OREGON CENTER for PUBLIC POLICY

Wage Boards Benefit Workers, Businesses, and the Economy

Janet Bauer, March 2023

We believe that all Oregonians deserve a real opportunity to thrive. This vision of an equitable Oregon won't be achieved by accident or by chance.

Good public policy is essential.

OREGON CENTER for PUBLIC POLICY

A Note on Our Funders

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State Priorities Partnership EARN

A Note on Citations

For a full list of citations and methodology, please read this report on our website: **bit.ly/ORWageBoard**

Wage Boards Benefit Workers, Businesses, and the Economy

By establishing wage boards, Oregon can improve wages and working conditions that foster a stable workforce, thriving communities, and a healthy economy.

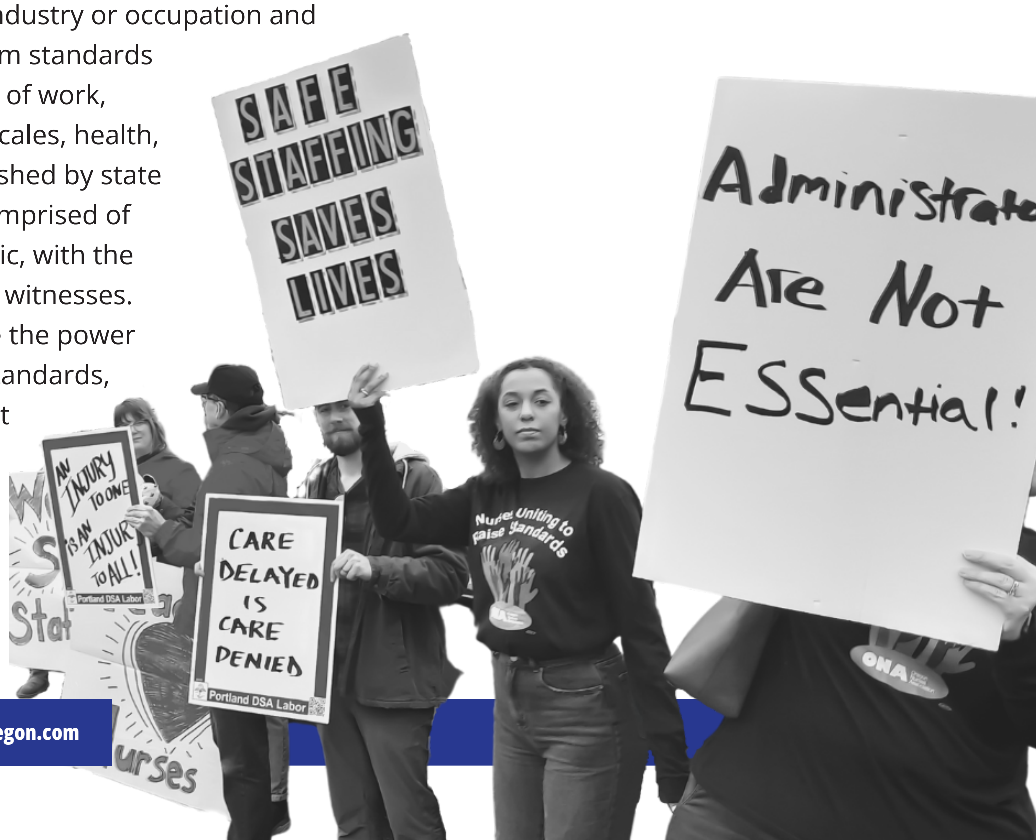
Presently, the majority of Oregon workers experience wages and benefits that are inadequate to support their families. Black and brown Oregonians are more likely to be shortchanged. Laws set up to protect workers' right to join with others to bargain for a better deal are poorly enforced or outdated. This leaves workers exploited, honest employers disadvantaged, and the economy hampered by exorbitant levels of inequality.

New approaches to addressing challenges faced by workers today are gaining traction, among them a concept called wage boards. To shore up the power of collective action and to build a healthier economy, Oregon should establish wage boards, as described in this policy brief.

Wage boards can help heal what ails the labor market

Wage boards — also called workers' boards, industry committees, or sectoral bargaining — are a way to give workers a voice at their workplace and improve pay and working conditions. Their task is to address challenges for a group of workers in an entire industry or occupation and make recommendations for minimum standards for wages, benefits, and other terms of work, including scheduling, breaks, wage scales, health, safety, and training. They are established by state or local legislative bodies and are comprised of employees, employers, and the public, with the authority to gather data and compel witnesses. Although wage boards may not have the power themselves to establish workforce standards, provisions that compel officials to act based on their recommendations give weight to their activities.

Wage boards can complement collective bargaining. Typically, collective bargaining takes place



at the worksite or company level, an approach that faces steep hurdles today, as a result of employer hostility and inadequate protection of workers' right to organize. In the face of decades of declining unionization and industry structures that disempower workers, wage boards can galvanize collective action and promote workers' interests. Wage boards, once more common in the U.S. labor landscape, are becoming more relevant today. They offer a way workers can overcome barriers to asserting their rights and capturing a fair share of the fruits of their labor.

Domestic outsourcing

Since the 1980s, large corporations have shifted from being the direct employer of much of the labor they need to outsourcing key operations to smaller companies and independent contractors – entities that must compete with one another for the contracts. Initially, companies shed operations tangential to the primary business activity, such as janitorial and security services. But the scope of outsourcing can reach far. Corporations contract for an extensive array of activities, including human resources, accounting, and information technology. Outsourcing even extends to core business activities. For example, restaurants contract for kitchen staff; delivery companies for drivers; hotels for cleaning and front desk personnel; and warehouses for loaders, stockers, and pickers. Smaller businesses now take advantage of the plethora of available business services.

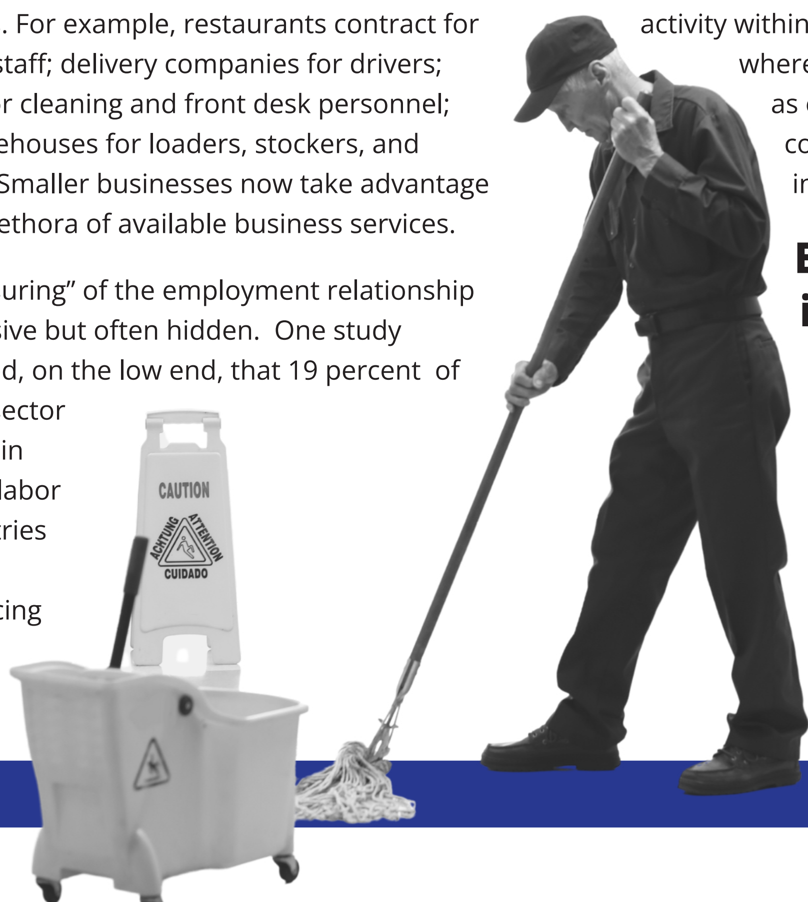
This "fissuring" of the employment relationship is extensive but often hidden. One study estimated, on the low end, that 19 percent of private-sector workers in the U.S. labor in industries where outsourcing predominates, positing the actual level to be twice that amount. Another found that 89 percent of S&P 500 companies disclosed using contractors, and that 50 percent of a broader group of businesses reported using contractors, independent contractors, or non-standard arrangements such as part-time, temporary, or leased workers.

For workers, outsourcing results in declining wages, unpredictable or insufficient hours, sparse benefits, inadequate health and safety conditions, and little career mobility. For those working as independent contractors, their compensation can be so low and personal expenses so high that minimum wage, overtime, and other employment laws are effectively violated. Many gig workers fall into this predicament. The degradation of wages and working conditions is unsurprising, given that the motivation for outsourcing is to save on labor costs. In this environment, the company largely dictates the terms of a contract, leaving little room for workers to bargain for a better deal.

Wage boards provide workers in heavily-outsourced industries an opportunity for that better deal. The purpose of the board is to set minimum standards that cover all workers performing a particular activity within an industry, regardless of where they are situated – whether as employees of the principal company or a contractor, or as independent contractors.

Exploitation of immigrants

Immigrants are integral to communities across the state. Their skills account for much of the value generated by Oregon's agricultural, construction, restaurant, and hospitality industries. Undocumented Oregonians, many of whom have worked



in the state for decades, make up more than a third of the state's agricultural workforce.

Despite their value, immigrants in these key industries are some of the lowest paid among all Oregon workers. People seeking to unfairly profit from their labor exploit their lack of knowledge of employment laws. Some target those who are undocumented by threatening to report them to authorities if they complain.

Wage boards can help immigrant workers experiencing low pay, lack of benefits, and scheduling exploitation by setting minimum standards for all workers in the industries where they work. The standards could include pay schedules tied to skills and seniority, which would help address situations where immigrant workers are paid less than non-immigrant workers, despite the fact that they have superior skills and experience. It would also help close the "wage penalty" undocumented workers experience by virtue of their documentation status.

Undervaluation of labor of women and women of color

Women, and most notably Black and brown women, face a job market that undervalues their labor relative to white men. The typical woman in Oregon working full time and year round is paid 84 cents for every dollar the typical man receives. The difference is more stark for women of color. The typical Black woman in Oregon is paid 64 cents for every dollar paid to the typical white man. For American Indian and Alaska Native women, the figure is 56 cents; for Latinas, 58 cents; and for Native Hawaiian and Pacific Islanders, 59 cents.

The economic consequences of gender pay differences are severe: Oregon women are 60 percent more likely to experience poverty due to differences in pay. And because retirement payments are based on earnings, women are more likely to experience poverty in their retirement years.

11% of white women

21% of Black women

24% of Latinas

work in a service job nationally

Researchers have determined that occupational segregation is a major factor in gender pay differences. High-paying occupations such as architects, engineers, computer systems techs, and lawyers, are dominated by men, while low-paying occupations such as childcare, personal care aides, nursing assistants, and housekeeping cleaners are dominated by women — especially women of color. Men are also more likely to work in higher-paying jobs that don't require much post-secondary education – occupations such as truck drivers, police officers, auto mechanics, and construction workers.   One study found that occupational and industry segregation accounted for nearly half of the wage differential between men and women.

Wage boards are well-situated to rectify wage disparities rooted in occupational and industry segregation. Wage boards can set wage schedules and other standards that cover the entire women-dominated occupational group in a way that reflects the value the occupations bring to our communities and economy. Studies suggest that industry-wide bargaining can reduce overall economic inequality and gender pay disparities even more effectively than bargaining at the firm level.

Wage boards complement workplace organizing

Unions are a powerful means for workers to resist exploitation and bargain for a greater share of the benefits of their labor. Despite their effectiveness, unions have been in decline since their peak in the 1950s, when a third of wage and salary workers belonged to a union. In 2021, the share of Oregon workers covered by a union had dropped to 19 percent. For workers in the private sector, the figure had fallen to 10 percent. These numbers actually represent an uptick in the union share since 2018, likely due in part to a resurgence of workplace organizing since the start of the pandemic. The resurgence of unionizing in Oregon gives hope that an increasing number of workers will have the benefits that unions bring.

The current momentum notwithstanding, workers who want to organize and secure a collective bargaining agreement face a gauntlet of obstacles. One is structural: typically, the bargaining unit is the firm or a unit within it, such as individual Starbucks stores. For companies that operate franchises, bargaining happens at each franchise store. This makes transformation of an occupation through bargaining difficult. Another obstacle is that workers may be isolated from one another and struggle to organize a campaign. Gig workers often have this challenge. Further, workers seeking to unionize face employer intimidation and a well-funded industry of union-busters hired by the company to carry out legal and illegal campaigns to discourage organizing at every step of the way.

Wage boards can circumvent some of the challenges inherent in traditional organizing. By design, a board's scope is broad, encompassing an entire class of workers. In this way they are a more efficient organizing tool. In addition, transformation doesn't require a vote of the majority of a hard-to-reach workforce. Instead, a wage board just needs worker representatives. In fact, wage boards may be established for the explicit purpose of supporting isolated, exploited workers. Lastly, the tactics developed by union-busters don't work in the context of a wage board.

On the other hand, wage boards are not a panacea. Their actions are only as good as their ability to truly reflect the interests of workers. Ongoing organizing within a workforce is an essential element of an effective wage board. Unions and other organizers are key to engaging workers on an ongoing basis to ensure the board empowers workers by being responsive to their interests.

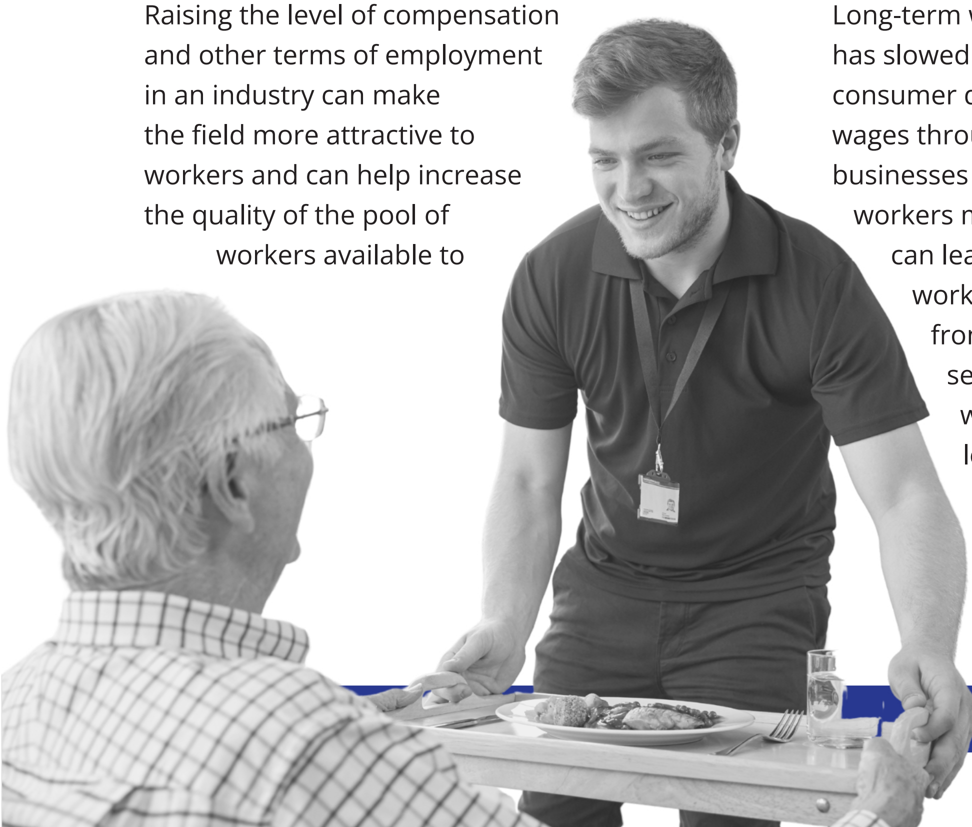
Wage boards are good for businesses and strengthen industries

The benefits of wage boards extend to businesses and the industries they influence. The actions of wage boards to elevate wages and create other standards of work that are responsive to workers' needs can promote a stable workforce within an occupation and industry. Establishing wage schedules that are structured to incentivize training, skill-building, and longevity also contribute to the stability of a firm's workforce. Higher compensation, benefits, health, and safety standards, and structured career ladders lead to reduced labor turnover and the associated costs involved in bringing on new employees.

"Employers who cheat by misclassifying workers can undercut the labor costs of honest employers by 17 to 34 percent."

Raising the level of compensation and other terms of employment in an industry can make the field more attractive to workers and can help increase the quality of the pool of workers available to businesses within an industry. A stable workforce also encourages employers to build the skills of their workers, investments that also improve the quality of the industry's workforce.

Setting and raising workforce standards helps high-road businesses. They are no longer at a disadvantage when they invest in their workers or simply abide by existing employment law. An illustration of the latter situation is the effect of removing the economic incentive to misclassify workers as independent contractors. Employers who cheat by misclassifying workers can undercut the labor costs of honest employers by 17 to 34 percent, according to some estimates, depending on the level of the base wages. By setting compensation levels by occupation, wage boards can equalize the labor costs of employees and independent contractors performing the same task.



Wage boards are good for the economy

Wage boards strengthen the economy by improving productivity and pay equity, and shrinking income inequality.

Improve productivity

Long-term wage stagnation in the United States has slowed overall economic growth by dampening consumer demand and reducing savings. Increasing wages through collective bargaining encourages businesses to invest in ways that make their workers more efficient. Gains in productivity can lead to improved living standards for workers and, in turn, spur business activity from higher consumption of goods and services. There is evidence that industry-wide bargaining approaches in particular lead to better economic performance.

Equalize pay

Lower wages paid to women generally, and to Black and brown

"Equal pay would add an estimated $6,000 per year on average for Oregon women and would boost the state's economy by 2.5 percent."

women in particular, undermine economic growth by hampering consumer demand and reducing savings, in the same way as described above. Researchers have estimated the economic benefit of paying women on par with men with equivalent qualifications. Equal pay would add an estimated $6,000 per year on average for Oregon women and would boost the state's economy by 2.5 percent.

Reduce inequality

Decades of wage stagnation for most workers has resulted in alarming levels of income inequality in the U.S. and in Oregon. In 2021, the top 1 percent in Oregon took home $1.2 million on average, while the typical Oregonian was paid $39,000. Extensive research has documented the corrosive effects of income inequality on economic growth. Researchers have also determined that the decline of unions has contributed to the rise of income inequality. Specifically, the erosion of unions nationally in recent decades accounts for about a third of the growth in wage inequality among men, and about a fifth among women. Wage boards, like unions, act to counter these trends by enabling workers to participate more fully in the benefits in the economy.

Wage boards are alive and well today

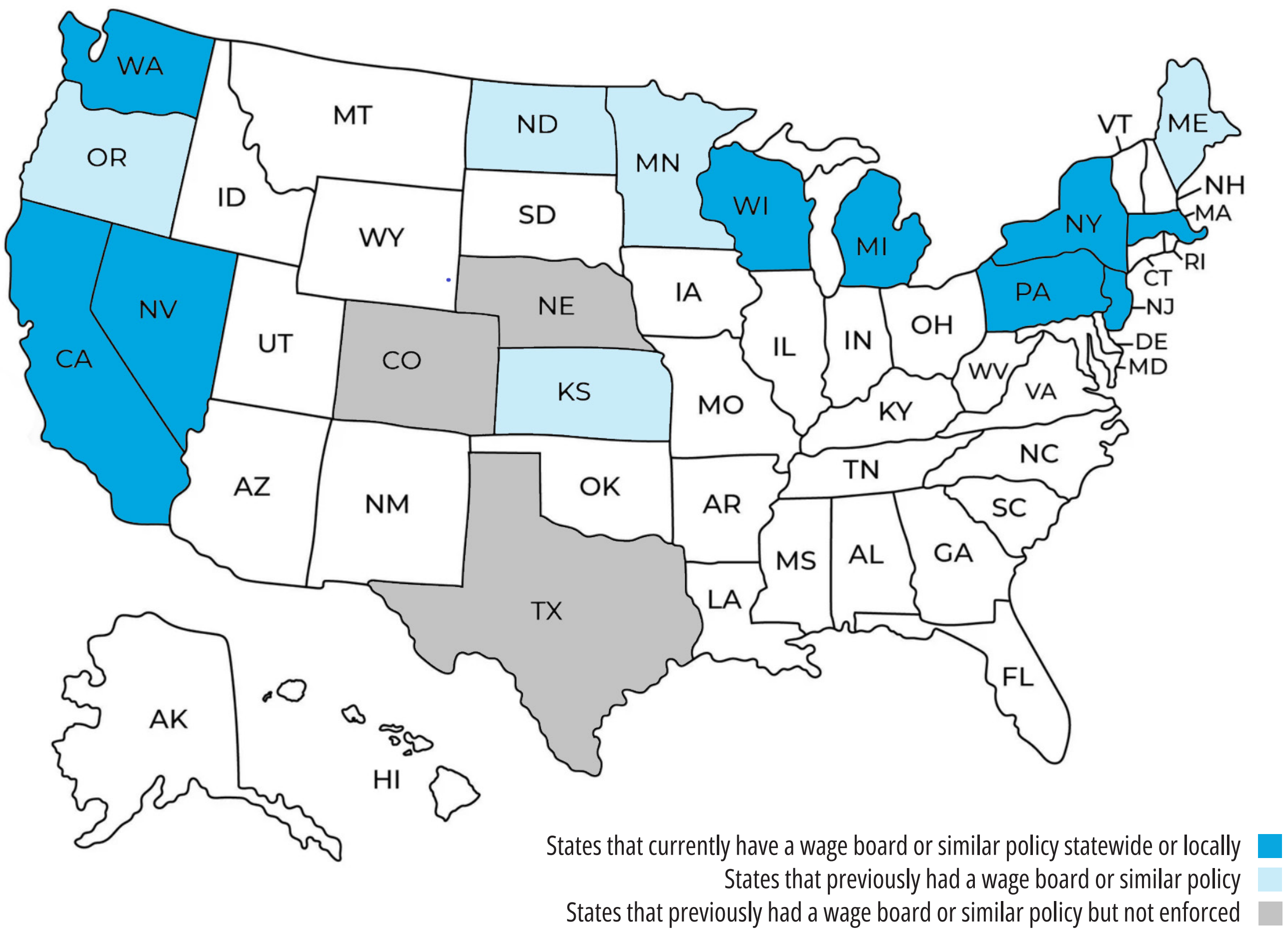
Many people are familiar with a core feature of wage boards but by a different name: prevailing wage. Its purpose is to prevent government dollars, which contractors compete for, from undercutting local workforce standards. Prevailing wage and benefit levels within a local industry set minimum compensation standards for work financed with public dollars. In this way, prevailing wages help standardize compensation within an industry and spread the gains made by unions across a sector.

Wage boards themselves were prominent in the labor landscape in the early twentieth century. The first minimum wage standards enacted in Massachusetts in 1912 were set by a regulatory board focused on women's labor. Oregon established a more robust model in 1914 Other states including California, Colorado, District of Columbia, Kansas, Maine, Minnesota, Nebraska, New Jersey, New York, North Dakota, Texas, Washington, and Wisconsin subsequently set up wage boards following the Massachusetts or Oregon models.

Although the authority of the early wage boards waned, their impact endured. New York's wage board statute has been the basis of action to improve conditions for workers in hotels, retail establishments, laundries, and building services occupations. Boards have prompted updates in wage rules for all occupations, including recent minimum wage increases for tipped food service workers.

In recent years, wage boards have begun to make a comeback. In 2019, New York established a wage board for farm laborers to address overtime concerns. In 2021, Nevada created an employment standards board to make recommendations regarding minimum compensation and working conditions for home care workers in the state. And in 2022, the California legislature created a wage board for fast food workers to set minimum standards for wages and health and safety matters. A court has paused the measure and it may go before voters in 2024. Governors in other states, including Massachusetts, New Jersey, and Wisconsin, have authority to raise minimum wages without the approval of the legislature.

At the local level, wage boards are enabling collective bargaining. In 2018, the Seattle City Council established the Domestic Workers



Standards Board to improve working conditions for domestic workers. The City of Detroit has enabled workers within an entire industry to petition for establishment of an Industry Standards Board to recommend minimum standards for wages, safety, scheduling, and training. Philadelphia created the Domestic Worker Standards and Implementation Task Force to recommend policies to improve legal protections, benefits, and working conditions for domestic workers.

Wage boards are also a hot topic in Oregon. The 2023 Oregon legislature is considering Senate Bill 602 to create a representative board to address high turnover and persistent workforce shortages in the long-term care industry. It is a sector disproportionately made up of women, especially women of color. The wage board would seek to improve recruitment and retention by raising the paltry compensation and overall poor job quality for all long-term care workers in Oregon.

Conclusion

Wage boards can help address some of the most serious structural problems affecting the economy: wage stagnation and rising income inequality partly caused by the decline of unionization, and a gender wage gap rooted in occupational and industry segregation. For gig workers, independent contractors, and many immigrant workers, wage boards offer a path to better wages and working conditions. For businesses, wage boards help stabilize and improve the quality of their workforce, while strengthening the purchasing power of workers. In short, wage boards are good for workers, businesses, and the economy.

For a full list of citations and methodology, please read this report on our website: bit.ly/ORWageBoard

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