

Response to “Fact Sheet Response to File No. 16-17/006”

Note: All of the concerns regarding the proposed ordinance center on the human services. We are not talking about wages in the construction sector or healthcare sector. Why is that? It is because human services and the service sector in general are the last bastion of low-wage employment. Our society considers the human services to be a “charity” and the workers to be persons who do their work out of love for God, their neighbor, or their country and certainly not for the money. Over the past century, human service work has become increasingly sophisticated and demand for expertise, qualifications, and commitment has increased significantly. We are now at a point when this work must be valued for what it is and what it contributes. However, we have become locked into a system in which the contractors are limited by the resources for their contracts with the county, the county has become severely restricted in its resources, and both employees of contractors and the person they serve may feel the effects..

Note also that in our discussion of the human service contracts we should be aware when we are dealing with a for-profit entity, such as Brotoloc or Abby Vans or the Eau Claire Academy, and when we are dealing with a non-profit entity. The dynamics are different. The for-profit is a business; the owner(s) make a profit off of the service. When we talk about a rise in wages, we are talking about denting that profit. The non-profit must return profit (excess of revenue over expense) into the agency for its operations and development. Non-profits most often are not profit-making ventures; most are fortunate to “break even” at the end of the year. The non-profit may and usually must engage in some fundraising to supplement its budget.

It is truly distressing to see the “Response” to the Living Wage Ordinance (File No. 16-17/006) after three months into the process and to see it in a format which is, in reality, a long-diatribes against an increase in the minimum wage, which the ordinance does not propose. In effect, the proposed ordinance permits the county to tell its contractors that if they wish to do business with the county and receive taxpayer dollars, they must meet certain wage requirements for their staff. The entity is free to contract or not to contract.

The author of the “Response” asserts “factual misrepresentations” in the original Fact Sheet accompanying the proposed ordinance. Response to each item is below.

1. The new salary matrix was based on social justice. Even the author says, “It was intended to set ECC wages to local market rates and eliminate wage compression so Eau Claire County can attract & retain qualified employees.” Social justice is a value which emphasizes fairness and equity. The LWO extends this principle to contractors with ECC.
2. “Minimum wage, however, is not a living wage.”
The author misunderstands both minimum wage and the Federal Poverty Level.

The federal minimum wage was first established by the Fair Labor Standards Act of 1937, after the Supreme Court, in the 1910’s, had ruled that an earlier federal minimum wage law was “unconstitutional.” The federal minimum wage law, contained in the Fair

Labor Standards Act, sought to ensure “a minimum standard of living necessary for health, efficiency and general well-being, without substantially curtailing employment.” The federal minimum wage was lowered a few times, during WWII; but since 1951, there has been a regular increase to account for inflation and other economic factors. The original intent was to prevent exploitation of workers by employers. “Minimum wage, as it is now, is an insufficient living wage for workers. The average minimum wage earner takes home only \$15,080 a year (before taxes) working 8 hours a day, 40 hours a week. By current standards, this is barely enough for a single person to live frugally in a cheap suburban area. \$15,000 a year, claim supporters, is insufficient to support more than one person, and certainly not a family - yet 21% of minimum wage workers are the sole breadwinners of their families. Any family of three or more living on a single minimum wage salary is automatically well under the official United States poverty line” (Minimum-Wage. org).

The Federal Poverty Level is the result of work done by Molly Orshansky, in the 1960's. Then and now it is not considered to be an accurate measure of poverty, principally because it could not include all of the economic variables in the lives of families. Today the FPL is used principally in the definition of the floor of poverty to determine eligibility for various social welfare programs, e.g., SNAP (Food Stamps); however, because the measure is flawed, the eligibility is defined as an income level which is 130% to 200% of the FPL. So, the FPL is not considered the level of adequacy.

3. “Thus, persons at this level of income will always fall below the Federal Poverty Level.” See the comments above. The statistics which the author provides are misleading because there is no statement of conditions of the statistics. For example, it would be common for a low-wage earner to have more than one job, just to make ends meet.
4. “Any employer paying minimum wage is relying on the availability of public assistance or some other form of support to ensure adequacy of resources.” For response, see #2 (above). The statement does not mean that every low-wage earner is reliant on public assistance, merely that the availability of public assistance becomes a resource when the wage is inadequate for support of the worker and his/her family. We have heard accounts of some large employers, such as Walmart, counseling employees how they could apply for various forms of public assistance.
5. “The current minimum wage is below poverty level.” The statement is not that the wage is below the FPL but that it is below the actual poverty level (see #2 above).
6. “The ordinance may also require some minor adjustments to the recently established salary matrix.” At the time the ordinance was drafted, it was unclear how the ordinance would relate to the county salary matrix. Since that time, an amendment has been offered which aligns the ordinance with the matrix. The Finance Director produced a spreadsheet showing the alignment. This will be proposed as Amendment #1 to the proposed ordinance.

7.

No Information on cost to Eau Claire County

The cost factors have now been analyzed over and over again, to the best of the ability of staff who have been reviewing feedback from contractors and their own staff as well as the Purchasing Director, the Finance Director, and the County Administrator. This is why the proposed ordinance was referred by Chairperson Moore to the three committees (Budget & Finance, Human Services, and Human Resources). It was also reviewed by other county entities, e.g., the ADRC Board. The figure of \$4.4 million salary increase of staff is inaccurate for two reasons: (1) it was based on the original ordinance, and Amendment #1 changes that figure, and (2) some of the cost figures were based on grossly inflated figures reported by agencies which are adamantly opposed to the ordinance.

To which “costs to the county” is the author referring? If he means costs for administering the ordinance, those costs are minimal because monitoring and compliance will involve voluntary affidavits. If he means adjustments to contracts, we will know final figures only when contracts have been negotiated. When the County Board was reviewing the salary matrix, similar questions and concerns arose. Over the course of deliberation, many questions were answered, some were answered only when the matrix was finalized, and some remain to be answered as we move forward. It is reasonable to expect a similar process here.

No information on who is helped or who is harmed

To assert that “no attempt has been made” is patently false. Note, once again, that the focus is on minimum wage rather than on living wage., so the response below is in regard to the minimum wage.

Does an increase in minimum wage positively affect poverty rates? One fact on which the majority of economists agree is that it *does* (for example:

“Economists agree: Raising the minimum wage reduces poverty, *Washington Post*, Wonkblog, January 4, 2014, URL:

<https://www.washingtonpost.com/blogs/wonkblog/wp/2014/01/04/economists-agree-raising-the-minimum-wage-reduces-poverty>

also: Arindrajit Dube (2013, December), “Minimum wages and the distribution of family incomes,”

URL:https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWagesFamilyIncomes.pdf)

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Minimum Wage Laws Create Job Losses

Reminder: Our discussion is about living wage, not minimum wage. However, here are responses to the assertions.

Although this is a common claim by opponents of minimum wage laws and any discussion of increases in minimum wage, there is not clear and convincing evidence that this is the case. From the newsletter quoted by the author of the "Response":

"The minimum wage has gained momentum among policymakers as a way to alleviate rising wage and income inequality. Much of the debate over this policy centers on whether raising the minimum wage causes job loss, as well as the potential magnitude of those losses. Recent research shows conflicting evidence on both sides of the issue. In general, the evidence suggests that it is appropriate to weigh the cost of potential job losses from a higher minimum wage against the benefits of wage increases for other worker." (FRBSF [Federal Reserve Bank of San Francisco], 2015-37, December 21, 2015, p. 1).

- The U.S. government did not begin measuring unemployment until about 60 years ago, so any reputed statistic from the Coolidge administration would be questionable or, at best, an estimate. Also, there is a fallacy here: post hoc, ergo propter hoc (After this, therefore because of this). One cannot assert a causal link simply through a sequence.
- Switzerland does not have minimum wage laws because it does not need them. The average wage in Switzerland is 300% above the average American wage. Also, Switzerland has a comprehensive social welfare system which is strongly oriented to support of the worker and families. Not a good comparison or link here.
- When Hong Kong was a British colony and had an unemployment rate of 2%, it was effectively enjoying full employment. Competition by employers for labor was fierce. No minimum wage law was necessary. The concern would have been for inflation because of increases in costs of labor
- In most European countries (read "Western European countries"), minimum wages and mandated benefits are generous. Is the assertion that this is the **cause** of unemployment? Where is the causal connection? The Western European countries are experiencing a variety of market shifts and labor dislocations, amid a flurry of currency concerns and import-export imbalances. Note the recent upheavals in the EU.
- Any historical evidence regarding labor and unemployment from the 1930's is, at best, anecdotal and biased. At the time, there was high unemployment and fierce opposition to labor laws by opponents of any legislation to alleviate the suffering of workers. The relatively new unions were in decline in numbers and influence and sought to curb "incursions" by minorities into the labor force as "scabs," cheap and non-unionized labor exploited by management. The "minimum wage enactments" were the Fair Labor Standards Act of 1937, which came into force in 1938 and sought to protect workers.
- From the CBO: "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" (CBO Report, The Effects of a Minimum-Wage Increase on Employment and Family Income, February 18, 2014)." This is an estimate, based on two proposals, one for a \$10.10 minimum wage and the other for a \$9.00 minimum wage. Opponents of an increase in minimum wage claim

that there would be widespread and major job loss. The facts do not support this assertion.

- If the concern is for low-skilled workers being priced out of the market, the solution is not to keep wages low but to support job training and enhancement programs to raise skills.

Possible Racist Consequences of Living Wage Ordinance

This is a particularly troubling section of the “Response,” because it seems to link the LWO with racial discrimination. The dynamics of this are not at all clear. The instances which are used as examples were, in most cases, instances of the use of policy for racist ends, which we can see in every example of segregation, involuntary sterilization, and “colonizing of undesirables.” Blatant racism in public policy was quite common in the early twentieth century. Does the author mean to say that the same conditions exist now? Hardly a supportable assertion, especially in regard to minimum wage laws. The comments which are quoted come from a time when Eugenics (social engineering via “racial and ethnic purity”) was accepted social policy. Eugenics was rejected as public policy in the late 1940’s. Much has changed since the 1930’s, or maybe not.

POLICY QUESTIONS

The following policy questions are loaded, similar to asking “Have you stopped beating your wife yet?”

- Is it good public policy or Social Justice to enact an LWO that will increase costs to the county, both in employee labor and in contracted services, and which will likely necessitate some decrease in services to some of the most needy among us?

Response: An increase in costs may be good policy and may be social justice. The county has increased funding in a variety of areas over the years, e.g., increasing the sheriff’s budget by an additional \$500,000 in tax levy funding. Why would human services not have similar consideration? However, to which increases in costs to the county is the author referring? IF there are increases in contracted services, that would be negotiated. It is not clear that this will happen.

- Is it good public policy or Social Justice to enact an LWO that, for every \$1 that goes to a poor person, \$8 or \$9 goes to a person in a non-poor household and that enriches 3 times more people in well-to-do households (upper 1/2 income) than poor households?

Response: This would not be good social policy or social just **IF** that is what happens. However, the author has provided questionable support for the assertion and a distorted interpretation of a statistic.

- Is it good public policy or Social Justice to enact an LWO when we really have no clear idea who would be helped and who would be harmed?

Response: No, it would not be good social policy or social justice. However, this is exactly the process in which we are engaged. We have results of surveys and analyses, and these form the basis for our discussion. The question seems to imply recklessness and carelessness on the part

of the authors of the ordinance and the county staff engaged in the surveys and analyses, which is definitely not the case.

- Is it good public policy or Social Justice to enact an LWO that would likely increase costs to the taxpayers or reduce county services to the needful, with little or no positive effects on poverty?

Response: There are three unproven assumptions here: (1) that costs to the taxpayers will increase, (2) that it will reduce services, and (3) that there will be no effect on poverty. None of these is a fact.

- Is it good public policy or Social Justice to enact an LWO that would deny job opportunities to the least-skilled, with a disproportionate effect on the youth and minorities?

- Is it Social Justice when unemployed young people lose not only the pay they could have earned but equally important, the work experience that would enable them to earn higher rates of pay later on?

- Was it Social Justice when the last year in which the black unemployment rate was lower than the white unemployment rate in the United States — 1930 — was also the last year when there was no federal minimum wage law? (see Graph)

Response: There are two unwarranted assumptions here, both having to do with minimum wage rather than living wage (Watch out for the switch here!): (1) that job opportunities would be denied to the least skilled and (2) that there would be a disproportionate effect on youth and minorities. Neither of these assertions is relevant to the LWO. The author has focused on the minimum wage again.

- Is it better for low-skilled youth (and minorities) just entering the workforce to have a low-paying minimum wage job that would at least give them job skills that will later enable them to increase their income? Or is it better for them to be loitering on street corners with no job?

Response: Once again, the author is focused on the minimum wage, not on the proposed ordinance. He should carry this argument to debates on raising the minimum wage.

- Is it good public policy to enact an LWO that would discourage entrepreneurs & established businesses from locating in Eau Claire and creating more much-needed and possibly higher-paying jobs?

Response: Is there some evidence that a living wage ordinance would discourage “entrepreneurs and established businesses” from locating in a place where there are highly qualified, highly satisfied, and highly motivated staff with long retention records? Do businesses not look for such staff? Would higher wages not contribute to staff satisfaction and retention? Why would a business locate somewhere where the labor force is underpaid, not highly motivated, and prone to turnover? Does the successful business look for cheap labor which can be easily exploited? The Harvard Business School would be interested in the responses to these questions.

- Is it good public policy to force local businesses and non-profits to pay more for their labor, using moneys that might otherwise be better spent either growing the business

and adding even more jobs or, in the case of many non-profits, helping more of the needy they serve?

Response: No business is being “forced.” The ordinance, in so many words, says that if the business wishes to do business with the county, it must meet certain wage standards. It is a condition of the contract. The business may choose to do so or not to do so. When a business invests in its staff, it is “growing the business.” Neglect of staff and their satisfaction and retention is a nail in the coffin of a business. The staff **are** the business.

- Can a program used in the past to advance racist goals really be used to advance social justice today?

Response: This question does not deserve the dignity of a response. Once again, it is about minimum wage. ...and it equates minimum wage with racial discrimination. Is the author grasping at straws here? Does he mean to say that the LWO is racially discriminatory?

- How is a 'Living Wage' to be determined?
 - Are workers with more dependents (and thus higher living expenses) thereby entitled to higher wages? Or should wages be commensurate with the market value of the work provided?
 - Who should determine these labor rates? Should it be County Board Supervisors who pretty much know nothing about the individual tasks involved, nor the person conducting the task? Or should it be the people actually managing the employees who have intimate knowledge of the tasks involved and the performance capabilities of the employees involved?

Response: This is a good question. In regard to the first sub-question, current labor law gives us a clue. It is against the law to base a job offer or its compensation on a person’s marital status or any other factor than his or her qualifications. It seems presumptuous to assert that members of the County Board would know nothing about the positions since at least a handful of us have many years of experience in the human services, as front-line workers, supervisors, and administrators. Market value seems to be the basis in most cases. Unfortunately, the market value of human service jobs is quite low. Thus, we need a living wage ordinance as a corrective. In regard to the second sub-question, the county board did not seem to have a problem with this when we completed and approved the salary matrix. Maybe the supervisors have firsthand knowledge, but even better would be to consult the people themselves.

Respectfully submitted,



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