Living Wage

States are not innocent bystanders in the payment of sub-poverty level wages. Workers who directly or indirectly serve the state should be paid at least a living wage.

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Summary

- **Millions of hardworking Americans live in poverty.**
- **States are not innocent bystanders in the payment of sub-poverty level wages.**
- **State support of sub-poverty wages strains government public assistance programs.**
- **When the state helps create jobs that pay sub-poverty level wages, it is pursuing a shortsighted economic policy.**
- **The Living Wage Act can lift thousands of families above the poverty line while improving the quality of services received under state contracts.**
- **The living wage is a far more appropriate base earnings rate than the minimum wage.**
- **Since 1994, more than 80 cities and counties have adopted a living wage.**
- **The public strongly supports the living wage.**

Millions of hardworking Americans live in poverty.

In every state there are hundreds of thousands, or even millions, of men and women who work full-time, but don't earn enough to climb out of poverty. Unfortunately, the federal minimum wage of $5.15 per hour is simply insufficient. A wage earner working full-time at the minimum wage earns approximately $10,700 a year—$4,500 below the 2003 poverty line for a family of three, and $7,700 below the poverty line for a family of four. All too often in America, hard work goes unrewarded.

States are not innocent bystanders in the payment of sub-poverty level wages.

Most states award billions of dollars in service contracts each year, resulting in the employment of thousands of individuals. Many of these individuals employed indirectly by the state—such as janitorial, healthcare and clerical workers—are paid wages that keep them in poverty. Workers who directly or indirectly serve the state should be paid at least enough to feed their families.

State support of sub-poverty wages strains the state's public assistance programs.

When they are paid wages at or near the minimum wage, workers and their families must rely on public assistance to survive. They need Medicaid, subsidized housing, childcare programs, and free school lunches. It simply makes no sense for the state to use taxpayer funds to promote sub-poverty wage jobs.

When the state helps create jobs that pay sub-poverty level wages, it is pursuing a shortsighted economic policy.

A rational economic development policy promotes the creation of good jobs, not bad ones. The creation of sub-poverty level jobs does not lead to a self-sufficient workforce. Such jobs cannot provide the basis for sustainable economic growth. Public dollars should be leveraged for the public good—supporting "high road" private sector employers that demonstrate a commitment to providing decent, family-supporting jobs throughout the state.

The Living Wage Act can lift thousands of families above the poverty line while improving the quality of services received under state contracts.

The Act requires employers who receive major service contracts from the state to pay a living wage to employees working on those contracts. The living wage will not only make sure that companies accepting public money are creating good jobs for state residents, it will mean that work for the state will be performed by workers who are more productive, with lower turnover and training costs, and less absenteeism.[1]

The living wage is a far more appropriate base earnings rate than the minimum wage.

In the 1960s and 70s, the federal minimum wage gave Americans an income slightly above the poverty line. If the minimum wage of 1968 were adjusted for inflation, it would equal about $8.50 today.[2] The Living Wage Act's proposed rate of $8.50 per hour provides an income that is just slightly below the 2003 federal poverty level for a family of four, plus health insurance. The living wage proposed in cases where the employer does not provide health insurance is $10 per hour, just above the 2003 federal poverty level for a family of four.

Since 1994, more than 110 cities and counties have adopted a living wage.

Living Wage laws have been enacted in more than 110 cities and counties, including Baltimore, Boston, Chicago, Cleveland, Des Moines, Detroit, Los Angeles, Milwaukee, Minneapolis, New York City, San Antonio, San Francisco, and St. Louis.[3] Many studies demonstrate that the living wage is a success, lifting families out of poverty without adversely affecting local economies.[4]

The public strongly supports the living wage.

Americans overwhelmingly support the living wage in public opinion polls. Seventy percent of Los Angeles voters surveyed, for example, said they favored that city's Living Wage law. Moreover, according to a Lake Snell Perry & Associates poll, 84 percent of Americans support the idea that anyone who works full-time should not have to live in poverty.[5]

Endnotes

[1] Michael Reich, Peter Hall and Ken Jacobs, "Living Wages, Airport Security and Worker Performance: The San Francisco Model," Institute of Industrial Relations, University of California at Berkeley, 2002.

[2] Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) calculated by the U.S. Bureau of Labor Statistics.

[3] Living Wage Resource Center, "Living Wage Successes: A Compilation of Living Wage Policies on the Books," 2003.

[4] Public Policy Institute of California, "How Living Wage Laws Affect Low-Wage Earners and Low-Income Families," 2002.

[5] Lake Snell Perry & Associates, "A National Survey of American Attitudes Towards Low-Wage Workers and Welfare Reform," April 2000.

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For more information...

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Living Wage Act

SECTION 1. SHORT TITLE

This Act shall be called the "[STATE] Living Wage Act."

SECTION 2. FINDINGS AND PURPOSE

(A) FINDINGS – The legislature finds that:

1. The state of [STATE] awards contracts that result in the employment of thousands of individuals. Many of these individuals, employed indirectly by the state, receive sub-poverty level wages.

2. The creation or promotion of jobs that pay sub-poverty level wages is shortsighted economic and social policy. Such jobs do not lead to a self-sufficient workforce or support sustainable community development. Instead, they increase the need for government services, such as public assistance for food, housing, health care, and child care.

3. The state is not an innocent bystander in the payment of sub-poverty level wages. It is necessary and appropriate for the state to require that contractors working on state business pay at least a living wage.

(B) PURPOSE – Recognizing that the state is a major contractor for services, this law is enacted to increase the wages of service employees who indirectly work for the state in order to improve public health and welfare, promote the economic strength of our society, and take pressure off state social service programs.

SECTION 3. LIVING WAGE

After section XXX, the following new section XXX shall be inserted:

(A) DEFINITIONS – In this section:

1. "Secretary" means the Secretary of the Department of [LABOR], or the Secretary's designee(s).

2. "State" means the state or a principal unit of state government.

3. "State contractor" means a for-profit or not-for-profit entity that has a state contract.

4. "State contract" means:

   a. A contract for services with the state valued at $100,000 or more; or

   b. A subcontract valued at $25,000 or more for providing part or all of the services covered by another entity's contract for services with the state valued at $100,000 or more.

5. "Basic health insurance benefits" means an insurance plan where an employer pays 100 percent of the premium for individual coverage or 80 percent of the premium for family coverage if the health insurance:

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a. Covers at least 80 percent of the costs of office visits, emergency care, surgery, and prescriptions; and

b. Has an annual deductible of no more than $1,000.

(B) PAYMENT OF LIVING WAGE

1. Any state contract for services must require state contractors to pay an hourly wage rate that is at least the living wage.

2. During the duration of a state contract, a state contractor shall pay to each employee who is working on the state contract an hourly wage rate that is at least the living wage.

3. If a state contract is subject to prevailing wage requirements under [appropriate citation], the state contractor shall pay the living wage or the prevailing wage, whichever is higher.

(C) CALCULATION OF LIVING WAGE

1. The initial living wage shall be $10 per hour without basic health insurance benefits or $8.50 per hour with basic health insurance benefits.

2. On July 1 of each year, the Secretary shall adjust the living wage in direct proportion to any increase or decrease in the Consumer Price Index for [insert region], as reported by the U.S. Department of Labor, except that the hourly wage rate shall not be set at less than $10 per hour without basic health insurance benefits or $8.50 per hour with basic health insurance benefits.

(D) WAIVERS AND EXEMPTIONS

1. A not-for-profit entity that is subject to this section may apply to the state agency that is responsible for the state contract for a waiver of the living wage requirement, based on economic hardship. The state agency may only grant such a waiver after:

a. A review of the not-for-profit entity's financial situation, including salary levels of the entity's management personnel; and

b. A determination that the application of this section would cause an undue hardship to the entity's operation.

2. Any granted waiver of the living wage requirement must be renewed annually.

3. The living wage does not apply to a trainee who is enrolled for less than six months in a job readiness or job training program run by a non-profit entity.

4. The living wage does not apply to an intern who is under 21 years of age, employed by a non-profit entity before or after school, or during the summer for a period not longer than three months.

5. If a state agency responsible for a state contract determines that application of this section would conflict with a federal program requirement, this section does not apply to that contract.

(E) ENFORCEMENT

1. No state contractor shall discharge, demote, harass or otherwise take adverse actions against any individual because such individual seeks to enforce this section, or testifies, assists, or participates in any manner in an investigation, hearing, or other proceeding to enforce this section.

2. No state contractor shall split or subdivide a contract, pay an employee through a third party, or treat an employee as a subcontractor or independent contractor to avoid payment of a living wage.

3. This section shall be enforced by [appropriate state agency], which shall promulgate such regulations as are necessary to implement and administer compliance. Regulations shall include procedures to receive, investigate, and attempt to resolve complaints; and bring actions in any court of competent jurisdiction to recover appropriate relief for aggrieved employees.

4. In any action under this section in which an employee prevails:

   a. The employee shall be awarded monetary relief, including back pay in an amount equal to the difference between the employee's actual earnings and what the employee would have earned but for the employer's unlawful practices.

   b. The employer shall be enjoined from continuing to underpay employees, and the employer may be ordered to take such additional affirmative steps as are necessary, to ensure compliance with this section.

   c. The employer shall pay a reasonable attorney's fee, reasonable expert witness fees, and other costs of the action.

SECTION 4. EFFECTIVE DATE

This Act shall take effect on July 1, 2004. The living wage shall apply to state contracts executed or renewed on or after October 1, 2004.