

Center for American Progress Action Fund



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Testimony in support of House Bill 6013

Rhode Island General Assembly, House Committee on Labor

March 17, 2021

To the members of the House Committee on Labor:

Thank you for the opportunity to submit testimony in support of House Bill 6013. Today, I respectfully urge you to advance this legislation to create a standard wage for publicly funded building services jobs.

My name is Karla Walter. I direct the American Worker Project at the Center for American Progress Action Fund, a progressive education and advocacy organization dedicated to improving the lives of Americans. I have conducted extensive research on how cities, states, and the federal government can use government spending to uphold high standards for workers; allow businesses to compete on an even playing field; and ensure taxpayers receive good value.¹

House Bill 6013 would raise standards for workers

The proposed standard wage would ensure that janitorial workers and security guards employed on lucrative state contracts earn decent wages and benefits as well as paid leave.

Several states, including Massachusetts, Connecticut, New Jersey, and New York, have adopted similar standards to ensure that service contractors pay market wages and that government spending does not unintentionally drive down standards.²

Research shows that these sorts of wage standards help workers earn middle-class incomes; expand health and retirement coverage; and, even in lower-paying service occupations, can support compensation rates well above legislated minimums.³

These laws also help to close racial wage gaps and ensure that government spending does not erode standards in the service sector, where many jobs are held by women, Black, and Latino workers. For example, nationally, the workforce of the building service industry is 42 percent Hispanic or Latino, 13 percent Black or African American, and 54 percent women.⁴ Boosting minimum wages is especially important for workers of color, who are significantly more likely to be paid poverty-level wages than white workers.⁵

House Bill 6013 would ensure taxpayers get a good value

Furthermore, research shows that standard wage laws produce good outcomes for taxpayers and the economy alike.

A review of state and local contracting practices by the National Employment Law Project found that the adoption of wage standards often decreases employee turnover, which leads to savings in re-staffing costs, a more productive workforce, and improvements to the quality of service provided to the public – thereby helping to offset the cost of such a standard.⁶

For example, after the San Francisco International Airport adopted a wage standard, annual turnover among security screeners fell from nearly 95 percent to 19 percent. Turnover reductions saved employers about \$4,275 per employee per year in re-staffing costs and employers reported that customer service improved, as did indicators of security.⁷

A separate study found that states with construction prevailing wage laws—a type of wage standard—had higher productivity than states without such laws, with as much as 15 percent more value added per worker.⁸

Moreover, when workers are poorly compensated, state taxpayers often bear hidden costs by providing services to supplement workers' incomes, such as subsidized health insurance, housing and nutrition assistance, Medicaid, and Earned Income Tax Credits.⁹ A recent report by the Rhode Island Department of Human Services and Executive Office of Health and Human Services listing companies with a high number of workers receiving Rhode Island State Medicaid includes several firms that provide janitorial and security guard services to the state.¹⁰

House Bill 6013 would support high-road businesses

Evidence suggests that implementing contractor wage standards also helps level the playing field for high-road companies that pay decent wages, and thereby encourages more companies to bid for contracts. Indeed, without strong standards, companies that pay good wages and provide decent benefits are frequently forced to compete against low-road contractors that undercut the market.

For example, after Maryland implemented a contractor wage standard, the average number of bids per contract increased by 27 percent.¹¹ Almost half of companies interviewed said they were encouraged to bid because the standard leveled the playing field.

By enacting House Bill 6013, Rhode Island lawmakers would boost wages and job quality for janitorial and building security employees; help inject money into low-income communities; benefit taxpayers and business owners; and establish the state as a national leader.

Endnotes

¹ See, for example, Karla Walter, Malkie Wall, and Alex Rowell, “A How-To Guide for Strengthening State and Local Prevailing Wage Laws,” (Washington: Center for American Progress, 2020), available at <https://www.americanprogress.org/issues/economy/reports/2020/12/22/494146/guide-strengthening-state-local-prevailing-wage-laws/>; Karla Walter, “Getting Americans Back to Work and Good Jobs,” (Washington: Center for American Progress, 2020), available at <https://www.americanprogress.org/issues/economy/reports/2020/06/29/487075/getting-americans-back-work-good-jobs/>; Karla Walter, “Ensuring Government Spending Creates Decent Jobs for Workers,” (Washington: Center for American Progress Action Fund, 2018) available at <https://www.americanprogressaction.org/issues/economy/reports/2018/01/29/169469/ensuring-government-spending-creates-decent-jobs-workers/>.

² Massachusetts Annotated Laws, ch. 149, §27H, available at <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXI/Chapter149/Section27H>; Connecticut General Statutes §31-57f, available at https://www.cga.ct.gov/current/pub/chap_557.htm#sec_31-57f; New Jersey Statutes Annotated, §34:11-56.58 et seq., available at https://www.nj.gov/labor/wagehour/lawregs/state_building_service_contracts_law.html#5658; New York Labor Law §§230-329-A, available at <https://www.nysenate.gov/legislation/laws/LAB/A9>; NYC Administrative Code §6-130, available at <https://comptroller.nyc.gov/wp-content/uploads/documents/BuildingServiceEmployeeSchedule-2019-2020.pdf>.

³ Frank Manzo IV and Kevin Duncan, “An Examination of Minnesota’s Prevailing Wage Law: Effects on Costs, Training, and Economic Development,” (Midwest Economic Policy Institute, 2018), available at <https://faircontracting.org/wp-content/uploads/2018/07/mepi-csu-examination-of-minnesotas-prevailing-wage-law-final.pdf>; Malkie Wall, David Madland, and Karla Walter, “Prevailing Wage: Frequently Asked Questions,” Center for American Progress, December 22, 2020, available at <https://www.americanprogress.org/issues/economy/reports/2020/12/22/494144/prevailing-wages-frequently-asked-questions/>.

⁴ U.S. Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey: Household Data Annual Averages 18. Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity,” available at <https://www.bls.gov/cps/cpsaat18.htm> (last accessed October 2020).

⁵ David Cooper, “Workers of color are far more likely to be paid poverty-level wages than white workers,” (Washington: Economic Policy Institute, 2018), available at <https://www.epi.org/blog/workers-of-color-are-far-more-likely-to-be-paid-poverty-level-wages-than-white-workers/>.

⁶ Paul Sonn and Tsedeye Gebreselassie, “The Road to Responsible Contracting: Lessons from States and Cities for Ensuring That Federal Contracting Delivers Good Jobs and Quality Services,” (Washington: National Employment Law Project, 2009), available at https://www.inthepublicinterest.org/wp-content/uploads/The_Road_to_Responsible_Contracting.pdf; Michael Reich, Peter Hall, and Ken Jacobs, “Living Wages and Economic Performance: The San Francisco Airport Model,” (UC Berkeley Labor Center, 2003), available at <https://laborcenter.berkeley.edu/living-wages-and-economic-performance-the-san-francisco-airport-model/>.

⁷ Reich, Hall, and Jacobs, “Living Wages and Economic Performance.”

⁸ Nooshin Mahalia, “Prevailing wages and government contracting costs: A review of research,” (Washington: Economic Policy Institute, 2008), available at <https://www.epi.org/publication/bp215/>.

⁹ Carol Zabin, Arindrajit Dube, and Ken Jacobs, “The Hidden Public Costs of Low-Wage Jobs in California,” (UC Berkeley Labor Center, 2004), available at <https://laborcenter.berkeley.edu/the-hidden-public-costs-of-low-wage-jobs-in-california/>; David Cooper, “Balancing paychecks and public assistance: How higher wages would strengthen what government can do,” (Washington: Economic Policy Institute, 2016), available at <https://www.epi.org/publication/wages-and-transfers/>.

¹⁰ Rhode Island Department of Human Services and Rhode Island Executive Office of Health and Human Services, “2019 Public Health Access Beneficiary Employers Report,” (2019), available at <https://assets.documentcloud.org/documents/6522139/Public-Health-Access-Beneficiary-Employers.pdf>.

¹¹ Maryland Department of Legislative Services, “Impact of the Maryland Living Wage,” (2008), available at http://dlslibrary.state.md.us/publications/OPA/I/IMLW_2008.pdf.