcing as a way for localities to save money, by having more efficient private

14 Craig K. Elwell, "Inflation and the Real Minimum Wage: A Fact Sheet," Congressional Research Service, R42973, September 12, 2013. http://www.fas.org/sgp/crs/misc/R42973.pdf.

15 http://www.dol.gov/whd/minwage/chart.htm.

16 http://www.bls.gov/data/inflation_calculator.htm.

17 Nik Theodore and Marc Doussard, "The Hidden Public Cost of Low-Wage Work in Illinois," Center for Urban Economic Development, University of Illinois at Chicago, September 5, 2006, p. ii.

18 Mark Brenner and Stephanie Luce, *Living Wage Laws in Practice: The Boston, New Haven, and Hartford Experiences, Amherst MA: Political Economy Research Institute, 2005, p. 1. Available at: http://www.peri.umass.edu/236/hash/828cb127367263684c20f26ec3a4da27/publication/56.*

firms do the work of public employees. In fact, often the only savings come from paying very low wages to the workers doing the actual work, much or all of which can be eaten up with higher administrative costs and company profits.[19] To minimize their own contribution to lowering wage standards, some communities began to pass living wage ordinances to ensure that work performed at taxpayer expense paid at least a living wage.

Over time, many new and amended living wage ordinances have expanded coverage to include employees of all firms that benefit from public dollars, whether through contracting, public leases or concessions, or by utilizing tax or other economic development subsidies. Several communities that originally passed living wage laws in the 1990s or early 2000s are now looking to update them, most notably Los Angeles.[20]

Living wage laws are based on the moral premise that full-time workers should be able to earn enough to avoid having to live in poverty. Yet it is well-known that federal poverty data provides an unrealistically low estimate of the cost of living.[21] And that the income needed to keep a family out of poverty is higher than it is for a single person. While living wage laws can yield wage increases of 30 percent or more for covered workers, the new, higher wage levels are anything but extravagant. According to the most widely recognized "real" living wage calculator (http://livingwage.mit.edu/), only one local living wage law (in Hartford CT) actually delivers to a fulltime worker an income (wage plus insurance benefit) minimally sufficient for a family of four (see Table 1).

C. Evidence from other localities with living wage laws:

The evidence from economic studies of existing living wage laws is clear: they raise wages for low-income workers, do not reduce employment, do not increase the cost of government, and do not lead to higher taxes.

Raising wages for low-income workers

There is now a large body of evidence that living wage laws bring meaningful wage increases to low-wage workers, often in the range of 30-50 percent.[22]

There is also the "knock-on" effect, when employers not covered by the law also raise wages, either to match the new standard or to keep their own wages slightly higher. Brenner and Luce surveyed employers in Boston after that city passed its living wage ordinance in 1998. They found that the ordinance not only boosted wages for low-wage employees of city contractors but also led to raises for an estimated 30 percent of the city's low-wage workers who were not directly covered by the ordinance.[23]

Bringing needed purchasing power to low-income communities

Wage increases paid to low-wage workers tend to be spent, not saved. This benefits the local community more than corporate tax cuts, which are often simply banked by corporations, or not invested locally.

Raising productivity, reducing turnover

Workers are less likely to quit a higher paying job, which reduces hiring and training costs and results in a more experienced workforce. A study of the Los Angeles Living Wage Ordinance found that as wages in firms covered under the ordinance increased, costs associated with turnover and absenteeism went down.[24] Workers and employers both have incentive to invest more in skill upgrading when wages are higher and jobs are more stable.

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19 In The Public Interest, "Privatization and Contracting Out of Municipal Services," June 21, 2011. Available at: http://www.inthepublicinterest.org/article/muncipal-services-backgrounder-brief.

20 Seema Mehta, "Workers rally for higher 'living wage' at supervisors' meeting," *Los Angeles Times*, August 27, 2013. http://articles.latimes.com/2013/aug/27/local/la-me-ln-living-wage-20130827.

21 Mark Greenburg, "It's time for a better poverty measure," Center for American Progress, August 25, 2009. http://www.americanprogress.org/wp-content/uploads/issues/2009/08/pdf/better_poverty_measure.pdf

22 Michael Reich, Peter Hall and Ken Jacobs, "Living Wages and Economic Performance: The San Francisco Airport Model," Institute of Industrial Relations, University of California, Berkeley, March 20003, p. 35. http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf.

23 Mark Brenner and Stephanie Luce, *Living Wage Laws in Practice*, p. 64.

24 David Fairriss, David Runsten, Carolina Briones, and Jessica Goodheart, "Examining the Evidence: The Impace of the Los Angeles Living Wage Ordinance on Workers and Businesses," LAANE, 2005. www.laane.org/whats-new/2005/05/26/examining-the-evidence-the-impact-of-the-los-angeles-living-wage-ordinance-on-workers-and-businesses-2005.

Paying for wage increases through lower profits and efficiency gains, not tax increases

Aside from the efficiency gains to employers noted above, many of the businesses affected by living wage laws (airport contractors, large property owners, and retail and restaurant tenants of subsidized projects) are large, profitable firms that should pay and can afford to pay their workers more.

Encouraging high-road firms to bid on public contracts, leases, and concessions

Maryland is the one state with a statewide living wage law. A 2008 study of the law's impact by the state Office of Policy Analysis found no reduction in the number of bidders on government contracts. In fact, almost half the contractors interviewed said the living wage law encouraged more bidding on contracts because low-wage firms no longer had the advantage.[25] A similar dynamic occurred in Hartford when security guard contracts were rebid after the living wage law was passed.[26] Living wage laws encourage high-wage, high-productivity firms to start bidding on public contracts because they can compete knowing that low wages are not the most critical factor.

Maintaining overall employment levels

The most comprehensive study of living wage laws compared 15 cities with effective living wage laws to a comparable group of cities without them. The authors tested 14 different industry subsectors and concluded the living wage laws had "no employment effect" at all.[27] There was no measurable difference in overall employment levels or employment growth. Nor was there any evidence of a reduced employment in the affected occupations. In the words of the study's author, **"On the whole, the evidence suggests significant and positive effects for workers from living wage laws, and limited downside to employers."**[28]

Maintaining local tax levels

Living wage laws are able to raise pay for many workers with no cost impact to taxpayers. Raising wages for employees of airport contractors and concessionaires may lead some business to raise prices modestly, but evidence from San Francisco and Los Angeles showed no negative effect on taxpayers.[29] Likewise, social service agency workers covered by living wage laws in some communities are paid with state or federal pass-through funding. While some living wage studies have found instances where the overall cost of some contracts has increased, many others have found no clear relationship between living wages and overall contracting costs. A good example is Boston, where the director of the unit responsible for implementing the city's living wage law reported, "We have not seen increased costs to maintain city contracts. Vendors and the city have successfully absorbed the cost of the living wage ordinance. There has been no adverse financial impact on the city. The living wage ordinance has been good for Boston."[30]

25 State of Maryland, Office of Policy Analysis, Department of Legislative Services, "Impact of the Maryland Living Wage," 2008, p. 10. www.chamberactionnetwork.com/documents/LivingWage.pdf.

26 Brenner and Luce, Living Wage Laws in Practice, pp. 22-23.

27 T. William Lester and Ken Jacobs, "Creating Good Jobs in Our Communities: How Higher Wage Standards Affect Economic Development and Employment," Center for American Progress Action Fund, November, 2010, p.

28 Ibid.

29 Reich, et al., "Living Wages and Economic Performance: The San Francisco Airport Model" and Fairriss, et al., "Examining the Evidence: The Impace of the Los Angeles Living Wage Ordinance on Workers and Businesses."

30 Brenner and Luce, Living Wage Laws in Practice, p. 27.

Table 1: A Sampling of Cities and Counties with Living Wage Ordinances

Location	State	Year Enacted (Amended)	Mandated Living Wage (+ Benefits Supplement) as of Nov 1, 2013	% Four-person Family Poverty Line (for 1 FT worker)	% Four-person MIT Living Wage Threshold (for 1 FT worker)*
Milwaukee (City)	WI	1995	$9.39	83%	48%
Baltimore	MD	1994	$11.07	98%	56%
Chicago	IL	1998	$11.32	100%	58%
Denver	CO	2000	$11.32	100%	58%
Dane County	WI	1999	$11.33	100%	58%
Buffalo	NY	1999	$12.15	107%	62%
Macomb County	MI	2005	$12.21	108%	62%
Rochester	NY	2001	$12.41	110%	63%
San Francisco	CA	2000	$12.43	110%	63%
Madison	WI	1999	$12.45	110%	63%
Washington	DC	2006	$12.50	110%	64%
Cincinnati	OH	2002	$12.82	113%	65%
Broward County	FL	2002	$12.95	114%	66%
Westchester County	NY	2002	$13.00	115%	66%
Long Beach	CA	2012	$13.00	115%	66%
Prince George's County	MD	2003	$13.05	115%	66%
Suffolk County	NY	2001	$13.12	116%	67%
Dayton	OH	2003	$13.59	120%	69%
Washtenaw County	MI	2001	$13.65	121%	69%
Miami	FL	2006	$13.70	121%	70%
Port of Oakland	CA	2002	$13.75	121%	70%
Boston	MA	1998 (2001)	$13.76	122%	70%
Montgomery County	MD	2002	$13.95	123%	71%
Miami-Dade County	FL	1999 (2009)	$14.01	124%	71%
Cook County	IL	1998	$14.15	125%	72%
Detroit	MI	1998	$14.15	125%	72%
Warren	MI	2000	$14.15	125%	72%
Ingham County	MI	2003	$14.15	125%	72%
Lansing	MI	2003	$14.15	125%	72%
Syracuse	NY	2005	$14.68	130%	75%
Minneapolis	MN	1997 (2005)	$14.72	130%	75%
St. Paul	MN	1997 (2007)	$14.72	130%	75%
Toledo	OH	2000	$14.72	130%	75%
Wayne County	MI	2006	$14.72	130%	75%
Seatac**	WA	2013	$15.00	132%	76%
Nassau County	NY	2005	$15.21	134%	77%
New Haven	CT	1997	$15.67	138%	80%
Los Angeles	CA	1999 (multiple)	$15.67	138%	80%
St. Louis	MO	2000 (2002)	$15.92	141%	81%
Santa Cruz	CA	2000	$16.13	142%	82%
Santa Cruz County	CA	2001 (2013)	$16.13	142%	82%
Santa Barbara	CA	2006	$16.39	145%	83%
Hartford	CT	1999 (2010)	$22.00	194%	112%

Municipalities located in the Midwest/Great Lakes region are offset in light blue.

* The MIT Living Wage Calculator is designed to provide a minimum estimate of the cost of living for low wage families. The MIT Living Wage Calculator calculates the real living wage for family of four in Milwaukee at $19.66/hour.

** The just-passed $15/hour minimum wage in Seatac, the municipality that is home to Seattle's airport, is effectively a living wage for workers at the airport and surrounding businesses.

Source: COWS analysis of local living wage laws; MIT Living Wage Calculator (http://livingwage.mit.edu/)

III. Living Wage Law Best Practice

With nearly twenty years of experience, the key aspects of a good living wage law are now well understood. The identical Minneapolis and St. Paul living wage ordinances, revised and updated in 2005 and 2007, are referenced here not because they are uniquely better than others but because they represent well-accepted standards.

A. Coverage

Because living wage laws cover many fewer workers than comprehensive minimum wage laws, it is best practice to ensure as wide coverage as possible.

Covered employers under good living wage laws include:

- All county **contractors and subcontractors** with contracts over a minimal amount.
- All **companies with concessions or leases** from the county over a minimal amount.
- All **companies that receive tax exemptions or subsidies or any other financial benefit** over a minimal threshold. Since public subsidies and benefits are often one-time payments, the living wage law needs to specify how coverage applies to these firms. Typical is St. Paul, where tax benefit or subsidy recipients must adhere to the living wage law for the length of their agreement with the city or three years, which ever is longer. An even better option is to have the law apply for a period of time per unit of benefit or subsidy – for example, coverage under the law for 1 year for each $25,000 or $50,000 worth of economic benefit. This way, recipients of very large subsidies are covered for a very long time.

Employer exemptions:

- In general, **wage standards work best when applied to all employers.** This discourages gaming the system.
- Many cities and counties do exempt employers who have a valid collective bargaining agreement (CBA) in place. In Los Angeles, the CBA must explicitly reference and pay more than the living wage.
- Many cities and counties find it practical to exempt employers with very few workers. Some localities set an absolute standard (i.e. 5 or fewer employees). Other reference existing local or state standards. The St. Paul ordinance references a Minnesota statute defining small business as 20 or fewer employees.
- **Non-profits are not exempted from the law just because they are non-profits.** Many non-profits are large businesses that can and should pay a living wage. In other cases, for-profit firms set up non-profit subsidiaries to take advantage of legal loopholes.

Employee Exemptions:

- In general, wage standards work best when applied to all employees. This discourages gaming the system.
- Many living wage laws do exempt some temporary workers, interns, "workers-in-training," and workers with disabilities or in other special programs. In all cases, these exemptions should be narrowly defined.
- **Tipped workers are not exempted.** Nor do they have a lower living wage. Ideally, the living wage should apply to tipped workers before tips.

B. Minimum Standards

What are the minimum job standards in good living wage ordinances?

Wages and benefits:

- **Wages:** Many of the first living wage laws set the wage at a specific dollar amount. This level was often more influenced by what was perceived to be achievable politically rather than by what a worker needed to live on. The better living wage laws **set the wage rate at a specific percentage above the federal poverty rate**, ideally the poverty rate for a family of four. This makes clear the link between poverty and the living wage law, and eliminates the need for indexing, as the living wage updates automatically each year based on new poverty data. Many cities, including Minneapolis and St. Paul, set the living wage at **an hourly rate sufficient to allow a full-time worker an income equal to 130 percent of the poverty rate for a family of four.** For 2013, this was $14.72 per hour.
- **Health care assistance:** Most low wage jobs lack adequate health care insurance coverage. Good living wage laws compensate for this by **allowing employers to pay a lower cash living wage if they also provide reasonable health insurance coverage.**
    - **In Minneapolis and St. Paul**, an insurance plan qualifies if it pays 75 percent of the premium for basic individual coverage plus 50 percent of the premium for basic family coverage, provides reasonable co-pays, deductibles, and annual out-of-pocket maximums,[31] and is not less in value than provided to first level supervisors. For employers offering such insurance coverage, **the cash wage can be 110 percent of the federal poverty rate for a family of four.**
    - **In Los Angeles,** the living wage law requires employers to pay both a cash wage and a **health insurance supplement.** For workers at Los Angeles International Airport, the original health insurance supplement of $1.25 per hour was not nearly enough to allow workers to actually afford health insurance. In 2009, it was raised to a more realistic $4.50 per hour in 2009, and is now reviewed and adjusted every three years.[32]
    - The **Hartford** living wage law is perhaps the most realistic when it comes to the cost of health care. Employers who do not provide comprehensive family medical coverage pay **a health care supplement based on the actual average cost of non-group comprehensive health insurance in the state.** The result is a living wage of $13.59 per hour if comprehensive health insurance coverage is offered, $22.00 per hour if not.

Earned Time Off:

- Low-wage workers rarely have access to paid time off work when they or a family member is sick. A handful of cities, including New York, San Francisco, Seattle, Portland OR, and Washington DC have municipal paid sick-and-safe-leave ordinances that apply citywide. The City of Milwaukee passed such a law by referendum in 2008. However, it was nullified in 2011 by a state law outlawing such ordinances.
- Some cities, including Philadelphia, provide for earned time off in the living wage law.
- Given the status of Wisconsin state law, it may be problematic to include earned time off in a county living wage law.

Temporary non-displacement of existing contractor workforce: Living wage laws are intended to allow municipal contractors and subcontractors to pay decent wages to their employees. However, many government-contracting regulations still prioritize the low-bidder, which encourages unscrupulous

31 In-network deductibles not to exceed 25% for office visits, urgent care, in-patient and outpatient care, out-of-pocket maximums not to exceed $1500 per year for an individual and $3000 for a family in-network care, $2000/$4000 for out-of-network care.

32 See: bca.lacity.org/site/pdf/lwo/airport_Living_Wage_amendment.pdf.

firms to make unrealistically low bids. To prevent this, and the myriad problems that emerge when these contractors are not able to do the work for the bid price, many communities have added language (in the living wage law or elsewhere) to protect employees of contractors who lose a contract by **requiring the new firm taking over the contract to employ the existing workforce for a minimum of 90 days.** This provides a strong disincentive for employers to try to win contracts on the basis of low wages and job standards.

C. Implementation, Monitoring & Enforcement

Posting and Notice:

- Every contract, concession, and lease posting specifically references the living wage requirement and includes current wage and benefit requirements.
- Terms and current wage and benefit requirements are posted at every covered workplace of every covered employer.

Enforcement:

- The process for filing a complaint under the living wage law is clear and simple.
- Employee advocates as well as affected employees themselves are able to file complaints.
- A good living wage law clearly identifies the agency charged with enforcing the law, and endows that agency with adequate staff, funding, and authority. The enforcing agency is able to engage in proactive enforcement, not simply respond to complaints filed. This requires employers to provide payroll data and other evidence in a reasonable time frame.
- In addition to agency enforcement, a good living wage law provides a private right of action that allows individuals to also pursue claims against employers in court.
- The law also bars retaliation against employees who file complaints, with appropriate penalties for employers who do so.

Penalties and Sanctions:

- Good living wage laws have serious penalties and sanctions so as to discourage employer violations.
- In addition to employee back pay, they should provide for punitive damages and fines.
- Employers who violate the law are banned from bidding on future contracts or receiving future public benefits for a period of time.
- Repeat offenders are punished more harshly.

IV. What A Milwaukee County Living Wage Ordinance Could Do

Even with the limited scope that current Wisconsin law provides for cities and counties in setting employment standards, there are still significant groups of workers that could potentially benefit from a Milwaukee County living wage ordinance.

A. Home health care workers in Milwaukee County

Home health care is the fastest growing employment sector nationwide. Employment in the two core occupations – personal care aides and home health care aides – is projected to grow by 1.3 million jobs over the decade 2010-2020, faster than any other occupation.[33] Yet the pay is awful and getting worse. Nationally, personal care aides, who assist the elderly or people with disabilities, earned a median wage of just $8.90 per hour in 2012. Home health aides, who perform routine medical care, earned just $9.82.[34] Adjusted for inflation, these wages are actually lower than they were a decade earlier. And because many home-care workers are unable to work full-time, either because of other commitments or because they are not able to get enough hours, annual incomes in the profession average less than $17,000 per year. A third of home-care workers lack health insurance for themselves and their families, and a staggering 50 percent of home-care workers live in households that rely on public benefits such as food stamps and Medicaid.[35]

Low wages are also directly implicated in the profession's excessively high turnover. About half the workforce in home health care quits every year. This is estimated to cost the industry about $2 billion per year, money that would otherwise be available to improve wages, upgrade skills, and improve patient care.[36]

Yet two-thirds of the home health care services industry is supported by tax dollars.[37] Ensuring that home health care workers supported by tax dollars are able to earn a living wage is good for the worker, good for the person receiving care, good for the profession, and good for the community.

B. Employees of airport contractors, subcontractors and concessionaires

Airport workers are another large category that could benefit from a county living wage ordinance. Living wage laws have been shown to increase wages of airport workers without reducing employment or negatively impacting airport operations. A case study of the impact of San Francisco's living wage law at the SFO International Airport showed direct wage increases for nearly 10,000 workers but no negative effect on employment."[38] And claims that Los Angeles International Airport would become unattractive to airport concessionaires after the health insurance supplement to the LAX living wage ordinance was raised from $1.25 to $4.50 per hour in 2009 proved entirely unfounded. When new concession contracts were bid in 2011, dozens of companies vied for the new contracts.[39]

On the other hand, a recent report on wages and working conditions at Philadelphia's airport shows what can happen in the absence of an effective local living wage law. The average hourly wage for the 200 contract workers surveyed, two-thirds of whom were age 25 or older, was $7.85 per hour including tips. Wheelchair agents made less than $6.00 per hour before tips, less than $7.00 per hour even after tips. Baggage handlers, cabin cleaners, and security agents all averaged less than $9.00 an hour. Three-fourths of workers surveyed reported trouble paying their bills. Sixty-five percent had no private or employer-sponsored health insurance. Five percent reported having had to use a homeless shelter or sleep in their car because they could not afford

33 Monthly Labor Review, p. 100.

34 Amy Traub and Robert Hiltonsmith, "Underwriting Bad Jobs: How Our Tax Dollars are Funding Low-Wage Work and Fueling Inequality," Demos, May, 2013, p. 11. Available at: http://www.demos.org/sites/default/files/publications/UnderwritingBadJobs-Final-2.pdf.

35 Dean Baker and Steven L. Dawson, "Home health aides deserve a living wage," Washington Post Op-ed. March 29, 2012. Available at: http://www.washingtonpost.com/opinions/home-health-aides-deserve-a-living-wage/2012/03/29/gIQAm6TsjS_story.html.

36 Baker and Dawson, "Home health aides deserve a living wage."

37 Traub and Hiltonsmith, "Underwriting Bad Jobs," p. 11.

38 Michael Reich, Peter Hall, and Ken Jacobs, "Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses," Industrial Relations 44 (1) (2005): 106–138.

39 Madeline Janus, "L.A.'s living wage ordinance isn't a job killer," LAANE, Sept. 21, 2011. Available at: http://www.laane.org/whats-new/2011/10/03/l-a-s-living-wage-ordinance-isnt-a-job-killer.

rent.[40] More than one-third had to rely on a public health insurance program and a similar percentage on public food assistance.[41]

C. Workers at firms that contract, subcontract, lease, hold concessions, or receive tax benefits from Milwaukee County

The two other general categories of workers who would benefit directly from a Milwaukee County living wage law are employees of the firms that hold general service contracts with the County and employees of firms that enjoy tax subsidies or other public benefits from county government.

The first group includes many building service, food service, and private security workers who work for the companies that have taken over the building service work formerly done by county employees. While contracting out this work generally results in much lower wages paid to the workers who do the work, many cities and counties have seen minimal savings after contract oversight costs and private profits are subtracted. And in many cases, the companies profiting from these low wages are giant national or multi-national firms that could and should pay their workforces better.

For these workers, a non-displacement provision that prevents them from being let go for at least ninety days simply because their employer was underbid on a building service contract is also critical. Not only would it reduce needless churning of this workforce; it would also provide a strong disincentive for unscrupulous firms to underbid on these contracts.

Similarly, the development companies that receive taxpayer assistance for development projects, and the retail, food service, and other companies that lease space in them, also employ too many workers at very low wages, yet are often giant corporations that could afford to pay more. While it is impossible to predict the number of workers who might be impacted on county-supported projects, there is no reason for taxpayers to be subsidizing developers or tenants who refuse to pay their workers a living wage.

40 National Employment Law Project, "Soaring Poverty at the Philadelphia International Airport," June 11, 2013, p. 23. Available at: http://www.nelp.org/page/-/rtmw/NELP-Soaring-Poverty-Philadelphia-International-Airport.pdf?nocdn=1.

41 Ibid.

THE LIVING WAGE DIFFERENCE

COWS | BUILDING THE HIGH ROAD

Estimating the Impact of a $12.45 Living Wage
December 2013

The recently proposed Living Wage Ordinance for Milwaukee County would establish a floor on wages of $12.45 per hour for the work done in support of the public priorities achieved through county contracts, leases, and concessions. Using the best estimates of covered workers available, this paper simulates the **impact of the $12.45 living wage on covered workers.**

Projections are necessarily speculative. Still we are certain there will be positive impact on wages, workers lives, and the broader economy:

- A substantial number of very low-wage workers would secure higher wages as a result of the proposed ordinance. Estimates suggest that **at least 8000 workers stand to gain.**
- For the vast majority of these 8000 workers, the wage increase to $12.45 would significantly increase earnings and improve the standard of living. Estimates suggest that the increase in wages would be in the 35-40 percent range, as most workers currently earn roughly $9.00 per hour. **The wage increase will be sufficient for their jobs to lift full-time workers and their families out of poverty.**
- The collective impact of the Living Wage would increase income by some tens of millions of dollars annually, providing a boost to the local economy as well. Estimates put the **income increases in the range over $38 million per year.**

The implementation of the Living Wage Ordinance could improve the living standards of covered low-wage workers in Milwaukee County. It also makes a **clear statement about the minimal standard of job quality expected when public money or public ends are being pursued through private businesses.**

SIMULATED IMPACT OF LIVING WAGE AT $12.45 PER HOUR

	Estimated Number of Workers	Estimated average hourly wage	Estimated average hours of work per week	Estimated Current Annual Earnings (Average Worker)	Estimated Annual Earnings at $12.45 Wage (Average Worker)	Estimated Increase in Earnings Due to Living Wage	Estimated Total Income Impact of Living Wage (Annual)
Home Health Personal Care Workers	5,500	$9.00	22	$10,296	$14,243	38%	$21,707,400
Airport Subcontractors, Lesees, and Concessions	2,545	$9.10	35	$16,562	$22,659	37%	$15,516,865
Food Service, Janitorial and Security Contractors	235	$9.05	37	$17,412	$23,954	38%	$1,537,276
Total workers	8,280						$38,761,541

About the Data

The data used in this paper was developed by worker advocates in Milwaukee via a two-step process. First, a review of existing Milwaukee county contracts was conducted to identify the worksites, contractors, and other sources of employment for workers who would be covered by the ordinance. Second, over the course of five months (April to August, 2013), roughly 900 covered workers were interviewed to develop a picture of workers' pay and hours and total employment at these various worksites. These interviews took place at worksites, on the phone, or in workers' homes. The data then was summarized by worksite to generate reasonable estimates of the number of workers, their average wages, and the usual hours per week of work on an employer/contractor basis.

Worker advocates in Milwaukee approached COWS to provide this analysis of the living wage ordinance. These advocates provided a comprehensive set of estimates of current wages and employment at covered Milwaukee County contractor and lesees as well as the covered home health workforce. Given COWS expertise on low wage jobs in Milwaukee, and understanding of the workings of the living wage ordinance, we provide this simulation of what the impact of the increase for covered workers to $12.45 would be.

About COWS

Based at the University of Wisconsin-Madison, COWS is a national think-and-do tank that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

COWS | BUILDING THE HIGH ROAD

Raising the Minimum Wage to $10.10 per hour in Wisconsin

Workers Affected and the Broader Impact on the Wisconsin Economy
February 2014

Given federal and state proposals to raise the minimum wage to $10.10 per hour, COWS offers this overview of the workers who stand to gain and the broader impact of minimum wage increases on the Wisconsin economy.

Key Findings:

- Increasing the minimum wage to $10.10 by July 2016 would increase wages for over half a million Wisconsin workers. Assuming the federal schedule of increases, **587,000 workers** —over one-in-five workers in the state - **would see wages up by $816 million over the phase-in period.**
- **404,000 workers** currently earning less than $10.10 per hour would be directly affected by the increase. Another 183,000 workers who earn wages just over $10.10 per hour would see wages increase due to a positive ripple effect from the increase.
- With parents who will see wages go up, **some 234,000 Wisconsin children will see family income rise** as a result of the minimum wage increase.
- Extra wages in workers' pockets would provide a modest boost to the economy. We estimate that wage increases would **increase economic activity by $517 million** over the course of the increases. That growth would generate **3,800 new jobs as businesses expand** to meet the consumer demand.
- Some demographics on the 587,000 Wisconsin workers who would be affected by raising the wage to $10.10:
    - 57 percent are women.
    - 87 percent are 20 years old or older.
    - 47 percent have at least some college education.
    - 42 percent work more than 35 hours per week.
    - Nearly two-thirds (64 percent) are in families with income below $60,000.
    - The average affected worker currently earns about 44 percent of his/her total family income.
- Increasing the minimum wage does not "kill jobs." 600 economists, including seven Nobel prize winners and eight past presidents of the American Economic Association, have called for an increase in the minimum wage. Their letter sums up the case on jobs: "In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that **increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market."**

COWS

BUILDING THE HIGH ROAD

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About the Data
Estimates describe affected population, where indicated, within specified state of Harkin/Miller proposal to raise the federal minimum wage to $10.10 via three incremental increases over three years. Demographic profile reflects affected population in third year (i.e., in step up to $10.10/hour).

Source: EPI analysis using Current Population Survey Outgoing Rotation Group microdata.

Introduction

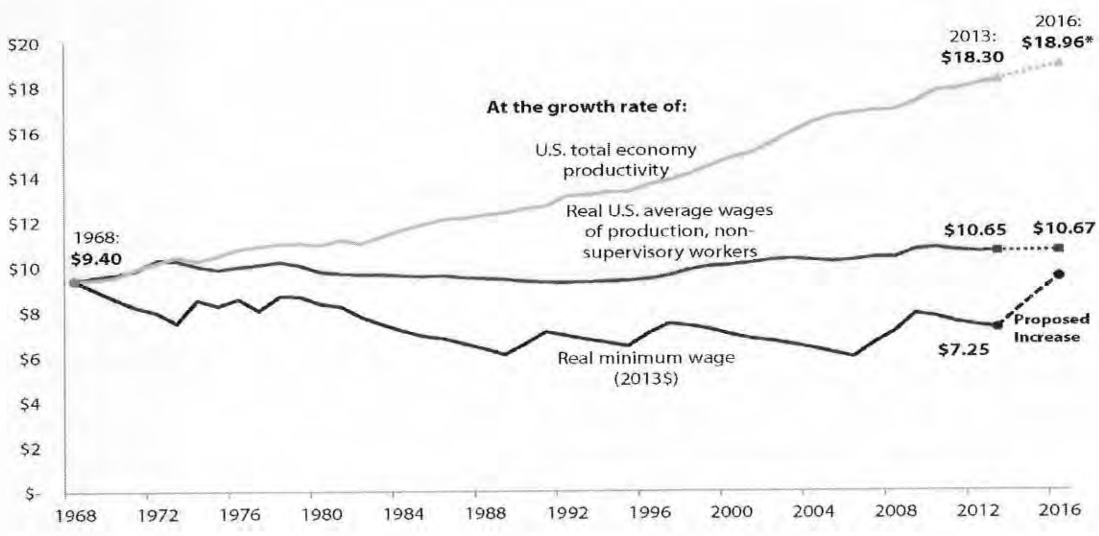
In recent months, proposals to increase the minimum wage to $10.10 per hour have been offered at both the federal and state level. Here we provide an overview of the economic impact and demographic profile of workers who stand to gain if the minimum wage is raised. We also discuss the economic literature on minimum wages, which shows no negative employment impacts of raising the floor under wages. And we note the ways that a minimum wage increase helps build a stronger economy by strengthening labor standards and providing a stimulative boost to the economy.

Inflation Reduces the Value of Minimum Wage Each Year

The current minimum wage is $7.25 per hour. Each year the purchasing power of the minimum wage declines as prices rise. Without policy attention at the local, state, or federal level, workers at the bottom of the labor market get left behind. The current $7.25 minimum is well below the 1968 benchmark, worth $9.40 in today's dollars. And the workers at the bottom of the labor market today are better educated and more productive than they were in 1968.

Over the last 45 years, the US economy has expanded dramatically as productivity and education have increased. In spite of the fact that productivity has doubled over this period, the minimum wage has stagnated and even declined. Figure 1 shows the inflation adjusted value of the minimum wage since 1968. It also provides the context of the size of the overall economy and the average wages in the economy. Had the 1968 minimum wage kept pace with the growth in wages of the typical worker, today's minimum wage would be $10.65 per hour and it would be projected to be about $10.89 by 2016. If the minimum wage had grown at the same rate as productivity, it would be $18.30 today. Given the erosion of the value of the minimum wage, spiraling inequality in the

FIGURE 1: Real value of the federal minimum wage, 1968–2013 and 2013–2016 under proposed increase to $10.10 by 2016, compared with its value had it grown at the rate of productivity or average worker wages (2013 dollars)



* Productivity and average wage projections from 2013 to 2016 do not include the Harkin-Miller proposal.
Note: Dollars deflated using CPI-U-RS and CBO inflation projections. Projected wage values based on CBO inflation projections, average wage and productivity growth from 2002 to 2006 (the last full regular business cycle), and, in the case of the "real minimum wage" line, the proposal to raise the federal minimum wage to $10.10 by 2016.
Source: EPI analysis of Total Economy Productivity Data from the Bureau of Labor Statistics Labor Productivity and Costs program, Bureau of Labor Statistics Current Employment Statistics, Current Population Survey Outgoing Rotation Group public-use microdata, and U.S. Department of Labor Wage and Hour Division (2012)

American economy, and the nearly impossible task of making ends meet for low-wage workers, raising the minimum wage is back on the policy agenda. Raising it to $10.10 by 2016 sets it just above the 1968 value. We turn now to providing a picture of the workers impacted by the proposed wage increase.

Wisconsin's Affected Workers

Some 587,000 Wisconsin workers would take home more pay if the minimum wage was raised to $10.10 per hour by July 2016. In a workforce of some 2.6 million workers, just over one-in-five (22 percent) would feel the impact of the increase. Of the 587,000 workers, 404,000 would be directly impacted by the increase as they currently earn below $10.10 per hour. Another 183,000 workers earn just above the minimum wage and are expected to see wages increase as well. Furthermore, 234,000 children live in households of affected workers. The increased pay of these 587,000 workers would total to $816 million over the three-year phase in of the new minimum wage.

Demographics of Affected Workers

Table 1 provides demographic details on Wisconsin workers who would be affected by the $10.10 minimum wage. The simple stereotype of the teenager from a middle class family working part-time for gas money does not hold up. Most important, 87 percent of affected workers are at least 20 years old or older. And three of four affected workers are employed for 20 hours or more each week (with over 40 percent of workers who stand to gain in full time work). The minimum wage is about living standards for adults, for families, and for children.

TABLE 1: Demographics of Wisconsin Workers Affected by Minimum Wage Increase to $10.10

	Workforce	Directly Affected	Indirectly Affected	Total Affected	Percentage of the total affected
Total	**2,622,000**	**404,000**	**183,000**	**587,000**	**100.0%**
Sex					
Female	1,305,000	238,000	96,000	333,000	56.7%
Male	1,318,000	167,000	88,000	254,000	43.3%
Age					
Less than 20	145,000	104,000	20,000	124,000	21.1%
20 to 29	549,000	158,000	64,000	222,000	37.8%
30 to 39	512,000	42,000	28,000	70,000	11.9%
40 to 54	855,000	45,000	42,000	87,000	14.8%
Race					
White, non-Hispanic	2,244,000	300,000	142,000	442,000	75.3%
Black	123,000	32,000	20,000	52,000	8.9%
Hispanic	143,000	46,000	8,000	54,000	9.2%
Asian or other race	113,000	25,000	14,000	39,000	6.6%
Work Hours					
Part time (< 20h)	241,000	118,000	37,000	155,000	26.4%
Mid time (20-34)	439,000	145,000	39,000	185,000	31.5%
Full time (35+)	1,942,000	141,000	107,000	248,000	42.2%
Education					
Less than high school	197,000	97,000	24,000	122,000	20.8%
High School	701,000	123,000	66,000	189,000	32.2%
Some college	900,000	145,000	74,000	219,000	37.3%
Bachelor's or higher	823,000	40,000	19,000	58,000	9.9%

Source: EPI analysis using Current Population Survey Outgoing Rotation Group microdata.
Note: Figures do not add up due to rounding.

Some other demographic facts stand out as well. Perhaps obvious, but still important, workers who toil in lower paying jobs gain more when the wage floor is lifted. Women are half of the labor force but 57 percent of the workers affected by the higher wage floor. While 20 percent of Wisconsin's white workers would see wages go up with the minimum wage increase, 35 percent of the state's Asian workers, 38 percent of Hispanic workers and 42 percent of African American workers would be affected by the increase. Raising the floor will also help reduce disparities in our labor market.

It is no surprise that workers with lower levels of education are more likely to gain as a result of a minimum wage increase. But it is also worth noting that many college educated workers will also gain with a higher minimum wage. One-in-four workers with some college education but without a four-year degree will see wages go up if the minimum wage is raised to $10.10.

Industries of Affected Workers

Just as workers in lower wage jobs are more likely to be affected by raising the floor, specific industries with a preponderance of low-wage jobs are more likely to be affected as well. Table 2 provides data on the jobs of affected workers. Given the long history of strong wages in the state's construction and manufacturing sectors, it should come as little surprise that these sectors have relatively few workers who will see wages go up with the minimum. For example, in Wisconsin just 4 percent of construction workers and 12 percent of manufacturing workers would see wages go up with the floor compared to 22 percent of workers overall. At the other end of the spectrum is the leisure and hospitality industry where 61 percent of workers would see wages increase if the minimum was raised to $10.10 per hour. And 43 percent of workers in the retail sector would also get a raise if the floor was raised.

TABLE 2: US workers, by industry, who would be affected by increasing the federal minimum wage to $10.10 by July 2016

	Estimated Workforce	Directly Affected	Indirectly Affected	Total Affected	Percentage of the total affected	Share of this category that is affected
Construction	109,000	3,000	1,000	4,000	0.7%	3.7%
Manufacturing	481,000	34,000	23,000	57,000	9.7%	11.9%
Retail	299,000	95,000	32,000	127,000	21.6%	42.5%
Education and healthcare	659,000	69,000	33,000	102,000	17.4%	15.5%
Leisure & hospitality	229,000	115,000	24,000	139,000	23.7%	60.7%
Other industry	846,000	88,000	71,000	159,000	27.1%	18.8%

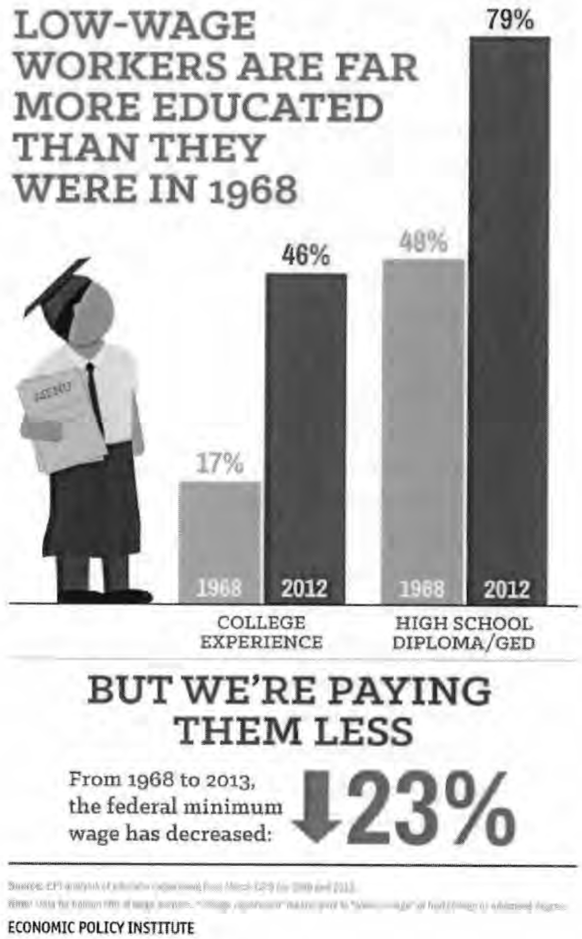
Source: EPI analysis using Current Population Survey Outgoing Rotation Group microdata.

Broader Economic Impact of Wage Increase in Wisconsin

Raising the minimum wage builds a stronger wage floor in the state and puts more money in the pockets of the state's lowest paid workers. But a higher minimum wage also promotes growth and stimulates the economy more broadly. As the purchasing power of low-income workers' grows, this new consumer spending supports modest levels of job growth as businesses expand to meet demand. Raising the minimum wage to $10.10 per hour would boost economic activity by $517 million over the three-year period of the implementation. That growth would generate an increase of 3,800 Wisconsin jobs as businesses expand to meet the growing consumer demand.

Evidence on Employment Impact of Minimum Wage Increases

Raising the floor under wages would increase income of low-wage workers, strengthen the economy, and promote more inclusive economic prosperity. As a result, raising the minimum wage is popular with the general public.Polling consistently shows strong majority support for higher minimum wages from conservatives and liberals alike. But broad support for raising the floor doesn't translate into actual increases due to business opposition and the skepticism of political leaders who are convinced that minimum wage increases will be "bad for business." Yet we know that the best economic evidence on minimum wage increases does not support this view. (For a comprehensive review of evidence, see John Schmitt, *Why does the Minimum Wage Have No Discernible Effect on Employment?* (CEPR, February 2013).)



Raising the minimum wage does not increase unemployment or destroy jobs.

The effect of minimum wages on employment has been at the center of economic debate for a very long time. Simple economic models based on the logic of supply and demand predict that raising the minimum wage will lead to job losses for workers whose productivity is too low to justify being paid the higher minimum.

Over the last twenty years, numerous studies have demonstrated that past increases in the minimum wage have not led to lower overall employment. (For a review of studies, see NELP, 2013, *Consider the Source: 100 Years of Broken Record Opposition to the Minimum Wage*) When New Jersey increased its minimum wage above Pennsylvania's, researchers found no employment effect in fast food establishments on either side of the state line. This case was carefully presented in the groundbreaking Myth and Measurement: The New Economics of the Minimum Wage David Card and Alan B. Krueger (Princeton University Press, 1997) which reframed the mainstream discussion of minimum wage impacts on employment.

Other studies since have consistently reached the same conclusion: increasing the minimum wage does not destroy jobs. A recent letter signed by more than 600 economists including 7 Noble prize winners summarizes the literature on job loss: "In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market. Research suggests that a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front." (see Economists' Letter)

How can a higher minimum wage not reduce employement? One way is by offsetting the cost of higher wages through savings from higher worker productivity and lower turnover. Workers are simply less likely to quit a job that pays more, thereby reducing hiring and training costs. And employees are more likely to invest in improving job skills when they see a decent future ahead for themselves. In other words, employers can actually gain from minimum wage increases in ways that they may not even be able to predict. Some evidence (http://www.raisetheminimumwage.com/pages/business-case):

- A 2003 study at the San Francisco Airport found annual turnover among security screeners plunged from 95 percent to 19 percent when their hourly wage rose from $6.45 to $10 per hour. After the "living wage" increase, 35 percent of employers reported improvements in work performance, 47 percent reported better employee morale, 44 percent reported fewer disciplinary issues, and 45 percent reported that customer service had improved.
- A 2006 article in the Harvard Business Review found that higher wage rates at Costco resulted in less turnover and employee theft, and greater productivity compared to competitors.

Economists' Letter on the Minimum Wage

Signed by 600 economists including seven Nobel prize winners and eight past presidents of the American Economic Association (Full letter with signatures here.)

Dear Mr. President, Speaker Boehner, Majority Leader Reid, Congressman Cantor, Senator McConnell, and Congresswoman Pelosi:

July will mark five years since the federal minimum wage was last raised. We urge you to act now and enact a three-step raise of 95 cents a year for three years—which would mean a minimum wage of $10.10 by 2016—and then index it to protect against inflation. Senator Tom Harkin and Representative George Miller have introduced legislation to accomplish this. The increase to $10.10 would mean that minimum-wage workers who work full time, full year would see a raise from their current salary of roughly $15,000 to roughly $21,000. These proposals also usefully raise the tipped minimum wage to 70% of the regular minimum.

This policy would directly provide higher wages for close to 17 million workers by 2016. Furthermore, another 11 million workers whose wages are just above the new minimum would likely see a wage increase through "spillover" effects, as employers adjust their internal wage ladders. The vast majority of employees who would benefit are adults in working families, disproportionately women, who work at least 20 hours a week and depend on these earnings to make ends meet. At a time when persistent high unemployment is putting enormous downward pressure on wages, such a minimum-wage increase would provide a much-needed boost to the earnings of low-wage workers.

In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market. Research suggests that a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front.

- A 2005 study of San Francisco's minimum wage increase found workers in fast food restaurants remained employed for longer periods of time (an average increase of 3.5 months) and were more likely to have full-time jobs after the increase.
- A 2005 study of home care workers in the Bay Area found that turnover fell by 57 percent following a mandated increase in wages.
- And a 2005 study of the effect of a living wage policy for firms that contract with the city of Los Angeles found that staff turnover rates at firms affected by the policy averaged 17 percent lower than at firms that were not affected.

More than 1000 business owners and executives, including small business owners from all 50 states, as well as Costco CEO Jim Singeal and U.S. Women's Chamber of Commerce CEO Margot Dorfman, supported the most recent increase in the federal minimum wage.

As their letter of support states, "Higher wages benefit business by increasing consumer purchasing power, reducing costly employee turnover, raising productivity, and improving product quality, customer satisfaction and company reputation." (See the complete statement at www.businessforafairminimumwage.org/statement.)

Some businesses gain from low wages and declining standards — those whose competitive advantage comes from cutting wages and standards. But these are the worst businesses for a community to encourage. In addition to providing the worst jobs, they offer the least worker training, provide the fewest career opportunities, and put the least back into the local community.

Higher-wage businesses that invest in their workers and offer quality products do not compete through low wages. Raising the wage floor actually helps these businesses by making life more difficult for wage-cutters. Wage increases and stronger enforcement of standards help to level the playing field for the businesses that already pay more and comply with the law.

A Stronger Floor

In Wisconsin, raising the minimum wage to $10.10 per hour would make a significant difference in the quality of life for 587,000 workers.

They take care of the old and the frail and the disabled, allowing them the dignity and independence they deserve. They work in health care but cannot afford health care. They take care of children, but cannot afford quality care for their own. These workers toil over hot oil, hot stoves, and hot water. They scrub counters and windows, haul trash and deliveries. They stock shelves, run cash registers, and manage returns.

These workers, faced with the grinding struggle of making ends meet and meeting demands of work and family, stand to gain the most from a higher minimum wage. But our economy would gain as well. As workers' jobs get better, they become better at their work (because they stay longer) and they can spend more to boost the local economy.

Raising the minimum wage is about strengthening the wage floor under our labor market. And a strong floor helps the entire Wisconsin economy.

Senate Committee on Judiciary and Labor
Testimony of Rabbi Bonnie Margulis

March 3, 2014
608-827-9482 rabbibonnie@charter.net

WISCONSIN FAITH VOICES FOR JUSTICE OPPOSES SB 626

Good morning, I am Rabbi Bonnie Margulis, President of Wisconsin Faith Voices for Justice. I speak today on behalf of Wisconsin's progressive religious community to oppose Senate Bill 626, which would void all living wage ordinances in Wisconsin.

At a time when economists, lawmakers, and the public are increasingly alarmed by the tremendous rise in income inequality; when wages are falling in relationship to inflation and productivity; and when safety net programs such as food stamps are being reduced or eliminated, it is incomprehensible that our legislature should be considering nullifying existing living wage ordinances around the state. The effect of this proposal would be immoral and mean-spirited, and flies in the face of the overwhelming support Wisconsinites have for raising the minimum wage.

The faith traditions represented by the members of Wisconsin Faith Voices for Justice all cry out for justice for workers. We believe that all people are made in the image of God and endowed with inherent worth and dignity. When our society allows people to live in poverty because we refuse to pay them adequately, we rob them of that dignity. It is unconscionable that in this, the richest country on earth, we have people living on food stamps and sleeping in homeless shelters even while working, sometimes at more than one job. It is appalling that our state government is debating robbing even that small segment of the population that falls under local living wage ordinances.

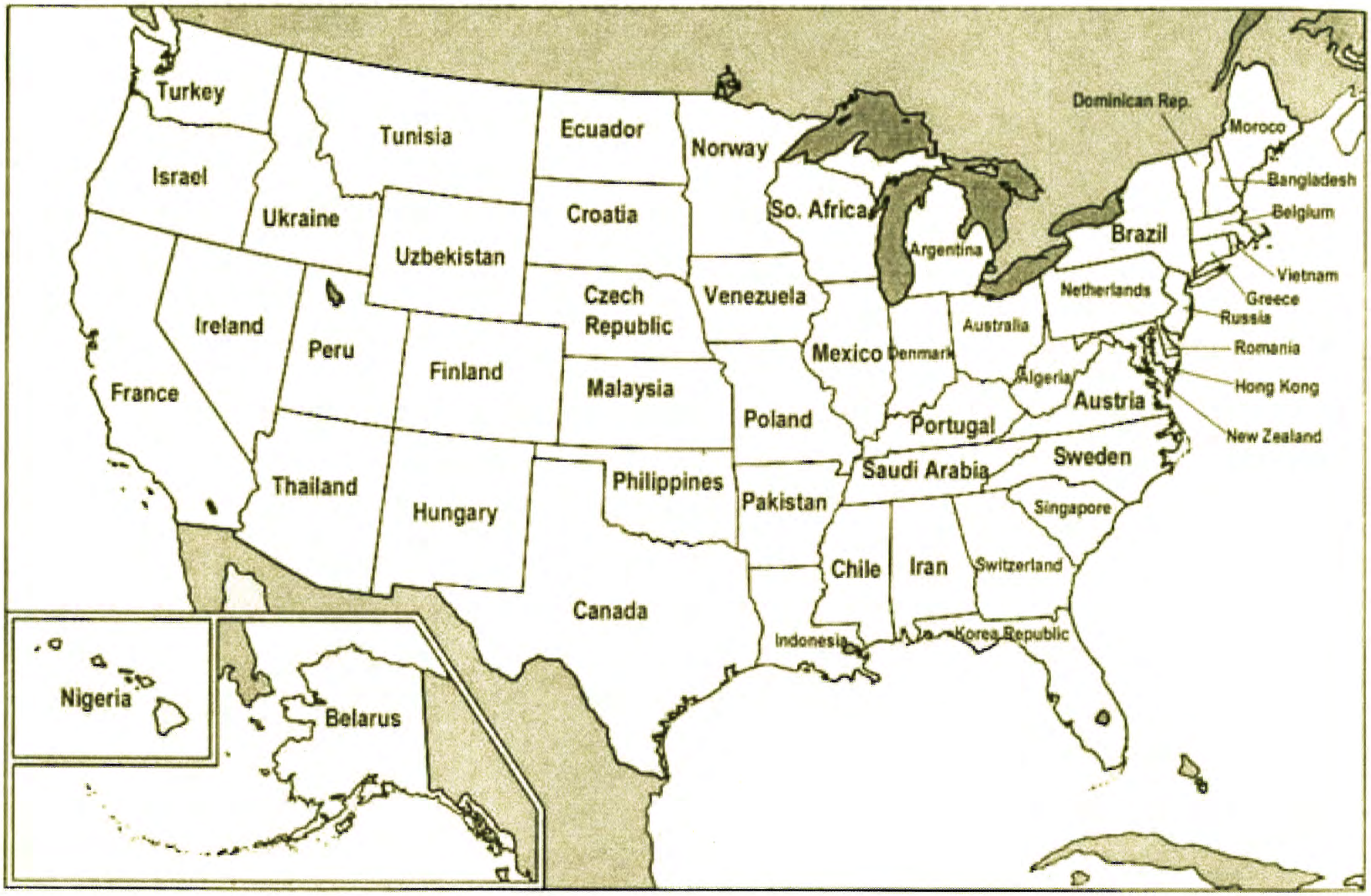
In my own religious tradition of Judaism, we are taught that it is our moral responsibility to care for the poor, the hungry, the homeless; that it is incumbent upon us to look after the widow, the orphan, the stranger in our midst. As a society, we can and should do that through social service programs such as food stamps and homeless shelters. There will always be a need for such services, and a moral society should provide them through both public and private resources. But the need for these services will be greatly lessened if we pay a fair wage to our workers that will lift them out of poverty and allow them to care for themselves and their families. It is the right thing to do for Wisconsin's working families, and it is the right thing to do for Wisconsin's economy, for it is clear that when workers have sufficient pay to meet their needs, they spend that pay in their local communities, contributing to the growth of the economy overall.

Wisconsin Faith Voices for Justice calls upon our elected officials to do the job for which they were elected, which is to protect the rights and the well-being of the citizens of our state. All Wisconsin working families should be able to live in dignity, secure in the knowledge that their honest labor will reap fair pay that will enable them to feed and house their families. Therefore, we urge our Senators and Assembly members to oppose this bill, and call upon them instead to enact legislation that lifts our state's minimum wage to a living wage for all workers. It is the economically sound thing to do, but even more, it is the right and the moral thing to do.

US States Renamed by GDP

Gross Domestic Product (GDP) is a convenient way of measuring and comparing the size of national economies. Annual GDP represents the market value of all goods and services produced within a country (or state) in a year.

Source: http://strangemaps.wordpress.com/2007/06/10/131-us-states-renamed-for-countries-with-similar-gdps/ (2007 data)



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