

## ***Living Wages***

*Around the nation communities are choosing to address poverty through higher minimum wages. TCPS takes a look at the possibilities for living wages in the Lower Rio Grande Valley.*



**TEXAS CENTER  
FOR POLICY STUDIES**

### **Special points of interest:**

- What is a Living Wage?
- Hidalgo County's Living Wage
- Top employers in the Valley and what they pay
- The national movement toward living wages
- Living wages for the state of Texas?

### **What is a Living Wage?**

Living wages commonly refer to the wages paid to public sector employees or to the employees of companies that receive government contracts or subsidies. Supporters of living wages argue that public employers, including school districts and city governments, should pay full-time workers higher minimum wages so they can support a family of four above the poverty line. In 2000, federal guidelines estimated that a full-time year-round worker would need to earn \$8.20 an hour to support a family of four at the poverty level. Since the federal minimum wage is \$5.15 per hour, and Texas' minimum wage is only \$3.35 per hour (unchanged since 1989), it's up to individual communities to implement higher wage policies.

Living wage ordinances so far have principally impacted public sector employees. However, private sector industries that benefit from public monies (through tax abatements or other incentives), or that hold contracts with local government are also being held more accountable for paying living wages. The rationale of groups supporting higher wage standards is that local governments should not attract through publicly funded subsidies, private companies that pay wages so low that their workers must live in poverty.

In short, public money should not be used to attract companies that pay poverty wages.

According to Hidalgo County resident and member of the Hidalgo County Salary Survey committee, Aaron Peña, Jr., underpaid workers "often become dependent on government assistance" which for taxpayers means a "double taxation" - "once to pay poverty wages (through government subsidies) and then to support impoverished workers through welfare."

### **Hidalgo County was the first county in Texas to enact a living wage ordinance**



*"We are changing the culture of poverty wages in the Valley, and we are proud that Hidalgo County has taken the first steps in joining that change."*

*-Eddie Anaya, Valley Interfaith member*

### **Hidalgo County's Living Wage**

Valley Interfaith, a broad-based organization of 45 churches and 21 schools working to revitalize communities in the LRGV, has put the spotlight on living wages in the region. Their efforts are part of a national movement to boost wages above required federal minimums so workers can survive and support families on a minimum hourly wage. On January 1, 2000 Hidalgo County became the first county in Texas to enact a living wage standard for its employees. The county living wage ordinance brought the minimum wage for government workers up to \$7.50 per hour, ahead of the standard \$5.15 per hour in place just a year ago. The initiative impacted an estimated 1000 employees. The passage of the ordinance was a much-needed measure for families in Hidalgo county, where in 1990 forty-five percent of Valley residents were living below the poverty line.

### **Top Employers in the Valley and What they Pay**

Two major municipal statistical areas (MSA's) comprise the Lower Rio Grande Valley: the Harlingen-Brownsville-San Benito MSA and the McAllen-Edinburg-Mission MSA. If we were

to use the standard formula to calculate the living wage based on the fair market rent for a two-bedroom house - for the Lower Rio Grande Valley, current rates would be \$8.17 for the Brownsville MSA, and \$7.34 for the McAllen MSA.

Table 1 shows the top ten public sector employers for the two Lower Rio Grande Valley MSA's and the base wage, or entry-level, hourly wage each employer pays. Private sector wage figures are not reported to the public and were unavailable for this newsletter.

The effects of the Hidalgo county Living Wage initiative are clearly visible on this chart. In fact, Hidalgo County and the City of McAllen each pay \$7.50 an hour, the highest base wages for public sector employers in the Valley.

Table 2 on the facing page shows private and public sector jobs in Cameron and Willacy counties. Both are growing at about the same rate: 29 and 28% respectively. Public sector employers such as the Brownsville ISD and McAllen ISD are the largest individual employers in the Valley.

What affect would boosting wages have on the private sector? Table 3 on the facing page shows a sample of wages for selected occupations and MSA's in Texas. Generally speaking, private sector minimum wage jobs do not come close to paying living wages. Most employers pay at or slightly above the federal minimum wage.

Clearly, in many Texas MSA's wages fail to meet either the federal poverty guideline of \$8.20 an hour, or the fair market rent calculation of a living wage.

**Table 1: Base Wages for Current Public Sector Employers in the Lower Rio Grande Valley by MSA**

<b>Brownsville MSA</b>	<b>Employer</b>	<b>Current Wages</b>
<i>Government</i>	Cameron County	\$7.00 an hour
	City of Brownsville	\$5.99 an hour
<i>Education</i>	Brownsville ISD	\$6.25 an hour
	Harlingen ISD	\$5.40 an hour
	UT-Brownsville	\$5.15 an hour
<b>McAllen MSA</b>	<b>Employer</b>	<b>Current Wages</b>
<i>Government</i>	Hidalgo County	\$7.50 an hour
	City of McAllen	\$7.50 an hour

<i>Education</i>	McAllen ISD	\$7.25 an hour
	UT Pan American	\$6.20 an hour
	South Texas CC	\$5.75 an hour

Source: Telephone Interviews Conducted by TCPS

### **Living Wage Success Stories around the Nation**

In October 2000, the Santa Cruz, California City Council passed the highest living wage standard in the country. According to the new city ordinance, city employees and employees of city contractors and subcontractors will earn \$11.00 per hour with health benefits, vacation and sick leave and a minimum of \$12.00 per hour when these benefits are not provided. In doing so, the city council acknowledged residents' concerns regarding the negative impact of inadequate wages on the community.

In its findings, the City Council states: "The payment of inadequate wages to [Santa Cruz] workers tends to negatively affect the quality of services provided to the city and its residents by fostering high turnover and instability in the workplace; and that "the use of city funds to promote the creation of a living wage will increase the ability of low wage workers to attain sustenance, decrease the amount of poverty and reduce the amount of taxpayer funded social services provided in the City of Santa Cruz..."

The Berkeley, California City Council adopted similar measures in July. The Berkeley ordinance approved a living wage for all city employees, employees of businesses with city contracts, and employees of businesses that lease land from the city. The living wage raises employee wages to \$9.75 per hour with benefits and \$11.37 per hour without benefits. This ordinance marked the first time that a local government instituted an area-based living wage policy.

The living wage movement success, as represented by these newest ordinances, is due in large part to achievements of earlier initiatives. Baltimore, Maryland was one of the first cities in the country to propose a living wage standard. The city passed an ordinance in 1994 that increased the minimum hourly wage to \$6.10, indexed to increase yearly after that time. As a result, Baltimore has improved work-force stability and actually seen a decline in the real cost of city contracts.

Some Baltimore contractors have actually praised this move as a strategy for leveling the playing field, and relieving pressure to squeeze labor costs to win low-bid city contracts. Moreover, evaluations of Baltimore's living wage ordinance have found no evidence of job loss as a result of

the ordinance. Employers state that as wages have increased, so has company efficiency, and this coupled with a decrease in turnover has offset the cost of paying higher wages.

San Jose, Los Angeles, Miami, Detroit, and San Francisco report similar effects of living wage ordinances and have also found a growth in spending, home ownership, and small business markets.

Many of these cities have also seen a reduction in the amount of government subsidies paid to living wage employees and their families.

While tax incentives can play an important role in promoting and developing local communities, these examples highlight the importance of responsible economic development practices to raise the standard of living rather than increase levels of poverty. Job growth is expected to continue in the next five years. Decision-makers have a real responsibility and incentive to ensure that their communities are not negatively impacted by the lure of low-wage, high turnover employment situations. A living wage standard can help protect communities from such scenarios.

**Table 2: Top Employers in the Lower Rio Grand Valley by Industry\***

<b>Industry</b>	<b>Current Employees</b>	<b>Projected Employees (2008)</b>	<b>Growth Rate</b>
<b>Total All Industry</b>	270,750	315,400	17
<b>Educational Services</b>	43,750	50,050	14.5
Brownsville ISD	6,223		
McAllen ISD	4,593		
Harlingen Consolidated ISD	2,259		
<b>Colleges/Universities</b>	5,550	6,250	12.6
University of Texas-Brownsville	1,600		
University of Texas Pan American	1,570		
South Texas Community College	811		
<b>Local Government</b>	11,400	14,500	27.3
Hidalgo County	1,800		
City of McAllen	1,200		
Cameron County	1,430		
<b>Hospitals, Public &amp; Private</b>	9,400	11,700	23.5
Valley Baptist Medical Center	2,353		

McAllen Medical Center	1,500		
Columbia Regional Hospital	943		
<b>Food Stores</b>	9,400	10,350	11.2
H-E-B Food Stores	1,956		
<b>General Merchandise Stores</b>	8,250	9,250	12.7
Wal-Mart	2,565		

Source: Texas Workforce Commission, "Workforce Development Area Statistics," available at [www.twc.state.tx.us](http://www.twc.state.tx.us)

\*These industries account for 36 percent of all current employment in the Valley.

**Table 3: Base Wages for Selected Jobs and MSA's**

	Brownsville/ San Benito/ Harlingen MSA	McAllen/ Edinburg/ Mission MSA	Houston MSA	Austin/ Marcos MSA
Cashier	5.86	5.87	5.88	6.17
Childcare worker	5.63	5.57	5.74	6.10
Cook-institutional	6.07	5.73	6.36	6.31
Customer Service Rep-utility	8.32	6.98	10.90	Not listed
Data entry	5.96	6.82	7.31	7.03
Janitor	5.72	5.71	5.72	5.82
Maid	5.56	5.54	5.61	5.77
Medical Assistant	6.59	6.49	8.35	8.43
Licensed Practical Nurse	11.59	12.53	11.27	11.99
Laborer/landscape	5.75	5.79	6.34	6.48
Packager	5.65	5.93	6.07	9.95
Retail sales	5.94	5.91	6.15	6.34
Stocker	5.86	5.89	6.10	5.92

Source: Data obtained from the Texas Employment Commission, Labor Market Statistics division.

### **Living Wage Point-Counterpoint**

If living wage initiatives have proven so successful elsewhere, why aren't they being implemented on a broader scale? Some members of the business community support increased minimum wages. However, national organizations

like the Chamber of Commerce, National Association of Manufacturers and the National Restaurant Association have provided strong opposition to adopting living wage standards. Their concerns stem from a general fear that raising wages will reduce competitive advantages on a global market, but they have also raised a number of other arguments against living wage campaigns. Table #3 on the right outlines three such common arguments, and provides the "counterpoint" offered by groups supporting living wage campaigns.

**Table 4: Arguments for Adopting Living Wages**

Point	Counterpoint
Inflation and inhibited economic growth result from paying a living wage	Studies suggest companies are finding ways to absorb the additional costs, and realize benefits, from adopting a living wage.
Job losses are tied to raising wages	The economy continued to produce jobs at near-record rates following increases in the federal minimum wage in 1996 and 1997
Living wages deter new businesses from establishing in the area	Wage levels are only one factor in a company's decision to locate, and studies of the effects of Baltimore, Maryland's living wage ordinance reveal no such negative response.

**Living Wages for Texas?**

The Texas state legislature will review legislation this session proposed by Representative Garnet Coleman (D-Houston) to extend living wage requirements to those companies contracting with the state or a state agency. House bill #762 also provides that any employer who benefits from a state subsidy, loan, tax abatement incentive or financial assistance package must also pay a living wage to Texas workers.

Representative Coleman explained that this legislation, if successful, could affect a large number of working families in the state. "What is clear to me is that we have people who work awfully hard and should be supported," said Rep. Coleman. "Texas is a boot-strap state, and that's fine, but if people don't have the boots to pull themselves up, they can't do what they need to do to sustain themselves and their families." Representative Coleman does not think that a living wage policy would discourage companies from bidding on state contracts. "We're not saying [with this legislation] that there is a living wage for Texas, what

we're saying is there is a standard for doing business with the state of Texas," said Coleman. He stated that his goal is to provide a wage sufficient for people to be able to house themselves, eat and sustain their families.

## **Sources**

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