

A LIVING WAGE FOR NORTH CAROLINA: AN INTRODUCTION

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PREFACE

A Living Wage for North Carolina: An Introduction is intended to be just that: an introduction. Exhaustive research abounds on the subjects of the minimum wage and living wage. Yet often these studies—while thorough and informative—assume that the reader has a certain level of expertise. This brief resource seeks to be a primer for readers who are interested in fair wages but do not have the background or resources available to conduct an independent investigation.

A Living Wage for North Carolina begins with the origins and inadequacy of the minimum wage in North Carolina and the U.S. This is a proper starting point: to understand the necessity and benefits of a living wage, one must first understand the shortcomings of the current minimum wage. From there, this resource explores what a living wage is, how it is calculated, and how it has been implemented in North Carolina using two recent cases in the city of Durham, and Orange County.

The research of John Quintero, Elizabeth Jordan, and Sorien Schmidt (among others) of the North Carolina Justice Center in Raleigh informs much of the data contained in this primer. The Justice Center is a leading private, non-profit, anti-poverty organization. We as North Carolinians are extremely fortunate to have this organization in our midst, continually fighting for social justice and looking out for those society deems marginal.

Finally, as this resource originates within the North Carolina Council of Churches, a faith perspective also is offered about the need for fair wages in this state and country. Some of this material is informed by the work of Rev. Dr. Paul Sherry and Holly Sklar of Let Justice Roll Living Wage Campaign: Faith and Community Voices Against Poverty out of Washington, D.C. Dr. Sherry and Sklar's tireless work around the minimum and living wage shows that there is hope yet for those who are unable to make ends meet in our wealthy country.

We hope this resource will encourage readers to begin exploring in depth the need for a living wage, and to, perhaps, begin the process of implementing a living wage ordinance in their communities.

Jason R. Jenkins
Program Associate
North Carolina Council of Churches
Fall 2006

"A job should lift you out of poverty, not keep you in it."

Holly Sklar and Paul Sherry

LIVING WAGE:

The minimum hourly wage necessary for a worker or family to achieve a basic standard of living without public or private assistance.

FACT: Of North Carolina's 1.1 million families, 45.1 percent (441,966) can not afford their basic needs.¹

FACT: North Carolina low-income families have 37 percent of the state's children.²

FACT: The statewide living income standard for North Carolina is \$12.32 per hour.

FACT: 22.7 percent of North Carolina jobs do not pay enough to lift a family of four out of poverty.³

"NO BUSINESS WHICH DEPENDS FOR EXISTENCE ON PAYING LESS THAN LIVING WAGES TO ITS WORKERS HAS ANY RIGHT TO CONTINUE IN THIS COUNTRY."

FRANKLIN D. ROOSEVELT



WHY ARE SO MANY NORTH CAROLINA FAMILIES BELOW A LIVING WAGE?⁴

Ü DECLINING WAGES

The federal minimum wage has fallen nearly 40 percent from its peak in 1968 of \$9.31 (in inflation-adjusted dollars).⁵ Over the period from 1979 - 2003, the lowest-paid North Carolinians saw their wages increase by \$0.88 per hour, while middle-income workers saw an increase of \$2.17 per hour.⁶

Ü TRANSFORMATION OF NC'S ECONOMY

The shift in recent decades of North Carolina's economy from a manufacturing economy to a more service-oriented one has eliminated many good jobs available to modestly-educated people. According to John Quintero and Elizabeth Jordan of the NC Justice Center, these jobs have been replaced by two alternatives: high-paying jobs that require substantial education and low-paying jobs that require little education.

Ü TAX BURDENS

In 2003, the wealthiest North Carolinians paid only 9 percent of their income to state and local taxes, while the poorest North Carolinians devoted 11 percent of their income to taxes. The gap is even more vast when factoring in the federal offset—the ability of “wealthy” taxpayers to deduct the state and local taxes from their federal return. Taking this offset into account, the poorest North Carolinians spent 10.9 percent of their income on taxes, while the richest 1 percent expended only 6.3 percent.

MINIMUM WAGE



HOW MUCH IS THE MINIMUM WAGE ?

The federal minimum wage is currently \$5.15 per hour. North Carolina's minimum wage is \$6.15 (as of January 1, 2007), and is "coupled" with the federal minimum wage. This means that when the federal government raises its minimum wage, North Carolina's would go up as well.

WHY THE NEED FOR A STATE MINIMUM WAGE?

The federal minimum wage covers only those businesses that are subject to the Fair Labor Standards Act. The FLSA, originally passed in 1939, establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments. Covered nonexempt workers are entitled to a minimum wage of not less than \$5.15 an hour.⁷ Types of businesses covered by the federal minimum wage include businesses engaged in interstate transactions, those that have an annual gross volume of sales more than \$500,000, hospitals, and schools (preschool through higher education, public or private).

Surprisingly, this leaves out several hundred thousand workers. The state minimum wage is much more basic and encompassing: not only are the above businesses covered, but most others as well (excluding domestic labor and farmworkers).

Maintaining the linkage with the federal minimum, therefore, is important. If North Carolina decided to de-link its minimum wage from the federal, a raise on the national level would leave thousands of North Carolina workers at the same level as the state's lower minimum wage.

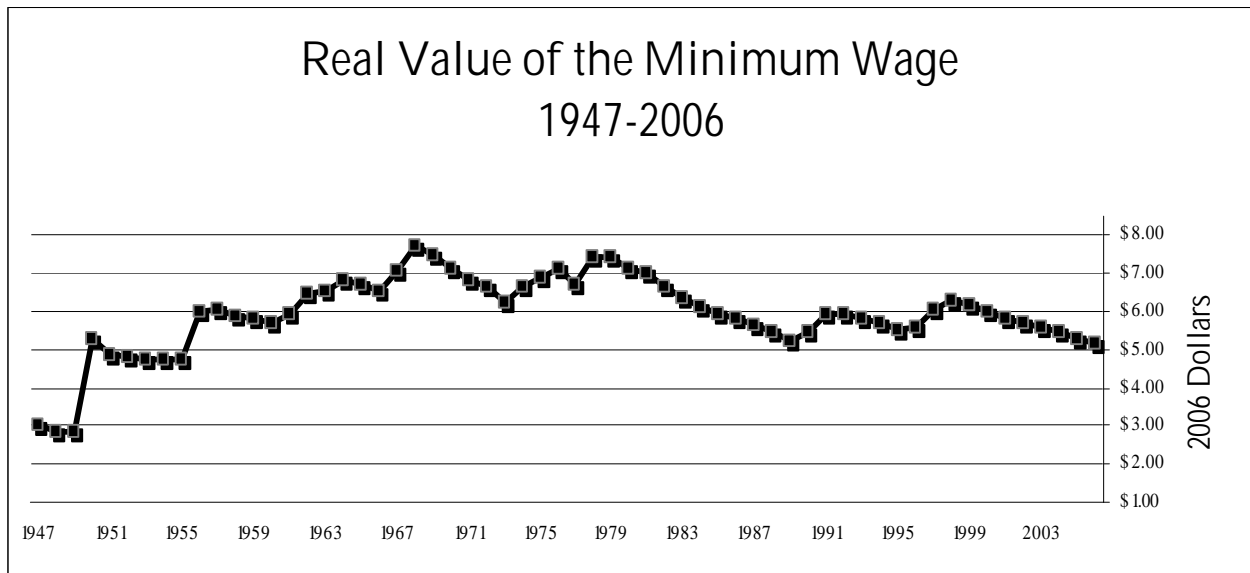
HOW MANY STATES HAVE A HIGHER MINIMUM WAGE THAN THE FEDERAL?

As this resource goes to press, twenty-two states and Washington, D.C. have all raised their minimum wages higher than the federal level: Alaska, Arkansas, California, Connecticut, Delaware, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, West Virginia, and Wisconsin.

MINIMUM WAGE = POVERTY WAGE

Originally implemented as an anti-poverty tool, the minimum wage in recent decades has become a poverty wage. A person earning the federal minimum wage, working forty hours a week for fifty-two weeks a year (no time off, no holidays) makes only \$10,712 a year—before taxes. Those working in North Carolina at the wage of \$6.15 per hour make only \$12,792 a year—still below the Federal Poverty Level (see below) of \$13,200 for a family of two. No one can subsist on these inadequate incomes.

Currently, the federal minimum wage has the lowest purchasing power in fifty-one years:



Source: Economic Policy Institute

HOW IS POVERTY MEASURED?

Poverty in the United States is measured in two scales: poverty threshold and poverty guidelines. When people speak of the “Federal Poverty Level,” they are using a generic term that usually refers to poverty guidelines. What is the difference between the two?⁸

Poverty threshold

In the mid-1960's, Mollie Orshansky of the Social Security Administration formulated a poverty threshold. Basing her threshold on the Department of Agriculture's “thrifty food plan,” Orshansky calculated that families of three or more persons spent close to one-third of their gross income on food. She then multiplied the cost of the USDA food plan (at that time, \$1,033) by three to arrive at \$3,100—the minimum yearly income a family would need to survive.

The Poverty Level Review Committee was formed in 1969 to evaluate how this new poverty measurement could be adjusted to account for increases in the standard of living. The Committee concluded that the poverty threshold should be adjusted based on price changes instead and recommended the use of the Consumer Price Index for All Urban Consumers (CPI-U). The Office of Management and Budget (then called the Bureau of the Budget) subsequently adopted the newly-revised poverty threshold (using CPI-U) as the federal government's official definition of poverty. The United States Census Bureau updates the threshold yearly to account for inflation.

Using the poverty threshold as a statistical definition of poverty presents several problems.⁹ Primarily, the threshold uses pre-tax income to measure the number of poor in the United States. Yet sales tax and other regressive taxes present a hardship for low-wage workers, disproportionately reducing their gross incomes compared to higher income brackets. Secondly, the number of those considered to be living in poverty would drastically increase if other costs were factored into the threshold—costs such as child-care, health care, and housing costs.

Poverty Guidelines

Poverty guidelines are issued each year by the Department of Health and Human Services (HHS).¹⁰ While the poverty threshold is used mainly for statistical purposes, poverty guidelines are used for administrative purposes and are simplifications of the poverty threshold. Issued each year in January, poverty guidelines determine financial eligibility for certain federal programs, such as the Job Corps, Food Stamps, the National School Lunch and School Breakfast programs, and Legal Services Corporation (legal services for the poor).¹¹ The current guidelines are listed below.

THE 2006 HHS POVERTY GUIDELINES

Persons in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 9,800	\$ 12,250	\$ 11,270
2	13,200	16,500	15,180
3	16,600	20,750	19,090
4	20,000	25,000	23,000
5	23,400	29,250	26,910
for each addtl person, add:	3,400	4,250	3,910

As the chart shows, the income standards used as a basis for poverty guidelines are unreasonable. These figures do not take into account the costs mentioned above—health care, childcare, housing—nor do they reflect the massive debt Americans incur each year. Over 76 percent of American households carry some form of debt, and the median amount of debt reached \$55,300 this year—128 percent of the median US income.¹²

Although the poverty threshold and poverty guidelines are inadequate measures of poverty, minimum wage workers who support families still fall below the federal government's acknowledged poverty-level incomes.

HOW MANY NC WORKERS LIVE IN POVERTY?

According to the United States Census Bureau, approximately 1,117,407 North Carolinians of all ages live in poverty.¹³

SOME RELIEF: THE EARNED INCOME & CHILD TAX CREDIT

Earned Income Tax Credit

While low-wage workers wait on an increase in the federal minimum wage, one option they can utilize is the Earned Income Tax Credit, or EITC (alternatively known as EIC), a refundable federal income tax credit.¹⁴ The EITC has important benefits: it reduces the tax burden on low-income workers and supplements their wages, while providing a work incentive. Low-income workers who qualify for the EITC and file a federal tax return receive some or all of the federal income tax taken out of their pay during the year. Even those workers whose incomes are too small to owe income tax are eligible for the EITC. Here is a brief overview of the criteria for receiving the EITC:

Both single and married persons who worked full- or part-time in the previous tax year are eligible for the EITC, depending on income.

Description	Amount Eligible to Receive
Workers raising one child with an income less than \$31,030 (married, \$33,030)	\$2,662
Workers raising more than one child with an income less than \$35,263 (married, \$37,263)	\$4,400
Workers not raising children, between the ages of 25-64, and income less than \$11,750 (married, \$13,750)	\$399

Because the tax credit is not considered income, taking the EITC does not affect benefits such as Food Stamps, Medicaid, welfare, or public housing. Additionally, immigrants who are legalized to work in the United States are also eligible, provided they meet the above criteria.

According to MDC, Inc., a Chapel Hill-based nonprofit organization focused on reducing poverty, eligible North Carolina taxpayers lose between \$93 million and \$176 million of their own money through not claiming the EITC. Taxpayers can amend previous tax returns for up to three years in order to claim the EITC.

Child Tax Credit

The Child Tax Credit (CTC) is available to low- and moderate-income families. Workers who qualify can receive a tax credit of up to \$1,000. Single or married workers who have a child under the age of seventeen, have taxable earned income more than \$11,000, and have a Social Security Number or Taxpayer Identification Number are eligible to receive this credit.

Like the EITC, workers may still claim the CTC even if they owe no income tax. Additionally, low-wage workers may also claim both the CTC and EITC in the same tax year.

For more information, visit the Center on Budget and Policy Priorities at www.cbpp.org/eic2006. For local information, visit EITC Carolinas (a program of MDC, Inc.) at www.eitc-carolinas.org.



DISPELLING MINIMUM WAGE MYTHS

MYTH 1: A RAISE WILL LEAD TO JOB LOSS

Opponents often maintain that catastrophic job loss would accompany a raise in the minimum wage. The problem with this argument is that it has never happened. Much research has been done on the affects of previous minimum wage increases, and studies done by major research institutions show no discernable job loss as a result of a hike.

For example, the Economic Policy Institute conducted a study in 1998 of the previous year's federal minimum wage hike. The study concluded that there was no perceptible or significant job loss associated with the 1997 increase.¹⁵ Similarly, the National Economic Council in a 2000 report stated: "Since the 1996-97 increase in the minimum wage, the American economy...has continued to perform very strongly. Between September 1996 and February 2000, 10.2 million jobs were created."¹⁶ In 2004, 562 economists (including four Nobel Prize winners) released a statement urging a raise in the minimum wage: "The minimum wage has been an important part of our nation's economy for 65 years...the minimum wage is also an important tool in fighting poverty."¹⁷

MYTH 2: SMALL BUSINESSES WILL BE HURT BY AN INCREASE

While this argument appears very persuasive, no credible evidence has been found showing that an increase significantly damages small businesses. The Fiscal Policy Institute in 2004 compared small businesses (with 50 or less employees) in states with a higher minimum wage with those that still utilize the \$5.15 per hour rate. Their study concluded that the states with higher minimum wages actually experienced faster economic growth in new businesses and jobs.¹⁸

In 2004, Jared Bernstein of the Economic Policy Institute testified before the U.S. House Subcommittee on Workforce Empowerment and Government Programs on the affects of the minimum wage on small businesses. In his testimony, Bernstein cites a study published in the *Journal of Economic Issues* that concluded: "There seems to be no discernible correlation between minimum wage increases and a rise in business failures, either in the year the increase occurred or in the following year. If anything, the evidence leans the other way."¹⁹

MYTH 3: MINIMUM WAGE EARNERS ARE MOSTLY TEENAGERS

Perhaps the most cited myth, opponents claim that minimum wage earners are mostly teenagers. Yet according to the Economic Policy Institute, adults overwhelmingly make up the largest share of minimum wage workers: 80 percent are twenty years old or older.²⁰ In North Carolina, three-fourths of minimum wage workers are over the age of twenty, and 51.8 percent are adults over the age of twenty-five.²¹

MYTH 4: MOST MINIMUM WAGE EARNERS WORK PART-TIME

Over half (54 percent) of minimum wage workers work full time, and another third (30 percent) work from twenty to thirty-four hours per week.²² Additionally, the average minimum wage worker brings in over half (58 percent) of his/her family's weekly earnings.²³

MYTH 5: THE WORKING POOR "CHOOSE" TO STAY POOR

According to The Common Sense Foundation, the Jacksonville, North Carolina-based Daily News published an editorial in January 2006 that articulated a common misplaced sentiment: "Instead of depending on government for everything, including a pay raise, it would be better if workers seeking a better lot in life took the initiative to do things that bring in better wages."²⁴

This mentality in essence believes that the poor somehow choose to stay poor, i.e. they are poor through their own fault. Not only does this line of thinking ignore systemic oppression, such as cycles of poverty clearly evident in many areas of our country; it also buys into the illusion that the poor have myriad options through which to better their lives—such as education. Somehow, those who hold this line of thinking continue to view low-wage workers who have two or three jobs as "irresponsible" for not seeking to "better" their lives. How would a low-wage worker have time to pursue education or training when they work sixteen hours a day just to "get by"?

Opponents of a minimum wage increase often are against having a minimum wage in the first place, claiming that the market should set wages. The problem with this extreme laissez-faire position is that, in effect, minimum wage opponents are willing to pay workers whatever the market could bear—even if it means wages as low as \$3.15 (or lower)!

MYTH 6: A RAISE WOULD NOT AFFECT MANY WORKERS

In North Carolina, the recent raise in the minimum wage to \$6.15 per hour directly benefits 139,000 workers, or 4 percent of the workforce.²⁵ This number does not take into account how many workers are affected indirectly. On the federal level, an increase to \$7.25 per hour for workers would affect approximately 14.9 million (or 11 percent of the workforce). Of this number, 6.6 million (or 5 percent of the workforce) would be directly affected, while the remaining 8.3 million workers (or 6 percent of the workforce) would benefit indirectly.²⁶

What is the difference between those affected directly and indirectly? Workers who would "directly" benefit from a raise are the ones who would see their \$5.15 per hour wage go up. Those "indirectly" affected are those who earn close to the minimum wage, usually within a few dollars.²⁷ According to the Economic Policy Institute, evidence has shown that many employers "raise the wages of workers earning above the new minimum wage in order to preserve internal wage structures, an occurrence known as the 'spillover effect.'"²⁸

CONCLUSION: A LONG-OVERDUE RAISE

The last federal minimum wage hike occurred in 1997, when it was raised \$.40 to \$5.15 per hour. In the years since then Congress has raised its own pay eight times, totaling \$31,600, due to "cost of living adjustments."²⁹ The minimum wage differs from most other federal policies in that its real value is not consistently held over time. Unlike other programs such as Social Security, the minimum wage is not adjusted yearly for cost of living increases.

A LIVING WAGE



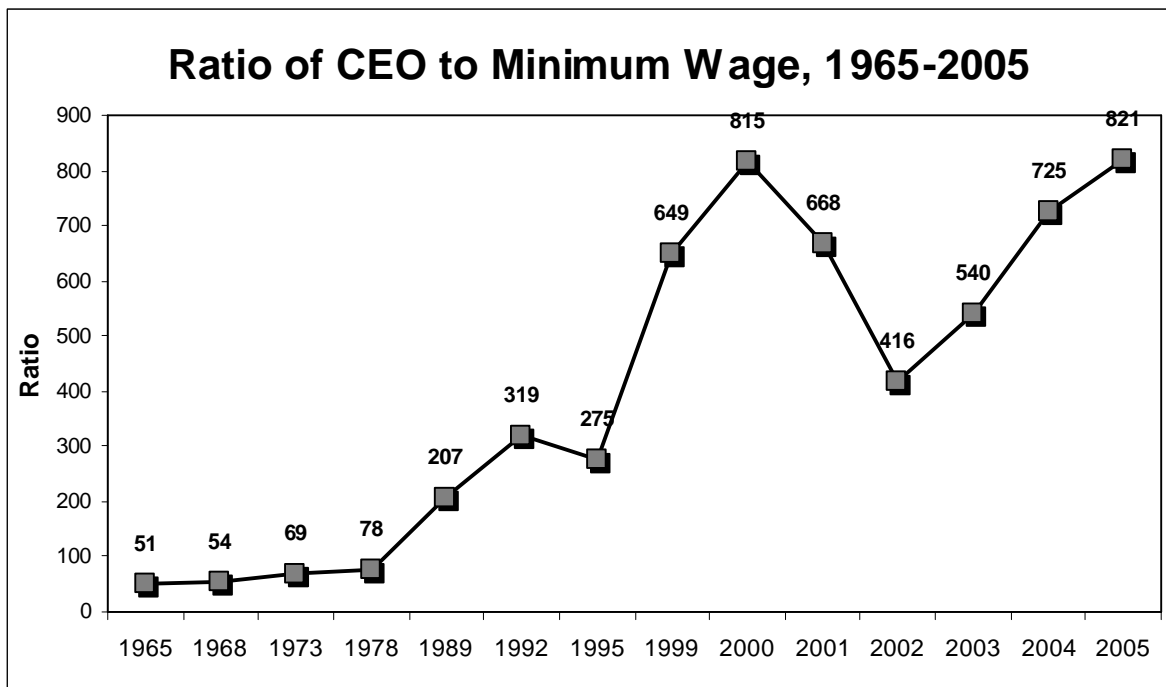
WHAT EXACTLY IS A LIVING WAGE?

A living wage is the level of income sufficient to allow workers to support their families without outside (public or private) assistance. According to the North Carolina Justice Center, the current living wage for the state is approximately \$12.32 per hour—roughly twice the state minimum wage of \$6.15!

THE NEED FOR A LIVING WAGE: INCOME DISPARITY & RACE

Income disparity in the U.S. is greater than in any other major industrialized country in the world. In North Carolina, close to 450,000 families with children do not earn a living income. Half of the state's women and the majority of children, African-Americans, and Latinos live in homes where basic expenses go unpaid.³⁰

The excessive pay of Chief Executive Officers (CEO's) highlights America's enormous income disparity. In 2005, the average CEO was paid 821 times as much as a federal minimum wage earner (see below). As the Economic Policy Institute puts it: "An average CEO earns more before lunchtime on the very first day of work in the year than a minimum wage worker earns all year."³¹



Source: Economic Policy Institute

The median Caucasian family income in the United States has a net worth of approximately \$106,400, while the median African-American family income approaches only \$30,850. The latest information on Latino families shows that their median assets approach only \$3,000!³²

Additionally, less than half of African-American and Latino families own their own homes, while roughly 75 percent of Caucasian families do. While scant information exists on Asian and Native Americans, it is known that Asian-Americans have a poverty rate of 13 percent, and 60 percent own their own homes.³³

THE NEED FOR A LIVING WAGE: METROPOLITAN VS. RURAL ECONOMIES

According to John Quintero and Elizabeth Jordan of the NC Justice Center, North Carolina's recent economic transformation has "exposed a rift between the state's metropolitan and rural areas. While metropolitan areas in the state's Piedmont are reaping benefits from economic change, many rural communities are lagging behind...because rural areas depend upon the kinds of industries now in decline and are home to numerous workers who lack the skills and education needed for employment in one of the state's well-paying and fast-growing economic sectors."³⁴ Workers who live in metropolitan areas, which have a higher cost of living, struggle more in meeting their expenses.

The following table shows the fastest growing occupations in North Carolina over this decade. Note the service-oriented nature of these quickly-growing jobs.

Five Fastest Growing Jobs in North Carolina, 2000-2010					
Occupation	Total Growth in Openings 2000-2010	Percent Change 2000-2010	Average Hourly Wage	Living Wage Pay?	Required Education
Retail Salesperson	26,770	24%	\$6.49	No	Short-term on the job training
Cashiers	22,850	21%	\$7.50	No	Short-term on the job training
Food Prep & Service Workers	22,930	42%	\$6.98	No	Short-term on the job training
Registered Nurses	21,840	34%	\$22.29	Yes	Associate Degree
Waiters & Waitresses	20,430	34%	\$7.07	No	Short-term on the job training

Source: Elizabeth Jordan, *The State of Working North Carolina 2004*. Found in *Falling Jobs, Falling Wages*, NC Justice Center.

THE NEED FOR A LIVING WAGE: EXCESSIVE POVERTY

The number of those who live in poverty in the United States approaches absurdity. Paul Sherry and Holly Sklar of the Let Justice Roll Living Wage Campaign point out the following startling fact: "If poor Americans were a nation, the population would top Louisiana, Mississippi, Alabama, Georgia, Arkansas, Iowa, Kansas, Nebraska, New Hampshire, New Mexico, West Virginia, and Washington D.C. combined...that's using the Census Bureau's poverty count of 37 million Americans for 2004, which is based on poverty thresholds that are increasingly outdated and unrealistic."³⁵



THE LIVING INCOME STANDARD

WHAT IS THE LIVING INCOME STANDARD?

Developed by the Budget and Tax Center of the NC Justice Center in Raleigh, the North Carolina Living Income Standard (LIS) is a budget showing how much NC families must have in order to meet their basic needs. Unlike the federal poverty threshold and poverty guidelines, the LIS factors in more realistic costs associated with living in the United States and North Carolina. The seven basic items used to calculate the LIS include: food, health care, childcare, housing and utilities, taxes, transportation, and miscellaneous expenses (like clothing, cleaning products, etc).³⁶

While the LIS comes closer to what families actually need to survive, it still does not factor in expenses such as: money for savings, consumer loans (car, lending companies, mortgage), entertainment, meals eaten outside the home—"luxuries" that many families enjoy. Thus, according to the NC Justice Center, "the Living Income Standard is still a very conservative, low indicator of actual cost for a frugal standard of living...the LIS is now what the federal poverty levels were intended to be, but never truly was—an approximation of the lowest income it takes to make a family economically 'self-sufficient.'" ³⁷

The 2005 North Carolina Living Income Standard		
Statewide Living Income Standard - Both Family Types & Areas		
% of Federal Poverty Threshold	231%	
Hourly Living Income Standard	\$12.32	
Family With One Adult and One Child		
	Metropolitan Areas	Rural Areas
% of Federal Poverty Threshold	261%	219%
Annual Living Income Standard	\$33,072	\$27,732
Monthly Living Income Standard	\$2,756	\$2,311
Hourly Living Income Standard	\$15.90	\$13.33
Family With Two Adults and Two Children		
	Metropolitan Areas	Rural Areas
% of Federal Poverty Threshold	237%	210%
Annual Living Income Standard	\$44,256	\$39,264
Monthly Living Income Standard	\$3,688	\$3,272
Hourly Living Income Standard	\$21.28 or \$10.64 per parent	\$18.88 or \$9.44 per parent

Source: NC Budget & Tax Center, NC Justice Center

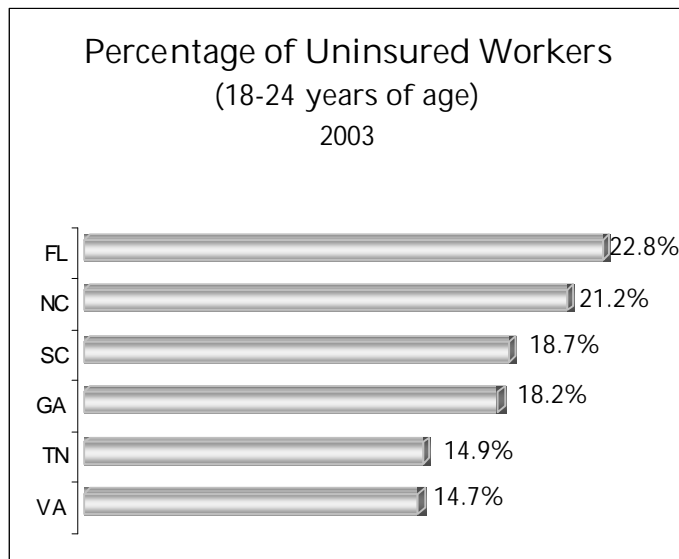
HOW IS A LIVING WAGE CALCULATED?

A living wage is calculated by formulating the hourly wage a parent must make working full-time, year-round, in order to meet the Living Income Standard. John Quintero and Elizabeth Jordan note that “the living wage assumes that all parents in the family work full-time, which is why the LIS shows the need for full-time childcare.”³⁸

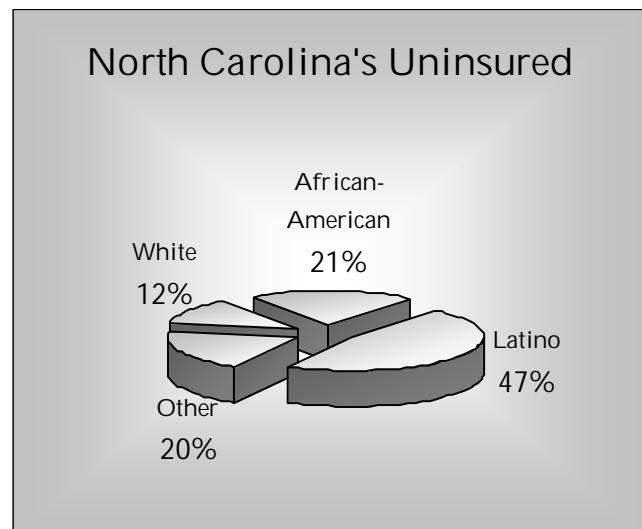
OVERBEARING COSTS: HEALTH & CHILDCARE

Health Care

Between the years of 2000 and 2003, the number of uninsured North Carolinians grew to approximately 1.3 million—19% of the general population.³⁹ In 2003, close to 21 percent of North Carolinian workers between 18 and 24 years of age did not have public or private health insurance. This percentage is the second-worst among southern Atlantic states. The figure below shows the differing percentages.⁴⁰



Source: Population Reference Bureau



Source: Thy Kingdom Come, NC Council of Churches

Low-wage workers attempting to secure health care often find themselves in a Catch-22: as John Quintero states, “the low wages earned by many families place private insurance out of reach, while Medicaid eligibility requirements disqualify many low-income working families on grounds that they earn too much.”⁴¹ Medicaid eligibility in North Carolina is restricted to those families earning less than 59 percent of the federal poverty level, or \$20,000 for a family of four in 2006.⁴²

Childcare

According to the North Carolina Budget and Tax Center, “a family with two adults and two children will spend, on average, \$957 per month on childcare. This likely would be the family’s biggest monthly expense.”⁴³ While North Carolina did not make drastic cuts to childcare during the economic woes of recent years, it has not adjusted rates for childcare providers in five years. Additionally, by mid-2005, approximately 27,000 eligible children were on waiting lists for childcare assistance.⁴⁴

LOCAL LIVING WAGES



LOCAL LIVING WAGES: A DESCRIPTION

Living wage laws vary widely in the United States. Most center on employees working on municipal contracts, while others cover city employees, workers who are employed by businesses that have received public economic development dollars, or other businesses that have received considerable public investment.⁴⁵

To date, there are 134 living wage ordinances in effect across the country.⁴⁶ These ordinances require private businesses benefiting from public funding to pay their employees living wages. As ACORN describes, "Commonly, the ordinances cover employees who hold large city or county service contracts or receive substantial financial assistance from the city in the form of grants, loans, bond financing, tax abatements, or other economic development subsidies."⁴⁷

Along with asking for living wages for city employees, many living wage campaigns are beginning to push for additional community standards such as: "health benefits, vacation days, community hiring goals, public disclosure, community advisory boards, environmental standards, and language that supports union organizing."⁴⁸

LOCAL LIVING WAGES: ECONOMIC IMPACT

The Economic Policy Institute, in a Briefing Paper entitled "The Economic Impact of Local Living Wages" and dated February 2006, came to the following conclusions (quoted directly):

⇒ Living wage laws have small to moderate effects on municipal budgets.

A detailed survey of 20 cities found that the actual budgetary effect of living wage laws had been consistently overestimated by city administrators; actual costs tended to be less than one-tenth of 1% of the overall budget. Additionally, multiple studies have shown that the bidding for municipal contracts remained competitive or even improved as a result of living wage ordinances.⁴⁹

⇒ Living wage laws benefit working families with few or no negative effects.

Recent studies using original surveys in both Los Angeles and Boston [two cities with living wage ordinances] have shown that the workers affected were mostly adults and mostly working full time. In Los Angeles, surveys of workers and firms show that job losses affected just 1% of workers getting a raise.⁵⁰

⇒ Living wage laws have raised productivity and decreased turnover among affected firms.

A study of the Los Angeles ordinance found that absenteeism declined, and the decrease in turnover offset 16% of the total cost of the living wage ordinance. A separate study of the San Francisco airport [also a city with a living wage ordinance] found that annual turnover among security screeners fell from 95% to 19%, as their hourly wage rose from \$6.45 to \$10.00 an hour.⁵¹

⇒ General Conclusion

While some firms do increase price to municipal governments, these price increases generally have only a negligible impact on city budgets. These increases are less than what many municipal governments had expected when they were preparing cost projections in anticipations of law changes, and much smaller than what was predicted by opponents of living wage laws.⁵²

LOCAL LIVING WAGES: COUNTERING OPPOSITION

Argument One: “Living wage laws are ineffective tools against poverty because most of the workers helped are not poor.”

Those propagating this myth base their argument on the Federal poverty guidelines (see page 7). As we have seen, just because a family lives slightly above the inadequate guidelines does not mean that the family is not needy. This argument is also used against minimum wage increases. Beyond the numbers, common sense tells us that low-income families struggle to make ends meet with soaring health insurance costs, childcare, and gasoline prices.⁵³

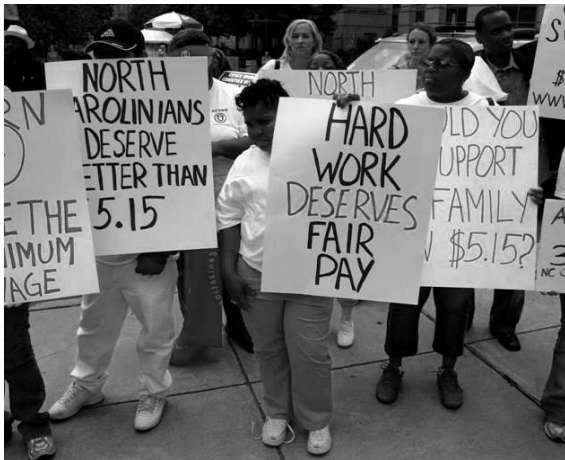
Argument Two: “Living wage laws are ineffective tools against poverty because they cost cities too much money and divert funds from other social services.”

As the Economic Policy Institute pointed out in their study, evidence shows that living wage laws result in extremely modest cost increases—mainly because most city contractors do not employ large pools of low-wage workers. Those contractors who do see much less employee turnover, better training, and increased productivity.⁵⁴

Argument Three: “Living wage laws are ineffective tools against poverty because they lead local governments to substitute local funds for federal social program dollars, thereby undermining local economic development.”

Federal programs such as the EITC (see page 8) and food stamps do indeed “phase-out” as wages rise. However, if this argument is taken to its logical conclusion, opponents of living wage laws in effect are saying that local governments should focus on maintaining poverty-level jobs in order to receive federal aid for citizens!

As governor Mike Easley stated at the state minimum wage bill-signing, North Carolina’s economy should be based more on “talent and skill” rather than “selling a low-road economy based on low wages and low skills.”



NORTH CAROLINA LIVING WAGE ORDINANCES

NC LIVING WAGE ORDINANCES: DURHAM

In January 1998, the city of Durham passed a living wage ordinance requiring all service contractors doing business with the city to pay workers a minimum of \$7.55 per hour. This ordinance also included city employees. Portions of this ordinance appear below:

“The City of Durham has determined that it is an important goal to ensure that employees of its service contractors earn a liveable wage, and has therefore made it mandatory that contractors bidding on city service contracts comply with this ordinance...

“In the event of a finding by the city manager or a judicial officer that any service worker has been paid less than compensation to which the service worker is entitled under the city’s liveable wage ordinance, contractor shall make restitution to the service worker for the amount due. Contractor shall also pay liquidated damages to the city in the amount of fifty dollars (\$50.00) per day for each employee so underpaid.”

Five years later, in the Fall of 2003, Durham C.A.N. (Congregations, Associations, and Neighborhoods) met with the mayor and City Council of Durham to discuss a possible increase in the city’s living wage. [Durham C.A.N. is a broad-based, interfaith, and ecumenical coalition that uses the model of leadership development and community organizing of the Industrial Areas Foundation (IAF).] A short time later, the Durham County Commission voted to pass a living wage policy of \$9.74 per hour for full-time employees of the city. This policy eventually expanded to include service contract workers.⁵⁵

The Durham City Council voted in July 2004 to increase the living wage standard to 7.5% of the federal poverty level, which in 2004 was \$9.51. Durham’s living wage is adjusted yearly to reflect this percentage. A few months later, the Durham Board of Education voted to pass a living wage policy for full-time school employees, also based on the 7.5% percentage.

More recent efforts have included an effort to implement a living wage policy at Durham’s largest employer, Duke University.

NC LIVING WAGE ORDINANCES: ORANGE COUNTY

Orange County actually does not have a living wage ordinance, but a “policy” that applies to all Orange County employees. According to Dianne Reid, Economic Development Director of Orange County, the county encourages other businesses to “follow suit” and actively “honors local businesses that adopt living wage policies.”

The Board of Commissioners voted to establish the living wage policy for Orange County employees in July 1998. Initially beginning with \$8.00 per hour, the Board considers living wage updates annually in the budget process. The table below shows the adjustments made since 1998:

CAMPAIGN IN PROGRESS: ASHEVILLE

Perhaps the most active ongoing campaign in North Carolina is the Asheville/Buncombe County Living Wage Campaign. As the subject of living wages gained popularity across the country and state, various groups in Asheville began having similar yet separate conversations concerning a living wage. Two groups, Christians for a United Community (CUC) and Working Families Win (as well as two Asheville city council members), began to see the advantage of working together on this issue and decided to hold a workshop in February 2006.

ORANGE COUNTY LIVING WAGE	
Date	Wage
July 1998	\$8.00
November 1999	\$8.20
July 2000	\$8.45
July 2001	\$9.11
July 2005	\$9.34
July 2006	\$9.67

Source: Dianne Reid

Led by Barbara Zelter of the NC Council of Churches and Sorien Schmidt of the NC Justice Center, the workshop focused on building popular support and organizational techniques for passing a living wage ordinance in both the city and county. Since this initial meeting, monthly (and sometimes bi-monthly) meetings have been held. According to Melissa Fridlin of Working Families Win, the campaign has gained momentum now with a local Jewish congregation, several powerful non-profits, and the labor community all joining the organized group of progressive Christian churches (CUC).⁵⁶

An excerpt of the proposed Asheville living wage ordinance follows:

The purposes of an Asheville Living Wage Ordinance are:

- (a) To have the City of Asheville set a positive example for the public and private sectors by using its tax dollars to pay employees (both of the city and of contracting businesses) a wage adequate to meet the basic needs of living in Asheville;
- (b) To pay fair wages to all employees working for the City of Asheville and employed by businesses that contract with the city, or receive grants, subsidies or other benefits from the city; and
- (c) To promote health, safety, self-sufficiency, and general welfare of the community.

According to Steve Agan, an attorney and a steering committee member of the Asheville/Buncombe Living Wage Campaign, the current proposal is to have the living wage ordinance cover:⁵⁷

- ⇒ Most city and county employees;
- ⇒ Businesses that contract to do a certain amount of work for the city/county (currently, more than \$12,000 in a twelve-month period);
- ⇒ Organizations (mainly non-profits) that receive a certain amount of grant money.

Mark Siler, former director of Christians for a United Community and current "active participant," believes that the living wage proposal as-is will go through some changes due to the interest and creative thinking of several Asheville City Council members; in his view, the final result could be "something much more effective and far-reaching."⁵⁸

The campaign is hoping to have the proposed ordinance before the City Council before the end of 2006, but it more likely will be presented Winter or Spring 2007.

For more information, visit www.ashevillevivingwage.org.

A LIVING WAGE FOR NORTH CAROLINA: A FAITH PERSPECTIVE



“YOU SHALL NOT WITHHOLD THE WAGES OF POOR AND
NEEDY LABORERS, WHETHER OTHER ISRAELITES OR ALIENS
WHO RESIDE IN YOUR LAND IN ONE OF YOUR TOWNS.”

- DEUTERONOMY 24:14

“HOW DOES GOD’S LOVE ABIDE IN ANYONE WHO HAS THE WORLD’S GOODS
AND SEES A BROTHER OR SISTER IN NEED AND YET REFUSES HELP?”

- I JOHN 3:17

“LISTEN! THE WAGES OF THE LABORERS WHO MOWED YOUR FIELDS, WHICH YOU
KEPT BACK BY FRAUD, CRY OUT, AND THE CRIES OF THE HARVESTERS HAVE
REACHED THE EARS OF THE LORD OF HOSTS.”

- JAMES 5:4

“TRUE COMPASSION IS MORE THAN FLINGING A COIN TO A BEGGAR;
IT UNDERSTANDS THAT AN EDIFICE WHICH PRODUCES BEGGARS
NEEDS RESTRUCTURING.”

- MARTIN LUTHER KING, JR.

SCRIPTURE & ECONOMIC JUSTICE

The Bible abounds in passages that address issues of money, wealth and economic justice. As recorded in the first chapter of Genesis, God gave the abundant fruits of the earth to all people and animals for their sustenance (Gen. 1:29, 30). And God gave all humanity—not just a few—the authority to steward the earth’s resources for the benefit of all (Gen. 1: 27, 28).

This means that humanity has both the duty and the ability to organize economic life in such a way that all people can have lives of dignity, sufficiency and community participation. Because of this, God’s intent for people to enjoy just and compassionate economies can begin to be realized.

Jesus said, “Sell your possessions and give to the poor” (Luke 12:33). Acts describes how the early believers carried out this instruction (Acts 2:45). Paul writes that affluent Christians must be “rich in good works, generous and ready to share” (1 Tim. 6:18). John warns that God’s love does not live in anyone who refuses to help brothers and sisters in need (1 John 3:17).

Scripture addresses systemic, not just individual, issues of economic justice. The Law of Moses called for debts to be canceled and slaves to be freed every seven years (Deut. 15). Every fiftieth year, an equitable redistribution of land was to be carried out (Lev. 25). The Law also included many other public legal provisions for just economic relationships (e.g. Lev. 19, 25; Deut. 14, 16, 24).

Isaiah censures monopolistic practices that deprive people of their homes and livelihood (Isa.5:8-10). Amos condemns exploitation of the poor through unjust institutions (Amos 2:6, 7; 4:1; 5:12). James denounces the wealthy who defraud their employees (James 5:4). And Jesus himself promises a great re-ordering in which the positions of the rich and poor will be reversed (Luke 1:52-53; 6:20-31).⁵⁹

WHY “FOR YOU ALWAYS HAVE THE POOR” IS NOT A CALL FOR INACTION

Three of the four gospels (Matthew, Mark, and John) have some variation of Jesus saying the following to his disciples: “For you always have the poor with you, but you will not always have me.” Sadly, this teaching has caused some to avoid their Christian calling to “do unto the least of these,” i.e. fight for justice for the marginalized.

Jesus’ words, however—far from being a call to ignore those of lesser means— is instead a teaching directed at his disciples in a certain (instructive) situation. The verses that precede this teaching in the three gospels has Jesus sitting at a leper’s table in Bethany. An unidentified woman enters, breaks a jar filled with a “very costly ointment/perfume of nard,” and pours it over Jesus’ head. His disciples begin to rebuke him, asking why Jesus would allow her do this when they could take the expensive perfume and sell it for the poor. Jesus answers by saying the above.

An interesting addition in John actually has Judas rebuking Jesus for allowing this woman to “waste” an expensive item; a parenthetical statement from the writer of John clears up any potential misconception of Judas’ view of the poor: “He said this not because he cared about the poor, but because he was a thief; he kept the common purse and used to steal what was put into it.”

As theologian Ched Meyers describes it, Jesus' teaching about "always" having the poor in our midst is not a declaration about the "inevitability of poverty," but rather is "a statement about the social location of the church."⁶⁰ Jesus here is alluding to the notion of Jubilee, God's decree to relieve all debt every seven years so "that there will be no one in need among you" (Deuteronomy 15:4). However, because God knows the nature of God's creation, human communities typically have an abundance of poverty.

Recognizing this, the writer of Deuteronomy, in a passage right after the explanation of Jubilee, interjects a "a tone of realism by reminding us that compassion is the plumbline" of social justice: he writes, 'But because there will never cease to be needy ones in your land, I command you: open your hand to the poor' (Deuteronomy 15:11)."⁶¹ In short, the presence of those living in poverty is not an inevitable consequence of community; it is only so when God's creatures fail to live into the life that God proscribes for God's people. Responsibility now falls on faith communities everywhere to work to reform systems that are biased towards those with wealth and power. This was Jesus' call for his disciples, and, likewise, it is our call today.

FAITH IN ACTION—THE NC RELIGIOUS VOICE AND THE MINIMUM WAGE

On May 24, 2006, all 170 members of the General Assembly received a letter from the North Carolina Council of Churches. The letter began as follows: "As leaders of our respective faith communities, we call on the General Assembly...to raise the state minimum wage...for too long, low-wage workers have been unable to support themselves and their families—even though they often work several jobs simply to make ends meet."

Signed by thirty religious leaders from across the state representing 11 denominations, the letter spoke "truth to power" as they called the then-\$5.15 per hour minimum wage "immoral." The conclusion to the letter contained the following: "Our Christian faith centers on compassion and justice. As representatives of the good news of Jesus Christ, we call upon you to recognize that a minimum wage should be a fair, just, and living wage."

As a result of the letter, at least one Republican representative, Carolyn Justice (New Hanover/Pender), switched her vote from "no" to "yes" for the \$1.00 per hour increase bill. Rep. Justice thanked her bishop for lending his voice to this moral issue in a letter addressed directly to him: "The letter you signed from the NC Council of Churches supporting the raise in [the] minimum wage influenced my vote yesterday. As an adult Methodist Sunday School teacher...and a small business owner, I was really torn...however, I voted for the bill."

The faith voice in the North Carolina minimum wage campaign was (and continues to be) strong. Those of Judeo-Christian heritage have a faith tradition that historically has advocated for the impoverished of society. From Malachi to Amos to Jesus Christ, this tradition claims an extensive line of prophets who called for justice in the marketplace. Following the tradition of the prophets, the thirty religious leaders felt it imperative to give voice to the millions of Christians in North Carolina; they felt that public officials should know that people of faith care about more than the current "hot button" political issues— they care about "the least of these" relegated to the fringes of our society through unjust economic practices.

ADDITIONAL RESOURCES



John Quintero, North Carolina's Unfinished Transformation: Connecting Working Families to the State's Newfound Prosperity. (NC Budget and Tax Center of the NC Justice Center: Winter 2006).
Available at: www.ncjustice.org/media/library/656_wpfp2006.pdf



John Quintero and Elizabeth Jordan, Failing Jobs, Falling Wages: The 2005 North Carolina Living Income Standard (NC Budget & Tax Center of the NC Justice Center: December 2005).
Available at: www.ncjustice.org/media/library/551_livingincome2005.pdf



Sheila Kingsberry-Burt, North Carolina Grassroots Living Wage Campaign Handbook (NC Justice Center).
Available at: www.ncjustice.org/cms/index.php?pid=47



ACORN (Association of Community Organizations for Reform Now), "Living Wage Resource Center."
Available at: www.livingwagecampaign.org



Holly Sklar and Paul Sherry, A Just Minimum Wage: Good for Workers, Business, and our Future
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United for a Fair Economy
Available at: www.faireconomy.org

NOTES

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9. NC Justice Center, "Poverty Level versus the Living Income Standard," 2006.
10. United States Department of Health & Human Services, "The 2006 HHS Poverty Guidelines: One Version of the [U.S.] Federal Poverty Measure," <http://aspe.hhs.gov/poverty/06poverty.shtml>.
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12. "American Families Pile Up Debt from 2001 to 2004, Federal Reserve Survey Finds," press release from Demos: A Network for Ideas & Action, www.demos.org.
13. This is a 2003 estimate, the most current available. U.S. Census Bureau, *Small Area Income & Poverty Estimates, "Estimates for North Carolina counties, 2003,"* www.census.gov/cgi-bin/saie/saie.cgi.
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