

PROMISES BROKEN #1

Trump's Government is America's
Top Low Wage Job Creator



A Report by Good Jobs Nation
Washington DC, August 2018

About Good Jobs Nation

The mission of Good Jobs Nation is to hold the President and all politicians – whether Democrat or Republican- accountable to America’s workers.

We believe that our taxpayer dollars should be invested in corporations that create good union jobs in the USA – not firms that keep workers in poverty and ship our jobs overseas.

Since 2013, Good Jobs Nation has won 3 historic executive orders to raise wages, crack-down on labor law abuses, and extend paid leave at companies that receive federal funding. Good Jobs Nation has also been at the forefront of federal fight to raise the minimum wage to \$15 an hour and to safeguard the freedom of workers to organize.

About this Report

This report was written by George Faraday, Legal and Policy Director for Good Jobs Nation.

The research methodologies utilized in this analysis were developed in collaboration with Amy Traub and Robert Hiltonsmith of Demos, and Ilana Boivie of the D.C. Fiscal Policy Institute.

INTRODUCTION

In September 2016, then-presidential candidate Donald Trump outlined his plan for America's economy. He said: "Every policy decision we make must pass a simple test: Does it create more jobs and better wages for Americans?"¹

It's been more than 18 months since President Trump took the oath of office. As CEO of America, Inc., he oversees over \$1.5 trillion in federal spending on goods and services delivered by private employers through contracts, grants, concession agreements, and payments to healthcare providers. He has the power to ensure that America's largest business operation creates "more jobs and better wages" for the millions of Americans who depend on this spending.

Instead, as this report shows, President Trump's government directly funds more than 4.5 million jobs that pay less than \$15 per hour. This number is greater than the total low-wage workforce employed by America's 20 largest private employers combined, earning Trump's federal government the dubious distinction of being the largest creator of poverty-wage jobs in the nation.

What's more, President Trump has actively worked to break his promises and to keep federal contract workers from getting the wages, rights and respect they deserve. In one of his first acts in office, he rolled back rules that protected 20 million federal contractor employees from wage theft and injury on the job. Since then, he's withdrawn other Obama-era regulations that protected workers' bargaining rights, extended the right to overtime to millions of low-paid workers, and much more.

Fortunately, there's one regulation he hasn't slashed.

In 2014, President Obama pledged in his State of the Union address to issue an order to raise the minimum wage for workers on federal contracts, declaring that "if you cook our troops' meals or wash their dishes, you shouldn't have to live in poverty."² He followed through on this promise shortly after by signing Executive Order 13658, which raised wages on new federal contracts to \$10.10 per hour indexed to inflation.³ A subsequent executive order guaranteed contract workers paid sick leave.

These orders were based on the principle that improving pay and working conditions for workers advances the government's economic interest in efficient contract performance, just as wage hikes by private employers improve labor productivity. The Policy section of EO 13658 stated "Raising the pay of low-wage workers increases their morale and the productivity and quality of their work, lowers turnover and its accompanying costs,

1 <http://time.com/4495507/donald-trump-economy-speech-transcript/>

2 <https://obamawhitehouse.archives.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address>

3 <https://obamawhitehouse.archives.gov/the-press-office/2014/02/12/executive-order-minimum-wage-contractors>

and reduces supervisory costs.”⁴ This argument was based on an increasing consensus among academic commentators that a “high road” employment strategy fosters superior business outcomes.⁵

Despite complaints by right-wing legal commentators,⁶ the legality and policy rationale of these orders has not been challenged in the courts.

Obama’s orders were a valuable first step, but the \$10.10-with-indexing standard that he announced, which currently sets the wage floor for contract workers at \$10.35 per hour, still falls far short of his goal of ensuring that no worker providing goods or services to the federal government is forced to live in poverty.

As CEO of the U.S. Government, President Trump could build on these executive orders by raising the wage floor on new federal contracts to \$15 per hour, showing that he understands that good work requires decent pay, and proving that he was serious when he promised to champion better wages for America’s workers.

BACKGROUND

This report builds on a 2013 study by Demos which found that the federal government is by far the largest creator of poverty-wage jobs in the nation. The 2013 Demos study found that the federal government funded 1.9 million private sector jobs paying less than \$12 per hour,⁷ which as Demos noted, exceeded the number of workers paid below this rate employed by Walmart and McDonalds combined.

Since the release of Demos’s report, workers and advocates have pushed back against decades of wage stagnation and increasing income equality with the Fight for Fifteen Campaign. Workers in the fast food and other low-wage industries have gone on strike and demonstrated across the country for a living wage. As a result, several major cities as well as the states of California and New York have enacted \$15 minimum wage laws. And after years of debate, the Democratic National Committee incorporated a \$15 wage standard into its 2016 election platform,⁸ as well as a commitment ensure that “the one trillion dollars spent annually by the government on contracts, loans, and grants [is] used

4 <https://obamawhitehouse.archives.gov/the-press-office/2014/02/12/executive-order-minimum-wage-contractors>

5 E.g., Joel Rogers, *What Does ‘High Road’ Mean* (Center for Wisconsin Strategy 1990) https://www.cows.org/_data/documents/1776.pdf; Jared Bernstein, *High Wages Lead to More Efficient Service Provision* (Economic Policy Institute 2000) <http://epinet.org/Issueguides/livingwage/alexlivwg.html>; Zeynep Ton, *The Good Jobs Strategy: How the Smartest Companies Invest in Their Employees to Lower Costs and Boost Profits* (New York: Houghton Mifflin, 2014).

6 E.g., Peter Kirsanow, “The Minimum-Wage Executive Order Is Unconstitutional,” *National Review* (Feb 17 2014) <http://www.nationalreview.com/corner/371284>

7 Amy Traub and Robert Hiltonsmith, *Underwriting Bad Jobs* (Demos 2013). <http://www.demos.org/publication/underwriting-bad-jobs-how-our-tax-dollars-are-funding-low-wage-work-and-fueling-inequality>.

8 http://s3.amazonaws.com/uploads.democrats.org/Downloads/2016_DNC_Platform.pdf.

to support good jobs.... and employers who provide their workers with a living wage.”⁹

More recently in 2017, Democratic congressional leaders tabled the Raise the Wage Act to increase the federal minimum wage to \$15 by 2024,¹⁰ and over the past year, major private corporations, including Target, Wells Fargo, and J.P. Morgan Chase, have embraced a \$15 minimum for their employees.

Despite this momentum, a fifteen-dollar wage is far from becoming a reality for many American workers. As of 2016, 42 percent of all private-sector workers were still paid less than this rate.¹¹

Since 2007, the U.S. Congress has failed to pass any legislation to raise the minimum wage, and there is no sign that the current Republican-controlled Congress will do so. The ball is in the President’s court.

FINDINGS

The federal government does not collect data on the compensation of the millions of privately employed workers it relies upon to deliver goods and services to the American public. The government does, however, publish the dollar value of its awards to private employers in specific industries and, by combining this data with U.S. Census and Bureau of Labor Statistics’ figures on the composition and pay rates of the workforce in these industries, we were able to determine the size, composition, and wage distribution of the federally-supported private sector (See **Appendix: Methodology**).

We started by looking at major federal programs and activities that award funding and other economic benefits (such as the right to conduct business on federal property) to private employers. We examined procurement contracts for the purchase of goods and services, infrastructure grants, loan guarantees to small businesses, payments to healthcare providers through Medicare and Medicaid, building services under federal property leases, and contracts to operate concessions on federally-owned property.

In total, we found that these programs award funds and benefits worth over \$1.6 trillion to private employers, funding more than 12.5 million private-sector jobs, 4.5 million of which pay below \$15 per hour. (See **Table 1.**)

9 *Id.*

10 <https://www.congress.gov/bill/115th-congress/house-bill/15/text>

11 Author’s analysis of Bureau of Labor Statistics, Occupational Employment Series. <https://www.bls.gov/oes/special.requests/oesm16nat.zip>

TABLE 1: FEDERALLY SUPPORTED WORKFORCE SUMMARY

SPENDING CATEGORY	INDUSTRY	FEDERAL SPENDING	EMPLOYMENT	JOBS BELOW \$15	% JOBS BELOW \$15
PROCUREMENT CONTRACTS	Various	\$473,779,110,400	2,219,099	705,577	31.8%
INFRASTRUCTURE GRANTS	Heavy & Civil Construction	\$63,000,000,000	183,794	37,986	20.7%
SMALL BUSINESS ADMINISTRATION LOANS	Various	\$24,500,000,000	675,000	292,466	43.3%
GSA LEASED BUILDINGS	Services to Buildings & Dwellings	n/a	14,545	11,697	80.4%
NATIONAL PARK CONCESSIONS	Accommodation & Food Services	n/a	25,000	20,169	80.7%
MILITARY BASE CONCESSIONS	Food Services & Drinking Places	n/a	5,750	4,781	83.2%
MEDICARE, MEDICAID, CHIP	Healthcare & Social Services	\$1,047,071,000,000	9,449,700	3,471,072	36.7%
TOTALS		\$1,608,350,110,400	12,572,808	4,543,747	36.1%

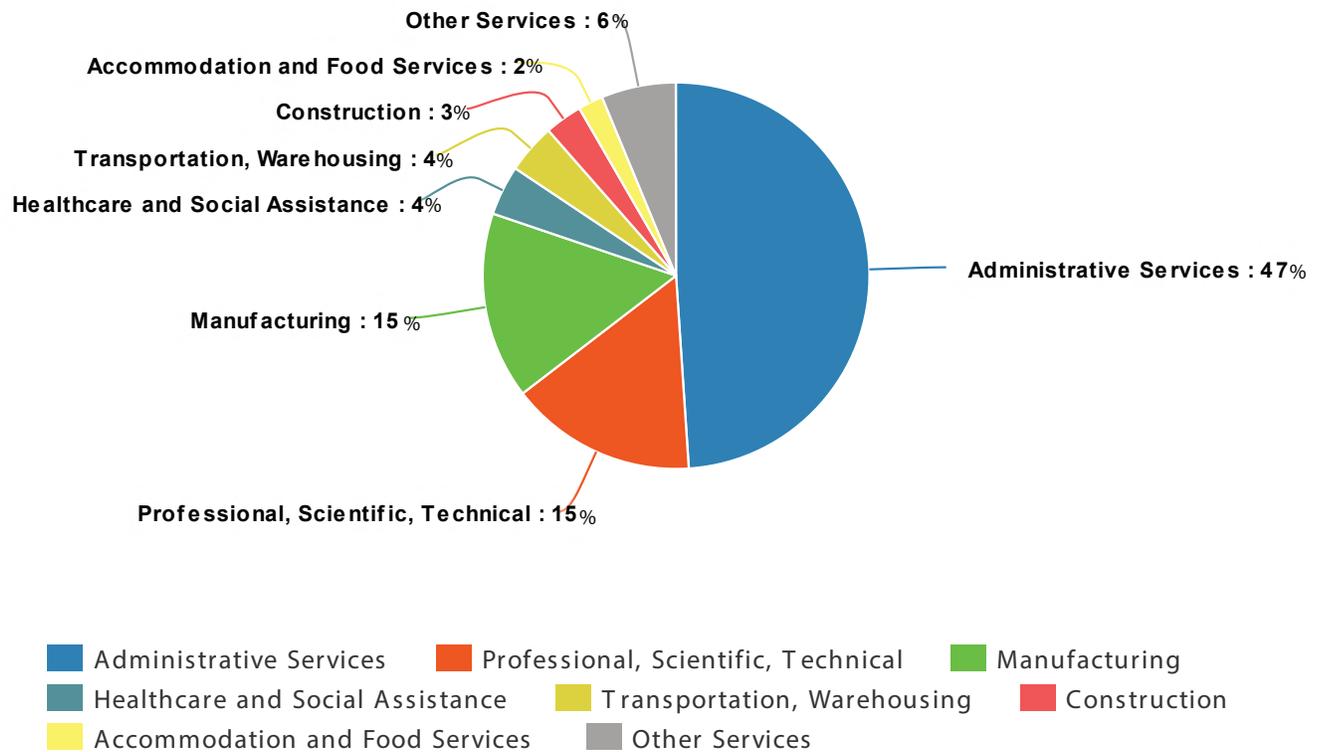
Procurement Contracts: This category encompasses federal purchases of goods and services from private employers. Total procurement spending reported at usaspending.gov for FY 2017 stood at \$507 billion, a \$72 billion increase over 2015, reversing several years of decline.¹² We estimate that \$473 billion of these contracts funded work performed within the U.S., supporting 2.2 million jobs. This workforce is larger than the 2.1 million civilian workers directly employed by the federal government.¹³

Of these workers, 706,000, or 32 percent, were paid less than \$15 per hour. **Chart 1** shows the breakdown of low-wage procurement contracting jobs by industrial sector. Administrative Services (which includes janitorial, security, and waste management workers) accounted for close to half of the low-wage total.

12 <https://www.usaspending.gov> (Consulted April 4, 2018).

13 <https://www.opm.gov/policy-data-oversight/data-analysis-documentation/federal-employment-reports/historical-tables/executive-branch-civilian-employment-since-1940/> (Consulted May 3, 2018).

CHART 1: Share of <\$15 federal procurement contract employment by industry



Federal Infrastructure Funding: In 2016, the federal government spent \$63.5 billion on infrastructure projects. These included Department of Transportation grants for locally administered highway, transit, airport and rail construction projects, as well as EPA loan subsidies for sewers and drinking water.¹⁴ This funding supports an estimated 184,000 jobs in the heavy and highway construction sector, with 38,000, or 21 percent, paying under \$15 per hour.

Small Business Administration Loans: The U.S. Small Business Administration supports the creation of private-sector jobs through its loan and loan guarantee programs. The agency reports that these subsidies backed \$25.4 billion in loans in FY 2017, supporting the creation of 675,000 jobs.¹⁵ We estimate that 292,000, or 45 percent, of these jobs paid less than \$15 per hour.

Payments to Healthcare Employers: Healthcare now employs more Americans than any other industry. The federal government finances 28 percent of all healthcare expenditures

14 <https://www.enotrans.org/article/infrastructure-week-preview-federal-infrastructure-grants-get-back-average/> (Consulted May 3, 2018).

15 https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_2017_AFR_.pdf (Consulted May 3, 2018).

in the U.S.,¹⁶ and federal expenditures on Medicare, Medicaid and the Child Health Insurance Program have doubled since 2005 to reach \$1.05 trillion dollars, an increase of almost \$250 billion since Demos' 2013 analysis.¹⁷ We estimate that federal payments to healthcare providers, including hospitals, clinics, laboratories, physician offices, nursing homes and home healthcare agencies, support almost 7 million jobs, and that 2.25 million of these jobs, or 37 percent of the total, pay less than \$15 per hour.

Leased Buildings and Concessions Contracts: These sectors of federally supported private-sector employment impact fewer employees than procurement and healthcare. However, they still affect thousands of workers in some of America's lowest paid industries.

About half the total office space occupied by the federal government is leased from private owners by U.S. General Services Administration's Public Buildings Service. Of these leases, 170 million square feet include janitorial services,¹⁸ which are not separately reported in usaspending.gov as procurement contracts. We estimate, using Demos' methodology,¹⁹ that 14,500 janitors work under this arrangement. Almost 12,000 of this total, or 80 percent, work for less than \$15 per hour.

Also absent from the federal government's contract spending figures are the 25,000 workers employed to provide retail, accommodation and food services at privately operated National Park concessions, such the lodges at Yosemite and Yellowstone;²⁰ and the 5,750 workers employed by name-brand fast-food outlets on military bases around the country.²¹ We estimate that, combined, almost 25,000 of these workers are paid less than \$15 per hour.

CONCLUSION AND RECOMMENDATIONS

The federal government funds a total of 4.5 million jobs that pay less than \$15 per hour. This number is greater than the number of low-wage jobs created by America's largest 20 private-sector employers combined. It is more than four times greater than the number of low-wage jobs created by Walmart (America's second largest low-wage job creator). (See **Chart 2.**)

16 <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/highlights.pdf> (Consulted May 3, 2018).

17 <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/NHE2016.zip>. (Consulted May 3, 2018). Demos based its analysis of federally supported healthcare employment on spending figures for 2011.

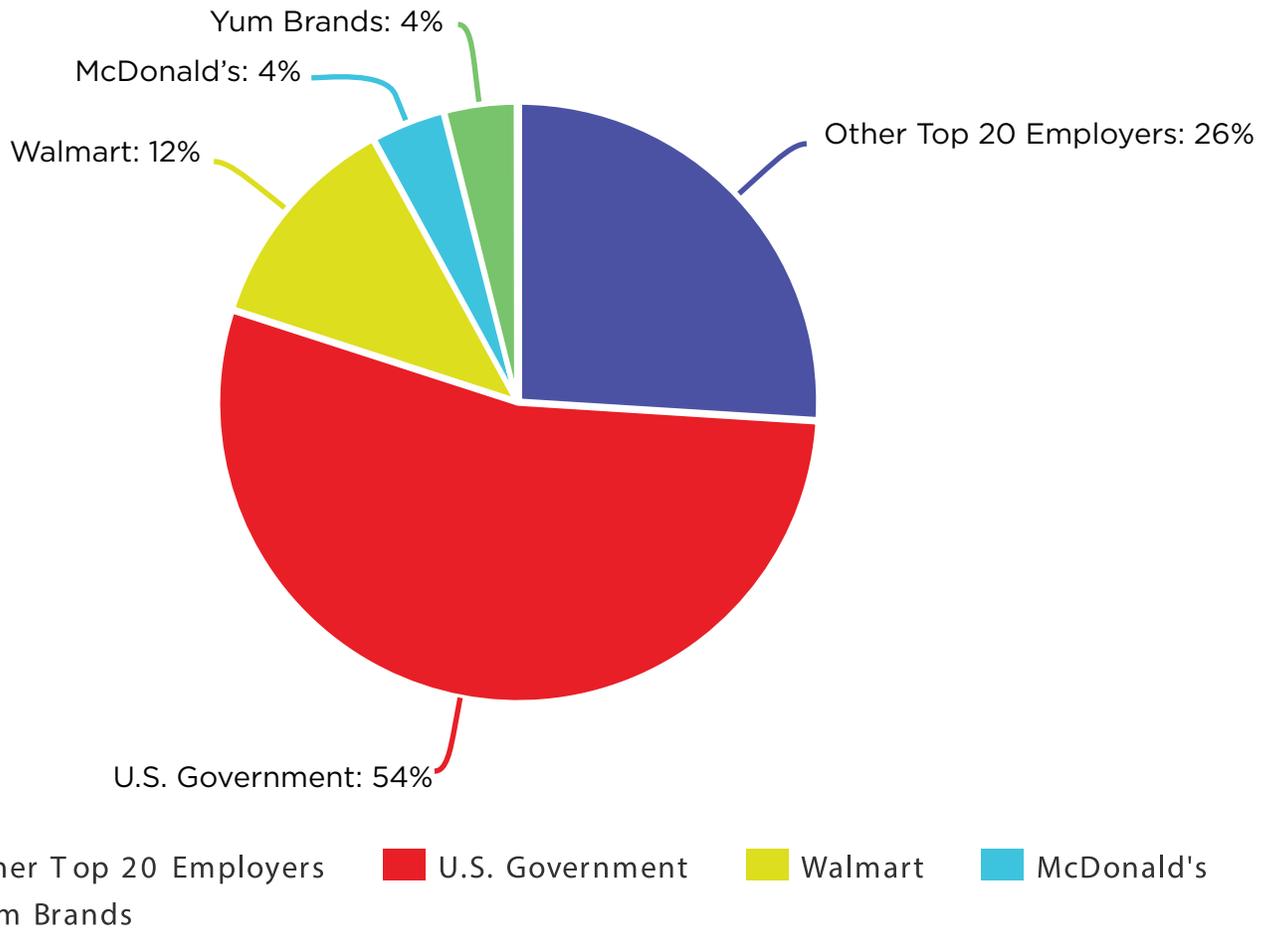
18 <https://www.gsa.gov/real-estate/real-estate-services/leasing-policy.../lease-inventory> (Consulted April 4, 2018).

19 Demos, *Id.*

20 <https://www.nps.gov/commercialservices/> (Consulted May 3, 2018).

21 April 8, 2014 letter from Russell Beland, Deputy Assistant Secretary of the Navy to Laura Fortman, Acting Administrator, Wage and Hour Division, DOL, protesting wage determination for fast food concession employees. (On file with Good Jobs Nation.)

CHART 2: SHARE OF <\$15 JOBS AMONG TOP-20 EMPLOYERS AND U.S. GOVERNMENT



The U.S. Government supports the creation of more poverty-wage jobs than any other entity in America. It is time for President Trump to change this. He must ensure that the federal government leads by example by requiring that every private business that receives our federal taxpayer dollars pays its workers a decent wage of \$15 per hour or more. President Obama paved the way by raising the minimum wage for federal contract workers to \$10.10. But it was not enough. It is time for President Trump to keep his promises to America's workers by acting now to pay the federal contract workforce a real living wage.

APPENDIX: METHODOLOGY

To estimate the number of employees working on federal procurement contracts we divided the dollar value of contracts performed within each NAICS two-digit industrial sector in FY 2017, published at www.usaspending.gov by the dollar value of receipts per employee for that sector reported by the U.S. Economic Census for 2012 (the latest year available), at <http://www.census.gov/econ/census>. To exclude contract workers employed abroad – who are outside the scope of this study – we reduced the dollar totals within each industry by 6.5 percent. This calculation gave us the number of full-time-equivalent employees working on federal contracts within the U.S for each major industrial sector.

We then calculated the proportion of workers paid below \$15 per hour in each sector using the Bureau of Labor Statistics May 2016 Occupational Employment and Wage Estimates, available at <https://www.bls.gov/oes/home.htm>. This database gives wage data in the 10th, 25th, 50th, 75th, and 90th percentiles by NAICS Sector. We identified the two percentiles between which \$15 fell, and then used straight-line calculations to estimate the wage percentile represented by \$15 per hour. We then multiplied the number of FTEs within each sector by the \$15 wage percentile. We followed Demos (2013) in discounting the effects on federal prevailing wage laws for purposes of estimating low-wage employment numbers.²²

For workers on federal infrastructure grants, we divided the total value of federally funded construction grants reported at <https://www.enotrans.org/article/infrastructure-week-preview-federal-infrastructure-grants-get-back-average/> by the receipts per employee within Heavy and Civil Construction reported in the 2012 Census at factfinder.census.gov. We then multiplied this figure by the percentage of employees in the Heavy and Civil Construction (NAICS 237) paid less than \$15 as reported by the BLS using the method described above for procurement contracts.

To estimate the number of workers on federally leased buildings, we followed the methodology of Demos 2013, using data from the General Services Administration (GSA) for the total square footage of space leased from private owners by the GSA, <https://d2d.gsa.gov/report/gsa-inventory-owned-and-leased-properties-iolp>, under leases including building services, and dividing this figure by 11,673 square feet for the area cleaned per employee, following the methodology used by Demos (2013). Using BLS OES data for wages in the “Services to Buildings and Dwellings” industry (NAICS code 5617) we estimated that 81 percent of these workers were paid less than \$15 per hour.

For the number of jobs created by SBA lending we used the “number of jobs supported” stated in SBA’s 2017 Annual Report, <https://www.sba.gov/sites/default/files/>

²² Demos (2013) at 24-25. Demos compared Service Contract rates in several low-wage occupations in particular localities and found them lower than wages for all workers in those occupations in those localities. Demos also noted that prevailing wage laws only cover a fraction of the total federally supported workforce, that is construction procurement construction and grants, and procurement of services.

[aboutsbaarticle/SBA_FY_2017_AFR_.pdf](#), and followed Demos 2013 in using the figures on the sectoral composition of these jobs from J. David Brown & John S. Earle. (2012).²³ We then estimated the wage distribution in each sector using the methodology described above to calculate the number of workers paid below \$15 in each sector.

For workers at fast-food concessions on military bases we used the number of 5,750 workers reported as employed by private concessions in Deputy Assistant Secretary of the Navy Russell Beland's April 8, 2014 letter to the Department of Labor protesting the application of a new DOL wage determination to these workers (on file with Good Jobs Nation),²⁴ and applied the percentage of under-\$15 employees derived from BLS OES figures for NAICS 722, Food Services and Drinking Places.

For healthcare workers, we estimated the number of federally supported jobs under \$15 per hour by totaling federal reimbursements in 2016 to healthcare providers through Medicare, Medicaid and CHIP programs, reported at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/NHE2016.zip>, and then applying the methodology described above using BEA and BLS figures for the Healthcare and Social Services Sector.

We estimated low-wage employment by top 20 U.S. corporations using figures on total employment reported by Fortune magazine,²⁵ and multiplying by the proportion paid under \$15 per within the employer's primary industry (e.g. 66 % for retail, 84% for fast food, etc.) using Bureau of Labor Statistics May 2016 Occupational Employment and Wage Estimates, available at <https://www.bls.gov/oes/home.htm>. The number of employees for Walmart was taken from the company's website, <https://corporate.walmart.com/newsroom/company-facts>, since the Fortune figure appears to include non-U.S. Walmart employees.

23 Brown and Earle, *Do SBA Loans Create Jobs? Estimates from Universal Panel Data and Longitudinal Matching Methods*. GMU School of Public Policy Research Paper No. 2013-04 (2012), Available at https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2165931_code1386063.pdf?abstractid=2165931&mirid=1.

24 See note 21, above.

25 Available at <http://fortune.com/fortune500/list/filtered?sortBy=employees&first500>. Consulted Feb 13, 2018.