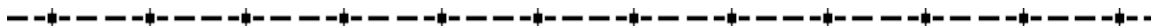


LIVING WAGE STUDY REPORT



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LEAGUE OF WOMEN VOTERS OF AMES

LIVING WAGE STUDY REPORT

Final Report – September 2005

PART ONE:

Introduction

There are many individuals in Ames and Story County who do not earn a self-sufficient living/livable wage** or do not have access to supplemental resources that will enable them to meet their most basic needs for housing, food, clothing, medical care, school fees, further education, transportation, child care, etc.

Generally, women head low-income families. They have primary responsibilities to care for children and to work. Their opportunities for employment in higher paying jobs are severely limited.

The probability that low-income families can achieve self-sufficiency is low, unless they are able to access and complete post-secondary education. Education is one of the primary ways to move out of poverty.

The lack of livable wages affects both wage earners and those dependent upon them, especially children. The poverty for children in the U.S. is almost double that of adults. Living without basic necessities means the children experience great disadvantage and deprivation. Further, their futures are being severely compromised.

With the constant financial struggle, low-income families experience significant emotional stress and family life suffers. This stress has a debilitating effect on marriages, parenting, and other relationships. Conflict over finances is in fact the biggest reason for failure in the relationship of couples. This stress also puts the children at greater risk, as it contributes to and accelerates child abuse.

Low-income families often fall behind in their rent and many face evictions. The result is that they are moving frequently and sometimes become homeless. This compounds the instability and insecurity in families, and the involved children often do poorly in school with negative long-term consequences for themselves and society.

Because low wages make many Ames housing options unaffordable, low-income families may move to communities where housing is cheaper. Transportation can then become an additional major expense. There is no countywide public transportation system.

Two factors are shifting more and more of the financial costs and social service obligations to the local community and not-for-profit agencies. One is the reduction and elimination of social safety nets. For example, welfare reform legislation enacted in 1996 includes a lifetime limit of five years for the large majority of recipients. The other factor is the increasing number of jobs that are not paying a livable wage. When families' incomes are inadequate, the families are forced to look elsewhere for the needed support to survive. These insufficient wages place an additional financial burden on the larger community, which then must make available school lunch subsidies, food stamps, housing subsidies, assistance with medical and dental bills, heating assistance, and other financial aid.

* These terms will be used interchangeably.

Scope and Limitations

A Living Wage ordinance provides that a livable wage be paid to persons employed by

- the city (Ames)/county (Story)
- those businesses and corporations with whom the city/county has service contracts
- those businesses that receive economic development funds and incentives.

Thus, public funds do not benefit governments and businesses that pay poverty-wages. Living wage ordinances most often use two Living Wage criteria: Living Wage level with benefits and Living Wage level with no benefits. The most effective ordinances also include a provision for annual inflation adjustments.

In this study we gathered information regarding ordinances in other communities that have Living Wage laws. We tried to ascertain whether such ordinances have made a difference in communities in terms of increased wages and benefits paid by cities and entities that contract with the city for services. Few statistical studies have been done to determine whether such studies have made a difference. Circumstantial evidence regarding Living Wage ordinances is included in this report.

Information on a wide range of employee salaries was gathered regarding the City of Ames and Story County. We also examined the wages and salaries paid to taxpayer-supported city and county employees, specifically City of Ames, Ames School District, Mary Greeley Medical Center, and Story County. Salary scale and benefits information were obtained from each of those entities.

Information was also acquired from Iowa State University. While it is a state tax-supported entity, it was included because it is a major employer in our community. DOT was not included because it is supported by state taxes, and many of their employees work throughout the state.

We also secured information from a sampling of the more than 200 employers who contract with the city. We also considered, to a limited extent, the impact a Living Wage ordinance would have upon small businesses and non-profits. Our group sought wage information from large businesses wherein persons are paid an hourly wage. We also gathered extensive information from persons studying the reality of poverty, non-profit agencies that have emergency assistance, and from government-related entities that supplement earnings.

Proposed Positions Statement

The League of Women Voters of Ames:

- Supports adequate wages to enable working people to cover basic needs and to live with dignity and a sense of self-worth.
- Affirms the principle of equal pay for equal work.
- Supports the City of Ames and Story County adopting a Living Wage ordinance requiring a livable wage be paid:
 - to all full- and part-time city and county employees,
 - by firms whose contracts exceed \$15,000 for any 12-month period. (This applies to the hours the employees are working on city or county contracts.)
 - by firms that receive economic development money or incentives from the city or county.

PART TWO: FINDINGS/BACKGROUND INFORMATION

I. **Iowa Self-Sufficiency Wages Study**

The LWV of Ames Living Wage Study group greatly benefited from the 2004 I.S.U. research called, "Iowa Self-sufficiency Wages." This study defines a self-sufficiency wage as one that generates, for families of different composition, an annual income that covers current expenditures for bare necessities with no frills: shelter, food, childcare, transportation, one telephone, healthcare, and clothing. It assumes that the employer does not provide health or other benefits that contribute to basic maintenance. It does not include money for: leisure activities, luxury goods, vacations, regular savings or savings for special things such as retirement, down payment for purchase of a home, or higher education.

Self-Sufficiency Wage by Family Structure, Story & All Metro Cos.		
Family Structure	Hourly wage per worker, Story Co.	Hourly wage per worker, 20 Metro Cos.
1 adult (F), 1 infant/toddler, 1 preschool child	\$15.10	\$14.40
1 adult (F), 1 preschool child, 1 school-age child	\$12.40	\$12.30
1 adult (F), 1 school-age child, 1 teen	\$10.20	\$10.50
2 adults (both work), 1 infant, 1 preschool	\$8.70	\$8.50
2 adults (both work), 1 preschool child, 1 school-age child	\$7.60	\$7.80
2 adults (1 works), 1 preschool child, 1 school-age child	\$10.00	\$10.30
¹ From study by: Jan Flora, Martha Dettman, Stacy Bastian, Georgianne Artz, and Margaret Hanson		

Since the self-sufficiency is based on family configurations and calculated conservatively, there are great variations and it is difficult to identify one wage figure for every family. Some additional factors have additional costs that are not figured into these living wages, e.g., after school, before school and school vacation child care; children's sickness that requires a single parent to miss work and thus be paid less; children's conditions that require extra paid care; family crisis; or a health crisis for the single working parent. Even though parent(s) who are working full time have little time or energy for meal preparation, money for eating out was not included in the living wage. Savings of any kind were not included in the calculation. All of these create a precarious financial situation for the families.² This Self-Sufficiency Wage Study was valuable in helping us understand the costs families incur. Neither the study's authors nor the study group advocate determining wages based on family configurations.

II. Major Story County Employers

Following is the information the study group acquired about wages, whether livable or not, paid by the City of Ames, Story County, some private businesses, McFarland Clinic, Mary Greeley Medical Center, the Ames School District, and Iowa State University.

City of Ames

About 2/3 of the city employee salaries are collectively bargained because the employees belong to a union. Wages are based on cities comparable to the size of Ames. There are 530 full-time positions that include some shared positions. City employees are often paid more than their private business counterparts. Employees who work more than half time receive benefits. The lowest-paid city employee classifications include:

Unclassified Labor, starting at \$5.15/hr., rising over a certain number of months to \$11.93/hr.

Office Worker, beginning at \$5.15/hr., rising to \$8.54/hr. at midpoint and \$11.93/hr. at maximum

Parking Meter Attendant, starting at \$11.58/hr. and rising to \$14.72/hr. at 36 months

Firefighter, starting at \$11.17/hr. and rising to \$15.27/hr. in Step D

Storekeeper, at \$13.43/hr.

Transit Driver, starting at \$9.60/hr. and rising to \$10.60/hr.

Animal Control Attendant, starting at \$9.22/hr. and rising to \$11.93/hr. ³

Regarding community development funds that the city provides to private employers, the City of Ames and the Ames Economic Development Commission use a matrix to determine whether a particular firm should receive such funds. Retail firms are not eligible for such incentives. To be eligible for funding, the firm must first show that it will provide 75% of the funding for the startup or expansion. For those that meet this threshold, the following criteria are applied:

Criteria	Weight
Tax base expansion	15 points maximum (generally, one point represents about \$1 million in increased assessed valuation; 5 points are given for moving into a vacant building)
Infrastructure (sewer and water)*	10 points maximum (If no additional mains are needed 10 points are given, if the impact on water or sewer is greater than 5% of capacity or an additional main is needed, 5 points are deducted for each.)
Employment	The number of jobs to be created that are >130% of Story Co. CEBA* avg. wage is divided by 10. (The 130% figure for 2004 was \$31,200 annual salary, or about \$15.60/hr.)
Quality of Jobs	10 points maximum (One point is given for each 10% of jobs created that are above 100% of CEBA average wage—in 2004, \$25,480; or approximately \$12.75/hr.)

□The Iowa Department of Economic Development calculates averages wages for each county. These wages are used for the Community Economic Betterment Account (CEBA), a state investment incentive program, but have been adopted as a standard by cities and counties throughout the state.

A written agreement is made with any firm that receives economic development money. Retail firms are not eligible for such incentives. One audit for compliance is done at the end of the three-to-five year period for which they receive the money or tax abatements. The programs to which the above criteria are applied include the following:

* There is also an Ames Seed Capital Fund that provides equity financing, but the matrix is not applied to determine eligibility, since it involves startup firms using private funds (from both corporations and individuals). The Fund is a program of the Ames Economic Development Commission. The Fund is designed to provide working capital assistance for small business start-ups and expansions. The fund's investment in a business will not exceed \$100,000, with \$50,000 to \$60,000 being the average. According to the Economic Development Commission's website, "The Fund's goals are to provide a solution to specific small business financing needs, help create and retain jobs, and provide positive economic impact to the community." (<http://www.amesedu.com/financial/local.cfm>)

- Industrial Property Tax Exemption** - The City provides a partial exemption from property tax of the actual value added to real estate by the new construction of industrial real estate, research facilities, warehouses, owner-operated cattle facilities, and distribution centers. The amount of actual value added that is eligible to be exempt from taxation is as follows: Year 1 @ 75%, Year 2 @ 60%, Year 3 @ 45%, Year 4 @ 30%, and, Year 5 @ 15%.
- **Ames Revolving Loan Fund** - The City of Ames Revolving Loan fund was developed to provide for a local match for the CEBA and EDSA programs of the State of Iowa. The purpose of the loan is to assist area businesses in expansions and relocation. The program was designed for gap financing with the city loan representing no more than 15% of total financing. The emphasis is on projects that expand the tax base and create quality jobs. Loans are typically made for five years at ½ of prime. The maximum amount of any one loan is \$50,000. Generally, awards amount to \$1,000 to \$2,000 per job created. Loan applications are reviewed by a revolving loan fund committee of the Ames Economic Development Commission and are subject to City Council approval.
 - **Community Investment Fund** - The City of Ames and the Ames Economic Development Commission can provide up to \$50,000 in financial assistance to provide a local match for State financial assistance programs and to fill financing gaps in economic development projects. The assistance is typically in the form of a no-interest or low-interest loan but it can take the form of a forgivable loan for projects with high-paying jobs and significant capital investment.

While the incentive programs just discussed have an overall tendency to favor quality jobs, at least one modification to the matrix would be appropriate. This modification would be to set a minimum wage requirement for firms receiving tax exemptions, revolving loan, or community investment funds. The present system still allows firms to mix high-wage jobs with low-wage jobs. The minimum wage should be high enough to at least assure a self-sufficiency wage to certain families with children. Even if there are two wage earners, the self-sufficiency wage in Story County for a family of four with a toddler and preschooler is \$8.70.

The City of Ames contracts with a few more than 200 private businesses each year.⁴ The only information obtained about wages of contractors came from Lu Anna Stoneking, Head of Purchasing, City of Ames. She reported there are several small cleaning businesses that contract with the city. Quality One Cleaning contracts to clean City Hall. Most employees work part time with no benefits; the entry wage is \$8.00/hr., with the highest wage at \$12.00/hr. for experienced employees. The city specifies what needs to be cleaned and pays according to the contract, and it is up to the cleaning businesses to determine how much time they will spend on each job. In another example, the manager at Manatt's Inc said that it has about 50 employees working on construction projects for the city. Their entry wage ranges from \$10.00/hr to \$15.00/hr. with medical insurance and other benefits.

Story County

Story County Supervisor Jane Halliburton and county employee Sherry Howard reported the following: In Story County there are 290 full-time and about 35 part-time positions. Summer staff numbers increase due to positions in conservation, secondary road maintenance, and Hickory Grove Park mowing. There are three bargaining units in the county. About 50% of the employees are not in a union. Full-time employees receive sick leave, vacation, and health insurance benefits and are salaried. Part-time employees receive sick leave and vacation benefits and are paid hourly rates. About 12 years ago, a flexible benefits program was started. Each full-time employee gets \$550/mo. to use, each year, for medical insurance, childcare, prescription drugs and/or deductibles. The county does not contract with private businesses on a regular basis.

According to the "Story County Compensation Schedule" 2004, a high percentage of the county jobs provide livable wages. Supervisor Halliburton said there is a low turnover in many positions and when there is an opening there are usually about 40-50 applicants. Sherry Howard said the lowest-paid, full-time job is office assistant at \$9.25/hr. with raises to \$16.00/hr. The highest

turnover is the direct care staff at the Community Life building because many are college students.

Medical Field

In the medical field, McFarland Clinic employs 493 full-time employees, 152 part-time employees and 119 partial part-time employees in Ames, Nevada, and Story City. Matt Franco, Employment Specialist at McFarland Clinic wrote the following: "Full-time and part-time employees receive medical benefits. Professional workers include Registered Nurses, Accountants and other positions that require college degrees and comprise a little over 45% of the employees. The most common professional employee, Registered Nurse, starts at \$14.90/hr. The rest of the employees are non-professional or unskilled laborers (1%), semi-skilled (5.8%), office & clerical (46.9%). The most common non-professional position, medical receptionist, has a starting wage of \$9.60/hr." ⁵

Mary Greeley Medical Center's lowest-paid employees are the following: ⁶

Environmental Service Worker:		
\$8.59(minimum)	\$10.54(midpoint)	\$12.46(maximum)
Food Service Worker:		
\$8.18(minimum)	\$10.04(midpoint)	\$11.86(maximum)
Valet Parking Attendant:		
\$8.18(minimum)	\$10.04(midpoint)	\$11.86(maximum)

Call pay is \$2.00/hr.; evening shift differential is \$1.40/hr.; night shift differential is \$1.75/hr. Employees who are regularly part-time (at least 20 hr./wk) receive benefits. The benefits vary according to position, length of employment, and hours worked per month.

Ames School District

The Ames School District has 670 employees. Of these, approximately 150 are hourly employees who are at the low end of the salary scale. The beginning wages range from \$6.80 to \$7.20 per hour. However, most employees in the hourly positions have been on the staff for many years, so their actual wages have advanced significantly beyond the minimum. There are three categories of hourly employees:

- a Those who are employed 185 days for 6.5 hours per day.
- b Those who are employed at least 5.5 hours per day. This category is eligible to receive the benefit package available to other district employees.
- c Those who are working at least 4 hours per day. This category is eligible for one-half of the district's benefit package.

Health insurance covers all three categories of employees during the summer when they are not on duty.

Iowa State University

Iowa State University employees' lowest wage category is \$9.98/hr. at minimum and rising to the maximum hourly wage of \$14.19/hr. Health care and other benefits are also part of all plans for employees who work at least 20 hrs/week; benefits are worth about \$5.00 in addition to the hourly wage. The group that is listed as "Non-Organized Only" on the Pay Plan includes high school students working on farms, which are unskilled labor and not usually used. ⁷

Some Private Businesses

For persons employed in private businesses and corporations, providers of service and retail jobs, etc., many wages are not livable. Vic Moss gathered data from The Iowa Workforce Center that categorizes 47,230 employees in Story County. The median wage for all jobs in 2004 was \$12.29/hr. There are 4,123 jobs (10%) with an hourly wage less than \$6.30, 10,308 jobs (25%) with less than \$7.94/hr., and 16,492 jobs (40%) with less than \$9.95/hr.⁸ The following chart of 2004 data identifies low paying jobs:

Job Category	Number of jobs	Median hourly wage
All sales & related occupations	4,280	\$8.58
Some of the positions in this category		
Retail salesperson	1,220	\$8.24
Cashier	1,390	\$7.04
Food Preparation and Serving	4,520	\$7.14
Building and Grounds Cleaning and Maintenance	1,870	\$9.50
Office & Admin. Support (Stock Clerk and Order Filler)	840	\$7.57
Hand Labor – Freight & Stock Material Moving	640	\$8.55

*Many of the jobs listed above are not full time. Jobs providing less than 35/hr. per week often do not have medical, retirement, vacation or holiday benefits.⁸

Terry Besser, Iowa State University sociologist, reported on a 1995 study she conducted of businesses in small Iowa towns. Most of these are small businesses and the owners reported having difficulty providing the benefits they would like to provide.

Besser also cited figures for 2001 indicating that, according to the Small Business Administration's definition, 86.7 percent of all Iowa businesses are small businesses. That is, they employ fewer than 500 people. These small businesses employed 52.4 percent of Iowa workers in 2001. More than half of all Iowa businesses (54.9 percent) had fewer than five employees, including businesses with no employees.

Dr. Besser noted that business owners can obtain affordable help in improving human resource policies and procedures from ISU Extension, the Small Business Development Centers, or the Iowa Department of Economic Development. She noted that there are some restrictions on small businesses that want to join forces to provide affordable benefits packages.⁹

Our study group followed up on this information and learned that the federal ERISA Act of 1974 (Employee Retirement Income Security Act) governs businesses that cooperate to get group rates on employee benefits. Such plans are called Multiple Employer Welfare Arrangements or MEWA. The act gives a good deal of regulatory authority to states.

Iowa Code Chapter 507A is the Iowa Unauthorized Insurers Act. Section 507A.4, subsection 9, authorizes MEWAs that meet all of the following conditions:

- It is administered by an authorized insurer or an authorized third-party administrator.
- It has been in existence and provided health insurance in Iowa for at least five years prior to July 1, 1997.

- It was established by a trade, industry, or professional association of employers that has a constitution or bylaws, and has been organized and maintained in good faith for at least ten continuous years prior to July 1, 1997.
- It has a certificate of registration issued by the Iowa Insurance Division.
- It is subject to the jurisdiction of the Iowa Insurance Division, including regulatory oversight and solvency standards adopted by the division.

Federal law requires that if any participant in a MEWA has more than 20 employees all participants be subject to COBRA, the federal regulation regarding the right to stay on a health plan after any qualifying event that terminates employment.

Vic Moss wrote, "The impact of low incomes is felt not only by the individuals receiving them, but also by those dependent upon them. According to the official U.S. measure of poverty, the poverty rate for children is nearly twice that of adults. Total household income gives the most complete picture. The Story County 2000 census data shows 26.5% of households have an annual income less than \$20,000."⁸

The "Iowa Self-Sufficiency Wages" study indicates the jobs with low pay are the ones with the greatest number of openings and are growing faster than other jobs. The few jobs that offer opportunities for better pay for those with minimal education and work experience include hand freight, stock and material mover/laborer, driver of tractor-trailers and other heavy trucks, customer service representative, and office clerk.¹⁰

The "Iowa Self-sufficiency Wages" study points out that economic and occupational advancement for working adults in low wage jobs is limited whether people live in rural, suburban, or urban areas of Iowa. Women usually make lower wages than men. In 2001, women in Iowa earned 74% of the median earnings of men. Women without a high school education earned 62% of men's counterpart earnings. They also lost 15% of their annual earnings between 1979 and 1999. Women without high school diplomas are over-represented among single parent households.¹¹

"Whether based on projected openings or net growth, most of the top ten occupations in Iowa that pay well require postsecondary training for entry or advancement. The best exit from poverty or near poverty is education."¹² Holly McDonald from Beyond Welfare (BW) reported that BW single parents who are I.S.U. students also benefit from student health-care coverage for themselves and their children.

III Problems resulting from Non-livable Wages

When wages or incomes are not livable, then poverty is the reality even for those who are working and for those who are unemployed. They look to welfare, extended family, friends, and charitable organizations for assistance that is often temporary. According to Ellen Hanson, social worker, Department of Human Services, Welfare Reform of 1996 limits those who qualify for Financial Investment Program (FIP) and food assistance to 5 years. After 5 years, welfare recipients are expected to be self-sufficient. When they are not, programs and people other than the government must offer assistance. Also, Ms. Hanson pointed out that the Iowa Schedule of Needs of families that is used by social workers to figure what welfare families receive, is based on 1997 cost of living. The Iowa Self-Sufficiency Wages study states, "Welfare reform of 1996 offers little incentive or opportunity to acquire assets that could contribute to enhanced future earning power through additional education for parent(s) or children, starting one's own business or buying a home so that monthly house payments would be an investment rather than just an expense."¹³

IV Recommendations from Other Studies

The “Iowa Self-Sufficiency Wages” study recommends: ¹⁴

Raising the minimum wage to at least the self-sufficiency wage for two-earner families with young children, \$6.85 - \$7.70/hr. as an important first step.

Making the Iowa Earned Income Tax Credit payable to the taxpayer regardless of tax liability.

Enacting state and local living wage laws that would ensure the firms awarded state or local government contracts pay self-sufficiency wages. [Self-sufficiency wages can be used as a guideline for determining the minimum wage to be paid by such firms on government jobs, rather than just the median wage.]

Targeting business incentives exclusively to firms paying self-sufficiency wages and providing good benefits.

Expanding access to high quality, professional, and affordable childcare.

Expanding Individual Development Accounts. Under Individual Development Accounts a family or individual can make contributions to a savings account that is matched from other (private, public, community) money. The funds can only be spent for education, starting a business, buying or repairing a home, or in some cases, for purchasing a car or computer if they are necessary for one’s work.

Ensuring access to health insurance for all Iowans with less than a self-sufficient wage.

Ensuring access to medical care for immigrants.

Recommendations submitted by Cynthia Fletcher from Brookings Roundtable on Children: ¹⁵

Increase unpaid parental leave from 3 to 6 months.

Reinitiate work exemptions in TANF for others with infants up to 6 months of age.

Expand Head Start and implement universal pre-K access.

Implement intervention programs for all children with mental health problems.

Spend \$2.5 billion on high-quality after-school programs.

Allow \$10 billion for a child allowance (birth – age 5) for poor & middle class families.

Expand public-housing vouchers and promote mixed-income housing developments.

Make modest increase in the minimum wage.

Expand the Earned Income Tax Credit for full-time workers by \$20 billion.

V Some Existing Living Wage Ordinances

A comprehensive and extremely helpful resource is the ACORN (the Association of Community Organizations for Reform Now) handbook, *Living Wage Campaigns, An Activist's Guide to Building the Movement for Economic Justice*, by David Reynolds, Labor Studies Center of Wayne State University (published in 2003). It offers step-by-step guidelines for researching the components of a campaign, building a coalition, developing a campaign strategy, anticipating opposition, and preparing a Living Wage ordinance.

As of January 2003, 98 cities and counties had successfully enacted Living Wage ordinances or resolutions (p. 127). In reviewing and comparing a number of these, we learned that some statements are made as resolutions and some are ordinances. The living wage may apply only to wages paid to the city or county government employees, or it may also address the wages paid to various entities with which the city or county does business or gives money, i.e., service contracts, economic development assistance, projects receiving tax increment financing, loan recipients, or tax abatements. When applied to businesses, there is usually a stated base dollar amount over which the living wage would apply: contracts over, \$5,000, or \$10,000 or \$25,000. The living wage may also be stated at one level if it includes benefits and at a slightly higher level if it does not. Some of the ordinances also have provisions for regular increases in the living wage in order to keep pace with the cost of living.

Looking within Iowa, we learned that the City of Des Moines was the first in the State of Iowa to enact a Living Wage ordinance:

Des Moines—In 1988 City Council set a \$7.00/hr. minimum compensation policy for City-funded urban renewal and loan projects. In 1996, this policy was amended to require such city-funded projects to set a goal of \$9.00/hr. average wage, including benefits.

We were unsuccessful in obtaining more recent information.

The City Council of Davenport passed a Resolution on September 5, 1991, establishing the following policy:

It is the policy of the City of Davenport that companies receiving direct economic development assistance supported by Tax Increment Financing (TIP) shall require that the wage level of the new positions created with the support of this assistance shall be at least \$10.00 per hour and shall receive health benefits. (Resolution 2001 - 443).

Iowa City, although noted as conducting a Living Wage campaign in 2003, has not to this date been successful in getting it passed.

We also looked at cities that are similar to Ames, but outside Iowa. Burlington, Vermont is closest in size and also the site of a university. Burlington successfully enacted a Living Wage ordinance:

Burlington, Vt.—In November, the Burlington City Council passed an ordinance providing a living wage for direct city employees and employees working on direct city service contracts for businesses that have received grants from the city of at least \$ 15,000. The living wage is at least \$10.93/hour with health benefits, or \$12.68 without. The annual living wage rate adjustment will be guided by a state-issued 'basic needs budget' determination for a single earner, a concept and formula introduced by the Vermont Livable Wage Campaign. The ordinance also requires companies to provide at least 12 compensated days off per year for employees who fall under the law. (Vermont Livable Wage Campaign.) (Handbook, p. 130)

We learned that a community coalition was instrumental in the successful enactment of the Burlington Living Wage Ordinance.

VI Review of Literature on Living Wage Ordinances

The study committee examined both pro and con arguments, recognizing who made them and realizing some of the political implications.

The Association of Community Organizations for Reform Now (ACORN) is the nation's oldest and largest grassroots organization of low- and moderate-income people with over 150,000 member families organized into 800 neighborhood chapters in 65 cities across the country. Since ACORN's founding in Arkansas in 1970, ACORN members have been organizing in their neighborhoods across the country around local issues such as affordable housing, safety, education, improved city services, and have taken the lead nationally on issues of affordable housing, tenant organizing, fighting banking and insurance discrimination, organizing workfare workers, and winning jobs and living wages.

ACORN is campaigning at the local and state levels to pass living-wage laws/ordinances that set higher minimum wages for the employees of companies benefiting from public contracts, subsidies, or actions, and in some cases also for direct government employees

ACORN's [Living Wage Resource Center](#) provides a variety of links to resources.

A statement illustrative of the benefits of a livable wage campaign was found in **“Living Wage Campaigns: An Activist's Guide to Building the Movement for Economic Justice”**:

“In December 1994, Baltimore's mayor signed into law Council Bill 716 requiring city contractors to pay service workers at least \$6.10 an hour. The first of its kind in the nation, the new Living Wage ordinance followed a year-long broad-based grassroots campaign organized by the American Federation of State, County and Municipal Employees (AFSCME), and a group of multi-denominational churches called Baltimoreans United in Leadership Development (BUILD). The victory's impact spread far and wide. Before the win, Charles Riggs, a 32-year-old who cleaned Oriole Park at Camden Yards, checked in at the local homeless shelter every night because his \$4.25 an hour full-time pay check couldn't support a rented room. Thanks to the new law, Riggs saw his wages increase by 50% immediately. Even more, he could look forward to further raises to a legal guaranteed minimum of \$7.90 by 2001. An estimated 2,000-3,000 workers stood to gain directly from the ordinance.”

Supporting views

A summary of the supporting views, as backed by data, indicate the following:

1. City contract costs increased only a small, 0.08%, which was less than initially expected. There was an increase in labor-intensive (provided by low-wage earners) jobs such as janitorial and the like (10 to 20%). Human Services contracts increased from 0.3 to 3 %.
2. No significant adverse effects were noted on city business subsidy programs.
3. Contractors were able to absorb the increased cost because salaries were equalized for the competing contracts.
4. More competitive bidding ensued for contracts.
5. Benefits to workers included
 - a. Pay increase and health benefits
 - b. Higher spending power
 - c. Increased self-esteem of workers, self-reliance, and more stable family life
 - d. People stayed in jobs longer with more job satisfaction.
6. Firms benefited through
 - a. Efficiency gains
 - b. A level playing field—thus competition is over quality of services.
7. Benefits to citizens
 - a. More money to spend in community
 - b. Decrease in subsidies paid through taxes
 - c. Fewer turnovers, thus reducing training costs.
8. Requiring paying Living Wage and Health Benefits did not result in fewer applications for business subsidies.
9. In some counties 80% of the total increased labor costs could potentially be saved to taxpayers through reduction of government subsidies to poor families. Living Wage ordinances would benefit the workers and their families, the county contractors, and the citizens and taxpayers of the county.
10. Some concerns expressed by Nissen and others are whether the benefits are worth the price tag over the three-year period. That is the political question that the city/county will have to decide. Yet the larger price tag should not hinder the merits of the Living Wage ordinances that benefit economic and self-worth of the worker. “Ideological inspired arguments against living wage ordinance appear to have little substance when measured against empirical outcomes.”¹⁶

Opposing views

In opposing the Livable Wage, CATO Institute supports “traditional American principles of limited government, individual liberty, free market, and peace.” Carl F. Horowitz of the CATO Institute concludes that the lowest paid workers are not victims of social injustice, but that they “suffer from lack of skills” and that the lowest-paid members of the workforce suffer from a lack of skills. Horowitz’s position is that “Living wage campaign is a triumph of confrontation politics and class resentment. By framing the issue as the poor vs. employers, proponents have convinced many local public officials that their campaign is an overdue and unstoppable juggernaut for social justice. It is time for local elected officials to resist a living wage movement that is likely to harm America’s poor in the name of protecting them.”

A number of other arguments state:

1. Of those affected by the living wage, 75% were not initially in poverty, and that more than 40 % had initial income of at least twice the poverty line.
2. The psychological benefits would seem to be a kind of psychic illusion, with the worker being blind to the regulatory manipulation of market wages and that workers may be led away from socially beneficial investments in education and training.
3. Also, workers may be trapped in living wage jobs that pay wages well above their next best alternatives outside the jurisdiction of the living wage laws.
4. That if society wants to improve the economic status of low-income families, the best way to do this is through targeted tax credits that go to families most in need.

Some issues that the present available studies have not answered

1. At present there is no empirical data that measure the increase or decrease in the number of people still living in poverty in those communities that have enacted a Living Wage Ordinance. There is personal, experiential data that do support the benefits of the Living Wage Ordinance.
2. Can we educate consumers to be willing to pay more so that people in the private sector may receive higher wages?
3. Far more training opportunities are needed for unskilled/low skilled individuals who are not qualified for jobs that pay sustainable living wages.
4. What is the effect of this ordinance on non-profit agencies that have limited budget? Could they request larger grants to cover the increase of salary vs. cutting back?
5. Opposing views that make reference to “poverty line” do not seem to consider that most of the set figures for that do not necessarily reflect an adequate livable wage.

FOOTNOTES

¹ “Iowa Self-sufficiency Wages” Jan L. Flora, Martha M. Dettman and Stacy Bastian, Department of Sociology, Iowa State University and Georgeanne Artz and Margaret Hanson, Office of Social and Economic Trend Analysis, Iowa State University p. p.4

² Ibid p.3

³ “Pay Plan – City of Ames, Iowa, 2003-2004”

⁴ Steve Schainker, City Manager, Ames, Iowa

⁵ Matt Franco, Employment Specialist, McFarland Clinic

⁶ Kimberly Russell, CEO, Mary Greeley Medical Center

⁷ “Regent Merit System Pay Plan,” July 1, 2004

⁸ “Employment and Poverty in Story County,” Vic Moss, Director, Emergency Residence Project

⁹ Terry Besser, Associate Professor, Department of Sociology, Iowa State University

¹⁰ “Iowa Self-sufficiency Wages” Jan L. Flora, Martha M. Dettman and Stacy Bastian, Department of Sociology, Iowa State University and Georgeanne Artz and Margaret Hanson, Office of Social and Economic Trend Analysis, Iowa State University - p.6

¹¹ Ibid. p.4

¹² Ibid p.7

¹³ Ibid p.7

¹⁴ Ibid pp. 8 –12

¹⁵ Cynthia Fletcher, Professor, Department of Human Development and Family Studies, Iowa State University

¹⁶ Elmore, Andrew J. “Living Wages Laws and Communities” *Brennan Center for Justice NYU School of Law*

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