

Every Job a Path to Opportunity



BY MARILYN WATKINS, PH.D.

Executive Summary

Washington state has gained jobs at a faster rate than most other states since the Great Recession, but the majority of working families are not benefitting from the economic boom. While high tech companies are attracting thousands of newcomers with promises of high compensation, pay for the typical worker is not keeping up with rising costs. Many of the job openings across the state over the next five years will be in occupations that now pay less than \$14.00 an hour – too little for even a single adult working full time to cover the basics in much of the state. Meanwhile, costs for childcare, college tuition, healthcare, and housing continue to escalate.

Growing economic inequality compounds racial and gender inequities, constricts pathways of opportunity, and deepens divisions in our society and democracy. We all lose, with less innovation, economic vibrancy, and cultural richness because so many are denied the chance to reach their full potential and pursue their dreams.

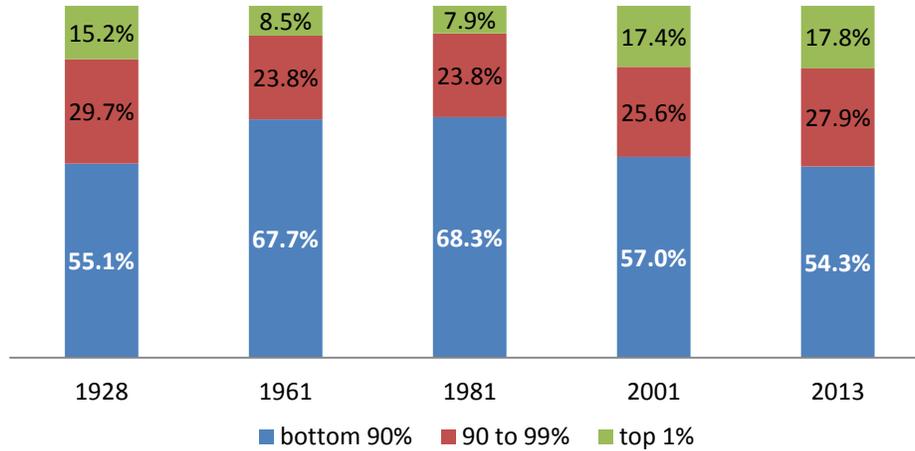
It doesn't have to be this way. Our elected leaders make the rules for our economy. At the state level, we can also change laws directly through initiatives. That means our votes – for President, Congress, Governor, state Legislature, and on initiatives – ultimately decide who wins and who loses economically. Together, we can change economic policies so that every job provides a pathway to opportunity and supports a thriving economy.

Growing Inequality and the Squeeze on Working Families

From the 1930s until 1980, income inequality shrank in the United States, thanks to the New Deal and later policies that instituted a minimum wage, supported labor unions, reduced many forms of overt discrimination, opened college access, invested in infrastructure and scientific research, and created programs like Social Security, Medicare, and Medicaid. Through this period, standards of living and access to opportunity improved for nearly everyone up and down the economic ladder. Shifts in policy since the 1980s, in contrast, have allowed the rich to grow fabulously wealthy at the expense of everyone else.

These trends have played out in Washington state, too. Since 1981, the bottom 90% have lost a significant share of income, while the top 1% have more than doubled their share and the rest of the top 10% has gained a little. Since the official recovery from the Great Recession began in 2009, average incomes of the top 1% in Washington have increased by 21.6%, but average incomes for everyone else continued to fall through 2011 and remain a little below the 2009 level.¹

SHARE OF ALL INCOMES HELD BY INCOME GROUP, WASHINGTON STATE, SELECT YEARS 1928-2013

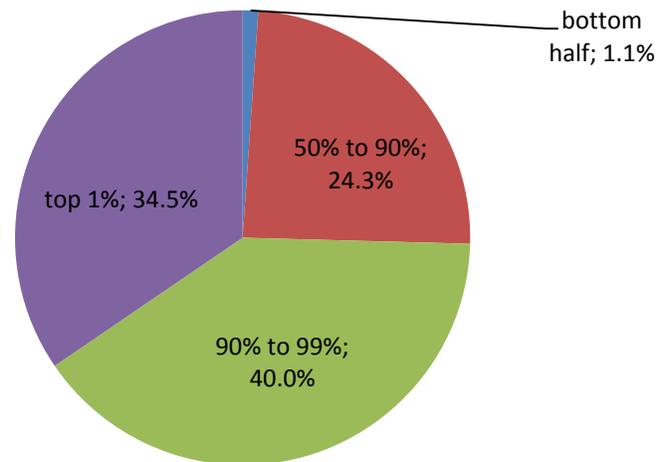


Source: Sommeiller, Price, and Wazeter, *Income Inequality in the U.S.*, 2016

Prior to 1973, wages for the typical U.S. worker increased at the same pace as gains in productivity. Between 1973 and 2014, in contrast, wages rose only 9% despite a 72% increase in worker productivity.² CEOs and other top executives took the lion’s share of that increase. By 2015, CEOs at S&P 500 companies were paid 335 times more than the typical production or nonsupervisory employee. That ratio was just 34 to 1 in 1980.³ CEOs of public companies in the Northwest enjoyed a 34% pay boost in 2015 alone, to a median annual compensation of \$2.1 million.⁴

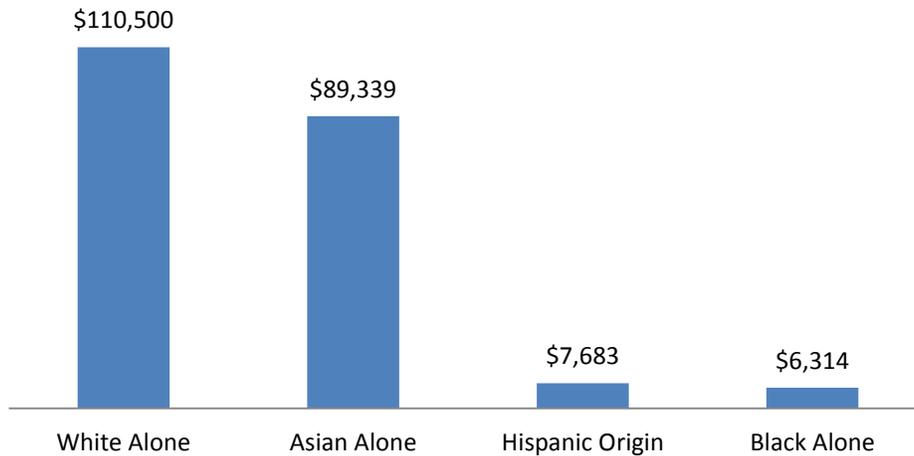
Wealth – that is assets such as home equity, other property, and savings, minus debts – is even more highly skewed than annual income. The top 10% of households own three quarters of all wealth in the U.S., while the bottom half own just 1%.⁵ White households have far more wealth than households of color.⁶

SHARE OF WEALTH, US HOUSEHOLDS 2010



Source: Congressional Research Service, *“An Analysis of the Distribution of Wealth Across Households,”* 2012

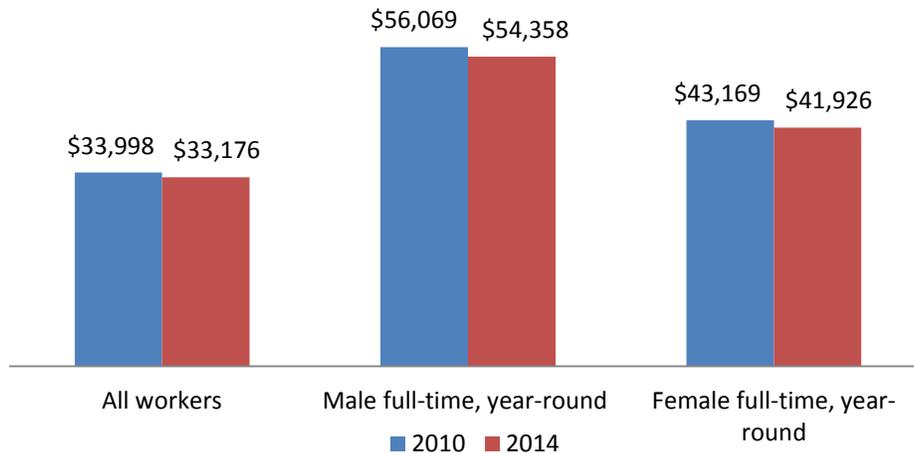
MEDIAN VALUE HOUSEHOLD ASSETS BY RACE OF HOUSEHOLDER, U.S. 2011



Source: U.S. Census Bureau detailed tables on wealth and asset ownership, 2011

Between 2010 and 2014, median income for Washington households rose only about \$1,000, from \$60,306 to \$61,366, once adjusted for inflation. During that same period, real earnings for the typical worker actually declined, by \$1,700 annually for men working full-time and more than \$1,200 for women.⁷

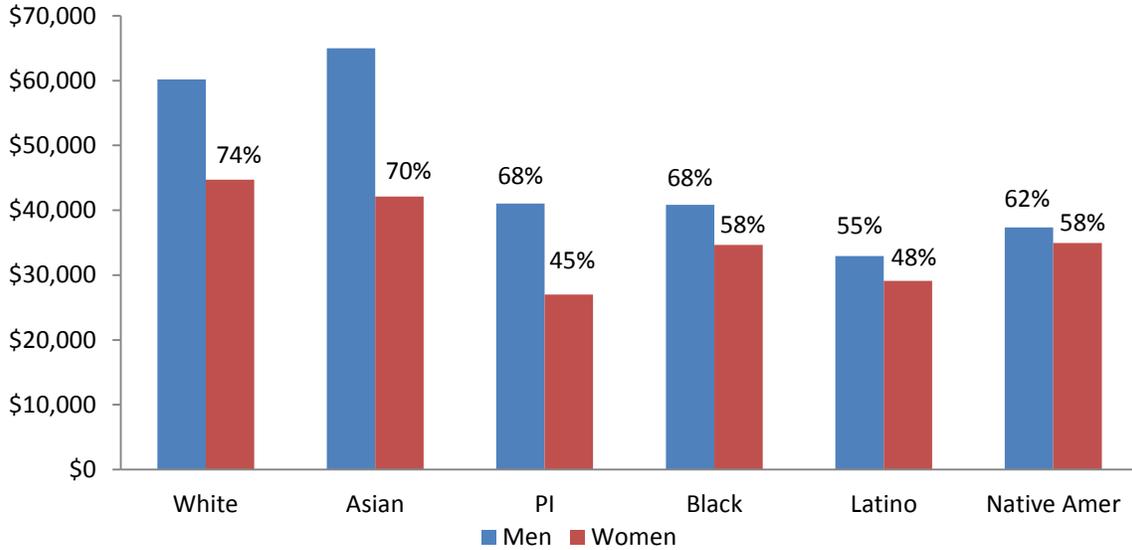
MEDIAN EARNINGS, WASHINGTON WORKERS, 2010 AND 2014, IN 2014 DOLLARS



Source: U.S. Census Bureau, 2014 American Community Survey data

The gender and racial gap in earnings also remains large, undermining family economic security and community prosperity.⁸ While many factors are involved in these wage gaps, multiple studies have documented persistent biases among managers that result in women of all races and men of color being less likely to be hired or promoted, and offered lower starting wages when they do get a job than their white male counterparts.⁹

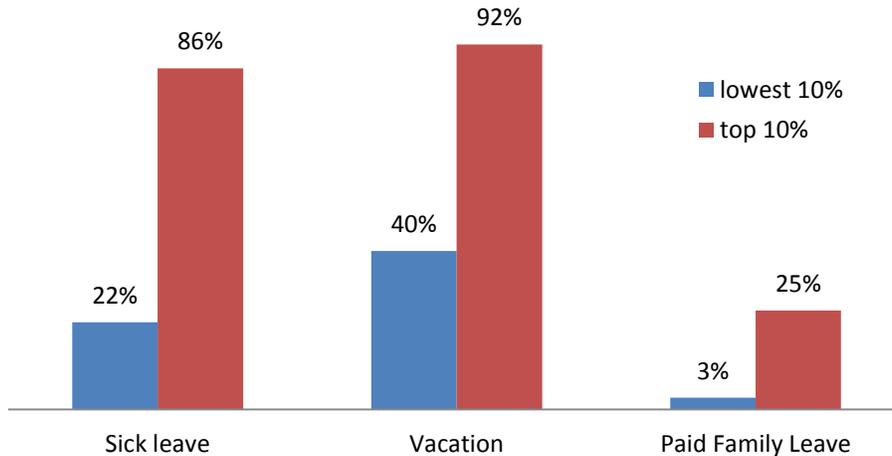
MEDIAN ANNUAL EARNINGS FOR FULL-TIME YEAR-ROUND WORKERS, WASHINGTON 2014: % OF WHITE MEN'S EARNINGS



Source: U.S. Census Bureau, 2014 American Community Survey data

Along with cash salary and wages, workplace benefits make a big difference in financial security and the ability of working people to keep themselves healthy and care for their families. For the most part, access to benefits, including retirement plans, high quality health insurance, and paid leave, remains highly correlated with wages. In the U.S., the highest paid workers usually also get both paid sick leave and vacation, while only 22% of the lowest paid workers are provided paid sick leave by employers.¹⁰ That means the workers who can least afford time off without pay are forced to choose between losing income needed to cover the basics or going to work when they are sick or have an ill child.

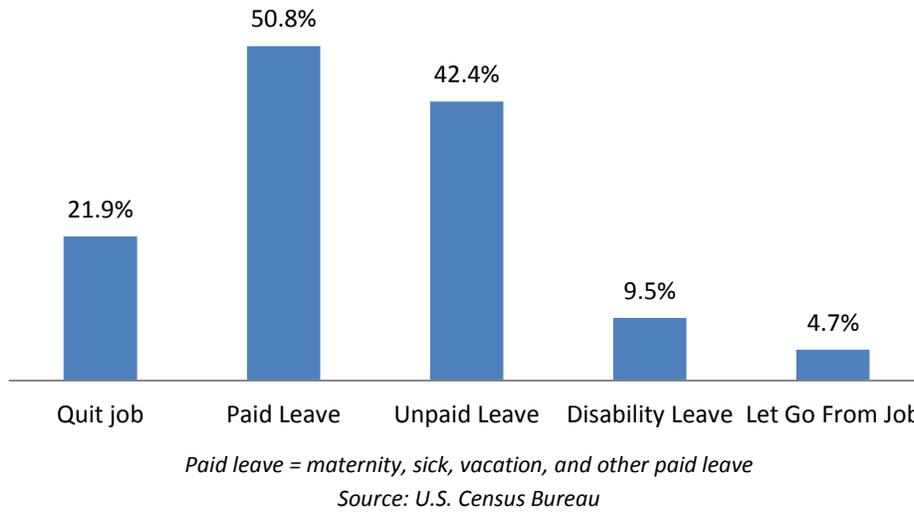
ACCESS TO PAID LEAVE AMONG WORKERS WITH LOWEST 10% AND TOP 10% OF WAGES, U.S. PRIVATE SECTOR, 2015



Source: U.S. Bureau of Labor Statistics, National Compensation Survey

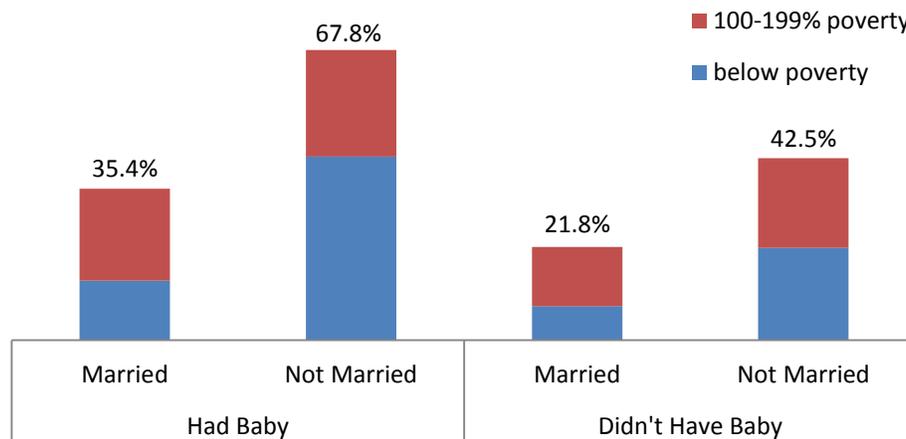
A separate family leave benefit is rare – except for the most privileged workers – outside of the four states with statewide disability and family leave insurance programs.¹¹ While about half of first-time mothers who work during pregnancy get some paid leave, most are forced to cobble together too-short maternity leaves from saved up sick leave and vacation and as much unpaid time off as the family can afford.¹² A recent study found that one in four U.S. women go back to work within two weeks of childbirth.¹³

MATERNITY LEAVE ARRANGEMENTS FOR FIRST-TIME U.S. MOTHERS, 2006-2008



The combination of women’s lower pay and lack of paid leave seriously undermines family economic security. Women who have had a baby in the past twelve months are considerably more likely to be poor or low income than those who have not had a baby. In Washington, more than one in three married women and two-thirds of unmarried women who gave birth in the past year have incomes below 200% of the federal poverty level. Altogether 19.3% of Washington children under the age of 5 live in poverty, with profound lasting negative effects on young children’s social, emotional, and physical health, including interfering with brain growth and development.¹⁴

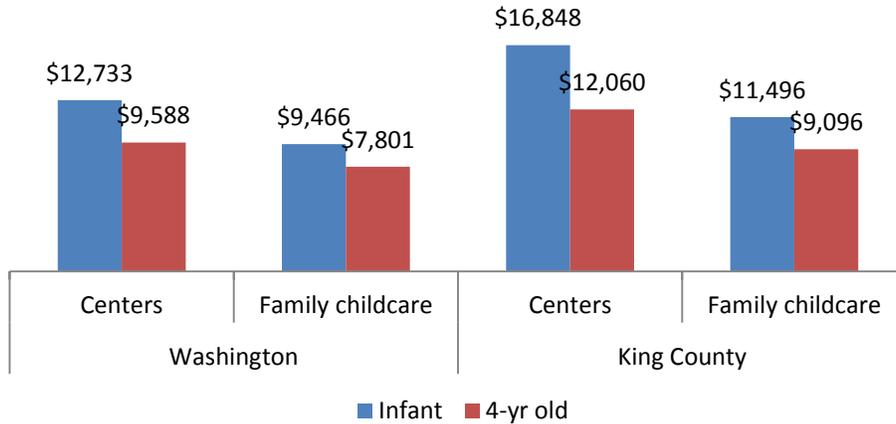
POVERTY AND LOW INCOME STATUS OF WOMEN WHO HAD A BABY IN PAST 12 MONTHS, WASHINGTON WOMEN AGES 15-50, 2014



Source: U.S. Census Bureau, American Community Survey 2014

While wages for most workers stagnate, basic family costs continue to rise. The cost of purchasing a home has increased faster in Washington in the past year than in any other state.¹⁵ Rents are also rising – the average listing price for a two bedroom apartment in June 2016 was \$1,574 in Washington and \$2,442 in Seattle.¹⁶ Washington now ranks 6th in the nation for least-affordable infant care costs.¹⁷ Average cost for infant care in Washington consumed 29% to 38% of median state earnings in 2014. In King County, with both higher median earnings and higher costs, the percentages are similar.¹⁸ Center-based infant care in Washington now costs more than annual tuition and fees at the University of Washington, despite that fact that childcare teachers are paid extremely low wages.¹⁹

AVERAGE ANNUAL COST OF CHILD CARE, WASHINGTON AND KING COUNTY, 2014



Source: Child Care Aware of Washington

Washington’s current minimum wage of \$9.47 is not enough for a single adult working full-time to meet basic expenses of housing, food, transportation, health care, and other necessities in any part of the state. Median earnings for women who work full-time year-round in the state are not enough for a single mother to support one child – and 21% of Washington children live with a single mother.²⁰

WHAT IT COSTS TO GET BY: HOURLY AND ANNUAL INCOME NEEDED TO PAY BASIC EXPENSES AND MEDIAN EARNINGS IN WASHINGTON COMMUNITIES, 2015

Area	Single adult		1 adult, 1 child		2 adults, 2 children		Median earnings	
	Hourly* (at full time)	Annual	Hourly* (at full time)	Annual	Hourly* (at full time)	Annual	All workers	Women working full-time, yr-round
Bellingham/Whatcom	\$13.27	\$27,611	\$23.52	\$48,923	\$32.34	\$67,273	\$25,645	\$35,467
Olympia/Thurston	\$14.83	\$30,854	\$24.34	\$50,621	\$32.99	\$68,621	\$36,251	\$45,950
Seattle/King	\$15.44	\$32,122	\$26.42	\$54,945	\$34.75	\$72,274	\$41,672	\$50,726
Spokane	\$11.98	\$24,913	\$22.02	\$45,797	\$30.44	\$63,323	\$28,849	\$36,938
Tacoma/Pierce	\$14.05	\$29,224	\$24.99	\$51,987	\$33.64	\$69,970	\$33,800	\$40,398
Vancouver/Clark	\$14.49	\$30,141	\$24.40	\$50,748	\$33.01	\$68,652	\$31,875	\$39,540
Wenatchee/Chelan	\$12.26	\$25,508	\$22.75	\$47,322	\$31.38	\$65,270	\$24,482	\$35,923
Yakima	\$12.10	\$25,178	\$21.90	\$45,560	\$30.56	\$63,560	\$22,845	\$30,584

*Assuming full-time, year-round. Source: Economic Policy Institute, Family Budget Calculator, U.S. Census Bureau, American Community Survey 2014

Making Every Job a Pathway to Opportunity

Our modern economy is enormously complex and requires the skills and contributions of millions of people to function. The occupations projected to have the most job openings in Washington over the next five years include computer-related and business jobs that usually come with high pay and full benefit packages, and family-wage jobs in construction and healthcare. However, the top 25 list also includes tens of thousands of positions in fast food, restaurants, retail sales, personal care, and office administration, where current wages are barely enough to support a single person, let alone a family.²¹

Public policy choices over the past four decades have allowed a wealthy few to acquire most of the fruits of economic growth. We can change policy choices to ensure that every job provides a living wage and every worker receives a fair share of the wealth they help create. Fortunately, we have proven models that we know succeed not only in boosting wages and family economic security, but also in diminishing the gender and racial inequities that now constrain opportunity.

1. Raise the floor with a higher minimum wage and paid sick leave as a basic workplace standard.

In 1998, Washington voters approved an initiative making Washington the first state to institute an automatic cost of living increase on the minimum wage. Sixteen other states have followed suit. Currently 30 states have minimum wages above the federal level and seven have a minimum wage higher than Washington's. Seattle, Tacoma, and Sea-Tac are among the 25 local jurisdiction across the country that have higher minimum wages than their states.²²

More recently, close to 30 cities (including Seattle, Tacoma, Sea-Tac, and Spokane) and 5 states (California, Oregon, Connecticut, Massachusetts, and Vermont) have enacted paid sick leave standards, ensuring workers have the opportunity to earn paid leave so they can stay home when sick, rather than spread their germs, deal with the health needs of their families, or seek safety from domestic violence or sexual assault.²³

Because so many states and localities have raised their minimum wages at different times, we have a significant body of data on the impacts. The bulk of research shows that raising the minimum wage increases income for low wage workers – who are disproportionately women and people of color of all ages – and their families. It also reduces turnover, which increases productivity and reduces costs for employers, a significant factor in explaining how employers are able to pay higher wages with no discernible change in employment numbers and minimal impact on prices and profits.²⁴ The results from enacting paid sick leave laws have been similar.²⁵

Initiate 1433, if approved by voters in November 2016, will ensure that all workers everywhere in the state are able to earn at least one hour of paid sick and safe leave for every 40 hours they work and raise Washington's minimum wage in four steps to \$13.50 in 2020.²⁶

2. Establish a statewide paid family and medical leave program.

A few times in their careers, people need to take longer leaves from work - when they have a new child, are diagnosed with cancer, or a parent has a stroke. Five U.S. states (California, New York, New Jersey, Rhode Island, and Hawaii) have long-established temporary disability insurance systems that provide all workers with wage replacement when illness, injury, or recent childbirth prevent them from working. All but Hawaii have added a family leave component that allows all new parents time to bond with a new child and workers to care for critically ill family members. The programs are funded through payroll contributions from employees and employers, varying by state.

Public health researchers have concluded that establishing paid parental leave for all new parents is key to reducing infant mortality – currently higher in the U.S. than in any other economically developed country – and to overcoming health disparities by income and race in the U.S. A significant portion of the determinants of a child's lifelong health is established by the age of two.²⁷

In the states that have paid family and disability leave programs for all workers, new mothers and babies are healthier, women are more likely to be back at work and making higher pay a year following childbirth, and new parents are less likely to go onto public assistance than in the states without programs. Fathers also take longer leaves, which boosts both the child's long term social and intellectual development and the mother's long-term earning potential.²⁸ With both the workforce and general population aging, providing temporary disability leave and leave for family care is also vital to maintain the health and improve the quality of life for older adults.

Washington's came close to establishing a paid family and medical leave program in 2007, but the legislature balked at approving a payroll premium, and the Great Recession and attendant state budget crisis diverted attention. In 2015, Washington was one of several states to win a research grant from the U.S. Department of Labor, which includes a public opinion poll, cost modeling of policy options, and analysis of the likely impact of a Washington paid family leave program on public assistance usage by new parents. The Work and Family Coalition and policy makers are using the results to develop a new proposal for a state family and medical leave insurance program. Passage should be a top legislative priority in 2017.

3. Update tools for achieving equal pay and job opportunities.

Discrimination in pay and employment on the basis of gender or race has been illegal for decades, yet the gender and racial wage gaps are shrinking only slowly. Workers must now prove that their employer intended to discriminate, and wage secrecy practices that prevail in the private sector prevent people from knowing what others doing similar work are paid.

Many states have already passed laws that protect workers' rights to discuss compensation with their coworkers and changing the burden of proof to require employers to show legitimate job-related reasons for differentials in pay. Massachusetts' new equal pay law also prohibits the practice of employers asking for previous salary history.²⁹ Washington can adopt similar laws and go farther to protect all workers by requiring that employers justify access to more highly paid job categories and promotions, along with differences in pay, with job-related reasons.

Providing for strong enforcement of existing anti-discrimination and wage theft laws, removing barriers to employment following incarceration, fair scheduling, and adopting immigration reform that regularizes the status of undocumented workers would also reduce the wage gap and help raise wages for all workers.³⁰

Conclusion

Growing income inequality is not natural or inevitable. It is the result of past public policy choices. The voters in Washington state have the ability to begin reshaping the rules of our economy so that every job provides a pathway to opportunity and helps build prosperous and thriving communities for us all.

Notes

- ¹ Estelle Sommeiller, Mark Price, and Ellis Wazeter, “Income inequality in the U.S. by state, metropolitan area, and county,” Economic Policy Institute, June 16, 2016, <http://www.epi.org/publication/income-inequality-in-the-us/>.
- ² Economic Policy Institute, The Productivity-Pay Gap, Sept 2015, <http://www.epi.org/productivity-pay-gap/>.
- ³ AFL-CIO, Executive paywatch, viewed Jun 20, 2016, <http://www.aflcio.org/Corporate-Watch/Paywatch-2016>.
- ⁴ *Seattle Times*, “NW CEOs enjoyed hefty increase in 2015 pay, outpacing national peers,” updated June 20, 2016, <http://www.seattletimes.com/business/nw-ceos-enjoyed-hefty-increase-in-2015-pay-outpacing-national-peers/>.
- ⁵ Linda Levine, “An Analysis of the Distribution of Wealth Across Households, 1989-2010”, 2012, Congressional Research Service, <http://www.fas.org/spp/crs/misc/RL33433.pdf>.
- ⁶ U.S. Census Bureau, Detailed tables on wealth and asset ownership, 2011.
- ⁷ U.S. Census Bureau, American Community Survey 2014, Comparative Economic Characteristics.
- ⁸ For discussion of the gender wage gap, see Marilyn Watkins and Sam Hatzenbeler, “Equal Pay and Opportunity: A step toward fair wages for women and better workplaces for all,” Economic Opportunity Institute, April 2016, <http://www.eoionline.org/state-economy/women-in-the-workforce/equal-pay-and-opportunity/>.
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- ¹¹ See Watkins, “Paid Family and Medical Leave: A Cornerstone of Equity and Opportunity for Workers and Families,” May 2016, Economic Opportunity Institute, <http://www.eoionline.org/work-family/paid-family-and-medical-leave/>.
- ¹² U.S. Census Bureau, “Detailed Leave Arrangements Used by Women Who Worked During Pregnancy Preceding First Birth: 2006–2008,” 2011, <https://www.census.gov/prod/2011pubs/p70-128.pdf>.
- ¹³ In These Times, “The Real War on Families, Aug 18, 2015, <http://inthesetimes.com/article/18151/the-real-war-on-families>.
- ¹⁴ EOI analysis of U.S. Census Bureau, American Community Survey data, 2014; Elizabeth Sowell, et al, “Family income, parental education and brain structure in children and adolescents,” *Nature Neuroscience* 18, 773–778 (2015) published online March 30, 2015, <http://www.nature.com/neuro/journal/v18/n5/full/nn.3983.html>.
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- ¹⁶ Myapartmentmap.com, website viewed Jun 20, 2016, <http://www.myapartmentmap.com/apartments/wa/#data>.
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- ¹⁸ Economic Opportunity Institute analysis of Child Care Aware of Washington and U.S. Census Bureau American Community Survey 2014 data.
- ¹⁹ University of Washington, Total Cost of Attendance, webpage visited June 20, 2016, <https://admit.washington.edu/Paying/Cost#freshmen-transfer>.
- ²⁰ Basic expenses from Economic Policy Institute, Family Budget Calculator 2015; median earnings and percentage of children living with single mother from U.S. Census Bureau American Community Survey 2014.
- ²¹ Washington Employment Security Department, Employment Projections, <https://fortress.wa.gov/esd/employmentdata/reports-publications/industry-reports/employment-projections>; and “Occupational Employment and Wage Estimates,” <https://fortress.wa.gov/esd/employmentdata/reports-publications/occupational-reports/occupational-employment-and-wage-estimates>.

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- ²² Economic Policy Institute, Minimum Wage Tracker, viewed Jun 20, 2016, http://www.epi.org/minimum-wage-tracker/#/min_wage/.
- ²³ Family Values @ Work, Timeline of Wins, <http://familyvaluesatwork.org/media-center/paid-sick-days-wins>.
- ²⁴ Michael Reich, Ken Jacobs, and Annette Bernhardt, "Local Minimum Wage Laws: Impacts on Workers, Families and Businesses," Institute for Research on Labor and Employment, March 2014, <http://irle.berkeley.edu/workingpapers/104-14.pdf>; Michael Reich, Sylvia A. Allegretto, Ken Jacobs and Claire Montaloux, "The Effects of a \$15 Minimum Wage in New York State," March 10, 2016, Center for Labor Research and Education, University of California, Berkeley, <http://laborcenter.berkeley.edu/the-effects-of-a-15-minimum-wage-in-new-york-state/>; John Schmitt, "Why does the minimum wage have no discernible effect on employment?" Feb 2013, Center for Economic and Policy Research, <http://cepr.net/documents/publications/min-wage-2013-02.pdf>.
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- ²⁶ Raise Up Washington, <http://www.raiseupwa.com/>.
- ²⁷ Adam Burle and Stephen Bezruchka, "Population Health and Paid Parental Leave: What the United States Can Learn from Two Decades of Research," *Healthcare* 2016, 4(2), <http://www.mdpi.com/2227-9032/4/2/30>.
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- ³⁰ Lawrence Mishel, "Raise America's Pay," testimony before the Democratic National Convention Platform Drafting Hearing on June 9, 2016, <http://www.epi.org/publication/testimony-raise-americas-pay/>.