

# MICROFILM DIVIDER

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ROLL NUMBER
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DESCRIPTION

1383

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1383

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1383

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2/08/01

Tape Number	Side A	Side B	Meter #
1		X	878-END
2	X		0-757
3	X		1959-2339

Committee Clerk Signature *Robin A. Small*

Minutes:

REP. M. KLEIN calls the hearing to order, with all committee members present.

In favor:

REP. LONNY B. WINRICH, DISTRICT 18

REP. WINRICH introduces the bill. Urges the committee a do pass.

REP. M. KLEIN asks if this is the same bill that we had last session? REP. WINRICH replies that it is not.

In favor:

REP. APRIL FAIRFIELD, DISTRICT 29

Please see attached testimony.

REP. DEVLIN asks about the bottom line and that they would have never been able to start a business up under these provisions. REP. FAIRFIELD states that yes they could.

REP. M. KLEIN asks if there isn't a bill exactly like this one over on the senate side.

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House Government and Veterans Affairs Committee

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REP. FAIRFIELD states that there is no ping pong going on

In favor:

SEN. CAROLYN NELSON, DISTRICT 21

Please see attached testimony. NELSON states to the committee that this is a simple bill.

REP. KLEMIN asks what is the per capita / income. NELSON comments that it is based upon an average family of four.

In favor:

STEVE HUENNEKE, ASSOC. PROFESSOR FROM MINOT STATE UNIVERSITY

Please see attached testimony.

REP. M. KLEIN asks if this is a beauareacy? HUENNEKE states that it is micro-managing.

REP. CLARK asks about the happy meal index. HUENNEKE replies that it is \$4.00, public subsidies.

In favor:

DON MORRISON, NORTH DAKOTA PROGRESSIVE COALITION

MORRISON is very concerned about the quality of jobs and economic development in rural areas.

Oppose:

BILL SHALHOOB, EDND-GNDA

Economic development is an essential service in rural areas. SHALHOOB has an example such as the grocery in New Salem, North Dakota. There was a young couple that wanted to take it over but didn't have the money to do so. They then went to the Mandan growth committee to ask for help. REP. M. KLEIN asks would the grocery store in New Salem exist if they had not gotten help? SHALHOOB replies no it would not, razor thin capital.

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House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1383

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Oppose:

CONNIE SPRYNZYNATYK, NORTH DAKOTA LEAGUE OF CITIES

There are bench marks being set. Businesses are under capitalization's, every city is not the same.

It is a burden on the employers. The history of North Dakota is dependent on agriculture. There are many challenges, that economy needs to be diversified. Start making real progress.

Oppose:

DAVE MACIVER, BISMARCK-MANDAN CHAMBER OF COMMERCE

Talks to the committee about the national trends.

Being there was no further testimony in favor or in opposition the hearing was then closed.

Action was taken later that day.

REP. CLARK motioned for a DO NOT PASS, seconded by REP. BELLEW. The roll call was taken with 12 YES, 3 NO and 0 ABSENT AND NOT VOTING. The motion carries. The CARRIER of the bill is REP. DEVLIN.

HB 1355: DO NOT PASS 12-3

CARRIER: REP. DEVLIN

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/23/2001

Bill/Resolution No.: HB 1383

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1383 sets the minimum salaries for full-time employees of projects receiving financial assistance from economic development programs at or above the federal poverty level for a family of four. The fiscal impact of HB 1383 cannot be determined.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	02/07/2001

Date: Feb. 8<sup>th</sup>, 2001

Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1383

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Clark Seconded By Bellew

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP KROEBER		✓
VICE CHAIR GRANDE	✓				
REP BELLEW	✓				
REP BRUSEGAARD	✓				
REP CLARK	✓				
REP DEVLIN	✓				
REP HAAS	✓				
REP KASPER	✓				
REP KLEMIN	✓				
REP MEIER	✓				
REP WIKENHEISER	✓				
REP CLEARY		✓			
REP HUNSKOR	✓				
REP METCALF		✓			

Total (Yes) 12 No 3

Absent \_\_\_\_\_

Floor Assignment Rep. Devlin

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 8, 2001 5:29 p.m.

Module No: HR-23-2811  
Carrier: Devlin  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1383: Government and Veterans Affairs Committee (Rep. M. Klein, Chairman)**  
recommends **DO NOT PASS** (12 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1383 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1383

Presented By: Rep. April Fairfield District 29  
House Committee on Government and Veterans Affairs  
February 8, 2001

"Job creation" is at the core of economic development efforts. While it is a necessary, even critical to a successful economic development strategy, it is not sufficient. Job creation alone should not be our ultimate goal.

As the policy-making branch of government and the keepers of the public trust, it is up to the legislature to question and identify what kind of job creation best serves the public interest and what kind of wages are being paid in relation to the level of public subsidy a business receives.

It is both appropriate and necessary for us to set the bar...to shape the vision for the future prosperity and quality of life for our citizens. Especially, when that involves public money.

HB 1383 is one element of a successful economic development strategy.

We are all concerned about our state's economy and the need to improve it. However, perhaps we have reached a time when we need to question, perhaps even challenge, the prevailing attitudes about economic development.

For example, everyone is aware that many young North Dakotans receive their education in North Dakota and leave when it's time to start their careers. But are they leaving because there are no jobs available or is it because the jobs that are available don't pay enough to keep them here?

North Dakota's has an a very low unemployment rate (2.7 percent) . That suggests that underemployment, not unemployment, is our greatest jobs problem. The fact is that thousands of North Dakota workers have two, and even three, jobs to make ends meet. So should we be spending public money on job creation alone? North Dakotans don't need another job. They need a good job.

Our state has limited amounts of tax dollars to spend on economic development. Therefore, it only makes sense that we target our efforts and our tax dollars toward the creation of jobs that pay fair wages.

New jobs that don't pay enough to get people off government assistance do not contribute to the expansion of the state's economy. In fact, they may put additional strains on our already overburdened welfare programs.

This is about return on taxpayer investment. It is the taxpayer's money being spent on economic development projects and it is their money that we spend on assistance programs. If businesses that receive economic development dollars are not asked to pay a wage that can sustain a North Dakota family, and that worker is forced to go on public assistance, then we are essentially asking the taxpayers of North Dakota to pay twice.

HB 1383 is a promise. It is a promise to North Dakota taxpayers that their tax dollars are not being spent on low wage jobs that do little for the economy and that do not retain, let alone grow, the population. This bill is about accountability. It is about fiscal responsibility. Ultimately, it is about return on the taxpayers investment.

HB 1383 would guarantee that the economic development dollars we spend are creating jobs that build our economy.

Now, we all know what is going to happen here, economic development people are going to tell us this is a very bad idea. That this will hamper efforts to attract business and will put North Dakota at a competitive disadvantage, that this will surely cause North Dakota to spiral into an economic abyss. ( This is despite the fact that in the past, wage requirements included in our economic development legislation did not hamper our state's economic development efforts. The requests from businesses willing to pay those wages always exceeded the available government subsidies.)

Unfortunately, the current path of economic development at any cost isn't faring very well, either. We already lag behind other states in the region in areas of economic growth, income, population and other indicators.

If ND passed a living wage requirement, it would actually be following the lead of other states. While ND has no job quality standards, sixteen other states, including Iowa, Minnesota, Missouri and Kansas all have some standards in place and all are achieving greater success in terms of their economic development initiatives.

I am willing to concede that economic development devotees may very well be right about one thing. Higher standards could make their jobs more difficult.

Wage requirements may discourage the creation of some low-wage, low-skilled jobs. These standards may deter certain employers who do not want to pay high wages, who are looking to take advantage of economic development dollars, and who only want to recruit workers for jobs of minimum training in order to realize the lowest possible per unit cost.

And if that is the case, maybe it is time we say "so be it" because we deserve better. Our workers deserve better, the tax-payers deserve better and the young people currently leaving our state in droves deserve better.

George W. Bush has often spoken about the soft discrimination of low expectations. Our economic development policy efforts are a perfect example of that problem. If we expect more, we'll get more. Conversely, if we expect nothing, we can be assured we'll get nothing.

Living wage requirements would help shift the focus of Economic Development away from the narrow goal of "job creation" toward creating good-paying jobs, building new wealth, invigorating communities, and growing our population.

**THE BISMARCK TRIBUNE**

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John Peterson, Night Metro Editor**OUR VIEW**

# Don't mess with living wage plan

If it ain't broke, don't fix it.

Growing North Dakota, the state's economic development program, can undoubtedly use some fine-tuning this legislative session.

But we would urge the legislators to keep their hands off the so-called "living wage" provision of the Future Fund, the key jobs creation component in Growing North Dakota.

The living wage provision, a hot potato during the development and passage of Growing North Dakota in the last session, requires that companies receiving help from the Future Fund pay every full-time employee a minimum of \$6.71 per hour, or what the federal government says it costs to maintain a family of four at the poverty level.

Detractors claim this requirement inhibits companies from utilizing the fund, especially those locating in the smaller communities.

Rep. Gary Porter of Minot, the major proponent in the move to eliminate the provision, wants to replace it with a \$500 tax credit per employee for companies that pay the living wage. The theory is that an incentive works better than a requirement.

Porter argues that "good" companies don't want the state tinkering with their wage levels and will look elsewhere for places to locate, costing the state potential good jobs. He also maintains that "poorer" companies will agree to and accept most any provision to get state financial backing.

Proponents of the living wage provision argue that the goal of Growing North Dakota is not simply to create jobs for the sake of creating jobs, but to develop quality jobs. Thus the wage provision.

John Rish of the United Transportation Union argues that people aren't leaving the state because there are no jobs, but because the available jobs don't pay enough. He uses the state's low employment rate — 4.6 percent for December — and the contention that many North Dakotans are working two and more jobs to make ends meet, to buttress his argument.

As he puts it: "Our state's working poor don't need another job. What they need is one good job."

But the crucial question has to be whether the "living wage" inhibits use of the fund or jobs creation in the state. To date the detractors haven't been able to make this case.

The Future Fund, despite getting off to something of a slow start, was out of available funds for urban and rural development with six months still remaining in the two-year budgeting period. And there is a considerable waiting list.

Assuming that state officials are doing a solid job in screening applicants and proposals for Future Fund financial assistance, the living wage provision doesn't appear to be handicapping the operation of the fund.

And if the provision isn't inhibiting use of the fund and may be helping to create quality jobs, why junk it?



# NORTH DAKOTA SENATE

Senator Carolyn Nelson  
District 21  
1125 College Street  
Fargo, ND 58102-3433

STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360

COMMITTEES:  
Judiciary  
Government and Veterans  
Affairs

House Bill 1383 seems responsible to me. Granted, I do not come from this era. I grew up when you bought what you could afford and you didn't seek outside help. Our parents and grandparents lived that way too. We brag about our work ethic in North Dakota. It didn't happen overnight; it came from a tradition that's now waning.

Today, we seem to use a bribe system - large signing bonuses for athletes, large tax abatements, tax credits or land to large businesses, "incentives" to do a variety of things. But what do we get in return? High ticket prices which most of us can't afford and the opportunity to have 2 or more jobs per family so we can survive in today's society. Our limited public dollars should NOT be subsidizing poverty wage work.

North Dakota's unemployment rate in 1999 was 3.4%. This is deceiving due to the number of people working part-time and multiple jobs. The Tax Commissioner "advertises" on his website that "new and expanding companies offering higher-than-average wage jobs have been pleased..." The tax department says that the 1999 per capita income was \$23,313, that's \$11.21 per hour.

At first blush, \$11.21 doesn't seem like a bad wage. Let's see if that will be enough to keep us from footing a double (or more) bill. Consider what qualifies a family for subsidies. To get food stamps, the government says gross income should be 130% of poverty for a family of 4 - that's \$22,165 or \$10.66 per hour. That means that the poverty level must be \$17,050, which would be \$8.20 per hour. And of course there is other assistance available - CHIPS, subsidized housing and heat, the WIC program, etc. I get a bit upset when an employer talks about how little he has to pay good workers.

This is a simple bill, it just says "if you use public dollars, you demonstrate a commitment to providing decent family supporting jobs in the community that's put its trust in you".

*Testimony in Support of HB #1383*

*Before the North Dakota House Government and Veterans Affairs Committee*

*February 8, 2001*

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Chairman Matthew M. Klein, Vice Chairman Bette Grande; Members, Larry Bellew, Thomas T. Brusegaard, Bryon Clark, William R. Devlin, C.B. Haas, Jim Kasper, Lawrence R. Klemin, Lisa Meier, Ray H. Wilkenheiser, Audrey B. Cleary, Bob Hunsakor, Ralph Metcalf, Lonny Winrich. Good morning, my name is Steve Huenneke. I am associate professor of economics at Minot State University. I received a PhD from Kansas State University with specialties in regional economics and labor economics. I am here to deliver a focused presentation on why I support HB #1383. It is not my personal opinions that are relevant, but instead the facts and theory of labor economics. That is what has guided me to the place where I am testifying before you this morning

*The facts about wages and employment*

In the last six months, opinion makers in North Dakota have debated the meaning of a major work of economic analysis commissioned by the state's economic development and finance office. The report, The Economic Performance and Industrial Structure of the North Dakota Economy, was issued by RFA (now known as economy.com). To briefly summarize, the reported noted that the state had achieved above average employment growth though the decade

of the 1990s, but many economic indicators for the state showed a decided lack of economic health.

*IN THE LATE 1990s*

Even employment growth had slowed down to a pace below the U.S. average, RFA noted. This was chiefly due to a contracting labor force. The authors of the RFA report wrote: *"As net migration out of the state has increased, the labor force is now decreasing. With a smaller pool of labor competing for jobs, the labor market remains tight, even with very slow job growth."* (RFA, page 22)

A lot economic reality lies between the lines of such a passage, still waiting to be uncovered. Let's start where we should, with the facts--some facts from RFA, combined with other facts I have gathered.

I have reviewed U.S. Bureau of Labor Statistics (BLS) data over recent years, and found that what "everybody knows" is true. A review of average annual pay data generated from Covered Employment and Wages (CEW) surveys between 1988 and 1998 indicates steady pay declines for North Dakota. In 1988, average annual pay in North Dakota was 90.4 percent of the West North Central region average. In 1998, it was 87 percent the regional average.

A review of another BLS data series, Employment and Wages, shows even more striking change in the key industry of North Dakota's future--business services. The story here, as in many other states, is rapid employment growth. In North Dakota, the pace of employment growth has been particularly rapid. This trend is revealed by an important indicator of industry concentration, called a location quotient (LQ). This variable measures the relative share of an industry's employment in our state, compared to a relative share of employment in a larger area, such as the fifty states, or the West North Central region of the U.S. Census Bureau--which includes North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa and Minnesota.

If the LQ coefficient is below 1, it means that the industry has a less concentrated share than the surrounding region, or the nation. If the LQ is above 1, it means that the industry has a more concentrated share of employment. RFA used location quotients that assessed the state's share of employment against the national share, in order to reveal important employment trends.

The RFA report noted that although the LQ for business services is still below 1, that figure has been growing at a rate of 4.3 percent per year, over the last ten years. RFA notes, in North Dakota, the business service share of total state employment has increased from 1.5 percent to 4 percent. There has been particularly rapid growth in miscellaneous business services, including telemarketing operations, where the location quotient is now 1.11, and growing at a 10 percent rate per year. (RFA, page 33)

A review of data on wages and salaries in the business service industry, drawn from Employment and Wages data for North Dakota and other states in the West North Central region, shows that in 1988, the average North Dakota wage and salary in business services was 90 percent of the regional average. In 2000, the average North Dakota wage and salary in that industry was 67 percent the regional average. RFA notes that business services is concentrating faster in North Dakota than any of the other surrounding states on the Great Plains, on the basis of a workforce that is both "well-educated and underemployed." (RFA page 107)

Employers recruited to the state like this workforce, yet do not pay wages to retain it. In the past eight years, real wages in business services have increased at an annual rate of 1.15 percent.

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**Table 1**

*Wages for business services in North Dakota*

	Average Wage	real % change
1993	\$11,223	1.73
1994	\$10,423	-7.32
1995	\$10,049	-3.69
1996	\$10,089	0.41
1997	\$10,676	5.95
1998	\$11,428	7.16
1999	\$11,655	2.02
2000	\$11,991	2.99

Data source: Bureau of Labor Statistics, Employment and Wages, adjusted for inflation using the Consumer Price Index, with purchasing power measured in 1982-84 constant dollars. 2000 preliminary data from economy.com

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Why the slow growth in wages, despite the rapid employment growth? There are different potential explanations. In North Dakota, business services is a low productivity sector. Output per worker is only about 75 percent the national average for the industry. Jobs that have been created in business services, according to RFA, are concentrated in telemarketing, customer service and data processing.

It seems that the state's economic development specialists have made a simple, yet key discovery: the way to grow jobs rapidly in this state is by promoting North Dakota's labor cost competitive advantage, versus other states and regions.

A review of Occupational Employment Statistics (OES) from the U.S. Bureau of Labor Statistics (BLS) shows that one percent of North Dakota's entire workforce in 1998 are computer support specialists. North Dakota has the highest percentage of computer support specialists in the West North Central region, and they are paid a median annual wage of \$22,222, which is 59 percent of the national average. North Dakota ranks 51<sup>st</sup> in pay in this occupation, lower than Puerto Rico—which pays \$26,900.

### *Putting the pieces together*

According to RFA, in the past five years, there has been an explosion of business service jobs, but now employment growth slowing down because of a contracting labor force. Net out-migration has increased, and labor markets are "tight," yet wages don't seem to rise appreciably. What piece of the puzzle is missing in the RFA report, and in the official discourse about economic development in this state? I don't wish to be partisan, but intend to be straightforward.

Former Governor Ed Schafer ordered a reorganization of the state's economic development and finance office in 1997. Professional and business support services and back office operations were specifically targeted for employment growth.

Governor Schafer expressed the belief that as demand for the state's labor force increased, the state would be able to turn its attention to trying to create higher paying jobs. "When you get your unemployment rate really down, you can start getting more discretionary," the former governor told the Associated Press three-and-one-half years ago.. "It's the next step, once you get the ball rolling." ("Schafer plans reorganization," by Kent Olson, Minot Daily News, October 31, 1997; "Unemployment down," Associated Press, October 31, 1997)

The former governor's remarks are anticipatory of remarks made Tuesday before the Senate Industry, Business and Labor committee regarding the Senate's version of this bill, SB #2306.

Many communities have since specified mechanical job targets intended to heat up local labor markets by increasing overall employment. The ultimate hope is to raise wages. Yet, it is theoretically just about impossible to make progress this way. Economic policy is reduced to a numbers game, that ignores some basics of labor economics.

The state is targeting occupations in the lowest end of the business services industry. The services these occupations are involved with producing and distributing are usually related to very competitive product markets. These occupations make up the kind of low-skilled jobs which are easily substituted with even lower wage labor. The capital associated with these jobs tends to be very mobile, associated transportation costs are absolutely minimal. Production is labor intensive, not capital intensive. Labor cost is the primary location factor—the cheaper the better for the usual kind of out-of-state employer scouting what the possibilities are here. Every factor I just mentioned makes labor demand for each recruited firm very elastic—in other words, these firms are unable to withstand significant wage increases, yet they are willing to create large numbers of jobs when induced by low wages. In fact, they have done just that.

There are other potential problems with wages. There is some serious question about how competitive North Dakota's local labor markets are from the buyer side of the market. Every town has a story or rumor it seems, of how a long-existing local major employer, pressured down the wage of an economic development project by saying to the incoming firm, behind the scenes of course, that "you are paying our local people more money than you need to."

Even setting that questions of labor elasticity of demand, and speculation about lack of competitiveness in the local labor markets of our state—there are further problems. North Dakota communities who focus only on jobs and aggressively bid for new firms to come to town, are at a severe bargaining disadvantage with these out-of-state firms, in the industrial recruitment market. They are compelled, frequently, to engage in a kind of cut-throat bidding process for jobs with other communities in the state and region, who also don't know what else to do to "save" their communities. This is a game few communities can, in the long run, win at.

*Why not (real success in) Minot?*

North Dakotans have heard of great success in economic development at Minot, where a ramp up to a job target of 1,500 jobs per year is now in place. Minot, in fact, has become a kind of urban legend in support of industrial recruitment. The words spread all across the state: leaders in economic development there have created "thousands of jobs" in the 1990s. But the full truth is not surprising. Employment in Minot has gone up, but real wages have gone down. Minot will have a long, twilight struggle to retain its population unless wages come up.

Job Service North Dakota and the Minot Area Chamber of Commerce worked together to put out a Local Employment Survey late last year. ("Total employment up 4.0 percent," Job Service North Dakota/Minot Chamber of Commerce) The utterly professional JSND did the number crunching, the Minot chamber did the packaging. That package had a headline: total employment was up four percent over a two year period. Indeed, the diagram on page one of the presentation of the survey results was correct in a narrow sense—thousands of jobs have been created in Minot. The diagram showed that wage and salary employment in Minot in 1990 was at about 20,000, and now it is at 26,376. The highlight of the data presentation was the news that

employment growth in the finance, insurance and real estate sector is up almost 70 percent, just since 1998. Of course, this is because of the recruitment of Reliastar/ING to the community.

I experienced just a little bit of disquiet—as I have so often when in the receipt of any communications from Minot Visioning--our economic development organization that we have up there in Minot to put out a unified voice and image of Minot to the world..

Each time there is usually a different reason for my disquiet. In this case, the reason was that the report offered a thorough discussion about wage and salary employment. I saw lots and lots of excellent data about employment, collected through the exemplary work of surveys done by Job Service North Dakota over the past two years. But there was nothing in the report on wages and salaries. I have some of my own data about Minot's wage and salary situation, from the U.S. Census Bureau County Business Patterns. I survey data here from 1984-1997. I would have liked to have gone farther than that, in terms of years. 1998 is the latest available data. 1997 is the last year this data series used U.S. Standard Industrial Code (SIC) classifications. Well, some times one just has to make do with economic data.

I took data on payroll, employment and generated estimates of average wage rates for Ward County and also for business services in Ward County. I adjusted these average wage rates for inflation. I found that, by County Business Pattern data, the real wage in Ward County overall had fallen by four percent from 1984-1997, and the average real wage for business services had fallen by eight percent over that same span of years.

The disappointing wage data tells us something: what we in Minot and in North Dakota have been doing is no way to retain and attract a labor force. The facts confirm the theoretical ideas I already told you. We cannot get high wage jobs by creating a ton of low wage jobs with high associated elasticities of labor demand. If we could--everyone would be rich the world over.

**Table 2**

**Real wage trends in Ward County**

	<i>Real wage Ward County.</i>	<i>Real wage-business services Ward County</i>
1984	\$12,948	\$9,198
1985	\$13,190	\$8,205
1986	\$12,814	\$9,536
1987	\$12,757	\$8,716
1988	\$12,131	\$7,253
1989	\$11,746	\$5,515
1990	\$11,761	\$6,952
1991	\$11,336	\$5,192
1992	\$11,554	\$6,850
1993	\$11,523	\$7,369
1994	\$11,640	\$7,866
1995	\$11,900	\$8,826
1996	\$12,295	\$7,745
1997	\$12,429	\$8,432

Average wages derived by dividing annual payroll by number of employees. Data on payroll and employment from County Business Patterns--North Dakota for 1984-1997 U.S. Census Bureau. Wages adjusted for inflation using the Consumer Price Index.

*Concluding statement*

I ask you to consider these facts and the theory behind the facts, and then put some quality controls on what is done in the name of economic development within our labor markets. We put quality controls, or aim to put quality controls in many areas of our public life--from education to medical care. Put a key quality control on the activity of industrial recruitment. Give HB #1383 a recommendation of do pass. Thank you.

GOVERNMENT AND VETERANS AFFAIRS  
MATTHEW KLEIN, CHAIRMAN  
HB 1383 (LIVING WAGE BILL)

Good morning, Chairman Klein, & members of the Committee. My name is Carol Two Eagles, & I'm here to testify in favor of the "living wage" bill Representative Fairfield brought you.

We have heard concerns that a living wage will cause difficulties for startup businesses in North Dakota. I have built a number of businesses over my 20+ years in business, including in North Dakota. I have always built a base wage into every one of them, along with all the other costs my business had to cover if it were to survive & grow. I was taught this a long time ago; & the wisdom that went with it was, "if you don't do this, you can be guaranteed your business will suffer & so will you. You will find it difficult or impossible to attract good employees & even harder to keep them." I found out early on my mentor was right on the heart of it.

We already have a wage standard in place.. It is called the Federal Minimum Wage. Which the Federal government admits is not, & never was intended to be, a 'living wage'. It was intended to be a base from which to calculate a realistic wage.

In regard to this matter of "thousands of jobs" recently created in North Dakota -- I ask you - are we more concerned with 'quality' of life in North Dakota, or in mere 'quantity'? Given the poor wages & general low standards, I think the answer speaks itself, & it is not kind.

I have more than just the shoeshine business in this building. One of my businesses is intended specifically to do the following things: (1) provide a profitable price for durum farmers independent of government programs; (2) provide hundreds of jobs for Native North Dakotans preferentially (thus reducing welfare, violence-abatement programs, alcohol- & other despair-abatement programs, etc., etc.); (3) provide those jobs at or above a true living wage; (4) in order to improve & expand North Dakota's economy a little more through the private sector.

In the process of doing this, I incorporated the business as an S-Corporation, & my Board of Directors includes legislators who are durum producers, by design. One of them suggested I take the project to a state agency for a business-development grant & the others were enthusiastic.

In 3 weeks, in order to not have to delay another 3 months until the next scheduled grant review, I incorporated the business, wrote By-Laws, put together a Board of Directors, designed a logo & a label, wrote a brochure, wrote a business plan, & wrote the grant application. My Board of Directors and John Dorso & several other legislator friends of mine reviewed the materials, made a few suggestions, & I made the application. Everyone agreed it was a powerhouse application, including the agency people.

I/We did not get the grant, *in part* because I'm Indian & female, I was told, & they didn't expect I would know good business practices (despite over 20 years in business) - which speaks to the racism & sexism issues we've all heard about - *but more importantly*, they felt that I didn't know good business practices *because* I told them this company means to pay a living wage & to pay durum producers a profitable price for their durum, which is our raw material. (!) They also said, I was told, they felt I/We didn't know good business practices because the company intends to hire Native North Dakotans & handicapped people preferentially. Despite the great incentives from the Federal government to do these things, I note.

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Let's take a look at their attitude - which seems to reflect much of North Dakota's "business" community's attitude. I'm sure it will explain why North Dakota's economy is 48th in the United States' economy; & why we have the kind of out-migration problems we do.

In my previous businesses, I had a big sign hanging where everyone could see it. It said, "Happy people produce more and better work than unhappy people do. Therefore, if you are not happy, TELL THE BOSS so it can get fixed." Funniest thing - in 20 years, with up to 17 men working for me, I only had 3 quit. 2 of them quit because their wives got jobs too far away to commute; the 3rd said I had inspired him so much he wanted to open his own shop. I encouraged him, & told him if he got some big jobs in & needed help to check with me if my shop needed any sub-contracting to fill in a blank. We traded like that for several years until he died. I never could figure out why all the people in the Chambers of Commerce I was in belly-ached so much about their employee problems -- until I became an employee in North Dakota.

It is just basic common sense that if the Rollover Factor for dollars is 4, meaning that for every \$1 put into an economy, it rolls over 4 times, creating an effective \$4 in economic impact, if you pay \$6/hour & taxes eat 1/3 of that, you put \$4 base into the economy & it generates \$16 in economic impact after Rollover. **BUT**, if you pay \$9 / hour, & taxes eat 1/3, you put \$6 base into that economy, & it generates \$24 after Rollover. Simple arithmetic says it's smarter to pay \$9 than \$6 for a wage, if you want to improve the economy.

You can plant all the seeds in the world, but if you don't fertilize them, you won't get as good a crop as if you feed them. North Dakota's economy is tied to farming, so I expect you easily get the connection I am trying to make.

In my blacksmithing business, I ignored 'conventional wisdom' & did what made sense to me with the result I told above, *and* I/we put work in 11 foreign countries plus the U.S. & we did it for 20+ years. And on those occasions when things got tough, I followed My Rule of 180, which I now offer to you: If what you have been doing or are doing just isn't working, try going 180 degrees the other direction & see what you get, because you have nothing to lose but the failure you've been having".

Expecting people to be happy working 2-3 jobs to survive (& survive without expensive 'toys', at that) is not "economic development". Or maybe I should say it isn't *successful* economic development. It is a slave labor mentality, & the slaves are leaving the ship, which does appear to be sinking. There is no excuse for us in North Dakota to have an economy that is 48th in the United States. But there are reasons, & low wages & poor attitudes toward economic development & economics are among them. People like Gene Nicholas & John Dorso & Heidi Heitkamp didn't get where they are today by sitting back. They followed my Rule of 180 & they took calculated risks. And they still do. Which is why they don't work for \$6 / hour, isn't it...

Mitakuye oiasin means "All (are) my relatives". Or, "We are all related". We are all in this together. Everyone works, both labor & management. And if we don't all feel appreciated, including by the amount on the pay check, we will go someplace else, where we do feel

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appreciated. Actions speak louder than words; pay scales are one such 'action'. Please vote Do  
Pass on this Bill.

Thank you for hearing me. I am available for any questions you may have at any time.

Respectfully, Carol Two Eagles

# **Dakota Resource Council**

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TESTIMONY ON HB 1383

House Government and Veterans Affairs Committee

February 8, 2001

Chairman Klein and Members of the Committee,

Dakota Resource Council urges passage of this bill, which would require a living wage for all workers on projects funded by state economic development assistance.

North Dakota's greatest need is not jobs, but income. Our state has very low unemployment, yet ranks 48th in average annual wages. Not only that, North Dakota's wages continue to fall in relation to wages in neighboring states. It has become commonplace to bemoan the fact that so many of our most gifted young people leave the state. Allowing the creation of more low-wage jobs in the state with public money completely fails to address the problem. Instead of creating income and wealth for North Dakota workers, using economic development money for low-wage jobs only reinforces poverty. Our state's economic development strategy must be to produce income, not just jobs. It is naive to expect that employers will raise wages voluntarily, as long as the state continues to subsidize the exploitation of workers by doling out economic development benefits to employers who pay less than a living wage. By passing HB 1383, the state legislature can reject the phony economic development of low-wage jobs, and insist on the real thing.