



building pay equity from the wage floor up

increasing women's income by advocating
for living wages

May 2006

**eliminating racism
empowering women**

ywca

great lakes alliance region

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about the YWCA Great Lakes Alliance Region

The Great Lakes Alliance Region (GLA) is one of nine regional, non-profit organizations within the structure of the YWCA USA, where our mission is eliminating racism and empowering women. GLA services include mission-based training, communications, and advocacy for its 58 YWCA affiliates in Illinois, Indiana, Michigan, Ohio, Wisconsin, and St. Louis, Missouri.

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executive summary

Advocating for measures designed to create equitable economic opportunities is critical to the hallmarks of the YWCA mission, eliminating racism and empowering women. In the current policy environment of welfare reform, the low-wage labor market has taken on even greater significance. Because of their disproportionate representation in low wage jobs, women and people of color are denied opportunities for economic well-being and community participation. Increasing the minimum wage to more closely approximate a living wage and indexing it to inflation is one policy solution aimed at reducing poverty. Research links establishing a higher wage floor to measurable reductions in poverty. Furthermore, advocating for a living wage is a key policy shift for the economic empowerment of women and people of color and can be viewed as part of a broad strategy to end poverty in the United States.

Given the reluctance of federal policy makers to address the declining value of the federal minimum wage, living and minimum wage campaigns now are being addressed at the state and local levels. Within the YWCA Great Lakes Alliance Region, this policy shift is apparent. While Wisconsin has been a leader in raising the wage floor, first citywide and then statewide, it was only in March that the Ohio Legislature raised the state minimum wage to meet the federal level. In response, advocates are trying to place state-level minimum wage initiatives on the Ohio and Missouri election ballots in November 2006 and the Michigan legislature approved a minimum wage increase this past March.

YWCA's have a unique position to advocate for economic empowerment among women and people of color and implement wage advocacy into their programs. Recommendations include:

- Using the YWCA brand to build support for low-wage workers. This includes building a grassroots basis of support, joining with established coalitions and advocating for low-wage legislation.
- Looking at economic empowerment in connection with programming efforts, such as job-training programs, childcare programs and racial justice initiatives.
- Expanding families' access to the Earned Income Tax Credit and other policies designed to raise the incomes of low-wage families.

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introduction

As states strive to comply with welfare reform and the increased burdens placed on employment, the low-wage labor market has increasingly shifted into the policy spotlight. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was designed to discourage dependence on government benefits and emphasize labor-force participation, and the subsequent Temporary Aid to Needy Families program established mandatory work requirements and introduced a cumulative time limit of five years to receive public assistance. The potential for welfare recipients to earn a living wage is central to the success of a “workfare”-centered welfare program. TANF recipients are being moved to low-wage jobs that do not provide economic self-sufficiency based on current minimum wage standards. The failure to address viable workforce supports in light of this policy shift jeopardizes the well-being of many low-income families.

Despite women’s gains in economic equality over the past several decades, women in the United States earn less, are less likely to own a business, and are more likely to live in poverty than men.¹ Moreover, disparities among women based on race and ethnicity continue to shape economic opportunities for women of color. The low wage labor market is one place where these inequalities intersect. Current research suggests that the labor market is not a unified market where each worker is paid according to his/her additional value to the firm and is promoted to better-paid positions based on that value. Instead, the labor market can be divided into two separate sectors, a primary sector which functions as classical theory depicts, and a secondary sector, distinguished by having few opportunities for job advancement, little job stability and more gender and racial discrimination. Also, lower wage occupations often lack basic benefits such as health insurance and paid sick leave, which are critical to economic security. In order to enable women and people of color to gain economic self-sufficiency, advocating for policy interventions designed to help low-wage workers is essential.

an overview of minimum wage

The current federal minimum wage is only \$5.15 an hour.² A woman who is the sole economic support for a family of four must make \$9.62 an hour and work full-time to surpass the 2006 federal poverty level. Furthermore, as many as 15 million workers could be positively impacted by increasing

“minimum wage” vs. “living wage”

- The **minimum wage** is the minimum rate a worker can legally be paid (often per hour), as determined by the state or federal government.
- The current federal minimum wage is set at \$5.15 per hour, and generally applies to all workers.
- A **living wage** is the minimum hourly wage necessary for a person to achieve a defined standard of living, such as “above the federal poverty guideline.”
- Living wage ordinances are most often enacted by cities, and frequently apply to limited groups of workers like municipal employees or city contract recipients.
- The hourly rate of a living wage varies by how the self-sufficiency standard is defined. Currently, most city-level living wage ordinances set the wage floor between \$8.00 and \$12.00 per hour.

¹ Amy Caiazza, April Shaw and Misha Werschkul, “The Status of Women in the States, Women’s Economic Status in the States: Wide Disparities by Race, Ethnicity and Region,” Institute for Women’s Policy Research (2004). <http://www.iwpr.org>.

² Only 18 states and the District of Columbia have a minimum wage above this amount, ranging from \$6.15 in Delaware to \$7.40 in Connecticut. Kansas is the only state that has a minimum wage below the federal level after the Ohio legislature raised the state minimum wage to \$5.15 in March 2006. U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division, Minimum Wage Laws in the States (available at <http://www.dol.gov/esa/minwage/america.htm>). Note that the recently approved minimum wage increase in Michigan had not yet been updated as of May 2006.

the minimum wage to \$7.00 an hour. This increase, combined with the Earned Income Tax Credit, Food Stamps, and the Child Tax Credit, would raise a family of four's earnings to just above the poverty line.³ These workers are often called the "working poor." Because many Americans are earning more than the minimum wage but are still not earning enough to reach the poverty threshold, we must advocate for a "minimum" wage that can support a family's basic needs.

The minimum wage was established in 1938 when President Franklin Roosevelt signed the Fair Labor Standards Act (FLSA) into place, however, at no time has the minimum wage been indexed to inflation. Instead, Congress must decide when to increase the minimum wage, which has only been done 19 times between 1938 and 1997. In relative terms, the current minimum wage is at the lowest level since 1968, when its peak value was \$8.89 (in 2005 dollars). Some states do have wage floors that are higher than those set by the federal government, such as Illinois and Wisconsin at \$6.50. Still, many of these policies have come in response to Washington's failure to preserve the value of the federal minimum wage at a level that reflects the idea that people who work for a living should not have to live in poverty. The Fair Minimum Wage Act of 2005 (S.1062/H.R.2429) was introduced in May 2005 by Senator Edward Kennedy (D-MA) in the Senate and Representative George Miller (D-CA) in the House, and called for raising the minimum wage in three steps, by a total of \$2.10, from \$5.15 to \$7.25 by 2007. However, this federal legislation has stalled. In addition to success at the state level, cities have also been able to enact local policy that raises the minimum wage. Both state and local action to increase the minimum wage have shown positive economic effects despite concerns that it will cause employers to cut jobs. Within the Great Lakes region, advocates in Ohio, Michigan and Missouri proposed minimum wage ballot initiatives in 2006. In Michigan, the ballot initiative compelled the legislature to act. On March 29, 2006, Michigan Governor Jennifer Granholm signed a measure that will increase the state minimum wage in three tiers over the next two years. The law raises the minimum hourly rate to \$6.95 in October, \$7.15 an hour in July of 2007 and \$7.40 in July, 2008.

an overview of living wage

A second, related policy development over the last decade has been the increase of city-level living wage campaigns. While also concerned with raising the wage floor, living wage laws often apply to employers receiving city government contracts or city business subsidies. The laws are based on the policy goal that taxpayer dollars should go to supporting jobs that pay full-time workers a wage sufficient to support themselves and their families at a subsistence level. These city- and county-level ordinances have set wages anywhere between \$6.25 and \$13.00 an hour, with some having two wages based on whether or not health insurance is provided. To date, 130 living wage laws have been passed in the United States.⁴

Living wage campaigns and efforts to increase state minimum wages to inflation are two policy shifts that can improve the wage earning and economic self-sufficiency of former welfare recipients and other low-wage workers. Setting a wage floor that reflects a subsistence level disproportionately benefits women workers, and particularly women of color, because they are more likely to be in low-wage work. For example, a modest increase in the minimum wage

³ Eileen Appelbaum et al, "The Minimum Wage and Working Women," June 18, 2004. Available at <http://www.cww.rutgers.edu/dataPages/minwagewomen6-18-04.pdf>

⁴ Association of Community Organizations for Reform Now (ACORN). "Living Wage Resource Center: Living Wage Wins," (2006). <https://livingwagecampaign.org>.

could increase the earnings of more than one million parents, mostly single mothers.⁵ This paper begins by examining several definitions of poverty and the characteristics of low-wage workers. It then moves to consider a discussion of living wage policies and state and local policies designed to increase wage floors, including their economic impact. Next, it looks at both wages and the Earned Income Tax Credit as different and complementary approaches to addressing poverty and assisting low-wage workers. Finally, it considers ways local YWCAs can advocate for economic empowerment among women and people of color in both their own organizations and their communities at large.

⁵ Kathleen Kaye and Demetra Smith Nightingale. "The Low-Wage Labor Market: Challenges and Opportunities for Economic Self-Sufficiency," *U.S. Department of Health and Human Services* (2000), <http://www.urban.org/url.cfm?ID=309642>.

poverty & the low wage labor force

definitions of poverty

Poverty can be defined as not having enough income to pay for basic needs, such as food, clothing and shelter, but living wage policies reflect more than just a basic need standard. In *A Living Wage: American Workers and the Making of Consumer Society*, Lawrence Glickman writes that the living wage concept defines a wage level that offers workers “the ability to support families, to maintain self-respect, and to have both the means and the leisure to participate in the civic life of the nation.”⁶ Similarly, the writings of Nobel laureate Amartya Sen discuss poverty in terms of social isolation factors that result from the inability to do basic things that you value or engage meaningfully in community life.⁷ Although economic deprivation relative to community affluence and participation is difficult to measure, these ideas suggest the need to look beyond the simple computations the government uses to define poverty.⁸ Additionally, the decline in the value of the federal minimum wage requires us to reconsider how the poverty threshold is determined in the United States, and whether that threshold is able to satisfy a family’s basic needs.

today almost 30 million Americans—about a quarter of our nation’s work force—work in jobs paying less than the federal poverty level for a family of four

Mishel, Bernstein and Boushey, 2003.

The U.S. government defines poverty based on standards originally developed in the 1960s by Mollie Orshansky of the Social Security Administration. Orshansky based her poverty thresholds on the minimum budget needed for a family to maintain a nutritious diet according to U.S. Department of Agriculture standards. At that time, the family food budget accounted for approximately one-third of a family’s income. Therefore, the food budget was multiplied by a factor of three. Several years later, the thresholds were indexed to the Consumer Price Index to account for price changes, but not changes in the general standard of living. This became the federal government’s official statistical definition of poverty and continues to be used today.⁹

Several non-governmental groups, such as Wider Opportunities for Women and the Economic Policy Institute (EPI), have offered new definitions of poverty based on family budget methods, which calculate the cost of every major budget item a family needs. This includes housing, childcare, health care, food and taxes, and unlike the federal definition of poverty, also accounts for family composition and where the family resides.¹⁰ According to analysis by the EPI, the

⁶ Lawrence Glickman. *A Living Wage: American Workers and the Making of Consumer Society*, (Ithaca, NY: Cornell University Press, 1997): 66.

⁷ Amartya Sen. *Development as Freedom*, (New York: Random House, 1999).

⁸ Robert Pollin. “Evaluating Living Wage Laws in the United States: Good Intentions and Economic Reality in Conflict?” *Economic Development Quarterly* 19:1 (2005).

⁹ Gordon M. Fisher. “The Development and History of the Poverty Thresholds,” *Social Security Bulletin* 55 (1992).

¹⁰ Heather Boushey, Chauna Brocht, Bethney Gundersen and Jared Bernstein. *Hardships in America: The Real Story of Working Families*, (Washington, DC: Economic Policy Institute, 2001); Jared Bernstein, Chauna Brocht and Maggie Spade-Aguilar. *How Much is Enough: Basic Family Budgets for Working Families*, (Washington, DC: Economic Policy Institute, 2000); Diana Pearce and Jennifer Brooks. *The Self-Sufficiency Standard for Louisiana*, (Washington, DC: Wider Opportunities for Women, 2003).

proportion of people in families (consisting of one or two parents and one to three children under the age of 12) with incomes below a minimum family budget level was 27.6 percent in 1999, much higher than the proportion of people in comparable families living below the federal poverty line.

When we view the decline of the federal minimum wage in light of both federal poverty guidelines and basic needs budgets, the disparities are striking.

the decline of federal minimum wage		
	Hourly	Annual
Federal minimum wage today:	\$5.15	\$10,712
Inflation adjusted value of the minimum wage in 1968 ¹¹ :	\$8.89	\$18,419
2006 poverty threshold for a family of four:	\$9.62	\$20,000
Basic needs budget ¹² :	\$16.60	\$34,532

On average, among families with children and one low-wage worker, the worker contributes half of the family's earnings. Thirty-six percent of such workers actually contribute all of their family's earnings, making a minimum wage increase essential. Additionally, many low-wage workers are unable to find full-time work and single parents must balance their wage labor with family responsibilities.

who are minimum wage workers?

The Economic Policy Institute estimates that 7.3 million workers would receive an increase in their hourly wage if the minimum wage were raised from \$5.15 to \$7.25. An additional 8.2 million workers, earning up to a dollar above the minimum also would be likely to benefit from an increase based on spillover effects.¹³ The majority of minimum wage workers are adult men and women of every racial and ethnic background, but a disproportionate share of women and racial and ethnic minorities stand to benefit from a minimum wage increase because of the stratification of the low-wage labor market.

working women

Women are the largest group to benefit from a minimum wage increase. Women comprise 58.8 percent of low-wage workers, defined by the Urban Institute as occupying jobs that pay between \$5.15 and \$7.89 an hour. First, the gender wage gap means women typically earn less than men and more women than men tend to work at or near the minimum wage and are more likely to benefit from an increase. Second, women dominate many low-wage occupations, such as retail and health care industries, and stand to gain the most from an increase to the wage floor.¹⁴

¹¹ <http://www.dol.gov/esa/minwage/chart.htm>

¹² Paul Sonn, *Citywide Minimum Wage Laws: A New Policy Tool for Local Government*, (New York, NY: Brennan Center for Justice, June 2005).

¹³ Economic Policy Institute, "Minimum Wage Issue Guide," (2006). <http://www.epi.org>

¹⁴ Appelbaum et al, "The Minimum Wage and Working Women."

Single mothers also are disproportionately affected by poverty and would experience measurable economic gains from a minimum wage increase. In 2002, single mother families were half of all families in poverty.¹⁵ All working families must try to secure both affordable childcare and adequate employment while raising a family. Recent data shows that half of all working families with children under age 13 paid for childcare and that families paying for care spent an average of 9 percent of their earnings. For poor families, the portion of income spent on care is significantly larger – 23 percent of earnings.¹⁶ Additionally, only one out of seven children who are eligible for childcare assistance under federal rules receives aid due to funding limitations.¹⁷ While single mothers make up only 5.3 percent of the workforce, they are 10.4 percent of the workers to be affected by a minimum wage increase.¹⁸ This translates to an estimated 760,000 women in the United States.

All	12.7%
White	8.6%
Black	24.7%
Latino	21.9%
Asian	9.8%
Native American	12.9%

racial stratification

Racial discrimination in the workplace continues to pose serious barriers to employment, promotion and higher earnings for Hispanics, African Americans, Asian Americans and Native Americans in the United States. While African Americans represent 11.1 percent of the total workforce, they are 15.3 percent of workers who would be affected by an increase. Similarly, Hispanics are 13.4 percent of the workforce and 19.7 percent of the workers affected by an increase.¹⁹

All	28.4%
White	21.7%
Black	39.6%
Latino	39.3%
Asian	14.4%
Male headed Households	13.5%
Married Couple Households	5.5%

Poverty rates are highest among poor women of color, highlighting the intersection of disparities across race and gender lines. Of the women whose incomes were below the poverty line in 1999, 25 percent were Native American; 24.1 percent were African American; 22.5 percent were Hispanic; 12.4 percent were Asian American and 9 percent were white.²⁰

young workers

The Bureau of Labor Statistics found that about one-quarter of minimum wage workers are between the ages of 16 and 19 years old.²¹ Opponents of raising the minimum wage will often focus on this group of workers and view their incomes as supplementary to those of their parents.

¹⁵ Heidi Hartmann, Roberta Spalter-Roth and Melissa Sills. “Survival at the Bottom: The Income Packages of Low-Income Families with Children,” Washington, DC: Institute for Women’s Policy Research (2003).

¹⁶ Gina Adams and Monica Rohacek, “Childcare and Welfare Reform,” in *Welfare Reform: The Next Act*, eds. Alan Weil and Kenneth Finegold. (Washington, D.C.: The Urban Institute Press, 2002).

¹⁷ J. Mezey et al., *Unfinished Agenda: Childcare for Low-Income Families Since 1996—Implications for Federal and State Policy* (Washington, DC: Center for Law and Social Policy, 2002).

¹⁸ Economic Policy Institute, “Minimum Wage Issue Guide.”

¹⁹ Economic Policy Institute, “Minimum Wage Issue Guide.”

²⁰ Caiazza et al “The Status of Women in the States.”

²¹ Bureau of Labor Statistics, “Characteristics of Minimum Wage Workers: 2004,” U.S. Department of Labor (2005).

However, this neglects a number of minimum-wage workers who are working to help support a family and those who are trying to afford a post-secondary education.

Young workers sometimes contribute to a family income, and struggle to meet their own basic needs. The Economic Policy Institute found that in 16 percent of young adults' families, it was their income contribution that enabled their family to live above the low-income line, defined as 200 percent of the poverty guidelines. On average, these workers provided about one of every six dollars of their family's income in 2002. Another indicator that these workers are struggling to meet their basic needs, even though they are not living in poverty, is that about one-third did not have health insurance during the entire year of 2002.²² Some young adults also are supporting their own families. In 2002, 7.5 percent of TANF recipients were under 20 years old. Again, in light of welfare reform, the increasing emphasis on work requirements compels us to examine what jobs can provide a family income.

The EPI study also found that 42 percent of young workers were enrolled in college. "This appears to be a group dealing with the expense of education or unable to afford to move out of the family home because of low personal income."²³ The increasing costs of post-secondary education and the recent decreases in federal financial aid mean that even more young workers will rely on low-wage labor to pay for living expenses, tuition and related books and supplies to attend vocational schools, colleges and universities. For example, tuition and fees for an in-state resident at The Ohio State University during the 2005-06 year totals \$8,082. This excludes expenses for room and board. A student earning minimum wage would need to work almost 40 hours a week, before taxes, to make enough money to pay for tuition alone.

²² Jeff Chapman and Michael Ettlinger, "The Who and Why of the Minimum Wage: Raising the wage floor is an essential part of a strategy to support working families," Economic Policy Institute (2004).

²³ Chapman, "The Who and Why of the Minimum Wage."

living wages & minimum wages: state and local policies, economics, and the impact on poverty

Over the last decade, the most innovative trend toward economic justice has been the emergence of city- and county-level living wage campaigns. These laws are based on the idea that full-time workers are paid wages sufficient to support themselves and their families at a subsistence level—typically between \$8.00 and \$12.00 per hour. The first successful living wage campaign occurred in Baltimore, Maryland in 1995. Since then, 130 living wage laws have been passed throughout the United States.

Living wage campaigns vary greatly in terms of who is covered, what wages are paid, whether they are indexed to inflation, and how well they are enforced. Generally, these laws apply to jobs that are connected to public dollars, either through city government contracts or city business subsidies. Work covered under living wage laws includes guarding and cleaning public buildings, maintaining public parks and staffing publicly owned facilities. Increasingly, cities and counties also are extending living wage laws to service-contract programs including home health care or childcare, which typically involve large concentrations of low-wage workers, and disproportionately affect women.²⁴

There is no doubt that living wage laws are a piecemeal solution in light of the 30 million Americans who are employed in low-wage work. Depending on the city and county, living wage laws can affect anywhere from a few hundred to several thousand workers. Additionally, we

State	City/County	Wage Rate/ Rate without health benefits
Illinois	Chicago	\$9.43
	Cook County	\$7.60
Indiana	Bloomington	\$10.00
	Gary	n/a
Michigan	Ann Arbor	\$9.44/\$10.81
	Detroit	\$9.43/\$11.78
	Eastpointe	\$9.43/\$11.79
	Ferndale	\$8.50/\$9.75
	Hazel Park	n/a
	Ingham County	\$9.43/\$11.79
	Lansing	\$11.78
	<i>Monroe County (repealed)</i>	\$8.70/\$10.20
	Pittsfield Township	\$9.31/\$10.90
	Southfield	\$9.42/\$11.78
	Taylor	\$9.03/\$11.33
	Warren	\$9.42/\$11.78
	Washtenaw County	\$9.42/\$11.06
Ypsilanti	\$8.50/\$10.00	
Ypsilanti Township	\$8.50/\$10.00	
Missouri	St. Louis	\$10.05/\$12.64
Ohio	Cincinnati	\$8.70/\$10.20
	Cleveland	\$9.34
	Dayton	\$8.80/\$10.60
	Lakewood	\$9.20/\$10.20
	Toledo	n/a
Wisconsin	Dane County	\$8.85
	Eau Claire County	\$7.53/\$8.29
	<i>Eau Claire*</i>	\$5.65
	<i>Lacrosse*</i>	\$5.70
	<i>Madison*</i>	\$5.70
	Madison	\$9.74
	Milwaukee County	\$7.06
	Milwaukee Public Schools	\$7.70
	<i>Milwaukee*</i>	\$5.70
	Milwaukee	\$7.53
*Repealed by the Wisconsin legislature's 2005 ban on citywide minimum wages after the state minimum wage was increased		

²⁴ Andrew J. Elmore, “Living Wage Laws & Communities: Smarter Economic Development, Lower Than Expected Costs,” Brennan Center for Justice (2003).

might expect the presence of a local living wage ordinance to have a domino effect on similarly situated area employees, increasing their wages and extending the law’s effects beyond just municipal contracts.

Living wage laws within the GLA region are included with the hourly wage following each city (see Table 1). Where two figures are listed, the higher of the two applies to employers who do not provide health benefits to their employees. Italics indicate passage of a law that was later repealed.

While all living wage laws generate wages above the federal minimum wage, we can look to several cities that have set high standard wages, including provisions that index them to inflation and provide for additional wage increases in the event that employers do not provide health insurance to their employees. In July 2004, Sonoma, California passed a living wage law with a living wage of \$11.70 with health benefits, or \$13.20 without. In Lawrence, Kansas, the living wage is indexed to 130 percent of the poverty line with an additional \$1.50 per hour for those who do not receive health benefits through their employers. The most far-reaching living wage law is in Santa Monica, California, which extends the provision to all employees within the city’s tourist zone and pays either \$9.45 or \$10.69 depending on whether health benefits are provided.²⁵

In 2003, the Brennan Center for Justice issued a report on the effects of living wage laws on local governments. The Center interviewed city officials and administrators and gathered data on increases in city contract costs and the impact on business subsidy programs. Local government officials found only small increases—all less than 1/10 of 1 percent—of the city budgets, and said that the costs were less than they initially expected. Additionally, there was no significant adverse effect on city business subsidy programs, and in some cases, such programs actually appeared to be strengthened because living wage laws helped focus the city on attracting jobs that would be of greatest benefit to their communities.²⁶

the relationship between living wages and minimum wages

A minimum wage law is more expansive than a living wage law, and several cities have turned to municipal ordinances that extend a “living wage principle” to all employees in a community. These city minimum wage laws require employers to pay a minimum wage that is higher than the state or federal minimum wage. This provides the broadest coverage to low-income workers and their families.

To date, eight cities have enacted minimum wage laws, however, only three remain cognizable under the law. The Louisiana Supreme Court struck down New Orleans’ minimum wage of \$6.15 an hour under the 1997 state law that bans local wage standards. In 2005, the Wisconsin legislature

City	Year Passed	Wage Rate (per hour)
Washington, DC	1993	\$6.60 (reflects a 2005 increase)
<i>New Orleans, LA</i>	2002	\$6.15
Santa Fe, NM	2003	\$8.50 increasing to \$9.50 in 2006 and \$10.50 by 2008
San Francisco, CA	2003	\$8.62 indexed to inflation annually
<i>Madison, WI</i>	2004	\$5.10 increasing to \$7.75 by 2008
<i>Milwaukee, WI</i>	2005	\$5.70 increasing to \$6.50 by 2006
<i>Lacrosse, WI</i>	2005	\$5.70 increasing to \$6.50 by 2006
<i>Eau Claire, WI</i>	2005	\$5.70 increasing to \$6.65 by 2006

²⁵ ACORN, “Living Wage Resource Center: Living Wage Wins.”

²⁶ Elmore, “Living Wage Laws.”

similarly banned its citywide minimum wages, but did so in exchange for raising the state minimum wage to \$6.50.

living wage and minimum wage: what do economists have to say?

Since citywide minimum wage laws are still relatively new, most economic research has examined minimum wage increases at the state and federal levels, or living wage policies at the city and county levels. Generally, economists have found few negative effects on employment, including a small risk of job losses as a result of increasing the wage floor.

Economists used to agree that a rise in wages would be detrimental to jobs, but that thinking began to shift in the mid-1990s following the work of two Princeton economists, David Card and Alan B. Krueger. In 1992, New Jersey raised the state minimum wage to \$5.05 allowing the economists to examine its effects on low-wage employment between New Jersey and neighboring Pennsylvania, where the minimum wage remained at the federal level of \$4.25 an hour. In studies released in 1995 and 2000, “their data demonstrated that modest increase in wages did not appear to cause any significant harm to employment; in some cases, a rise in the minimum wage even resulted in a slight increase in employment.”²⁷

While Card and Krueger’s findings are now supported by a number of economists, there is another side of the debate. David Neumark, an economist at the Public Policy Institute of California was recently quoted saying, “For every 10 percent growth in the minimum wage, there’s a 1 to 2 percent employment drop-off for low-skilled workers,”²⁸ but his research also has found that slight job losses caused by living wage laws are more than compensated by a decrease in family poverty. Neumark and Scott Adams updated their living wage research confirming that although some employment opportunities may be lost, living wage laws reduce poverty in the urban areas in which they have been enacted, helping families that are above and below the poverty line.²⁹ Additionally, they write that even if raising wage floors benefits some low-income families, additional policies are needed to address unemployment and provide additional job training to enhance skills. Similarly, economist Robert Pollin of the University of Massachusetts-Amherst writes, “A well-designed living wage ordinance has the characteristics that its benefits will be concentrated among low-wage workers and their families, while the costs can be broadly diffused among covered firms, consumers, taxpayers and city governments.”³⁰ He estimates that the total cost on most covered firms is only 1 to 2 percent of the firm’s production costs or total sales.

Living wage laws reduce poverty in urban areas in which they have been enacted, helping families that are above and below the poverty line.

**—Economists David Neumark
& Scott Adams**

²⁷ Jon Gertner, “What Is a Living Wage?” *New York Times Magazine* (Jan. 15, 2006).

²⁸ Rachel Osterman, “New front in the war over wages: Lawmakers debate a bill tying the hourly minimum to the state’s consumer price index,” *Sacramento (CA) Bee* (July 18, 2005).

²⁹ Scott Adams and David Neumark, “Living Wage Effects: New and Improved Evidence,” *Economic Development Quarterly* 19:1 (2005).

³⁰ Pollin, “Economic Living Wage Laws,” 21.

the earned income tax credit (EITC)

Other economists stress that the best way to improve the economic status of low-income families is through targeted tax credits, such as the Earned Income Tax Credit, which is designed to improve the financial situation of people who work but earn low wages. In 2004, over 21 million families received more than \$38 billion in refunds through the EITC lifting 5 million of these families out of poverty.³¹ The average federal EITC amount received per family in 2004 was \$1,789. Eighteen states and the District of Columbia currently have their own EITC, equal to the number of states that have raised the minimum wage above the federal standard.

Some economists favor the EITC because it does not affect a family's eligibility for means-tested public programs³² and because it distributes the costs of higher taxes across the board. Harvard economist N. Gregory Mankiw, an opponent of raising the wage floor says, "[The EITC] costs are smaller than the unemployment that results from high minimum wages."³³

Despite contradictory economic arguments, supporting both the EITC and an increase in the wage floor are policies that can reduce poverty. Nick Johnson of the Center on Budget and Policy Priorities said of the EITC and minimum wage legislation, "They're so different, it's like attacking a problem from two different ends. I think they both address the problem, which is a big problem of essentially being in poverty despite working."³⁴

The EITC is a "back-end" program, supplementing family incomes after accounting for a family's yearly income. On the federal level the EITC has enjoyed substantially more support than minimum wage legislation. Living and minimum wage laws however, result in an immediate increase in workers' wages and are important in helping families pay for their day-to-day needs. Advocating for both policies is important to women's and people of color's economic well-being. While many families do receive the EITC, research by the IRS and General Accounting Office shows that between 15 and 25 percent of households who have earned the EITC did not claim their credit.³⁵

living wages and nonprofits

A concern in the nonprofit sector is that passage of a local living wage ordinance will force organizations to cut staff positions to meet increased payroll demands, ultimately limiting the level of services they are able to provide. To date, it is unclear how many non-profits have implemented an internal living wage salary structure. Certainly, unlike private firms, nonprofits are unable to absorb the cost of a living wage ordinance through a reduction in their profits since they rely on a fixed income often restricted to specific expenditures. Long-term benefits such as employee retention, reduction in job training and motivation may also be inaccessible if organizations do not have the short-term funds to invest in living wages.

³¹ ACORN Financial Justice Center, "Missing Millions" (2006).

³² Richard S. Toikka, Aaron Yelowitz and Andre Neveu, "The 'Poverty Trap' and Living Wage Laws," *Economic Development Quarterly* 19 (2005).

³³ N. Gregory Mankiw, "The Big Idea: We Can't Ignore Law of Supply and Demand," *The Boston Globe* (June 24, 2001).

³⁴ Marc Levy, "Who Should Help the Working Poor: Taxpayers of Businesses?" *The Associated Press State & Local Wire* (Dec. 19, 2005).

³⁵ ACORN, "Missing Millions."

While many living wage ordinances exempt or make special provisions for nonprofit organizations, to date, only one study—an evaluation of the Detroit living wage ordinance—has taken a systematic look at the effects of living wage ordinance on nonprofits.³⁶ The study revealed that financial hardship did not correlate to the size of the organization and that three-quarters of the 64 nonprofit employers studied were able to implement the law without significant financial burden. Of the organizations that stated the ordinance had a "significant" impact on their organization, nearly all would prefer to receive additional funds from the city to cover the cost of the wage increase rather than be exempt from the law. Therefore one policy suggestion recommended that cities' provide supplemental funds to cover some or all of the wage increases.³⁷ This finding, regardless of the study's geographic limitations, compels us to consider how nonprofits might be able to extend a living wage to all employees.

³⁶ David Reynolds with Jean Vortkamp, "Impact of Detroit's Living Wage Law on Non-Profit Organizations," Center for Urban Studies & Labor Studies Center College of Urban, Labor and Metropolitan Affairs (2000).

³⁷ Reynolds, "Impact of Detroit's Living Wage Law."

advocating for economic empowerment

women's economic empowerment

Supporting, advocating for and implementing internal and external policies to raise the wage floor expand economic options for women. Beyond the living wage goal of providing full-time workers with incomes that meet or exceed the poverty level, increasing wages would enable women to make the choices that are best for themselves and their families. This includes the ability to be economically self-sufficient, make empowered childcare choices between paid, out-of-home care or the ability to stay at home or work part-time, and increases their likelihood of being able to afford health insurance, or at the least, routine health care.



The final section considers internal and external advocacy work that local YWCA associations can consider with respect to fulfilling their commitment to empowering women and eliminating racism. Two brief case studies are used to contrast how local YWCA associations have been able to create change from within and are offered as learning experiences for sister organizations.

YWCA Metropolitan Chicago, Illinois

In the past two years, YWCA Chicago has taken significant steps through both internal and external approaches to raise women's incomes. While few positions in Chicago are below the city's living wage of \$9.43 an hour (it only applies to city contracts), executive director Laura Thrall has emphasized raising the lower grades of the salary scale to be able to attract and retain a qualified workforce.

YWCA Chicago's salary grades have been stagnant for the last nine years, and as a result, the association has had difficulty recruiting and retaining line staff who are paid anywhere from \$9 to \$15 an hour. After a pro bono salary survey validated the perceived disparity, Thrall began a process of re-grading positions and budgeting salary increases starting with the lowest salary grades and working up. In addition to several positions that have been vacant for more than six months, the YWCA Chicago is having difficulty providing competitive salaries. Thrall estimates their Head Start teaching assistants make \$9,000 less than The Ounce of Prevention Fund, another federally funded childcare agency, and jeopardizes their ability to retain a qualified staff.

Raising funds for salary increases is never easy, and federal and state reimbursement rates for Head Start and sexual violence have proved particularly troublesome. In Illinois, childcare reimbursement rates at the state level have not increased since 1997, resulting in a funding gap that needs to be raised from private donors. In addition to scarce resources, Thrall says few donors are interested in donating money specifically for salaries, which leaves her looking to unrestricted funds to make up the difference. The association also developed a capacity building plan for marketing and fund development to broaden the scope of private funding.

Programmatically, YWCA Chicago has devoted time to identifying the future of its economic empowerment programs. While the program mix is still in the planning stage, their advocacy goals are clear: increase the state-level Earned Income Tax Credit and advocate for paid family and medical leave. By targeting women making between \$10,000 and \$25,000 a year, the association hopes to focus its resources on helping women who qualify for some public services but still need to maximize their income without losing access to some government support.

YWCA Dayton, Ohio

Despite YWCA Dayton's commitment to empowering women economically, some workers, particularly in the childcare program, were not earning enough to put them at the federal poverty line for a family of two. In 2004, executive director Donna Audette approached the executive committee of the board of directors to initiate a salary administration review in order to bridge this disconnect between the mission and practice of the YWCA.

The board was supportive of the goal of bringing all employees at least in line with the federal poverty level, even though board members expressed some concern over funding the salary increases. But they did not argue the merits of the review or the necessity of increasing the earnings of the association's lowest-paid employees. In fact, one committee member was astonished to learn that she paid a private childcare worker more per hour to take care of her own children than the YWCA paid some of its childcare staff.

The two-year review, conducted by an external human resources specialist, showed undervalued workers in several areas. Not only were many childcare workers being paid less, but also some employees in the association's teen advocacy program were making approximately \$10,000 less than other workers in the area with similar job descriptions and employment requirements.

Audette reassessed the wage floor with a \$7 an hour minimum, rather than the \$5.50 that some teachers' aides in the childcare program were earning, which put the YWCA ahead of the curve in terms of other area nonprofits. In 2006, the association implemented a disproportionate salary shift, with the bulk of the increases going to lower-paid employees in order to bring them in line with the \$7 an hour minimum. Other workers at middle or high points on the pay scale received modest increases or no increases at all in order to have more equity among all the association's employees.

Even though some employees received no increases, workers at all levels were largely supportive of the review and worked with their supervisors to update job descriptions to provide a more accurate picture of employee value. However, as departmental staff examined job descriptions to update salary ranges, some staff members advocated for their own employees, making the process longer and more difficult than Audette expected.

The salary review highlighted the importance and the necessity of thinking differently in terms of institutional structure. Funding pay increases for professional staff members who are supported by grants also required some extra attention. The association had to build the increases into renewal requests and adequately explain and justify them. Aside from the added effort of fine-tuning the requests with the new salary administration system, the association had no difficulty renewing the grants with increased salaries.

advocacy and policy recommendations

Raising the wage floor is fundamental to women's economic equality and access to opportunities in other areas of their lives, like health insurance, leave from work, and obtaining additional educational and training. While all YWCAs have programs that provide support to low-income women—through childcare services, housing programs, or domestic violence—programs that directly impact women's earnings are essential to promoting equality and basic well-being for women and people of color. The following recommendations are designed to increase women's earnings and diminish gender- and race-based inequalities and can be incorporated into the work of local YWCAs.

- **YWCAs are powerful voices for social change.** Use the YWCA brand as a catalyst to build organizational and community support for low-wage workers. Many YWCAs have brought their goal of eliminating racism into alignment with their programming and internal operations. In the same way, we need to take women's economic empowerment seriously and affirm its importance through every level of our organization.
- **Identify opportunities to engage in wage advocacy.** YWCAs can enlist members, community leaders and program participants as advocates for policies that advance women's economic empowerment, including legislation to raise the minimum wage and advance living wages in local communities. YWCAs also can join state and local coalitions that are involved with wage issues to raise public awareness about the importance of setting a reasonable wage floor and expanding access to tax credits.
- **Conduct a salary audit for your YWCA.** A salary study is a useful tool that can match job duties with pay, gauge whether salaries are competitive with community standards and show how salaries are distributed across the organization. Increasing salaries can be a long-range goal that YWCAs can incorporate into strategic plans and build into future grant applications and renewals.
- **Understand how low-wage issues in the lives of program participants undermine programming efforts and think creatively about solutions.** Are job-training programs for domestic violence survivors preparing them to earn more than a minimum wage? Are childcare programs set up to meet the needs of low-wage working families in their community? YWCAs can be influential in challenging poverty through their programs. Structure and evaluate services with the goal of women's economic empowerment in mind.
- **Connect racial justice initiatives to economic empowerment.** Extend racial justice training to hiring personnel and human resources staff of local employers. Form partnerships with minority-owned businesses, provide leadership opportunities for youth of color and be a local voice for equal opportunity and affirmative action.
- **YWCAs can help ensure that families who are eligible for the Earned Income Tax Credit are receiving it.** While advocating for raising the wage floor can create an immediate increase in the incomes of low-wage workers, poverty needs to be viewed as a complex problem that requires a multiplicity of policy and programmatic approaches. The EITC, education and job training, as well as job creation, are also important strategies for raising women's incomes.

“Advocacy” is the work of making change. There is no singular answer for what advocacy around women’s economic empowerment should look like. For example, at the YWCA Columbus, Ohio, permanent supportive housing director Caroline Holmes developed information sessions about the Ohio minimum wage ballot issue in order to empower shelter residents. She encouraged residents to have a voice and engage with the issue and many signed petitions in favor of raising the minimum wage. Some residents felt so compelled that they circulated their own petitions among religious groups and friends. Holmes expressed her desire to conduct sessions at other local housing programs and also has participated in local coalition meetings.

YWCAs engage in valuable work to eliminate racism and empower women and are a strong voice for social change. YWCAs play a vital role in promoting women’s and people of color’s economic empowerment and advocating for a higher wage floor is part of a broad strategy to measurably reduce poverty in the United States. As the experiences from local YWCAs show, economic empowerment can be implemented in strategic ways throughout organizations and within communities. Only when women—regardless of race and ethnicity—are able to be economically independent will we be able to equally and fully participate in community life.