

Community Change Paper
The Livable Wage Sub-Committee
PPA Economy Committee

PREFACE

The founding principle of Partners for a Prosperous Athens (PPA) bears repeating: that we, as Athenians, seek the elimination of our city's poverty. The various committees of PPA have thoughtfully explored the nature of poverty in this community. This Subcommittee has come to accept a definition offered by Father John Ryan in 1906: poverty is synonymous with “living below the living wage.” While the elimination of poverty invites a number of peripheral discussions, the most simple observation is the most significant; that is, nearly 1 in 3 Athenians lack the necessary income to support him/herself.

Athens’ economy is marked by an unusual pairing of phenomena---high poverty and high employment. Athens-Clarke County consistently ranks among the poorest counties in the United States. Unemployment, though, cannot be blamed for the unusually high poverty rate. In fact, Athens consistently posts impressive employment figures, with local unemployment commonly two full points below the national average.

With consistently high levels of employment, if poverty is to be remedied the community must confront the unique economic challenges associated with a “college town” economy. As the largest employer in the community, the University of Georgia dramatically affects the local economy by serving as a wage-setting actor in the economy. Economists note that the employer-size wage premium dictates that an economy’s largest employer marks the upper end of the wage continuum. In Athens, this means that the university sets a wage ceiling, effectively depressing wages because of the low wages paid to many of its hourly workers. In addition, the university-dominated economy tends to favor the retail, food, and service sectors, all of which involve low-wage jobs.

Poverty is certainly a multi-faceted problem. At a fundamental level, though, it is an income problem: people in poverty have too little money. This is certainly the case in Athens where the poor are predominantly employed but are not paid a wage sufficient for sustaining themselves or their families. Unless we address the fact that the poor in our “college town” economy are the working poor, the cycle of poverty will not and cannot be broken.

A substantial body of empirical, statistical, and anecdotal evidence points to one realistic remedy: higher wages. Clearly, providing a living wage is a tall order and will require a major commitment by all members and institutions of the community, especially the University of Georgia and the other major employers. Whether or not to pay a living wage to all workers is an important policy issue, involving a wide range of deeply held positions. But interest groups, citizens, and decision-makers will need to look beyond perceived self-interest and consider the larger common good of the community. The poverty issue we confront, then, poses an important moral question: What kind of community do we want Athens to be? What kind of a community do we want to live in?

The following proposals are intended to help the working poor, and we believe that our community values fairness, especially for the hard-working, less fortunate among us.

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TERMS: Persuasive action can be taken in a variety of ways. First, the term "poverty" has various definitions, but it is synonymous with "living below the living wage." Father John Ryan established this definition in 1906, on a stimulus of Pope Leo XIII. It is simply the moral thing to do to raise all wages to the living wage (being able to pay the basic expenses for survival in a small family). Other expressions used for this are "family supportive wage and benefits," "family sustainable wages," "survivability wage," "self sufficiency standards," "workplace fairness," (Footnote no. 1), or "worker friendly compensation."

CONSEQUENCES OF POVERTY: Second, the options below the family supportive wage are simply not healthy for the community:

- 1) dependence on governmental benefits
- 2) working 60-90 hours per week at, perhaps, two or three jobs
- 3) going hungry or homeless or both
- 4) selling or stealing things illegally.

It has been documented that these options generally lead to higher rates of illness (Footnote 2) and incarceration (Footnotes 3 and 4), and are expensive and harmful to the community. Family breakup is just one of the consequences (Footnote 5), but it leads to the cycle of poverty. Each of the above options results in mutual disrespect within the family. Children do not get the attention they need, and parents have incentives to move away from each other. Children often lack preparation and support for school, leading to poor education and high dropout rates. Children grow up feeling abandoned, without the possibility of gaining attention from legitimate sources (Footnote 6).

RESULTS FROM WAGE CAMPAIGNS: Third, a number of the arguments against pushing for raises in the minimum wage in the direction of the living wage are, overall, inaccurate. For example, it has been found that the states which have recently raised the minimum wage have not experienced reductions in new business development or reductions in available jobs. On the contrary, with new money flowing among the lowest wage workers, local retail and small businesses are doing better, new jobs are created (Footnote 7), and government revenues from sales taxes are on the rise. There is a great deal of evidence supporting the idea that workers become better employees when they are treated with respect, including respect in their wages and benefits. They become more dependable, more thoughtful on the job and helpful in promoting efficiency, with less turnover, thus reducing training costs to the business or public institution (Footnote 8). In other words, respect by the employer generates respect by the employee.

JOBS IN ATHENS-CLARKE COUNTY: Fourth, Department of Labor data show 33 occupational categories in which a significant majority of workers in Clarke County are paid below the living wage level. At the same time, average wage levels for jobs in the county are higher than in surrounding counties. So the question, then, becomes "why does the county have such a high level of poverty?" The answer is, over 27,000 of the county's 66,000 jobs, in most cases the higher level jobs, are held by residents of the surrounding counties. It may also be true that some of the low wage jobs in surrounding counties are held by residents of Clarke County. Because of this arrangement, we are skeptical that economic development activities alone will make a difference in

the county's poverty level. A large portion of the higher paying jobs will be held by people who reside elsewhere. Progress can be made, however, by raising the levels of the lowest paying jobs. (<http://explorer.dol.state.ga.us/mis/wages2005/lda//TOC029.htm>). (<http://explorer.dol.state.ga.us/mis/profiles/Counties/clarke.pdf>)

CONNECTIONS AMONG THE ISSUES: Fifth, most of the issues raised in the PPA are dependent in some degree on higher wages: child and dependent care, housing, transportation, health and mental health services, education and training. People with low incomes will only be able to access these programs if wages and benefits are more substantial.

PROPOSALS FOR CHANGE:

1. We propose that the PPA Steering Committee should ask the conveners to pursue the following campaigns to raise wages:

1) The largest employer in Athens-Clarke County is the **University of Georgia**. They have a budget of over 1.4 billion dollars. Yes, they have many fixed expenditures, but they also have budgets all over the university that are can be manipulated, as evidenced in the cuts made during the last recession. We recommend that (a) \$11.55 be promoted at UGA as the minimum wage, resulting in an annual income of \$24,000. We also recommend that (b) auxiliary services which maintain full time and year-round workers should not treat them as "temporary" workers, but as "regular payroll" people with full benefits. Data are needed on the number of full time workers classified as "temporary." We recommend that (c) health benefits be made affordable to the lowest paid employees in the university and that (d) those who are truly "temporary" employees be paid at a minimum of \$14 per hour, so that they are able to afford health care. At the same time, (e) employees classified as temporary should receive social security benefits, not the GDCP funds which takes money from the workers, but to which the University does not contribute. This may require a change in state law. Meanwhile, when workers leave, they should routinely be notified of their right to request their GDCP funds. Finally, we propose that (f) the University avoid outsourcing any routine jobs to contracted companies.

2) **The Chamber of Commerce** is in a pivotal position in terms of being able to **a) educate their membership**, large and small businesses, on the advantages of respectful wages and benefits-- advantages to the business, to the family, and to the community at large. The work of a range of economists (e.g., Robert Pollin; David Reynolds) can be tapped to support this effort. Businesses that pay numbers of their workers above the living wage, with benefits, can be used as models for those who pay numbers of workers below the living wage. Economists have shown that higher wages and benefits are associated with more dependable work forces, more thoughtful, more productive workers. Also, lower rates of turnover, which save the expenses of recruitment and training of new workers, are related to higher wages and benefits. The Chamber could urge companies to follow the lead of those companies who do pay more and cut turnover. Toyota, Nucor, and Costco are examples of companies that have established highly respectful practices (Footnote 10). Also, companies that provide child care could be models.

We propose that the Chamber can work to influence the major industries in Athens-Clarke County to **b) give preference to participants in the workforce committee's programs** when respectable jobs at the blue collar level become available. At this time, a number of businesses hire a majority

of their employees from outside the county. At this time, "networking" when jobs become available, favors people outside the county. To a great extent, this is a racial issue. Preferences given to whites are not acceptable, and the transition to in-county hires can make a huge difference. Industries could partner with agencies working on job skills and other workforce issues.

We propose that the Chamber and the University of Georgia could develop a partnership in negotiating with and **c) training business leaders, especially small business leaders**, in their styles of management regarding employee sustainability. A key factor in worker anxiety is job security. A key factor in management relates to the various ways of expressing respect for their workers. These practices lead to greater dependability among workers, lower rates of turnover, and lower cost to the employer in management of workers. For evidence, see David Sirota's The Enthusiastic Employee, among others. We urge the Chamber and UGA to develop a training module on this issue. Peer-to-peer training may be a model to follow. There are costs to the business, for example, from employee turnover, to as much as 15% of budget, with rates of turnover going as high as 70% per year.

In looking at the "Explorer" charts in the Department of Labor statistics, as noted above, we have counted 33 subcategories of occupations whose median pay is consistently below the "family supportive wage." Many are paid far below the "survivability" (family supportive) level. Thousands of workers (probably 18,000), many of whom are in small businesses, are paid at "disrespectful" levels. Many of the higher paying jobs are undoubtedly held by residents of other counties. The Chamber should **d) offer technical assistance in growing and streamlining a business so that it can pay living wages and put into place "Worker Friendly" policies and procedures**. In this way, small businesses within the county can learn how to manage with higher levels in wages and benefits, just as the Costco Company has done in other parts of the country. The workers in these cases can stay as residents within the county.

3) **The Athens-Clarke County government** has privatized a number of their full-time, year-round workers to private contractors. As in the case of the University, professionalism and effectiveness are not the issue (as suggested in arguments for privatization). Rather, it is cheap labor. As suggested by Si Kahn (Footnote 11), however, privatization can be harmful to the community in that it distances the employees from respectful consideration by the government. It is true that state law prohibits local governments from establishing policies for such contractors which would affect wages or benefits. There is no legal impediment, however, to terminating the contracts and bringing the employees back into the county payroll. They could then be paid respectful wages and benefits, as are other employees in the county government.

4) **Additional institutions** should be encouraged to raise their wages and benefits. These institutions are:

- a) **The Athens Regional Medical Center and St. Mary's Hospital**. We propose that they pay their cleaners, food service workers, nursing assistants, and other low wage workers at living wage levels. They do have major resources, and they could do a much better job of compressing salaries and wages, so that lower levels are raised.
- b) **The Board of Education**. Likewise, we propose that efforts be made to raise wages and benefits of the workers, such as custodians, substitute teachers, food service workers, paraprofessional aides, clerical workers, and bus drivers, to the living wage level with benefits.

c) **Family Connections.** The 80 social agencies that are members of this collaborative should make every effort to raise their workers, including clerical and service workers, bookkeepers and record keepers, to living wage levels with benefits.

d) **Churches.** Again, churches should make every effort to demonstrate that they are committed to achieving moral levels of compensation to their workers, including cleaners, accounting, and clerical workers.

e) **Athens Regional Library.** All workers, including custodians, clerical, accounting, and librarian workers should be paid, at least, at the living wage level. If this requires negotiations with state officials, that should be pursued.

5) A statewide survey has been conducted by the UGA Survey Research Center, asking for public opinion on the idea of **raising the minimum wage** in the state. Three questions provided rather compelling evidence: (a) "Do you think the minimum wage should be increased?" 89.7% said, "yes." (b) "To what level do you think they should be raised?" (options provided). 68.7% responded at the level of \$7 per hour or higher, including 45.9% at the level of \$7.50. And (c) "Would a candidate's position on this issue affect how you vote?" 53.8% said, "yes."

We propose that the PPA conveners and steering committee look at the results of this survey, and add their voices to the members of the legislature who might consider making such a change. Each of the partners in the PPA can be advocates for a minimum wage of \$7.25 per hour or more, beginning with the Clarke County Commission's session with the new legislative delegation.

6) Finally, we propose that a positive, consumer minded assessment be made for those businesses that are willing to present themselves as **Worker Friendly** businesses. At this time, a small group is working on establishing criteria at three levels: a) minimum wage (\$7.25), b) living wage (\$11.54 per hour with health benefits), and c) living wage with full benefits, which includes retirement, vacation, sick leave, and family leave. The PPA could help by assisting in identifying Worker Friendly businesses and advertising those businesses to the communities' consumers and workers. The Worker Friendly Coalition group will take responsibility for the judgments that need to be made.

Overall, we seriously believe that the "disrespected" sectors of the Athens-Clarke County population can be positively impacted by raising wages and by the increased availability of jobs with respectful wages and benefits. Parenting, family cohesion, health status, rates of neighborhood chaos and incarceration rates could all be improved, thus making it more possible for workforce development activities to be fruitful. Under current conditions, these activities will continue to be difficult, if not impossible. There is a cycle there, and the cycle needs to be broken.

Footnotes:

1) “The Self Sufficiency Standard for Georgia,” prepared for the Women’s Policy Group, 2002, by Dianna Pearce, with Jennifer Brooks

<http://www.sixstrategies.org/files/GA-FINAL-fullreport.pdf>

Short-changed: America’s Workers Are Giving More and Getting Less, *Workplace Fairness*, 2006

<http://www.workplacefairness.org/sc/incomegap.php>

2) Helen Epstein, (NYT, Oct. 12, 2003) “Enough to Make You Sick

<http://www.mindfully.org/Health/2003/Urban-Poor-Sick12oct03.htm>

http://www.researchmatters.harvard.edu/story.php?article_id=78

3) Grogger, Jeffrey T., "Market Wages and Youth Crime" March 1997, NBER Working Paper No. W5983

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=225762

4) Weiss, Harald. E., Lesley Williams Reid (2005) Low-Quality Employment Concentration and Crime: An Examination of Metropolitan Labor Markets, *Sociological Perspectives* Vol. 48, no. 2, pages 213-232

<http://caliber.ucpress.net/doi/abs/10.1525/sop.2005.48.2.213>

”Over the past two decades, numerous studies have investigated the effects of employment quality on crime. Many of these studies have investigated employment quality with regard to its effect on individual criminality. However, the quality of employment available in a labor market also affects crime at an aggregate level of analysis...relating differences in the quality of employment, on an aggregate level, to crime rates in metropolitan areas. Metropolitan areas with few quality jobs for less-educated workers have significantly higher rates of both violent and property crime.”

5) <http://www.healthymarriageinfo.org/aboutmarriage/?d=%7B2ADCB954-ACC9-40FC-BD8A-165F3942CB1F%7D>

<http://www.aifs.gov.au/institute/pubs/WP20.html>

6) Kempson, E. (1996) *Life on a Low Income* York Publishing Services Ltd.

<http://www.jrf.org.uk/knowledge/findings/socialpolicy/SP97.asp>

7) “States With a Minimum Wage Above the Federal Level have had Faster Small Business and Retail Growth,” Fiscal Policy Institute, March, 2006

<http://www.fiscalpolicy.org/FPISmallBusinessMinWage.pdf>

8) David Sirota, Mischkind, and Meltzer (2005), *The Enthusiastic Employee* Wharton School Publishing <http://www.enthusiasticemployee.com/excerpt.htm>

9) The Georgia Defined Compensation Plan replaces Social Security benefits for workers classified as “temporary.”

10) **Toyota:** trust and helping--

http://findarticles.com/p/articles/mi_m0FWH/is_7_113/ai_76878498

Nucor: job security, fairness, equity--<http://www.nucor-fastener.com/nucor.html> **The Costco Challenge:** An Alternative to Wal-Martization? (July 5, 2005) LRA Online; News and Analysis from the The Labor Research Association <http://www.laborresearch.org/print.php?id=391>

11) Si Kahn and Elizabeth Minnich (2005) *The Fox in the Henhouse: How Privatization Threatens Democracy* Bk Books