

# RAISE <sup>THE</sup> FLOOR MILWAUKEE

## BETTER WAGES AND LABOR STANDARDS FOR LOW-WAGE WORKERS

### EXECUTIVE SUMMARY

JUNE 2013

Since the start of the Great Recession, the ongoing grind of recession and anemic recovery has been difficult enough. But recent economic suffering piles on top of a generational decline for the workers of Milwaukee. This thirty-year decline has included a dramatic shift in the region's economy from manufacturing into services, declining unionization, and falling job quality. And it's been thirty years of sliding away from racial equality to the point where Wisconsin is the state with the highest incarceration rate of African American men in the nation.

As better jobs in manufacturing have gone away, poverty-wage jobs have expanded. Increasingly workers do not make enough to cover their basic expenses, cannot rely on the hours they need to get by, cannot afford or qualify for health insurance, cannot afford even to ride the bus to get to work. Health care workers go without health insurance. Food service workers rely on food pantries. Here, in the richest nation on the planet, too many workers struggle in bad jobs, working at the very floor of our labor market. And that floor is lower — the minimum wage is \$7.25 per hour, down from \$8.25 (adjusting for inflation) in 1979 — and weaker than in the past.

Milwaukee's problems — racial disparity and residential segregation, child poverty, crime and incarceration, catastrophic drop-out rates, especially for African Americans and Hispanics — are not inevitable. They are the product of an economy that has isolated the central city away from economic opportunity even as the economy has grown. And they are the product of trends that increasingly isolate everyone but the wealthiest from the real rewards of economic growth. Workers at the middle and bottom of the labor market who contribute to that growth see very little from it. Solving the crisis of job quality requires that we raise and strengthen the floor under this labor market. The labor market floor is created by laws on wages and minimal standards for work. The floor is strengthened when wage standards are raised, when laws setting standards are broadened and more actively enforced, when workers know their rights and advocate for themselves.

Raising and strengthening the floor is a step toward more broadly shared prosperity. Raising the floor will improve income and security for workers who toil in our lowest paying sectors, but it will also help build a stronger foundation under the economy, and a stronger city as well.

### ABOUT COWS

Based at the University of Wisconsin-Madison, COWS is a national think-and-do tank that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

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*In April 2013, we conducted interviews with a number of workers in retail, food service and fast food, and residential and home health care jobs. Quotes throughout the report are based on those interviews.*



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**COWS** | BUILDING  
THE HIGH ROAD



*“I’ve trained two managers and the store manager keeps telling me that he’s putting in for my raise, but I haven’t seen a raise. It’s been months and months and months gone by, and I ain’t seen no increase nowhere. But I’m still busting my butt.”*

## WORK AT THE FLOOR: POVERTY WAGE WORK SNAPSHOT

- Poverty wage in 2012 = \$11.19 per hour. Below this wage a worker cannot keep a family of four out of poverty, even with full-time year round work.
- 196,000 workers — 26 percent of metro Milwaukee workers — in poverty-wage jobs in 2012 (up from 20 percent in 1979)
- Nearly 100,000 workers — 35 percent of city of Milwaukee workers — in poverty-wage jobs in 2012
- Poverty-wage workers are about half as likely to get health insurance through work as workers in better jobs. **Just 37 percent of workers in poverty-wage jobs get health insurance through work.** Nearly one-third of poverty-wage workers go without any form of health insurance.
- **Hours can be as big a problem as wage.** Poverty-wage work is often formally or functionally part-time. Just-in-time scheduling is an increasing norm. Bad weather or bad traffic can send workers home mid-shift.

## WORK AT THE FLOOR: DEMOGRAPHICS

- 28 percent of white workers hold poverty-wage jobs
- 38 percent of African American workers hold poverty-wage jobs
- 50 percent of Hispanic workers hold poverty-wage jobs
- 64 percent of workers who speak little or no English hold poverty-wage jobs
- The median age of workers in these jobs is 28 years.

GEAN SMART *For the past year, Gean has worked in fast food, moving from cook to porter, a position combining maintenance and janitorial duties. He made the change to learn new skills with an ultimate goal of managing a restaurant and possibly running his own franchise. Yet he has seen no promotions and no raises and still makes the minimum wage, \$7.25 per hour. He knows that the managers see his contribution to the company, but they don’t reward him for it.*

## WHERE IS WORK AT THE FLOOR? POVERTY WAGE SECTORS

Three sectors stand out for their contributions to poverty-wage jobs in Milwaukee:

1. **Food Service:** two-thirds of food service jobs pay poverty wages
  - 18,100 poverty-wage workers
2. **Retail:** over half of retail jobs pay poverty wages
  - 12,400 poverty-wage workers
3. **Residential and home health care:** half of residential and home health care jobs pay poverty wages
  - 6,400 city of Milwaukee poverty-wage workers

These three sectors account for the employment of roughly 37,000 of Milwaukee's 100,000 poverty-wage workers.

Any strategy to raise the floor will need to pay attention to conditions and standards in these sectors.

## WANT TO IMPROVE THESE JOBS? RAISE THE FLOOR!

- Raise the minimum wage;
- Expand prevailing wage and living wage policies;
- Establish minimum wage and benefit standards for firms that contract with, sell to, or otherwise receive benefits from local government;
- Actively combat wage theft through information campaigns to employers and workers, and increase enforcement of wage and hour laws, including the prosecution of employers that steal workers' wages; and
- Improve wage, hours, and benefit expectations for all workers through outreach, organizing, and advocacy.

Raising the floor is good for workers and for the community. That's what makes it so popular. Polling consistently shows strong majority support for higher minimum wages from conservatives and liberals alike.

### FOOD SERVICE



MEDIAN WAGE  
\$8.60/HR



**68%**

*of workers earn  
poverty wages*

### RETAIL



MEDIAN WAGE  
\$10.75/HR



**51%**

*of workers earn  
poverty wages*

### RESIDENTIAL & HOME HEALTH CARE



MEDIAN WAGE  
\$10.85/HR



**50%**

*of workers earn  
poverty wages*



*"I'm basically working to put gas in my car. Because with the gas prices you put \$10 in, you put \$10 in, .... I went to pick up my check last week and it wasn't there. Start of the month. Rent's due. It was in the mail. I'm standing there and I can't even leave the parking lot. I don't have enough gas to get anywhere. I don't have two pennies in my pocket."*

## WHO WINS WITH A STRONGER FLOOR? WORKERS, THE COMMUNITY, THE ECONOMY

### RAISING THE WAGE FLOOR IS NOT BAD FOR BUSINESS

Raising the floor is often opposed by many employers and met with skepticism by others. This is "bad for business" they say. But the facts tell a different story:

1. Raising minimum wages **does not increase unemployment.**
2. Raising wages at the bottom **reduces turnover and raises worker productivity.**
3. **Large firms making healthy profits employ most low-wage workers, and they can afford to pay their workers more.**

### RAISING THE WAGE FLOOR IS GOOD FOR WORKERS AND THE COMMUNITY

Making work pay more can have dramatic **positive effects on workers, their families and communities, and the overall economy:**

- Higher incomes for substantial numbers of adult workers;
- A stronger local and regional economy; and
- The strongest impact for the low-wage workers who need it most, putting some equity back into our economy.

In Milwaukee, raising the floor will improve quality of life for the 100,000 workers in poverty-wage jobs in the city, and for a roughly equal number of poverty-wage workers outside the city but in the metro region. These workers toil in restaurants and fast food. They stock the shelves of our stores and check out purchases. They take care of the old and the frail and the disabled, allowing them the dignity and independence they deserve. Raising the floor is about dignity and independence for workers.

Raising and securing the floor under the bottom of the labor market is the right thing to do. It is also long overdue. Milwaukee's worst news — of racial disparity, of poor health outcomes for children, and violent crime — are rooted in a lack of decent jobs. Raising the floor is a step toward changing economic headlines.

PATRICIA OWENS *Patty works three part-time jobs. As a sales clerk at two different video rental stores, she makes \$8.50 or \$9 per hour. To help make ends meet, she also has a part-time job cleaning houses. None of the jobs offer health insurance or other benefits. Between her limited wages and her high transportation costs, she barely scrapes by.*