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MID-CONTINENT
PUBLIC LIBRARY The Local Issues Project is an ongoing Mid-Continent Public Library effort to provide residents with a venue for discussion and problem-solving focused on issues of real concern in our communities.

## A Living Wage: Making the Economy Work for Everyone

This topic will be the focus of the first conversations conducted under the Local Issues Project banner. Earlier this year, MCPL asked customers to tell us their concerns; we specifically asked, "If you could talk with your neighbors about any critical local issue, what would it be?" Many customer responses focused on economic opportunities.

The following Discussion Guide is intended to help inform these upcoming conversations on A Living Wage:

Thursday, April 16 | 7:00 p.m.
North Independence Branch, 317 W. 24 Hwy. Independence, MO 64050

Thursday, April 23 | 7:00 p.m.
Antioch Branch, 6060 N. Chestnut Ave. Gladstone, MO 64119

Monday, April 27 | 7:00 p.m.
Parkville Branch, 8815 Tom Watson Pkwy. Parkville, MO 64152

Americans once expected that a full-time job would at least pay for the basics. That is not the case today. People who work full time at low-wage jobs can't always make ends meet, and sometimes must work two or even three jobs or ask for government assistance to survive. The global economy has brought fierce competition and fewer of the kind of jobs that used to lift Americans into the middle class. The gap between the wealthiest and everyone else keeps growing. The rules in America have changed.

The Great Recession knocked the wind out of the American economy. More than half of the job growth since the recession ended in 2009 has been in low-wage jobs. Unemployed adults now seek jobs that were once owned by teens or part-timers wanting a little extra cash, and taxpayers increasingly fill the gap between what workers are paid and what they need to survive. For example, 52 percent of fast-food workers in the United States make so little that they must enroll in some form of public assistance. This costs U.S. taxpayers nearly $\$ 7$ billion each year and Missouri taxpayers about $\$ 149$ million annually.

A 2013 CAP/Hart Research poll found that three-quarters of those polled agreed that "the rules in America have changed hard work and sacrifice are not rewarded anymore." Of the white, working-class Americans surveyed, 82 percent agreed that "the middle class is being squeezed and we are increasingly becoming a nation divided between the rich and everyone else." Most of those surveyed said that the single most important goal for the American economy was that it should work for everyone, not just the wealthy few.

But, in a changing economy with new global forces at play, it is a challenge to find the best way to make the economy work for everyone. While a majority of Americans want the minimum wage to be increased, others say that doing so will hurt the most vulnerable, or that we should focus on increasing the power of labor. Thoughtful people disagree about what should be done, and there is no single approach that everyone can support.

## The falling value of labor

It used to be that the more productive workers were, the more they got paid. But the link between pay and productivity largely has been broken. Economists consider 1947-1973 the "Golden Age" of shared prosperity. During that time, hourly pay and labor productivity rose at nearly the same rate. In the 33 years since, productivity per hour rose 93 percent, but hourly pay rose just 38 percent. If the minimum wage in the U.S. had kept pace with labor productivity, it would have been $\$ 18.28$ in 2013

Several elements have combined to reduce the value of American labor: the global economy, the decline of unions, and a post-recession economy that is nowhere near full employment.

## How has the global economy changed American life?

When China, India, and the former Soviet Union entered the global economy, it basically doubled the world's workforce. Now, each and every year, some 70 million workers enter the global labor pool, which is a significant infusion of labor.

Many manufacturing jobs have moved abroad or been lost to lower-cost foreign producers. Michael Spence, a Nobel prize-winning economist, says that U.S. industries "remain vibrant but no longer are labor intensive; instead, they are more capital intensive than ever before." He says that the industrial jobs that once moved low-skilled Americans and immigrants into the middle class no longer exist here, but have moved overseas.

## How is the impact of labor unions changing?

Some say that lagging worker pay is the result of the rapid decline of labor unions. Since 1983, labor rolls have dropped by almost half. Then, 20 percent of American workers were union members, while today, that number is 11 percent.

A new push to unionize began when fast-food workers organized a single protest in New York City, calling for $\$ 15$ an hour and a union. The Service Employees International Union and other American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) organizations have stepped in to support the movement. Locally, workers have held several protests connected with the national campaign, including one in December 2014 that drew more than 150 fast-food workers, gas station attendants, home health care workers and others. The same day, protests were held in 190 other cities.

## Do unemployment figures tell the whole story?

The difference between the unemployment rate in January 2015 and a decade earlier, in January 2005, is tiny. It's just the difference between 5.7 and 5.3 percent. But the years between saw a recession that moved unemployment up to nearly 10 percent before beginning a gradual decline.

The effects of the recession are much larger than we can tell from the unemployment rate. The U.S. Bureau of Labor Statistics also collects data on people who are employed part-time because they can't find a full-time job, and those who are neither working nor currently looking for work but say they want a job. When you add all of those individuals to the official unemployment rate, the figure for January 2015 was 12 percent.


## CEO-to-worker compensation ratio

In the 350 publicly owned US firms with the largest revenue each year.
20 times larger annual compensation
CEO $\$ \mathbf{8 1 9 , 0 0 0}$
WORKER $\$ 39,500$

## Growing gap between worker and CEO pay

The Golden Age of shared prosperity was also much different from today in terms of the gap between worker and CEO pay. Between the mid-1940s and 1973, the average American CEO was paid about 20 times as much as the typical employee at that business. Today, at Fortune 500 companies, the pay ratio between the CEO and workers is more than 200 to one. Between 1978 and 2013, the average worker's pay climbed just 10 percent, but compensation for CEOs jumped 937 percent.

Regulating CEO pay is increasingly a goal for legislators at the state and federal level. For example, the Rhode Island State Senate passed a bill in 2014 that would give preference in state contracts to companies with small gaps between CEO and worker pay.

If CEOs were paid significantly less, though, it would have little impact on worker paychecks. If the top five executives at Yum! Brands (Pizza Hut, Taco Bell,
etc.) cut their salaries in half and distributed the funds among their nearly 464,000 part-time employees, each worker would make just 5 cents more an hour.

## The push for a living wage

As the economy resets itself after the Great Recession of 2007-2009, American workers and businesses are grappling with the new realities. One phrase that is often used is, "a living wage." When people talk about a living wage, they are generally referring to an hourly rate that lifts people out of poverty and gives them a chance at being self-sufficient. That varies depending on the cost of living in different communities.

The Massachusetts Institute of Technology has created a living wage calculator. It takes the approximate income needed to meet basic needs, and then calculates the annual income for the cost of living in a particular area, in our case, Clay, Jackson, and Platte counties in Missouri.

Typical expenses for this area

| Monthly expenses | 1 adult | 1 adult, <br> 1 child | 1 adult, <br> 2 children | 2 adults, <br> 2 children |
| :--- | :--- | :--- | :--- | :--- |
| Food | $\$ 242$ | $\$ 357$ | $\$ 538$ | $\$ 713$ |
| Child care | $\$ 0$ | $\$ 400$ | $\$ 729$ | $\$ 0$ |
| Medical | $\$ 125$ | $\$ 364$ | $\$ 386$ | $\$ 335$ |
| Housing | $\$ 605$ | $\$ 834$ | $\$ 834$ | $\$ 834$ |
| Transportation | $\$ 306$ | $\$ 595$ | $\$ 686$ | $\$ 736$ |
| Other | $\$ 71$ | $\$ 159$ | $\$ 208$ | $\$ 180$ |
| Required monthly income after taxes | $\$ 1,349$ | $\$ 2,709$ | $\$ 3,379$ | $\$ 2,798$ |
| Required annual income after taxes | $\$ 16,188$ | $\$ 32,508$ | $\$ 40,548$ | $\$ 33,576$ |
| Annual taxes | $\$ 2,374$ | $\$ 4,738$ | $\$ 5,917$ | $\$ 4,913$ |
| Required annual income before taxes | $\$ 18,562$ | $\$ 37,246$ | $\$ 46,465$ | $\$ 38,489$ |
| Hourly wage needed to cover expenses | $\$ 8.92$ | $\$ 17.91$ | $\$ 22.34$ | $\$ 18.50$ |

## What is the minimum wage?

The minimum wage is the lowest hourly rate an employer can legally pay workers covered under the law. The minimum wage is a political choice, not an economic one. It may or may not be set at that point where demand for labor matches the supply. Since President Franklin D. Roosevelt signed the Fair Labor Standards Act in 1938, Congress has voted to raise the U.S. minimum wage 22 times.

The minimum wage has not been raised from its current rate of $\$ 7.25$ an hour since 2009. In 2013, a law was introduced in the Senate to raise the minimum to $\$ 10.10$ an hour indexed to inflation.

Of all the states and D.C., 29 have state minimums that are higher than the federal rate. Nine, including Missouri, index increases to inflation. Missouri's minimum wage increased to $\$ 7.65$ an hour on January 1, 2015, to account for increases in the cost of living. Kansas uses the federal minimum wage.

More cities, such as Seattle and Chicago, are setting minimum wages that are higher than the state and federal level because the cost of living is higher in urban areas. Business groups, including the

Missouri Chamber of Commerce and Industry, have challenged their power to do this. About a dozen states have passed "pre-emption bills" that keep municipalities from increasing the minimum wage or taking other actions considered harmful to business, such as mandating certain benefits.

## Annual incomes for various levels of the minimum wage

|  | Hourly <br> rate | Annual <br> income |
| :--- | :--- | :--- |
| Federal minimum <br> wage | $\$ 7.25$ | $\$ 15,080$ |
| Missouri minimum <br> wage | $\$ 7.65$ | $\$ 15,912$ |
| Proposed new federal <br> minimum wage | $\$ 10.10$ | $\$ 21,008$ |
| "\$15 and a union" | $\$ 15$ | $\$ 31,200$ | still follow the federal minimum ( $\$ 7.25$ ) but some have recently adopted higher amounts.

Minimum-wage laws by state


In November, five states voted to increase their minimum wage within the next few years.

HOURLY MINIMUM WAGE

|  | Current | Future |
| :---: | :---: | :---: |
| Alaska | \$7.75 | $\begin{array}{r} \$ 9.75 \\ \text { by } 2016 \end{array}$ |
| Arkansas | \$7.50 | $\begin{array}{r} \$ 8.50 \\ 2017 \end{array}$ |
| Illinois' | \$8.25 | $\begin{array}{r} \$ 10.00 \\ 2015 \end{array}$ |
| Nebraska | \$8.00 | $\begin{gathered} \$ 9.00 \\ 2016 \end{gathered}$ |
| S. Dakota | \$8.50 | $\begin{array}{r} \text { As of } \\ \tan 1,2015 \end{array}$ |

Note: Where states have no or lower minimum-wage rates than the federal rate, the federal rate applies. Minimum wage current as of Jan. 1, 2015; iNon-binding measure
Source: U.S. Labor Department (laws); state labor departmeats (wage figures)
THE WALL STREET JOURNAL

## Who makes the minimum wage?

Minimum-wage workers are more likely to be young, female and without a high school diploma. There is little difference in the percentage of workers of different races and ethnicities earning minimum wage.

In 2013, of the nearly 76 million workers paid at an hourly rate, 4.3 percent were paid at or below the federal minimum wage. Here is more about them:

## Age

Gender

Race

Education

Workers under age 25 represent about one-fifth of hourly paid workers, but about half of those earning at or below the federal minimum wage. Teens make up about 24 percent of minimum wage workers.

A woman is much more likely to be paid at or below the minimum wage than a man, at about 62 percent for women versus about 38 percent for men.

About 5 percent of black workers, 4 percent of white workers and Hispanic/Latino workers, and 3 percent of Asian workers earned the minimum wage or less.

About 10 percent of those without a high school diploma earned at or below the minimum wage, compared with about 4 percent of those with a high school diploma and about 2 percent of college graduates.

In addition, more than 25 million people earned less than $\$ 10.10$ an hour, or about $\$ 21,000$ in annual income, in 2013. That is nearly eight times the number of Americans who work for the current minimum wage.

## What industries have the most minimum wage workers?

People working in food prep and serving are by far the most likely to make at or below the minimum wage. Fast-food restaurants have added positions more than twice as fast as the U.S. average during the recovery. Older unemployed Americans have taken more fast-food jobs from teens. Before the recession, teens were almost a quarter of food prep and serving workers, but that dropped to 17 percent by 2010 .

The Missouri Restaurant Association is among trade groups that oppose raising the minimum wage to $\$ 10.10$ an hour. The association expects that 15,000 jobs would be lost if the minimum wage was raised to that level, and points out that the median pay for restaurant employees is already at $\$ 9.10$ an hour.

Retail workers are also likely to make the minimum wage, although several companies, including Walmart, Ikea, Costco, Whole Foods, and the Gap, have raised or plan to raise their entry-level pay.

Local businesses owners come at the issue from different perspectives. Some, like Phil Bourne from Waldo Pizza, have signed a national "Business for a Fair Minimum Wage" statement. He says gradual, planned increases offer the chance to adjust pricing and operations. Mathew Condon, CEO of the Athletic and Rehabilitation Center, opposes an increase. He says Congress should hear from employers. "[W]e need real discussions because if you raise the costs of providing goods and services, and that includes wages, employers will pass those higher costs on to consumers, and it will impact all of us."

Percentage of hourly paid workers with earnings at or below the federal minimum wage, by occupation, 2013 annual averages


## What happens if we raise the minimum wage?

Americans want to raise the minimum wage, but not at the cost of jobs. A Reason-Rupe poll showed that 72 percent of Americans support an increase to $\$ 10.10$. If, however, raising the minimum caused some employers to lay off or hire fewer workers, 57 percent would oppose the increase.

So would an increase cost jobs? Probably, but the total number is in question. In 2014, the nonpartisan Congressional Budget Office studied the impact of raising the minimum wage to $\$ 10.10$ an hour. The study considered whether the increase would cost jobs, and offered a rough estimate of half a million jobs lost, with a range from a "slight reduction" to 1 million jobs.

In the last two decades, several states raised their minimum wages above the federal level, which made it possible to compare what happened. Economists reviewed the many studies that had been conducted, and they found that 85 percent suggested there would be a negative impact on employment. This was particularly true for people with the least skills. There was significant evidence that when the minimum wage goes up, employers substitute workers with higher skills for the lowskilled workers they previously hired.

The Show-Me Institute promotes market solutions for Missouri public policy. It says that the minimum wage is a form of price control that can harm the very people intended to help, if set so high that it increases competition and reduces hiring. It notes that someone who can get a $\$ 7$ job may not be able to get one at $\$ 10$ or $\$ 15$ an hour because of increased competition from people with more skills willing to work for the higher wage.

Also, when low-income people earn more, they lose federal tax credits and assistance, which offsets most of the wage increase. A single mother with one child faces an effective marginal tax rate of 91 percent when her pay increases from $\$ 7.25$ to $\$ 10.10$ an hour.

## How can we encourage work?

Some say that it is more effective to target help to the poorest working families rather than use the scattershot approach of raising the minimum for everyone. The 2014 Congressional Budget Office study found that raising the minimum to $\$ 10.10$ could increase the earnings of 16.5 million workers, lifting 900,000 of them out of poverty. While this would increase earnings by $\$ 31$ billion, only 19 percent of that increase would go to families below the poverty line.

The Earned Income Tax Credit (EITC) has strong support from Republicans and Democrats for its ability to move working families out of poverty. Through the EITC, the federal government pays a subsidy to workers in families with low earnings; many states, but not Missouri, supplement the EITC. The maximum amount of the credit in 2010 was $\$ 5,036$ for a family with two qualifying children. A criticism of the EITC is that workers without children receive very little, just about \$270 a year, and that subsidy phases out completely at earnings of about $\$ 14,600$.

At the $30^{\text {th }}$ anniversary of the EITC, in 2003, a study showed that 19.3 million families received $\$ 34.4$ billion from the credit. Without it, the poverty rate among children would have been 25 percent higher. The EITC trailed only the dependent exemption in total budgetary cost, and it benefits more moderate-income families than traditional government benefit programs such as cash welfare or food stamps.

Education can also encourage work. By helping people with little education get more, they can increase their earning power. Workers counter that job schedules for fast-food or retail jobs change from week to week, so attending classes is difficult. The problem is compounded for workers with more than one job.


## A framework for deliberation

This discussion guide offers three options for approaching this difficult and critical problem. It provides the framework for public deliberation of the issue designed to avoid divisive debate, in favor of highlighting concerns that many share. Each concern suggests actions that we might take to address the problem, as well as the drawbacks that such actions might have.

Approach One says we should give a fair day's pay for a fair days work by using the minimum wage to pay enough to afford the basics. This approach favors raising the federal minimum wage to $\$ 10.70$, indexed to the cost of living.

Approach Two says we should protect the most vulnerable. This approach favors expanding the Earned Income Tax Credit and assuring low-wage workers can get the education they need to secure better jobs.

Approach Three says we should let the market do its work. This approach favors eliminating the minimum wage, expanding the power of unions and pushing down CEO pay, and focusing on creating an economy that demands working people.

## A fair day's work for a fair day's pay

## Broad remedy

The best way of solving this problem is to use the tool we already have - the minimum wage - to assure that full-time workers are paid enough to afford the basics. The minimum wage is increasingly important to adult workers supporting themselves or their children. It has historically been an effective tool to provide a floor under working people, but it has been too long since the wage has been increased. Also, the minimum wage is not tied to the cost of living and to geographic differences in the cost of living, and we need to change that. In our economic system, businesses seek to maximize profits and minimize costs. When the minimum wage is so low, it means that taxpayers must subsidize low-wage businesses by providing food stamps and other support. Each business should pay enough that its full-time employees are able to provide for themselves, without the burden falling to taxpayers. Taxpayers should support businesses that pay a living wage and should avoid those that don't.

## The problem this remedy solves

In this view, the real reason we have this problem is greed and selfishness. Some corporations seek to reduce their costs on the back of American taxpayers. And, some consumers are more worried about being asked to pay a little more for their hamburger if the person behind the counter makes a living wage. People who work a full-time job, even at a low skill level, should be able to afford the basics of life without taking on a second or third job or going to the government for help. America was built on the backs of working people. This country believes in the inherent value of work, and that work should be rewarded. It's only fair.

## Values

When all is said and done, what we are really talking about is:

- Paying your own way
- Being treated fairly


## CONSEQUENCES TO CONSIDER

Some businesses might lay off current workers, reduce hours, or put off hiring future workers because they can't afford to pay the increased cost.

Many people who work low-wage jobs are not from poor families, so raising the minimum wage for them would have little impact on poverty.

People will low skills will face competition from workers with more skills who are willing to work for the higher minimum wage.

For a low-wage worker supporting a family, the raise could be canceled out if the worker loses benefits such as SNAP, Medicaid, and Earned Income Tax Credit funds.

## Protect the most vulnerable

## Broad remedy

People who want to help the working poor say that raising the minimum wage will accomplish that important goal. The reality, though, is that many people who earn the minimum wage are teenagers or others whose families are middle-income or higher. In fact, raising the minimum wage would hurt those in the most difficult circumstances by increasing competition for formerly low-wage jobs and reducing eligibility for federal benefits. Instead of raising the minimum wage, we should focus on protecting the poorest workers and those with the lowest skills by expanding the Earned Income Tax Credit (EITC) and educational opportunities. The EITC rewards work, targets people with low incomes, and raises the credit based on the number of children in the family. It is a proven way to fight poverty. But that is not enough. Minimum wage jobs were intended to be entry-level positions, but people without education or skills may be stuck in those positions for a lifetime. Someone who is working two or three jobs or whose schedule changes from week to week may find it impossible to get additional training. We need to make it easier for low-wage, low-skill workers to better themselves by providing the training and assistance they need to earn more money. We also
need to reconfigure federal benefits so that when low-income workers earn more, they can retain more of their benefits.

## The problem this remedy solves

In this view, the real reason we have this problem is that too many people lack the skills, work habits, and motivation to land jobs that pay a living wage. We reduce motivation when we penalize low-wage people who earn more by reducing their government benefits. We make it almost impossible for low-wage workers to improve their skills because they work so many hours on ever-changing schedules. We need to help the poorest and most vulnerable workers better themselves.

## Values

When all is said and done, what we are really talking about is:

- Helping people succeed
- Protecting those who can't protect themselves


## CONSEQUENCES TO CONSIDER

Without a higher minimum wage, it would be way too expensive for government to try to reduce poverty using the EITC alone.

The EITC depends on there being a demand for labor. In a recession, demand is low and jobs may not be available.

The economy is creating low-income service jobs at a higher rate than any other type of job. Higher paid manufacturing jobs have moved overseas.

Taxpayers will, in effect, continue to subsidize low-wage employers.

## Let the market do its work

## Broad remedy

The best way of solving this problem is to bring our economic system back into balance and then let the market do its work. Today, there is no such thing as an American job. We are competing on a global scale. China, India, and the former Soviet Union have doubled the world's labor force, which drives down the cost of labor. We need to respond, but the minimum wage is a political rather than an economic device. Nobody forced Henry Ford to pay his people well; he did it because it was in his best interests. A healthy economy ties wages to productivity, giving it some rational basis for the amount that a person gets paid. That once was the case, but is no longer true, either for workers or for corporate CEOs, whose salaries have risen at a much higher rate than the productivity of American business. The American economy is being hollowed out, growing at the low and the very high end, with fewer jobs for people with skills and education in the middle. This is not sustainable. The best way to increase the price of labor and to assure good jobs is to assure we have a robust economy with high demand for working people. Once we do that, people will be motivated to get the skills and education that lead to better jobs, and business will create jobs that reward them.

## The problem this remedy solves

In this view, the real reason we have this problem is that the link between productivity and labor - both CEO and worker - has been broken. People are paid based on a system that artificially inflates or deflates their value. In the global economy, we can't afford to have an economy that is out of balance. We also can't afford to lose the jobs in the middle, and need to take immediate steps to put people to work in good, middle-class jobs. After all, there's no point in a minimum-wage worker getting more training if the only jobs available are in fast food or retail.

## Values

When all is said and done, what we are really talking about is:

- Doing things for rational, logical reasons. Being realistic.
- Paying attention to the whole system, not just one part.


## CONSEQUENCES TO CONSIDER

Without a floor on worker wages, it is possible that some workers would make less than the current minimum wage.

Offshoring is likely to continue for every job that doesn't have to physically be done in the U.S. Spending money to rebuild our infrastructure won't change that.

Again, the government and taxpayers would be expected to underwrite the solution.

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## The Local Issues Project

Mid-Continent Public Library launched The Local Issues Project in 2015 as a way to engage the local community in local issues, using deliberative forums and panel discussions. The library worked with Consensus, a local nonprofit organization, to implement the project.

## Mid-Continent Public Library

Mid-Continent Public Library is the largest library system in the Kansas City metropolitan area. It operates 35 libraries and served more than 770,000 persons in Clay, Jackson, and Platte counties in Missouri. The Library's mission is to enrich its citizens and communities through expanding access to innovation, information, ideas, and inspiration.

In 2015, Mid-Continent Public Library was honored with the National Medal from the Institute of Museum and Library Services for its dedication to providing access to innovation, information, ideas, and inspiration. For more information: mymcpl.org.

## Consensus

Consensus puts the "public" in public policy. Guided by the belief that regular people can and must have a voice in decisions that affect their lives, Consensus provides the information and the meetings that make that possible. The organization is a leader in the national deliberative democracy movement. Its Civility Project encourages leadership and public engagement that brings out the best in people. Consensus works on behalf of the local community and for clients in metro Kansas City and around the U.S. For more information: www.consensuskc.org.

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## About deliberation and this guide

This discussion guide provides some basic information and offers different ways to approach the issue of the living wage. The document hopes to move past partisan debate by framing the issue based on what individuals hold most valuable. Each of the three approaches diagnoses the problem differently, and so offers solutions that come from across the political spectrum. Each approach also has its trade-offs, recognizing that if one approach worked for everyone, we would have solved the problem by now. (To see many other issue guides in this format, see www.nifi.org or www.publicagenda. org.) This guide was developed to facilitate conversations and should not be construed as representing the views or opinions of Mid-Continent Public Library or its staff. This document was written by Jennifer Wilding, Director of Consensus.

## Some things to keep in mind:

- You will like some approaches better than others, and you probably will want to mix and match from among the different approaches.
- A trade-off is something that we have to give up in order to get something we want more.
- "Wishful thinking and denial" is one of several steps we go through on the way to making difficult choices. That step may sometimes sound like, "We can solve this with more out-of-the-box thinking," or "We can solve this if we just (insert silver bullet here)."
- Conflict is inevitable and important, and can be managed respectfully. Too often, we shy away from conflict and so never wrestle with our differences.


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