

1999 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1420

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1420

House Industry, Business and Labor Committee

Conference Committee

Hearing Date February 1, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-47.1
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes:

A Bill for an act to create and enact a new section to chapter 34-06 of the North Dakota Century Code, relating to the state minimum wage rate.

CHAIRMAN BERG called the hearing for HB 1420 to order with all members present.

1A: 1.5 REP. ELWOOD THORPE presented the bill. (See attached testimony and handouts from NDSU Extension Welfare Reform Task Force.)

1A: 6.5 SEN. TIM MATHERN testified in support of the bill. He discussed the intrinsic worth of people, and how a decent paying job is necessary to provide for their basic needs.

1A: 8.0 CHAIRMAN BERG asked if the bill sets out an adequate wage. Sen. Mathern said that it sets out the initiative to get to an adequate wage.

1A: 10.1 REP. MERLE BOUCHER testified in support of the bill. (See attached testimony.)

1A: 16.1 CHAIRMAN BERG said the Federal Reserve has done a study saying that inflation is overstated. He asked if Boucher believes the CPI correctly reflects inflation in North Dakota. Rep. Boucher said that he does.

1A: 16.9 JOHN RISCH, North Dakota Legislative Director of the United Transportation Union, testified in support of the bill. (See attached testimony and *Business Week* handout.)

1A: 21.6 REP. KEISER asked if this would ever be an issue again if the bill were passed. Mr. Risch said that the bill would be put into law, and it would be the legislature's option to change it.

1A: 22.8 SUSAN BEEHLER, small business owner and mother from Mandan, testified in support of the bill. She said that raising minimum wage is long overdue. She also commented that minimum wage affects mainly women.

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House Industry, Business and Labor Committee

Bill/Resolution Number 1420

Hearing Date February 1, 1999

1A: 27.9 RON NESS, ND Retail Association, testified in opposition to the bill. He said that raising the minimum wage is not the answer at a time when small businesses are struggling to survive. (See handout "Greenspan Opposes Minimum Wage".)

1A: 29.4 REP. KEMPENICH asked who benefits most from minimum wage. Mr. Ness said that he has tried for seven years to get the statistics from the Dept. of Labor, and that no one in the state has them.

1A: 39.8 DAVID KEMNITZ, ND AFL-CIO, testified in favor of the bill. He said that in order to participate in the economy, people need a higher wage.

1A: 40.5 KEVIN KICONAS, American Federation of State, County, Municipal Employees, testified in favor of the bill. He said the bill sets up a fair process for the future. Young people are leaving ND and going to the higher wage states.

CHAIRMAN BERG adjourned the hearing on HB 1420.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1420

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-3-99

Tape Number	Side A	Side B	Meter #
2		x	32.6
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes:

HB 1420

Chairman Berg opened the meeting on the bill.

Berg explained what the amendments do for the bill. The process will be streamlined.

Representative Ekstrom asked if the health and morals had to be included in the language.

Questions and discussion followed on the amendment. By adopting, indexing will not be used.

Moved by Representative Kempenich moved to do pass amendment, Second Representative

Froseth.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number Hb 1420

Hearing Date 2-3-99

By roll vote, 8 yes, 7 no, motion carried.

Moved by Representative Kempenich, Second by Representative Brekke do pass as amended

By roll vote, 8 yes, 7 no, motion carried.

Representative Johnson will carry the bill.

Chairman Berg closed the meeting on the bill.

Moved by Representative Brekke to reconsider the bill

By voice vote, all voting yes, 0 no, motion carried.

Moved by Representative Froseth to remove the amendment, Second by Representative

Kempenich

By voice vote, all voting yes, 0 no

Moved by Froseth to do not pass the bill, Second by Representative Kempenich

By roll vote, 10 voting yes, 5 voting no, motion carried.

Representative Johnson will carry the bill.

Chairman Berg adjourned the meeting.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1420 Amendment to: _____

Requested by Legislative Council Date of Request: 1-20-99

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

See attached.

- 2. State fiscal effect in dollar amounts:

Table with 7 columns: 1997-99 Biennium (General Fund, Special Funds), 1999-2001 Biennium (General Fund, Special Funds), 2001-03 Biennium (General Fund, Special Funds). Rows: Revenues, Expenditures.

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: _____
b. For the 1999-2001 biennium: _____
c. For the 2001-03 biennium: _____

- 4. County, City, and School District fiscal effect in dollar amounts:

Table with 9 columns: 1997-99 Biennium (Counties, Cities, School Districts), 1999-2001 Biennium (Counties, Cities, School Districts), 2001-03 Biennium (Counties, Cities, School Districts).

If additional space is needed, attach a supplemental sheet.

Signed Bob Meidinger

Typed Name Bob Meidinger

Date Prepared: 1-21-99

Department Office of Management and Budget

Phone Number 328-4992

HOUSE BILL NO. 1420

The data is only for agencies paid on the Office of Management and Budget's Central Payroll . This doesn't include the University System or The Bank of North Dakota because they have their own payroll systems.

Assumptions:

Total employees whose pay rate is less then \$5.50	166
Number of hours worked in July 1998	14,402
Total gross salary paid in July 1998	\$75,387.00
Average hourly rate	\$5.23

	<u>8/1/1999</u>	<u>1/1/2000</u>
Proposed minimum hourly rate	\$5.50	\$6.50
Average Hourly Rate 7/1/1999	5.23	5.23
Difference	<u>\$0.27</u>	<u>\$1.27</u>
Number of hours worked in July 98	<u>14,402</u>	<u>14,402</u>
Calculated monthly increase	\$3,889	\$18,291
Add Fica (.0765)	297	1,399
Additional monthly amount	<u>\$4,186</u>	<u>\$19,690</u>

		<u>General Fund</u>	<u>Special Funds</u>
1999-2001 Biennium			
Five months @ \$4,186=	\$20,930	\$10,172	\$10,758
18 months @ \$19,690=	\$354,416	\$172,246	\$182,170
Total	<u>\$375,346</u>	<u>\$182,418</u>	<u>\$192,928</u>
2001-2003			
24 months @ \$19,690	<u>\$472,560</u>	<u>\$229,664</u>	<u>\$242,896</u>

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1420

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact sections 34-06-09, 34-06-11, and 34-06-12 of the North Dakota Century Code, relating to the procedure for setting the amount of the state minimum wage.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 34-06-09 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

34-06-09. Conference to consider investigation by commissioner - Members, quorum, report - Federal minimum wage exception.

1. If, after ~~having investigated~~ investigating the matter, the commissioner ~~is of the opinion that~~ believes any substantial number of employees in any industry are working for unreasonably long hours or are working under surroundings or conditions detrimental to ~~their~~ the health or morals of those employees, the commissioner may call a conference for the purpose of considering and reporting on ~~such subject as may be submitted to it~~ the matter submitted to the conference. The conference must be composed of not more than three representatives of the employers in ~~that~~ the industry in question, of an equal number of the representatives of the employees in ~~that~~ the industry in question, of not more than three disinterested ~~persons~~ individuals representing the public, and of the commissioner or the commissioner's representative. The commissioner shall name and appoint ~~all the members~~ each member of ~~such~~ the conference. Two-thirds of the members of ~~any such~~ the conference constitute a quorum. The commissioner shall present to ~~such~~ the conference all information and evidence in the commissioner's possession or under the control of the department of labor which relates to the subject of the inquiry and shall cause to be brought before ~~such~~ the conference any witness whose testimony the commissioner deems material. After ~~completing its consideration of any inquiry~~ the conference considers the matter submitted ~~to it~~ by the commissioner, ~~such~~ the conference shall make and transmit to the commissioner a report containing ~~its~~ the conference's findings and recommendations on the subject matter.
2. Anytime the federal minimum wage changes, the commissioner may issue an order under section 34-06-12 setting the minimum wage at the same amount as the federal minimum wage without calling a conference under this section.

SECTION 2. AMENDMENT. Section 34-06-11 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

34-06-11. Consideration of report by commissioner -~~Hearing upon approval.~~ Upon the receipt of any report from any conference held as provided in section 34-06-09, the commissioner shall consider and review the recommendations contained in the report, and may approve or disapprove any of ~~such~~ the recommendations. The commissioner may resubmit to the same conference or to any new conference any subject covered by any recommendations ~~which~~ disapproved by the commissioner ~~has disapproved~~.

SECTION 3. AMENDMENT. Section 34-06-12 of the 1997 Supplement to the North Dakota Century Code is amended and reenacted as follows:

34-06-12. Order issued by commissioner - Posting. After the commissioner approves or disapproves the hearing conference recommendations as provided for in section 34-06-11 ~~has been held~~ or after the commissioner sets the amount of the state minimum wage under section 34-06-09, the commissioner may make and render any order necessary to adopt the recommendations, carry the recommendations into effect, and require all employers affected to observe and comply with the recommendations and order. An employer may not violate or disregard the terms or provisions of the order. The commissioner shall mail a summary of the order to every employer affected by the order. The employer shall keep a copy of the order posted in a conspicuous place in a commonly frequented area of the employer's establishment in which employees work."

Renumber accordingly

Date: _____
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1420

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Amendment

Motion Made By _____ Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		/
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom		/			
Rep. Froseth	/				
Rep. Glassheim	/				
Rep. Johnson	/				
Rep. Keiser		/			
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux		/			
Rep. Martinson		/			
Rep. Severson		/			
Rep. Stefonowicz		/			

Total (Yes) 8 No 7

Absent _____

Floor Assignment _____

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

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. _____

House Industry, Business and Labor Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass as amended

Motion Made By _____ Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		/
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom		/			
Rep. Froseth	/				
Rep. Glassheim	/				
Rep. Johnson	/				
Rep. Keiser		/			
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux		/			
Rep. Martinson		/			
Rep. Severson		/			
Rep. Stefonowicz		/			

Total (Yes) 8 No 7

Absent _____

Floor Assignment _____

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

Date: 2-3-99
Roll Call Vote #: 3

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1420

House Industry, Business and Labor Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken do not pass

Motion Made By Froseth Seconded By Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	/		Rep. Thorpe		/
Vice Chair - Kempenich	/				
Rep. Brekke	/				
Rep. Eckstrom		/			
Rep. Froseth	/				
Rep. Glassheim		/			
Rep. Johnson	/				
Rep. Keiser	/				
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux		/			
Rep. Martinson	/				
Rep. Severson	/				
Rep. Stefonowicz		/			

Total (Yes) 10 No 5

Absent _____

Floor Assignment Johnson

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

REPORT OF STANDING COMMITTEE (410)
February 9, 1999 10:05 a.m.

Module No: HR-26-2305
Carrier: N. Johnson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1420: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **DO NOT PASS** (10 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1420 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

HB 1420

Greenspan Opposes Minimum Wage

Last week, Federal Reserve Chairman Alan Greenspan testified before the House Ways and Means Committee and warned against Congressional action that might undermine our economic situation.

Greenspan testified that one of his major concerns is the proposed Congressional action to increase the minimum wage. He stated that the individuals who are most in need of employment (at lower income levels), developing skills and receiving training, are unable to earn the minimum wage, and as a consequence, are unable to find employment. Greenspan warned the Committee against thinking they can somehow raise the standards of living by mandating an increase in the minimum wage rate. He stressed the need for keeping our labor markets as flexible as possible and warned against impeding on an individual's ability to get training in order to move up the ladder.

"We cannot have a sophisticated capital market, we cannot have a sophisticated system overall, unless we have a flexible wage market," urged Greenspan, "I would say that—be careful about moving the minimum wage up inordinately. My own preference is—would be to lower it and in fact even eliminate it, because I think it does more damage than good. But I recognize I'm in a significant minority on that question."

Two bills to increase the minimum wage have already been introduced in this Congress. S. 192, introduced by Sen. Ted Kennedy (D-MA), and S. 8, introduced by Sen. Tom Daschle (D-SD), both include a minimum wage increase of \$1.00 per hour. NACS is vigorously opposed to any increase in the minimum wage and is working in conjunction with other organizations to kill these and any other bill introduced. ▲

COMMENTARY

By Aaron Bernstein

PEG THE MINIMUM WAGE—FOR GOOD

On Nov. 3, Washington State voters made economic history when they passed the first law to adjust the state minimum wage automatically for inflation every year. The law is likely to spur renewed action in Washington, D. C., where Democrats have been trying to index the federal minimum wage to consumer price hikes since the high-inflation 1970s. Senator Edward M. Kennedy (D-Mass.) proposed indexation when the minimum was lifted in 1996, but the proposal was dropped before the law passed. He's sure to try again now that there are more Democrats in the House and Republicans are desperate to appear more moderate.

Indexation makes sense both economic and political reasons. Recent studies have found that raising the minimum wage means the loss of few, if any, jobs, as long as it isn't too dramatic an increase. And making the adjustment automatic would at last stop the decades of political bickering.

But while indexing the minimum wage would solve many political problems, linking future increases to the wrong peg—inflation—might create some new economic ones. In particular, the supply of low-end jobs might suffer.

Indexing proponents frequently advocate the Consumer Price Index (CPI) as a wage peg because it's the most obvious and convenient benchmark. The government, for example, uses the CPI to calculate annual cost-of-living increases for Social Security payments. Bottom-end workers living on the edge of poverty, proponents argue, need a similar cost-sensitive system.

But there's a good reason not to use inflation as a minimum-wage peg: Raising wages of bottom-end workers faster than those of middle-income employees could price some minimum-wage workers out of the market, particularly as the economy slows. In the 1980s and early 1990s,

for example, the hourly wage of middle-income employees lagged behind inflation. If the minimum had risen over this period, it could have hurt the growth of low-skilled jobs. "Even economists who support a higher minimum worry about this," says Jared Bernstein, an economist at the

ductive, employers can afford to pay them more. And the most logical approach would be to tie the legal minimum to the efficiency gains of low-wage industries, such as fast food.

Unfortunately, the productivity peg is a wobbly one. Government figures on industry-level productivity aren't very good, especially in hard-to-measure service jobs where many minimum-wage workers are employed. **LEVEL BEST.** The next best thing, then, is to peg minimum-wage hikes to annual changes in average wages. That way, the fate of low-wage workers would be no worse than of those a few rungs up. If average workers manage to beat inflation, those on the bottom would do so, too. This would also be the least objectionable to employers of minimum-wage workers, since the increases would tend to be smaller (chart).

The most difficult indexing issue is picking the percentage of the average wage at which the minimum should be set. In other words, one wouldn't want to set a minimum so low that it would forever keep low-end wage earners in poverty. The Washington State referendum dealt with this by first raising the minimum to \$6.50 in 2000 and then indexing it. Backers chose \$6.50 because that's about the annual poverty line for a family of three today. However, it's still below the inflation-adjusted peak of \$6.81 the minimum hit in 1968.

Proponents of an average-wage index suggest starting at 50% to 60% of the private-sector hourly rate. Economics offers little help on picking the right number, since no one has figured out how to tell at what level significant job losses would start to occur. Still, a solution is possible: Pick a compromise level, do the math, and put a stop to the endless battles.

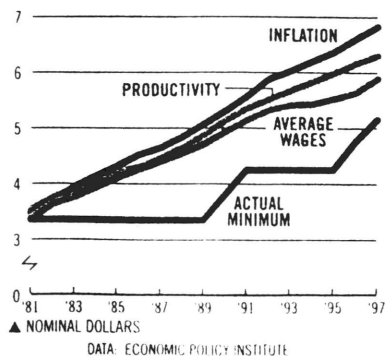


SERVICE IN SEATTLE: A model for the Feds?

Economic Policy Institute, a liberal think tank in Washington, D. C.

The ideal solution would be correlating wage gains to productivity gains. Tying the minimum to annual productivity hikes would cause the fewest economic distortions and would make the most economic sense. After all, if low-wage workers are more pro-

HOW INDEXING THE MINIMUM WAGE MIGHT LOOK



Bernstein covers labor issues for BUSINESS WEEK in Washington.

PAY CHECK

MYTH AND THE MINIMUM WAGE

ON SEPT. 22, THE SENATE nixed a Democratic proposal to again raise the minimum wage, with Republicans howling that it would be bad for small business. But surprisingly, small-business owners don't seem to agree.

That, at least, is the finding of a new study from the nonpartisan Jerome Levy Economics Institute at Bard College.

The authors surveyed 568 commercially and geographically diverse small businesses and found that the most recent minimum-wage hike, from \$4.75 to \$5.15 per hour in September, 1997, affected

hiring decisions at just 6.2% of the businesses. At most of the affected companies, owners reduced new hires. Only 0.33% laid anyone off.

Even a raise to \$6, the survey indicated, would slow new hiring at just 20% of the companies. "It shows there's

some room [for another increase], but there are also clearly limits," says Oren Levin-Waldman, one of the study's authors. Some experts say the survey avoids the pitfalls of other such studies by relying on employer responses

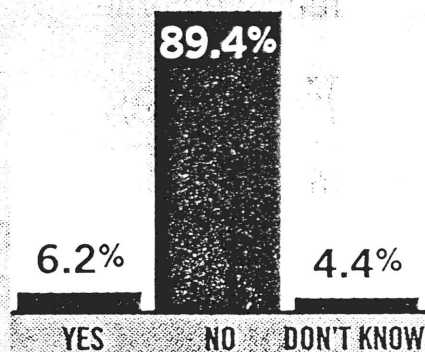
and not focusing on teenagers or food service.

The minimum wage currently totals \$10,712 annually—or \$2,090 below the poverty line for a family of three.

Edith Updike

LITTLE IMPACT

DID THE RECENT INCREASE IN THE MINIMUM WAGE AFFECT YOUR HIRING OR EMPLOYMENT DECISIONS?



DATA: JEROME LEVY ECONOMICS INSTITUTE

united transportation union



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JOHN R. RISCH
Legislative Director
DAKOTA LEGISLATIVE BOARD

Testimony of John Risch
Before the House
Industry Business and Labor Committee
In Support of
House Bill 1420
February 1, 1999

Mr. Chairman and members of the committee, my name is John Risch. I am the North Dakota Legislative Director of the United Transportation Union. The UTU is the largest rail labor union in North America. Our membership includes conductors, engineers, switchmen, trainmen and yardmasters.

I've served as chairman of our state minimum wage board under both Republican and Democratic/NPL Labor Commissioners. I'm a supporter of the current North Dakota process of having the state Labor Commissioner address the minimum wage issue. This bill if passed would aid the commissioner by providing him with a timetable and guidelines for future increases.

That being said HB 1420 is a good proposal from both an economic and a political standpoint.

From an economic standpoint the best time to raise the minimum wage is when unemployment and inflation rates are low. When unemployment levels are low, most employers are forced to pay higher than the minimum wage to compete for workers, so raising the standard at this time will have little effect on overall wage rates and inflation.

Now is also a good time to raise the minimum wage rate in North Dakota because of the positive impact it will have on farm families. Because of low commodity prices many farm families increasingly depend on off farm income to make ends meet. With farm work demands most farmers can only work part-time jobs, which have the highest incidence of minimum wage pay. So raising the minimum wage will help many struggling farm families make it through these difficult economic times.

While raising the minimum wage is a good idea, HB 1420 does it in a particularly well thought out manner. That's because it moderately increases the minimum wage in two stages and indexes it at least partially to the rate of inflation.

Most economists believe and most recent studies have found that moderate increases in the minimum wage do not have an adverse effect on employment levels. More simply stated this bill will not cost jobs.

From a political standpoint indexing the minimum wage would take the politics out of future increases. As legislators you might ask yourselves. Do we really need a big political fight every time the minimum wage is discussed?

It's important to index the minimum wage to the rate of inflation to prevent what happened in the 1980s when the wage rate stayed stagnant for a decade. Inflation then eroded the 1980 minimum wage of \$3.35 to where it only purchased \$2.35 in 1980 goods by 1990.

Keep in mind, most of North Dakota's employers treat their employees fairly and pay more than the current \$5.15 per hour. Those employers will benefit from raising the minimum wage because it will require their competitors to pay higher wages, and help level the economic playing field.

While a higher minimum wage will certainly help our state's working poor, North Dakota taxpayers will also benefit. This bill provides for a \$6.50 minimum wage rate in the year 2000, which is about what the poverty rate for a family of three is today. The more jobs we have paying above the poverty level the fewer of our state's working poor will qualify for government assistance, thus reducing the amount of money we need to spend on food stamps, AFDC and other government welfare programs.

If we want our state's poor to believe that working is better than welfare. If we want to help many farm families hang onto their farms. If we want to take politics out of future minimum wage debates.

Then it's time we raised the minimum wage in the fashion out lined in this bill.

I urge a "DO PASS" on HB 1420.

saved:1420

TESTIMONY FOR HB 1420
Prepared by Representative Boucher
Monday- February 1, 1999

Chairman Berg and member of the Industry, Business and Labor Committee. For the record I am Representative Merle Boucher from District 9, Rolette County.

Even though in today's wage environment we are seeing a very significant number of entry level and lower skill level jobs paying more than the current minimum wage, it is still important that the state maintain a responsible minimum wage law. This is an issue that has been visited very frequently and one that is subject to ongoing change.

As we all well know the cost of living changes, and unfortunately typical movement is upwards. Even during stable economic times, such as for the past several years, when we have minimal inflationary advances the cost of living still advances at a rate of 2 - 3 %. Though these numbers might indicate that these amounts are relatively insignificant, I must caution you that these rates compound themselves and also our benchmark numbers are all ready quite high, so in the final analysis raises are significant.

Members of the Industry, Business and Labor Committee HB 1420 is an appropriate recommendation and I urge that this committee gives this bill a DUE PASS.

Testimony
HB 1420
Rep. Elwood Thorpe

Chairman Berg and Committee Members:

I am Rep. Woody Thorpe, and I am speaking on behalf of House Bill 1420. This legislation would raise the state's minimum wage from \$5.15 to \$6.50 per hour, indexed to the consumer price index. It is similar to a bill passed in 1997 in the state of Washington.

There are compelling reasons for introducing this bill; I want to touch on just a few.

North Dakotans have a national reputation for their work ethic; unfortunately the state is also known for having one of the lowest paid work forces in the country. How can that be, and how can we change that?

I have a handout from the NDSU Extension Welfare Reform Task Force that estimates the monthly wage necessary for a single mother with two children to make ends meet. That wage is \$13.85 per hour, or \$26,556 per year. Contrast that with what she would make at \$5.15 per hour - \$10,300 per year!

North Dakota's labor market has a high proportion of jobs in the service sector. These jobs are primarily minimum to low wage jobs. Nationally, women employed in services earned a median hourly wage of \$6.60 per hour; men earned \$8.93 per hour. North Dakota's wages for corresponding jobs is lower than the national average.

We need to do something to raise the overall level of salaries to keep our young people here, and we need to do something to make sure that those working here can make a decent living. The Governor himself has proposed dramatic salary increases for some elected officials and agency heads to remain competitive with other states. We should

address the other end of the spectrum, particularly with the emphasis in welfare reform to move people off assistance and into the workforce.

Many farm families are in crisis now; maybe we can help them by raising the wages in their off-farm jobs. The Minot visioning plan has a goal to increase private-sector earnings per job by two percent above the national average each year. The state should have a goal to raise the earnings of its workers, and an increase in the minimum wage will help.

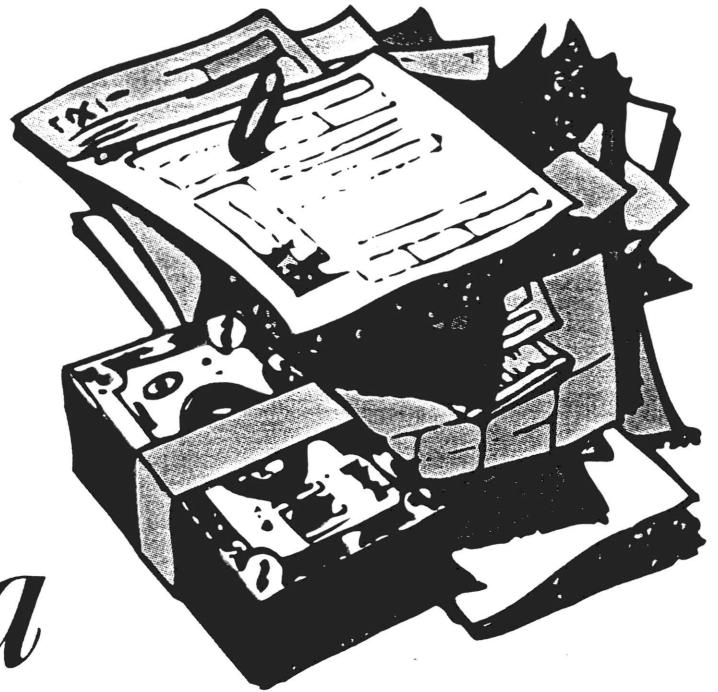
Minimum wage workers are not just teens working to buy a car or stereo; they are adults and families struggling, many at multiple part-time jobs without benefits, just to make ends meet. Yes, we hope that they can get the training to move into better paying jobs, but what do they do in the meantime?

I ask you to put yourself in the shoes of these people. I also ask you to take a hard look at the future of the state. We want the reputation of having good workers, but do we want the reputation of having cheap labor?

Thank you for this opportunity to state my case – this bill not only benefits workers — it benefits North Dakota.

Rep. Elwood “Woody” Thorpe

Making Ends Meet in North Dakota



NDSU Extension Welfare Reform Task Force

Burleigh Cty. Extension Office
514 East Thayer Ave.
Bismarck, ND 58501

What would it take for an employed mother with two children to meet her monthly bills in North Dakota without relying on government assistance?

Welfare reform has mandated the dual challenges of moving recipients off public assistance into employment and limiting access to public assistance for a lifetime total of only 60 months. However, these changes in the social safety net assume not only that enough jobs will be available, but that they will pay sufficiently to end any further need for assistance.

So there are two questions to be answered: What is the amount of monthly income necessary to support a family without having to fall back onto public assistance? And, is North Dakota's economy producing the kinds of full-time employment opportunities which will eliminate the need for assistance?

Calculating a Cost of Living Budget

Since the beginning of this century there have been efforts to determine the minimum costs of meeting a family's monthly needs. Typically, these efforts were based on actual household spending (frequently urban households) as reported in surveys or diaries.

Today, the discussion of a living wage arises in part from the inability of the current minimum wage to provide an income adequate for a family to live above the poverty line. These debates are about whether businesses applying for government grants or subsidies should be paying a wage sufficient to keep their workers above the poverty line, eliminating the need for their employees to seek further government assistance.

A living wage is that amount of earnings necessary for a family to meet minimum monthly costs. Typically included in this are the costs for housing and utilities, food, child care, transportation, and basic household and personal care items. Not typically included are costs for things such as entertainment, birthday or other gifts, toys, tobacco products, or alcohol.



Existing models figure these costs in order to calculate what a family must earn to meet a minimum monthly budget. Typically, advocacy groups calculate these for urban areas, especially those with upcoming or pending living wage legislation. However, because costs are not the same in rural and urban areas, the results are not generalizable across the geographic spectrum.

Differences in the local cost of living vary not only by region, but also by rural and urban residence. In urban areas, public transportation is available not only for getting to and from work, but also for doing grocery shopping, visiting a doctor, or many other purposes. But in rural areas, public transportation is rare. The only way for an individual to get around in most rural communities is by personal transportation, whether owning one's own vehicle or sharing a ride with someone who does.

Further evidence of this disparity can be found in the 1994-1995 Consumer Expenditure Survey. Food represents 12 percent of urban but 13.3 percent of rural household expenditures. Utilities are 5.8 percent of urban but 7.2 percent of rural household costs, and gasoline is 2.6 percent of urban but 3.9 percent of rural monthly household expenditures.

What, then, would it take for an employed mother (age 24) with two children (age four and six) to meet her monthly bills in North Dakota without relying on government assistance?

The majority (designated*) of the information on costs associated with essential living items was collected by a team of students assigned to the PEPP (People Escaping Poverty Project) in the Fargo-Moorhead area. In a few instances when local data were not available, reasonable estimates were derived from the 1996, Third Quarter Consumer Expenditure Survey for the Midwest region. Food Costs were taken from the USDA Cost of Food at Home, Thrifty plan, September 1997 for a female age 20-50 and two children, aged four and six.

The estimated cost of living for an employed single mother with two children in North Dakota is \$511 a week, \$2,213 a month, or \$26,556 a year. To meet her monthly cost of living, a single mother must earn a take-home wage of \$12.77 an hour.

The estimated monthly cost of living for a family of three in North Dakota

Item	Monthly Cost
*Housing (rent, insurance, utilities)	\$ 443
*Phone	30
Food	262
*Child care	580
Household, Personal care items, and Clothing	284
Transportation (car payment)	150
*Gasoline, repair, insurance	180
*Health Care (insurance, prescriptions, etc.)	284
Total per month	\$ 2,213
Total per year	\$26,556

*Based on local information

Adding OASDI and Medicare taxes, which are deducted regardless of income level, the necessary minimum monthly income would rise to approximately \$2401 or \$28,808 per year. This would require an hourly wage of \$13.85 per hour for full time work for a year in order to both meet a minimum monthly budget and pay these taxes.

\$13.85/hour
40 hours/week
52 weeks/year
to make ends meet

Opportunities in North Dakota's Economy

Over the last year, North Dakota's economic news has been mixed. Unemployment is at its lowest and job growth at its highest in several decades, yet the per capita income for North Dakotans in 1993 was \$17,100 compared to the national per capita income of \$20,800.

Given this, what are the prospects of low-income North Dakotans enrolled in TANF (Temporary Assistance to Needy Families) achieving the stated goal of the program - economic self-sufficiency?

According to "Women at Work: A Changing Environment" (Job Service North Dakota, 1995), the median weekly full-time income for a female aged 16-24 was \$275 or \$6.88 an hour. For women aged 25-34, the median weekly income was \$403, or lightly over \$10.00 per hour. Median full time income for men in these age groups was \$7.58 and \$12.25, respectively.

Relying on average wages masks the earnings differences for men and women, by educational level, and by employment sector. In 1990, the median hourly wage of all North Dakota women employed full-time was \$8.70 an hour compared to \$12.13 for men. These figures rose to \$10.15 for women and \$13.45 for men in 1995.

Job Service North Dakota shows that the three largest types of employers in North Dakota are services, retail trade, and agricultural. Women are more likely than men to be employed in services and retail trade than in agricultural. In 1995, the national median weekly earnings for service industries was \$264 for females (\$6.60 per hour) and \$357 for males (\$8.93 per hour) - and it was \$330 (\$8.25 per hour) for females and \$579 for males (\$14.48 per hour) employed in sales.

Recently, the minimum wage was increased to \$5.15 an hour. If a single mother worked 2,000 hours a year, the standard for full-time employment, at the current minimum wage, she would earn only \$10,300 a year before taxes. If this single mother had two dependent children, these wages would not bring her and her children above \$13,650 a year, the current poverty threshold for a family of three. This means that to meet the basic cost of living in North Dakota for a family of three, a single working mother would need to earn an **additional** \$8.89 an hour, or \$1542 a month or \$18,500 a year **on top of minimum wage** (based on 2000 hours). At the current minimum wage, this would require our single mother to work an additional 69 hours every week, just to meet the most basic monthly cost of living budget without further assistance.

If the employer offered health insurance or other benefits, the monthly cost of living for this family would decrease dramatically — over \$200 a month if health insurance were provided. And arrangements may be available for day care that costs much less than the average price of nearly \$600 a month for two pre-school children. Food Stamps are another resource that can extend the earnings of limited resource individuals and families.

In addition, housing costs may be much lower in rural areas, but food and transportation may be higher. For this analysis, we have chosen to highlight

the Fargo-Moorhead area because it is one of the larger communities in the state where jobs are available.

Conclusions

How much does an employed single mother with two dependent children living in North Dakota need to earn in order to meet her family's monthly needs? And, how likely is this mother to find employment that meets this monthly budget without also needing government assistance? This analysis demonstrates that even presuming employment opportunities in North Dakota, there is likely to be a significant gap between earnings and the actual cost of meeting a monthly household budget for the typical family currently receiving public assistance (i.e. a single mother with two dependent children not receiving child support).

North Dakota's labor market is heavily weighted toward the services sector, which has a high proportion of minimum to low wage jobs. These are jobs unlikely to provide wages at the \$13.10 an hour before taxes necessary for a single mother with two dependent children to live without additional assistance. Yet the opportunity for welfare recipients to move into jobs with adequate pay is the key assumption upon which the success of welfare reform depends.

North Dakota adults currently receiving public assistance and required to move into the labor force as quickly as possible face a labor market where jobs, when they can be found, will likely be at or just above minimum wage. Yet since the majority of TANF cases are single parent families — typically single mothers — they will need to find employment that pays enough wages to meet their monthly costs of living.

This analysis indicates that with welfare reform, North Dakota's employed single mothers living in rural areas are facing even greater challenges in meeting their families' minimum needs. The analysis also highlights an unanswered question: If individuals are employed full time but still do not earn enough to meet their families' monthly costs of living, how do they close the gap between earnings and monthly costs, especially after exhausting their 60-month lifetime limit of assistance?

Percent of 1998 poverty income guidelines for all states (except Alaska and Hawaii) and the District of Columbia.

Household Size	100%	120%	130%	133%	185%	275%
1	8,050	9,660	10,465	10,707	14,893	22,138
2	10,850	13,020	14,105	14,431	20,073	29,838
3	13,650	16,380	17,745	18,155	25,253	37,538
4	16,450	19,740	21,385	21,879	30,433	45,238
5	19,250	23,100	25,025	25,603	35,613	52,938
6	22,050	26,460	28,665	29,327	40,793	60,638
7	24,850	29,820	32,305	33,051	45,973	68,338
8	27,650	33,180	35,945	36,775	51,153	76,038
9	30,450	36,540	39,585	40,499	56,333	83,738
10	33,250	39,900	43,225	44,223	61,513	91,438
Each additional	2,800	3,360	3,640	3,724	5,180	7,700

Federal Register – February 24, 1998. Vol. 63, No. 36, pp 9235-9238.

Sampling of programs in which eligibility is partially based on Federal Poverty Guidelines.

- Head Start 100% of poverty or below
- Food Stamps Gross income less than 130% of poverty
- Free School Breakfast and/or Lunch 130% of poverty or below
- Reduced price School Breakfast and/or Lunch 130% - 185% of poverty
- Medical Assistance Income below 133% of poverty
- WIC (Woman, Infants & Children) Income below 185% of poverty

For North Dakota programs on Child Care Assistance and TANF (Temporary Assistance for Needy Families) contact your local Social Services office.

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Comments and suggestions on the content of this manuscript are appreciated.

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Credits

Thanks given to The Living Wage Team, students from Moorhead State University's Introduction to Women's Studies class, for the information on living wages in the Fargo-Moorhead area.

Adapted from
"The Bottom Line: Making Ends Meet in Rural Kentucky,"
 University of Kentucky, College of Agriculture,
 January 1998.



FS-577

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200-4-98; 500-6-98; 1M-7-98

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Minot Daily January 22, 1999