

# RAISE WORK STANDARDS

## SUPPORT FOR GROWTH, JOB CREATION, AND CAREER DEVELOPMENT

**W**idely shared middle-class prosperity has made the United States the most hopeful and dynamic country on earth and is a foundation of strong democracy. Yet today, America's middle class is in trouble: the traditional routes into the middle class have become more difficult to travel and security has eroded for those already in the middle class. Major economic and policy changes over the past three decades have widened economic inequality and reduced mobility in ways that go far beyond the impact of the recent recession. Too many people who play by the rules and do everything right find that they cannot climb into the middle class—or stay there. To meet this challenge, Millions to the Middle offers dramatic public policy initiatives to rebuild and grow the nation's middle class.

### POLICY IN FOCUS

#### RAISE WORK STANDARDS

Phase in an increase of the minimum wage to \$10.00 an hour by 2014  
guarantee paid sick days based on the Healthy Families Act of 2011,  
preventing wage theft and extending labor protections to excluded workers,  
such as home caretakers.

We aim to accomplish two broad interrelated goals: to ensure that all Americans have a chance to move into the middle class and, second, to ensure greater security for those in the middle class. The 14 policies we offer are rooted in mainstream American values and able to command strong public support over the long term. Together, they go beyond the confines of the current policy debates and are of sufficient scale to firmly establish a middle-class America.

Our policy agenda is based on the three broad pillars of middle-class opportunity and security: investments in human capital and education; support for growth, job creation, and career development; and helping Americans build assets. This policy is part of the **Support for Growth, Job Creation, and Career Development**.

# POLICY: RAISE WORK STANDARDS

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Ensure that all American jobs meet basic standards of decent employment by raising the minimum wage, guaranteeing paid sick days to working people, and ensuring that worker protections are effective and are applied to everyone.

## POLICY RATIONALE

Americans believe that hard work should be rewarded – people who go to work every day should not then be forced to raise their families in poverty. Yet today nearly a quarter of working adults in the U.S. are laboring at jobs that do not pay enough to support a family at a minimally acceptable level. Because their wages are so low, working people are forced to rely on public benefits, from Medicaid to food stamps to rental assistance, in order to make ends meet. Raising work standards would enable them to become more self-reliant and would raise the floor for all working people.

Increasing mobility out of low-wage, no-benefit jobs, as we propose with the Career Opportunity Plan (see page X), is part of the solution, but fails to fully address the problem. Regardless of how many training opportunities are available to individuals, millions of jobs as home health aides, food service workers, retail salespeople and other currently low-wage occupations will still exist and, in fact, are projected to be among the nation's fastest growing positions in the future.<sup>1</sup> The nation must act to ensure that these jobs can, at minimum, lift families above the poverty line and provide basic workplace protections, strengthening the floor for employment in the United States. By lifting the bottom of the nation's labor market, we give working people a firm base from which they can work their way into the middle class. We also put a stronger backstop on the declining job quality of many formerly middle-class occupations.

Raising the lowest wages is the first step. The current minimum wage of \$7.25 an hour is a rate at which it is impossible for working Americans to independently pay their rent, feed their families or get needed medical care—much less save for the types of investments that make it possible to lift oneself into the middle class, like an education, a first home, or the chance to start a business. Indeed, the value of the minimum wage today is 30 percent below its peak in 1968. A majority of minimum wage earners are adults living in low-income households and making significant contributions to their family's total income. Assuming a full-time work schedule, a minimum wage job at the current rate of \$7.25 an hour brings in an annual income of \$15,080 – not enough to lift a family of three with a single working parent over the federal poverty threshold. The federal minimum wage

## OPINION SNAPSHOT

- 86 percent of Americans favor increasing the minimum wage; 67 percent support an increase to \$10 an hour. Veteran pollster Celinda Lake notes that “raising the minimum wage is one of the most intuitive and widely appealing policies out there... the breadth and depth of public support is especially impressive in today’s polarized environment.”<sup>13</sup>
- 86 percent of Americans support laws guaranteeing paid sick time and 75 percent believe paid sick days are “a basic workers’ right.”<sup>14</sup>

for workers who earn tips – including food service workers, hotel bellhops, and nail service employees – is only \$2.13 an hour and has not increased in more than 20 years. We propose raising the minimum to \$10.00 an hour and \$5.50 an hour for tipped workers, and linking these minimums to inflation, lifting working families out of poverty and ensuring that the value of the minimum wage does not erode further.

As inadequate as the minimum wage is, millions of American workers bring home even less. Wage theft – the practice of illegally underpaying workers – has become commonplace in the low-wage labor market. A study of employment conditions in America’s largest cities found that one in four low-wage workers were paid less than the minimum wage in a given week.<sup>2</sup> Altogether, wage violations (including paying less than minimum wage, making employees work off the clock, pilfering tips, misclassifying employees as independent contractors, and a host of other schemes) robbed low-income employees of \$2,634 annually on average, out of total average earnings of just \$17,616. In addition to harming the families of low-income workers, wage theft drains tax revenue, deprives neighborhood businesses of the income low-income families would be spending, and puts law-abiding employers at a competitive disadvantage with those who break the law. It’s difficult to imagine anything more basic to a free economy than the right of an employee to be paid for his or her work: we propose strengthening the enforcement of basic workplace laws so that workers can bring home their full pay.

In addition to raising and enforcing workplace standards, giving all working people a shot at the middle class will require expanding the reach of basic labor protections to incorporate categories of workers that are currently left out. Domestic workers – a category that includes nannies, housekeepers, and elderly caregivers – and farm workers are among the employees who have been deliberately excluded from the protections of federal and state labor laws, originally due to discrimination against a labor force made up predominantly of women and people of color. Both industries now have a predominantly immigrant workforce and are generally low paid: a survey of domestic workers in New York found 26 percent earn wages that put them below the poverty line.<sup>3</sup> Farm workers experience poverty rates more than double that of other wage and salary workers.<sup>4</sup> These employees, who are a critical part of our economy, should not have to raise their families in poverty.

Finally, we add a new workplace standard: everyone gets sick, so it’s no surprise that an overwhelming 77 percent of Americans say that having paid sick days is very important for workers.<sup>5</sup> Yet two out of three low-wage workers in the U.S. – the employees who can least afford to miss a paycheck – do not have a single paid sick day to recover from illness or take care of sick child or relative.<sup>6</sup> These workers must choose between losing a day’s pay or coming to work sick, endangering their own health and the public. Many low-wage workers even risk losing their jobs and health coverage if they call in sick. According to one survey, one in six Americans says that they or a family member have been fired, suspended, punished, or threatened by an employer for missing work due to illness.<sup>7</sup> The result is a more fearful and precarious low-wage labor force, just one illness away from slipping into poverty. The solution is simple: at least 145 countries around the world provide employees with some guarantee of paid sick days for short or long-term illnesses.<sup>8</sup> But while states and cities from Connecticut to Seattle have acted in recent years to secure a few days off for sick workers, the United States as a whole offers no such guarantee. We propose a minimum nationwide standard that would enable workers to earn paid sick days.

Despite the frequently cited concern, improving conditions for low-wage workers does not inevitably lead to loss of employment. Indeed, research shows that a higher minimum wage does not result in lost jobs.<sup>9</sup> For example, there is no evidence that states that increased their minimum wages above the federal level suffered job loss as a result. This research confirms earlier work by economists David Card and Alan Krueger.<sup>10</sup> In fact, minimum wage increases stimulate economic growth by putting money in the pockets of people most likely to spend it: a recent study by the Federal Reserve Bank of Chicago concluded that every \$1.00 increase in the minimum wage results in a \$2,800 boost in spending by a low-wage worker’s household over the following year.<sup>11</sup> Research on guaranteeing paid sick days similarly shows a net economic benefit and no loss of jobs.<sup>12</sup>

## POLICY DESIGN

In an era where all able-bodied adults are expected to work, we must ensure that all American jobs meet basic standards of decent employment and keep families out of poverty. To achieve this, we propose the following policies.

- Increase the minimum wage:
  - Phase in an increase of the minimum wage to \$10.00 an hour by 2013, restoring much of its lost buying power and ensuring that a family of three with a single working parent will not fall below the federal poverty line.
  - Phase in an increase in the tipped minimum wage to \$5.50 an hour by 2013.
  - Index the new minimum wage to inflation so that workers' wages keep up with the cost of living.
- Guarantee paid sick days based on the Healthy Families Act of 2011, (H.R. 1876, S. 984).
  - Enable workers in businesses with 15 or more employees to earn up to seven paid sick days each year which they could use to recover from their own illness, access preventive care, or provide care for a sick family member.
  - Workers earn one hour of paid sick time for every 30 hours worked, up to 56 hours (seven days) per year, unless the employer enacts a more generous program.
- Prevent wage theft based on the Wage Theft Prevention Act of 2010 and Fair Playing Field Act of 2010.
  - Expand the number of United States Department of Labor wage and hour inspectors.
  - Increase penalties for violations of federal wage and hour laws.
  - Increase penalties for failure to deduct and withhold employee income taxes in order to prevent misclassification of independent contractors.
  - Eliminate the statute of limitations that has limited DOL to two years to resolve wage complaints.
  - Allow workers to file private lawsuits while DOL is investigating a complaint.
- Extend labor protections to excluded workers.
  - Amend the Fair Labor Standards Act and other relevant workplace legislation to explicitly include domestic workers and farm workers.
  - Based on the POWER Act (H.R. 2169, S. 1195), authorize immigrant workers who have experienced serious labor violations and are cooperating with local, state, or federal worker protection agencies to address these violations to apply for U visas and receive temporary legal status with work authorization.

## ENDNOTES

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