

Testimony to Wage Board, October 22, 2015

My name is Ray Engel and I am an Associate Professor at the University of Pittsburgh School of Social Work; my comments represent my own views and interpretations and do not reflect the views or opinions of the SSW or the University of Pittsburgh. I want to thank you for providing me with a few minutes to speak with you about the benefits of raising wage levels to \$15. And yet what I say pales in comparison to the testimony and stories that you have heard and will hear from other speakers.

We are fortunate to have in our community an internationally recognized health care system. It's a system that provides new cures, new treatments, and new diagnostic techniques. It's a system that provides new avenues for keeping all healthy. It has brought honor and prestige to our community. What an opportunity for our health care system to assert national leadership by taking the lead in raising wages of its lowest paid workers!

The question to me is DO WE HAVE A MORAL OBLIGATION TO ENSURE that workers and their families can meet their basic needs? We need to ask ourselves that if someone is playing by the rules of our society, should they have sufficient income to be able to find adequate housing in safe neighborhoods? Should they have adequate child care while they are at work? Have an income to purchase not only a sufficient quantity of food but to purchase the food necessary for a healthy diet? Should they have the ability to travel to and from work? Have sufficient income so that their children can enjoy the cultural institutions of our city.

First lets agree that the Official Poverty Line is not a measure of the income needed to meet basic needs. Most folks agree with that premise – remember it was based on the amount of income necessary to purchase the caloric intake of the Department of Agriculture’s economy food plan – the cheapest plan that was meant for emergency use or TEMPORARY USE. [The cost of that basket is then multiplied by three – a value that was based on consumption patterns identified fifty plus years ago patterns no longer relevant to today.] In no way is the OPL a measure of sufficiency.

So how much income is necessary to meet one’s basic needs? What should be a living wage? According to the Economic Policy Institute a single resident of metropolitan Pittsburgh must earn \$27,124 a year in 2014 dollars or 13.56 an hour for a 2000 hour work year (low wage workers should have some vacation). What if this person has a family? How about a 1 parent and 1 child household? That household needs \$46,175 – a wage of \$23. A family of two adults and two children require \$64,692 a year – that’s 32.35 per hour if one works or 16.17 per hour if both adults are working. [[see <http://www.epi.org/resources/budget/>]]

\$15 an hour gets us moving in the right direction.

What are the consequences of low income on individuals? We know that having a lower incomes is associated with poorer health, more chronic conditions, obesity, smoking, lack of access to health services. Having a low income is associated with higher rates of school drop-out and poorer math and reading scores. It is associated with increased incidences of mental illness. We know that life expectancy is lower for low income individuals.

Take a study by Hilary Seligman and her colleagues – they looked at when folks went to the hospital for hypoglycemia (low blood sugar). They argued that low income people who struggle to make ends meet would run out of money near the end of the month and therefore have to cut back on food resulting in increased problems with their blood sugar. And that is exactly what happened, among low income individuals, in the last week of the month there was a 27% increase in going to the hospital for low blood sugar but no comparable increase among higher income folks..

Given that health care promotes prevention, raising wages to \$15 *might* serve to reduce the consequences of at least one risk factor. It makes sense.

Raising wages is good for business and good for our local economy. Robert Reich points out that prosperity generates prosperity. His contention is quite simple. Increased wages mean that workers buy more. If workers buy more, companies hire more people to produce the goods and tax revenues increases as more people are working AND spending (imagine a simple impact of added local spending on the money available to RAD). We do not know yet whether there is an actual economic benefit though there are studies that predict increased benefits with smaller wage increases What we do know is that low-wage workers are likely to spend most of their earnings and that should have some impact on the local economy [Johnson, Parker & Soueles, 2004] [With additional tax revenue government can invest in more education and the children of workers are better educated and can compete for better jobs and the economy grows, productivity grows and wages can increase. . [studies predicting spending and

effect on economy tend to address smaller wage increases in the minimum wage – Aaronson & French, 2013; Cooper, 2013].

Thus raising wages to \$15 makes sense.

Finally, all of us are collectively subsidizing these low wages through our social welfare programs. In other words, our taxes are used to help to pay these hospital workers through various public assistance programs. A group of researchers have found that 60% of spending on food stamps and 47% spending on TANF is provided to members of working families (see Allegretto, Doussard, Graham-Squire et al., 2013). There is evidence that increasing wages reduces reliance on public assistance programs and as well as reducing the overall costs of the programs.

We are all proud of our health system. It attracts people from around the country and world. We are a region that is becoming a model for sustainable energy. Our institutions are making technological discoveries that attract people from around the world. Raising wages offers another opportunity for our community to be a national leader!

EPI Basic Needs Calculator <http://www.epi.org/resources/budget>

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