

MORE THAN THE MINIMUM:

The President's Unfinished Agenda

Leveraging Federal Purchasing Power to Invest in Good Jobs



\$10.10 Minimum Wage
for Contract Workers



Fair Pay and
Safe Workplaces



Model Employer
(\$15/hr + Benefits)



Collective
Bargaining





The US Government is America's biggest creator of poverty jobs.

The President's recent executive orders to boost the minimum wage and prevent labor law violations on federal contracts start to address the problem - but America's workers need more than the minimum to have a shot at the American Dream.

The President - or his successor - must finish the job and invest taxpayer dollars in model employers that pay workers at least \$15 an hour with decent benefits and respect collective bargaining rights.



CAMPAIGN FOR AMERICA'S FUTURE



THE CENTER FOR POPULAR DEMOCRACY



CHANGE TO WIN



COLOR OF CHANGE



CREDO ACTION



DEMOCRACY FOR AMERICA



DEMOS



ECONOMIC POLICY INSTITUTE



GOOD JOBS NATION



INTERFAITH WORKER JUSTICE



IN THE PUBLIC INTEREST



IPS GLOBAL ECONOMY PROJECT



LOS ANGELES ALLIANCE FOR A NEW ECONOMY



NATIONAL EMPLOYMENT LAW PROJECT



OUR WALMART



PARTNERSHIP FOR WORKING FAMILIES



PRESENTE.ORG



PROGRESSIVE CONGRESS



THE ROOSEVELT INSTITUTE



WORKING PARTNERSHIPS USA



“There is still work to do. As part of their Good Jobs agenda, labor advocates and progressive Democrats also called for executive orders to give priority in federal contracting to employers who offer better pay than their competitors and who support collective bargaining. That is vital to ensuring that federal contracting is not a contest to see who can pay the least, but a rational process both for ensuring good jobs at fair pay and for setting an example for the private sector.”

New York Times Editorial Board



“Profitable corporations that receive lucrative contracts from the federal government should pay all of their workers a livable wage with good benefits. The President was right to sign an executive order to increase the minimum wage to \$10.10 an hour for federal contract workers. But much more must be done to lift millions of Americans out of poverty and into the middle class. That’s why these new executive orders are so important.”

U.S. Senator Bernie Sanders (I-VT)



“President Obama took bold steps by increasing the minimum wage for federal contract workers and stepping up compliance for law-breaking contractors. The president knows when the federal government leads the private sector follows. We hope he will take more bold action to reward federal contractors who treat their employees fairly and give workers a seat at the table to negotiate wages and benefits.”

Congressman Keith Ellison (D-MN)
Congressional Progressive Caucus Co-Chair



“The federal government must lead by example to move America beyond a low wage economy. Our goal is not to meet a minimum threshold; our goal is to exceed it. Executive actions giving preference to companies that offer decent wages and collective bargaining will show that we value employers who respect their employees.”

Congressman Raúl Grijalva (D-AZ)
Congressional Progressive Caucus Co-Chair



“If we are to deal with our extreme inequality, we have to empower workers. The federal government should set the example by giving preference in federal contracts to employers who pay their workers decently, respect their rights, and keep a lid on CEO pay. I urge President Obama to issue a “Good Jobs” Executive Order that can be a model for governors and mayors across the country”

Robert Reich
Former Secretary of Labor



“Federal contract workers should have the freedom to form a union so they can bargain collectively for fair wages. Workers deserve a living wage. That is justice.”

Sister Simone Campbell
Executive Director of NETWORK



“At a time of staggering inequality, the federal government should help empower workers. A Good Jobs Executive Order would be a vital and long past due step in this direction. Once more, government could stand with workers and help to build – rather than undermine – an economy in which the rewards are widely shared.”

Katrina vanden Heuvel
Editor, The Nation



“For too long, government has served corporate greed rather than the common good. It has helped CEOs get the gold mine while the workers got the shaft. It’s time to change that. We need a government that helps empower workers by giving a preference to good employers who pay their workers decently over those who trample their rights. The president should issue a good jobs executive order to set the example. The CEOs will rant and rave, but the country will benefit.”

Jim Hightower
National Radio Commentator



“The policy recommendations laid out in this brief are the next logical move to ensure that millions of American workers, paid with taxpayer money, receive better working conditions. The President has taken the first step, but more can and must be done for those working on behalf of the American people. It is imperative that these workers are given the agency to negotiate fair pay and benefits with their employers, and that employers winning federal contracts have a proven track record of putting their employees’ needs first.”

Heather C. McGhee
President of Demos

MORE THAN THE MINIMUM:

THE PRESIDENT'S UNFINISHED AGENDA

Leveraging Federal Purchasing Power to Invest in Good Jobs

THE SHRINKING AMERICAN MIDDLE CLASS

On the eve of the 2009 inauguration, Vice President-Elect Joe Biden proposed a simple yardstick to measure our nation's success in overcoming the Great Recession: *"Is the middle class growing? Is the middle class getting better? Is the middle class no longer being left behind?"*ⁱ

As the Administration enters its final two years in office, the answer to each question is "No."

While the President and his team successfully staved off the economic catastrophe threatened by the Great Recession, Republican obstruction in Congress has stymied their attempts to engineer a recovery that boosts stagnant middle class incomes. In fact, in the wake of the Recession, middle-class incomes actually declined, while incomes at the very top grew.ⁱⁱ The latest data from 2014 shows that, despite resurgent corporate profits, middle-income workers continue on their downward trajectory as real hourly wages continue to erode.ⁱⁱⁱ Making matters worse, since the economy rebounded, jobs are being created fastest in low-wage non-union service occupations as decently paid middle-income union jobs rapidly disappear.^{iv}

Public perception mirrors the reality of middle-class decline. Middle class Americans were once characterized by having a sense of security about their own economic circumstances and optimism that the future would be even better for their children. Now, approximately 6-in-10 Americans report facing at least some economic insecurity, and nearly half (49%) believe their children will be worse off than they are.^{vi}

In short, America's middle class continues to shrink while public anxiety about the future of the American Dream spreads.

AMERICA'S WORKERS PROTEST

In response to diminishing economic prospects, American workers are hitting the streets in unprecedented numbers to protest poverty pay. Over the last two years, thousands of low-wage workers in hundreds of cities have gone on strike and engaged in civil disobedience to draw attention to their plight.

These workers are calling on the CEOs of fast-food chains like **McDonald's** and retail giants like **Wal-Mart** to pay at least \$15 an hour, offer benefits, provide paid leave, implement fair schedules

and respect their right to collectively bargain. Simultaneously, low-wage federal contract workers in our nation's capital focused their demands on the President as CEO of the **United States Government**, calling on him to use his executive powers to provide them with good jobs and a seat at the negotiating table so they can address their workplace grievances without being forced to resort to strikes.

CONGRESS FAILS TO HELP WORKERS

Despite widespread public demand, every legislative initiative to aid low-wage workers faces bitter opposition from conservatives in Congress. Bills to raise the minimum wage, reform labor law, protect pregnant workers, promote fair scheduling, and end misclassification are languishing. Even bipartisan legislation to stop wage theft on federal contracts faces opposition from powerful business lobbies.

Given ongoing Congressional gridlock and corporate opposition to legislative reform, Presidential executive action presents the only viable path to help workers at the national level. The President himself recognized this political reality by committing himself to undertake a "year of action" to combat income inequality - with or without Congress.^{vii}

THE NEED FOR PRESIDENTIAL LEADERSHIP

The President can have significant impact on the private-sector economy by leveraging taxpayer dollars to invest in good jobs. As the largest purchaser of goods and services in our nation, the federal government pays more than \$1 trillion dollars annually to private-sector firms through contracts, loans and grants.^{viii} Federal spending reaches the workplaces that employ 26 million workers - over a fifth of the civilian workforce.^{ix}

Unfortunately, recent research reveals that federal purchasing is contributing to the decline of the middle class by:

- **Creating Low-Wage and No Benefit Jobs** - The public policy organization Demos showed that the federal government funds nearly two million poverty-wage jobs paying less than \$12 per hour.^x Likewise, a National Employment Law Project survey of federal contract workers found that 74% of these workers earned under \$10 per hour; nearly 60% received no job benefits; and 36% are forced to rely on public assistance to make ends meet.^{xi} As established by the Center for American Progress, when the low-wage contract workforce turns to programs like Medicaid and food stamps, taxpayers are in effect providing extra subsidies - beyond the cost of the contract - to poverty employers.^{xii}

- **Permitting Wage Theft and Legal Violations** - In addition to paying low wages, a U.S. Senate report found that federal contractors represent 30% of the top labor law violators.^{xiii} A Center for American Progress report also found that poor treatment of workers and taxpayers are linked, given that many firms guilty of legal violations also earned low marks for contract performance.^{xiv}
- **Subsidizing Skyrocketing CEO Pay** - At the other end of the spectrum, another Demos study found that taxpayers are spending as much as \$7.65 billion annually to finance exorbitant executive pay among the top executives of federal contracting firms.^{xv}
- **Limiting Opportunity for Women and People of Color** - Over 70% of these workers are women and over 45% are people of color.^{xvi} Jobs that provided a path into the middle class for millions in the past are now creating a vast army comprised of the "working poor".^{xvii}

To summarize, the research illustrates a systemic problem with the U.S. Government contracting system - our taxpayer dollars are being spent to benefit the wealthy few while America's workers are being shortchanged.

THE PRESIDENT TAKES EXECUTIVE ACTION

In response to the research and escalating protests, President Obama has started to address taxpayer-funded income inequality by issuing a series of executive orders that raise standards for low-wage workers.

- At the 2014 State of the Union, the President announced the **Minimum Wage for Contractors Executive Order** to boost starting pay for federal contract workers to \$10.10 an hour.^{xviii}
- Soon after, the President also signed the **Fair Pay and Safe Workplaces Executive Order** to heighten the scrutiny of the legal compliance records of federal contractors.^{xix}

WORKERS NEED MORE THAN THE MINIMUM

While the President's executive orders demonstrate his commitment to lead by example and help America's workers, stronger action is needed given the scale and severity of the middle class crisis. The recent orders only establish baseline, minimum standards by raising the wage floor for the lowest paid contract workers and requiring employers to comply with basic legal protections. As such, they do little to encourage contractors to provide real middle-class jobs by offering living wages, proper benefits and respecting their workers' right to collectively bargain.

PAST PRESIDENTS TOOK ACTION

Fortunately, there is precedent for bold Presidential action that leverages federal purchasing power to meet national economic crises. In fact, when faced with challenges of the magnitude confronting today's workers, our greatest presidents have used their executive powers over federal contracting to dramatically reshape the American workplace and expand economic opportunity.

- **Franklin Roosevelt** brought millions of workers into the middle class by requiring federal contractors to sit down at the bargaining table with unions in order to end widespread labor unrest.^{xx} In fact, FDR's executive action grew the ranks of the labor movement - and the middle class - even more than the passage of the Wagner Act.^{xxi}
- During the mass protests of the civil rights era, **Lyndon Johnson** opened to door to economic opportunity for women and minorities by ordering every firm doing business with the federal government to implement affirmative action and nondiscrimination policies. Fifty years later, these standards have become the norm in America's workplaces.

CITIES AND COMPANIES LEAD BY EXAMPLE

When President Obama announced the \$10.10 minimum wage at the State of the Union, he called on local governments and private companies to follow suit, declaring *"As chief executive, I intend to lead by example. Profitable corporations like Costco see higher wages as the smart way to boost productivity and reduce turnover. We should too."*^{xxii}

Heeding the President's State of the Union call to action, the chief executives of major corporations like **The Gap, IKEA, and Disney** announced higher minimum wages for their employees, and the mayors of cities like **Chicago, Saint Louis, New York** and **Philadelphia** issued executive orders to raise pay for municipal contractors and employees.^{xxiii}

However, the President's remarks failed to recognize that numerous cities and companies already do more than the federal government to create good middle class jobs.

- To date over 120 jurisdictions have enacted policies that incentivize public contractors to be **model employers** that **pay living wages, offer health care, provide paid leave** and/or **promote collective bargaining.**^{xxiv} More than half of these policies set wage rates higher than the \$10.10 mandated by the President's Executive Order.

- In addition, nearly a dozen states have put policies in place to **protect the right of contract workers to collectively bargain**^{xxv} in order to avoid costly strikes.^{xxvi} Such labor peace agreements cover a range of low-wage workers in a variety of taxpayer-financed service industries, such as food and retail, hotels and casinos, airports and tourism, waste hauling and transportation, and construction.^{xxvii}
- Likewise, numerous **businesses like Costco are also doing more than the minimum and pursuing a “good jobs strategy”** to boost the bottom line. At Costco, to use the President’s example, the average worker earns \$21 per hour, receives health insurance and paid leave, and is free to join a union without interference.^{xxviii}

Research shows that these good jobs policies can generate **returns on investment for taxpayers and investors** in the form of higher productivity, better services and reduced reliance on government assistance.^{xxviii} Furthermore, policies to raise wages and promote collective bargaining can function as a **powerful stimulus to a sluggish recovery** by giving workers more to spend in our consumer-driven economy.^{xxix}

The actions of these cities and companies demonstrate that the federal government can do more than the minimum to create good jobs - and that doing so benefits workers, taxpayers and investors alike.

THE PRESIDENT’S UNFINISHED AGENDA

The minimum wage and legal compliance orders lay a firm foundation for an emerging federal good jobs policy, but the President must finish the job by building on the precedents set by previous Presidents, local governments and profitable companies. Drawing on the recommendations of numerous public and economic policy groups - including Demos, the National Employment Law Project, the Economic Policy Institute, and the Center for American Progress - the President should exercise his executive authority to implement **two additional Good Jobs Executive Orders:**

1. In all decisions to award contracts and other competitively selected government funds and benefits, **preference should be given to model employers** - that is firms that offer a livable wage of at least \$15 an hour and decent benefits, including health insurance and leave for sickness and care giving, and provide full-time hours as well as fair and stable work schedules.
2. Employers that do business with the government should be required to ensure that **their workers can bargain collectively for decent treatment and working conditions without being forced to go on strike** to make their voices heard.

To ensure that the entire federal government is fully mobilized to restore rather than undermine middle-class job standards, the President should **create a dedicated office within the White House**, similar to the Office on Faith-based and Neighborhood Partnerships. Like its Faith-based counterpart, this office should work with centers in each agency to ensure that the full suite of Good Jobs Executive Orders are effectively implemented across every type of federal funding stream awarded to private employers, including grants, loans and concessions as well as procurement contracts.

A comprehensive set of Good Jobs Executive Orders - coupled with effective oversight and implementation - can have a transformative impact on our workers and the economy. These policies can provide a path into the middle class for millions of workers, reduce reliance on public aid programs, eliminate government waste, improve the provision of public services and boost the economy.

By taking these steps to go beyond the minimum, the current President - or his successor - can fully leverage federal purchasing to invest in good jobs and ensure the American middle class is growing once more.^{xxx}

CITATIONS

- ⁱ Biden To Oversee Efforts Aimed At Middle Class, NBC News (December 21, 2008), at http://www.nbcnews.com/id/28338522/ns/politics-white_house/t/biden-oversee-efforts-aimed-middle-class/#.VB2xW_IdWSo.
- ⁱⁱ Harrison Jacobs, The Decline of the US Middle Class Is Getting Even Worse, Business Insider (October 1, 2013), at <http://www.businessinsider.com/decline-of-theus-middle-class-2013-10>
- ⁱⁱⁱ Elise Gould, Why America's Workers Need Faster Wage Growth—And What We Can Do About It, Economic Policy Institute, Briefing Paper #382, (2014)
- ^{iv} The Low-Wage Recovery: Industry Employment and Wages Four Years into the Recovery, National Employment Law Project, Data Brief (April 2014)
- ^v The Middle Class: Key Data Points from Pew Research, Pew Research Center (January 27, 2014), at <http://www.pewresearch.org/key-data-points/the-middle-class-pew-research-key-data-points/>
- ^{vi} <http://publicreligion.org/research/2014/09/survey-economic-insecurity-rising-inequality-and-doubts-about-the-future-findings-from-the-2014-american-values-survey/>
- ^{vii} Year of Action, The White House, <http://www.whitehouse.gov/year-of-action>
- ^{viii} Lew Daly & Robert Hiltonsmith, Underwriting Good Jobs, DEMOS (June, 2014), at http://www.demos.org/sites/default/files/publications/UnderwritingGoodJobs_2.pdf
- ^{ix} Facts on Executive Order 11246 – Affirmative Action, U.S. Department of Labor (January 4, 2002), at <http://www.dol.gov/ofccp/regs/compliance/aa.htm>
- ^x Amy Traub & Robert Hiltonsmith, Underwriting Bad Jobs, DEMOS (May 2013), at <http://www.demos.org/publication/underwriting-bad-jobs-how-our-tax-dollars-are-funding-low-wage-work-and-fueling-inequali>
- ^{xi} Anastasia Christman, Amy Masciola, Robert Masciola, Shelley Sperry & Paul Sonn, Taking the Low Road: How the Federal Government Promotes Poverty-Wage Jobs Through its Contracting Practices, DEMOS (July 2013), at <http://www.nelp.org/page/-/Reports/NELP-Taking-Low-Road-Federal-Contracting.pdf?nocdn=1>
- ^{xii} David Madland and Michael Paarlberg, Making Contracting Work for the United States, Center for American Progress (December 2008), at http://cdn.americanprogress.org/wp-content/uploads/issues/2008/pdf/contracting_reform.pdf
- ^{xiii} Harkin Unveils HELP Committee Investigation Revealing Widespread Labor Violations Among Major Government Contractors, U.S. Senate Committee on Health, Education, Labor & Pensions (December 11, 2013) at <http://www.help.senate.gov/newsroom/press/release/?id=155d2542-4ae8-4931-a1c1-cadbf6fc79a1&groups=Chair>
- ^{xiv} Karla Walter & David Madland, At Our Expense: Federal Contractors that Harm Workers Also Shortchange Taxpayers, Center for American Progress Action Fund (December 11, 2013), at <http://www.americanprogressaction.org/issues/labor/report/2013/12/11/80799/at-our-expense/>
- ^{xv} Robert Hiltonsmith and Amy Traub, Underwriting Executive Excess, DEMOS (September, 2013) at <http://www.demos.org/publication/underwriting-executive-excess-0>
- ^{xvi} Lew Daly & Robert Hiltonsmith, *supra*

- ^{xvii} Anastasia Christman, Amy Masciola, Robert Masciola, Shelley Sperry & Paul Sonn, Taking the Low Road: How the Federal Government Promotes Poverty-Wage Jobs Through its Contracting Practices, NELP (July 2013), at <http://www.nelp.org/page/-/Reports/NELP-Taking-Low-Road-Federal-Contracting.pdf?nocdn=1>
- ^{xviii} Exec. Order No. 13,658, 79 Fed. Reg. 9851 (February 12, 2014) at <http://www.gpo.gov/fdsys/pkg/FR-2014-02-20/pdf/2014-03805.pdf>
- ^{xix} Exec. Order No. 13,673, 79 Fed. Reg. 45309 (July 31, 2014) at <http://www.gpo.gov/fdsys/pkg/FR-2014-08-05/pdf/2014-18561.pdf>
- ^{xx} Peter Drier, HOW OBAMA CAN HELP REBUILD THE MIDDLE CLASS, L.A. Times (June 19, 2014), <http://www.latimes.com/opinion/op-ed/la-oe-dreier-minimum-wage-federal-contractors-20140620-story.html>
- ^{xxi} Robert Kuttner, Reforming the Federal Sweatshop, Huffington Post (June 22, 2014), http://www.huffingtonpost.com/robert-kuttner/reforming-the-federal-sweatshop_b_5520310.html
- ^{xxii} President Barack Obama's State of the Union Address, The White House, Office of the Press Secretary (January 28, 2014) at <http://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address>
- ^{xxiii} An Update on What President Obama Has Done This Year to Help Ensure Opportunity for All Americans, White House at <http://www.whitehouse.gov/sites/default/files/docs/2014yearofactionupdatedprogressreport.pdf>
- ^{xxiv} Local Living Wage Laws and Coverage, National Employment Law Project (July 2011) at <http://www.nelp.org/page/-/Justice/2011/LocalLWLawsCoverageFINAL.pdf?nocdn=1>
- ^{xxv} Labor Peace Agreements, U.S. Chamber of Commerce at <http://www.workforcefreedom.com/sites/default/files/Labor%20Peace%20Agreements%202013%2009%2012.pdf>
- ^{xxvi} E.g., Upstate New York Gaming Economic Development Act of 2013 at <http://legiscan.com/NY/text/A08101/id/865810>; Resolution No. 25404, Board of Airport Commissioners, Los Angeles World Airports (May 5, 2014) at <http://www.lawa.org/uploadedfiles/airops/pdf/18.%20CSP%20Board%20Resolutions.pdf>; Pittsburgh, Code Ch. 161.30.1 at <https://law.resource.org/pub/us/code/city/pa/Pittsburgh,%20PA%20Code%20thru%20supp%20%2320.pdf>
- ^{xxvii} Zeynep Ton, The Good Jobs Strategy, New Harvest, 2014
- ^{xxviii} Brad Stone, Costco CEO Craig Jelinek Leads the Cheapest, Happiest Company in the World, Businessweek (June 6, 2013) at <http://www.businessweek.com/articles/2013-06-06/costco-ceo-craig-jelinek-leads-the-cheapest-happiest-company-in-the-world>
- ^{xxix} Paul K. Sonn & Tsedeye Gebreselassie, The Road to Responsible Contracting, National Employment Law Project (June, 2009) at http://nelp.3cdn.net/985daceb6c3e450a10_pzm6brsaa.pdf
- ^{xxx} Lew Daly & Robert Hiltonsmith, *supra*
- ^{xxxi} Lew Daly & Robert Hiltonsmith, *supra*