

## **Meetings on Wage Issues in Boulder County — For Discussion and Consensus**

### **PRESENTER'S GUIDE (SCRIPT)**

#### **I. Introduction of topic (2 minutes)**

Our committee works in several areas of our extensive national League positions on Social Policy. This week's Units relate to our positions on "Meeting Basic Human Needs." The League supports government policies that promote self-sufficiency and prevent or reduce poverty. In the November VOTER we presented some basic information about a number of these programs. As you all know, our committee members follow how Boulder County is doing with its "safety net." We have contributed substantial (too substantial?) reports to the VOTER.

Our current League positions do not mention, however, that the working poor may not be being paid adequately. Government programs (financed by us, taxpayers) provide needed cash assistance, tax credits, housing, food stamps, and such. Should the government then also be asking employers to pay adequate wages?

[If November VOTER includes info about programs, presenters can hold up a copy to jog people's memory. I would discourage any discussion at this point in the meeting, however.]

So last year our committee proposed, and you members adopted, the present study of minimum wage in Boulder County, and what level of government should have jurisdiction and control.

In our study, we have found little agreement about whether raising the minimum wage alleviates poverty. A recent Congressional Budget Office (CBO) report, "The Effects of a Minimum Wage Increase on Employment and Family Income" (February 2014), analyzes a multitude of factors.

(<http://www.cbo.gov/sites/default/files/cbofiles/attachments/44995-MinimumWage.pdf>).

Report on p.1–17, then appendixes, lists - 43p. in all -

SUMMARY on p. 1: Increasing the minimum wage would have two principal effects on low-wage workers. Most of them would receive higher pay that would increase their family's income, and some of those families would see their income rise above the federal poverty threshold. But some jobs for low-wage workers would probably be eliminated, the income of most workers who became jobless would fall substantially, and the share of low-wage workers who were employed would probably fall slightly.

Investigators examined two scenarios: increase from \$7.25/hour (1) to \$10.10/hour in three steps, in 2014, 2015, and 2016, and adjusted annually for inflation according to CPI thereafter, and (2) to \$9.00/hr in two steps, 2015 and 2016, and not adjusted for inflation. The \$10.10 has greater effect; effect of either is minimal on federal budget.

Estimates are that an increase to \$9 or \$10.10 per hour would not move many families out of poverty, Presenters, end here without going on to say ->as not all low-wage workers are members of low-income families. If the topic of young workers come up, point out that of those earning minimum wage, 24% are 19 year or younger while 76% are adults.

We all see much in the popular press as well. Some people say, as did Henry Ford in the 1920s, that it is good for the economy if workers earn enough to buy the products they are helping produce. If the lowest wages do not increase, workers lose incentives to work, the nation forfeits additional economic growth, and everyone pays for it in public assistance programs for struggling workers. Other people warn that if employers are required to pay more, they will reduce hours or benefits, or cut jobs. Growing trend is for cities and states to raise minimum wage.

**II. LWV and wage issues (1 minute)** Concerning League action, one state League, the LWV of Kansas, studied wages and in 2000 adopted a position on "LIVING WAGE: Encourage

establishment of a living wage policy by government and for-profit businesses that receive tax incentives and/or other public funds.”

Last June, at the national League convention, a local League in California led a strong, but unsuccessful, campaign to get delegates to adopt the Kansas position by concurrence. We (our committee members) have read the entire Kansas position and we do not concur with it in every detail. For one thing, non-profit businesses might also be covered. And perhaps merely “encouraging” employers is not enough.

### **III. Minimum wage and “living wage” (1 to 5 minutes)**

In the October VOTER we presented many statistics on wages, comparing various wage levels to how much a family needs to live without direct government assistance. At our Units last year, in November 2013, we had a “poverty simulation”: we asked you to imagine yourselves as a working-poor family deciding how to spend its income. You may remember that, at all five Units, the “family” (you) decided that the only way to avoid being evicted or fired was to cut back on food. That is what the working-poor do regularly.

The charts in the October VOTER were intended to document the appalling gap between wages and living expenses. Minimum wage is far below the “self-sufficiency standard.” Even a \$15/hour minimum wage to be phased in over 3-5 years, such as Seattle has adopted, may still be below self-sufficiency. (Give examples: \$8/hr - \$17K/year. We also included in the October VOTER definitions of other terms—Prevailing Wage, Living Wage, and Value Wage contracting

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## **IV. Consensus Questions**

### **I. Consensus question #1: What is the appropriate role of government in determining wages paid workers?**

Consensus question #1 asks, is legislating higher wages a good idea?

To illustrate the pro and con, we give you two excerpts from an actual U.S. Senate committee hearing on March 12, 2014. First we have Sen. Tom Harkin (D-IA, retired) [b.1939] and then Sen. Lamar Alexander (R-TN) [b.1940] [Presenters each read one] (Senate Committee on Health, Education, Labor, and Pensions, Hearing on minimum wage hike) <http://www.help.senate.gov/hearings/hearing/?id=51f3cf01-5056-a032-5266-935ef3b78cc9>

Harkin: “No one who works full time in our society ought to live in poverty. And supplementing that with welfare, Earned Income Tax Credit, food stamps, TANF and Child Care is not the answer. The answer is just raising the minimum wage.”

Alexander: “I believe families shouldn’t live in poverty. But the idea of raising the minimum wage to address that is a stale, bankrupt, ineffective policy. According to the Congressional Budget Office, it costs low-wage workers 500,000 jobs, makes it harder to create more jobs, and gives most of the benefits—80 percent of the benefits—to families above the poverty level. We will present amendments and proposals that create a pro-growth economy with more good jobs.”

Consensus question #1, in other words, asks, are you with Senator Harkin? Or Senator Alexander?

As it is now, we have minimum wage requirements (as in answer 1.C. The federal government sets a minimum wage of \$7.25/hour (\$10/hour for federal contractors). States may exceed it,

and Colorado does. Our state minimum wage, indexed to inflation, is now \$8/hour, and \$4.98/hour for tipped workers (restaurant servers, for example). But is the “minimum wage” the same as paying fairly?

[Here questions may well arise as to whether “fair” means “self-sufficiency”? or what? If members seem exasperated, we might suggest going on and having a second look at #1 later.]

#### Minimum wage and inflation

ATTACHMENT 1: Graphic “The rise and fall of the minimum wage,” *NY Times*, 30 Nov 2013  
[http://www.nytimes.com/interactive/2013/12/01/sunday-review/the-rise-and-fall-of-the-minimum-wage.html?\\_r=0](http://www.nytimes.com/interactive/2013/12/01/sunday-review/the-rise-and-fall-of-the-minimum-wage.html?_r=0)

#### Minimum wage and productivity

[http://www.huffingtonpost.com/2013/02/13/minimum-wage-productivity\\_n\\_2680639.html](http://www.huffingtonpost.com/2013/02/13/minimum-wage-productivity_n_2680639.html)

#### **Minimum Wage Would Be \$21.72 If It Kept Pace With Increases In Productivity: Study**

Huffington Post, by Caroline Fairchild, Feb 15, 2013

President Obama’s call for \$9 an hour is still a far cry from what workers really deserve, a 2012 study finds. The minimum wage should have reached \$21.72 an hour in 2012 if it kept up with increases in worker productivity, according to a March study by the Center for Economic and Policy Research. While advancements in technology have increased the amount of goods and services that can be produced in a set amount of time, wages have remained relatively flat, the study points out.

Even if the minimum wage kept up with inflation since it peaked in real value in the late 1960s, low-wage workers should be earning a minimum of \$10.52 an hour, according to the study. Since the minimum wage peaked in 1968, increases in productivity have outpaced the minimum wage growth.

The last time the federal minimum wage was increased was in 2009. Currently observed in 31 states, the federal minimum wage of \$7.25 an hour translates to an annual income of about \$15,000 a year for someone working 40 hours per week. In 2011, more than 66 percent of Americans surveyed by the Public Religion Research Institute supported raising it to \$10.

#### Minimum wage vs Earned income credit

We’ve read some convincing arguments that spending a given dollar amount to augment the earned income credit would better target those in poverty than raising the minimum wage. The Nov *Voter* article had more on earned income credit. However, in our consensus today, we’re focusing on minimum wage legislation as a credible approach by government to reduce poverty levels. Using multiple approaches in combination is likely more effective than relying on a single strategy.

## **2. Consensus question #2: What level of government, if any, should set a minimum wage?**

Presently, we have 2.D. partially. In Colorado the state law is that local governments cannot set a minimum wage above the state minimum, except for their own government employees.

*CRS 8-6-101 (3) (a) No unit of local government, whether by acting through its governing body or an initiative, a referendum, or any other process, shall enact any jurisdiction-wide laws with respect to minimum wages; except that a unit of local government may set minimum wages paid to its own employees.*

#### Minimum wages in Boulder County (from information sheet researched by Jan)

- CITY OF BOULDER minimum wage \$11.68 / hour for full-time (FT) employees, \$8 hour part-time (PT), \$8 / hour city contractors.
- TOWN OF ERIE minimum wage \$10.41 for employees, \$8 / hour for contractors, \$10.10 / hour for federal contract workers.

- CITY OF LAFAYETTE minimum wage \$8 / hour FT and PT, employees and contractors, and \$4.95 for tipped employees—people working at the golf course.
- CITY OF LOUISVILLE minimum wage \$8 / hour for all
- CITY OF LONGMONT minimum wage \$8 / hour for all, employees and contractors. If the project is funded by a FEDERAL grant, contractor pays the PREVAILING WAGE set by the US Secretary of Labor under Davis-Bacon.\* (This is apparently \$10.10 right now, as in Erie.)

\*DAVIS-BACON - <http://www.dol.gov/whd/govcontracts/dbra.htm>

The Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The Davis-Bacon Act prevailing wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

In some states recently, when a big city, for example, wants to raise the minimum wage because the cost of living is higher, the state legislature quickly passes a law forbidding it. Some governors say they don't want a patchwork of wage laws.

What states? New York, Rhode Island, Oklahoma, and Washington state -

#### In favor of local jurisdiction:

- Our research uncovered the concept of **subsidiarity** which (according to Wikipedia) is "an organizing principle of decentralization: a matter ought to be handled by the smallest, lowest, or least centralized authority capable of addressing that matter effectively." According to the UN Development Program's 1999 report on decentralization, "Decentralization, or decentralizing governance, refers to the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of **subsidiarity**, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels." In Price of Civilization, Jeffrey D. Sachs suggests collection of taxes at the highest level with spending of that tax money done at lower levels.

### **3. Consensus question #3: What expenses should a living wage cover?**

Here we can talk about how variable some of the estimated costs must be.

Under 3.I. Taxes, here we can perhaps talk about EITC, and how LWVUS position on Meeting Basic Human Needs has always been interpreted to support EITC.

### **4. Consensus question #4: What criteria should be used to determine wages? (In other words, what practical details ought to be considered by a government entity if it chooses to set a level for minimum wage?)**

4.A. - Explain "free market" wages - Prof. Zax's examples of supply and demand factors

4.B. - Have information of what the CPI includes - and how data is gathered -

Note: Federal minimum wage would now be \$25/hr if it had been adjusted according to the CPI since it was first set, according to what someone on committee had learned.

Bureau of Labor Statistics [http://www.bls.gov/cpi/cpifaq.htm#Question\\_1](http://www.bls.gov/cpi/cpifaq.htm#Question_1)

A **consumer price index** (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. In the U.S. the CPI is defined by the Bureau of Labor Statistics as “a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services” The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically. Sub-indexes and sub-sub-indexes are computed for different categories and sub-categories of goods and services, being combined to produce the overall index with weights reflecting their shares in the total of the consumer expenditures covered by the index. It is one of several price indices calculated by most national statistical agencies. The annual percentage change in a CPI is used as a measure of inflation. A CPI can be used to index (i.e., adjust for the effect of inflation) the real value of wages, salaries, pensions, for regulating prices, and for deflating monetary magnitudes to show changes in real values. In most countries, the CPI, population census, and the USA National Income and Product Accounts, are the most closely watched national economic statistics.

- FOOD AND BEVERAGES (breakfast cereal, milk, coffee, chicken, wine, full service meals, snacks)
- HOUSING (rent of primary residence, owners' equivalent rent, fuel oil, bedroom furniture)
- APPAREL (men's shirts and sweaters, women's dresses, jewelry)
- TRANSPORTATION (new vehicles, airline fares, gasoline, motor vehicle insurance)
- MEDICAL CARE (prescription drugs and medical supplies, physicians' services, eyeglasses and eye care, hospital services)
- RECREATION (televisions, toys, pets and pet products, sports equipment, admissions);
- EDUCATION AND COMMUNICATION (college tuition, postage, telephone services, computer software and accessories);
- OTHER GOODS AND SERVICES (tobacco and smoking products, haircuts and other personal services, funeral expenses).

4.C. - possibility of “cliff effect” (wage increase less than amount of benefits lost)

Does it matter if benefit thresholds rise as wages rise?

**5. Consensus question #5: Who should bear the responsibility of alleviating poverty in the USA?**

Mickey quotes a son of Warren Buffet: “With justice in the world there is no need for charity”

**6. Consensus question #6: When jurisdictions make changes to wage laws, [what about] data?**

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