

MR. FELDMAN: Thank you, Mr. Chairman and members of the Commission and President Becker for the invitation to speak to you today on behalf of the 150,000 working men and women of the King County Labor Council, AFL-CIO. My comments are also submitted in detail. I want to bring forward and emphasize prior testimony on the deficit as well as then talk about a Northwest perspective on some of those issues.

We've heard some startling facts about the deficit. The merchandise trade deficit is likely to exceed \$300 billion this year, up more than 50 percent from last year. Between 1980 and 1998 manufacturing imports to the U.S. have soared from 54 percent of our imports to 87 percent. Our level of total imports went from \$245 billion to \$914 billion. The trade deficit had been a significant contributor to the loss of over 500,000 jobs, manufacturing jobs, nationwide since 1998.

In Seattle we're pretty fortunate. We do have a fairly vibrant manufacturing sector. We haven't had the hollowing out of industrial jobs similar to other urban areas in our country. But our ability to maintain that viable, healthy middle class is under increasing pressure, even in this booming economy.

I attached a recent study in my written testimony by the University of Washington's Northwest

Policy Center on new jobs being created in our area in this booming economy, this low unemployment economy, and I'd like you to turn to that study on page 37 which has a nice chart. Now, this study found that a living wage in our area for a single adult with two children is \$16.86 an hour based on what is needed to meet basic needs. That's looking at rent, that's looking at food costs, that's looking at what it takes to live in this area and have a little bit put away for savings and emergencies. (SEE INSERT 2)

If you turn to page 37 of this study --I've excerpted the relevant section -- you'll see that 72 percent of all job openings in our area pay less than \$16.86, which is the living wage for a single adult with two children. You'll see this chart has got a big mountain of jobs in the low end, \$10.25, and it has some peaks over here in the \$25.00 area. But the majority of new jobs that were created in our economy are not living wage jobs. And part of this situation is the loss of manufacturing jobs which is directly related to the trade deficit.

Now, in addition, in the Northwest we're concerned about our trading partners. We are definitely a trading area and many of our members at our labor council work in the trade sector. The social turmoil and financial crisis that has affected East

Asia has slowed U.S. exports and contributed to rapid growth in U.S. imports. We see the reality of the national trade deficit every day. As any member of the International Longshore Workers Union working at the container terminals at the Ports of Seattle and Tacoma can tell you, we send out a tremendous number of containers filled only with air. And we are experiencing record breaking levels of inbound containers full of high value imports from Asia.

Part of the problem we are facing today is of our making. The U.S. has followed a set of trade policies that conditioned access to our markets and adoption by our trading partners of a one-sided set of policies that focused only on economic factors. This formula requires deregulation, fiscal austerity, privatization, financial liberalization and labor market flexibility. It neglects domestic demand and relies solely on secondary effects of multinational investment to spur domestic growth, to spur potential demand for our products.

Independent unions can act as a countervailing force to entrenched economic power, and can address income inequality and unequal sharing of productivity gains that can, in turn, help spur domestic demand. Under our current trade policy, the suppression of unions is ignored. By ignoring factors

like the concentration of power and wealth, suppression of civil institutions and viable countervailing forces, we have followed the policy that has created ticking time bombs, not long-term trading partners.

The current international trading system rewards bad corporations' behavior and leads to an abuse of individual rights rather than reinforcing respect for human rights. A sustainable international trading system must incorporate enforcement of workers' rights and environmental protections in all its rules.

That means every worker, from America to Malaysia to Zaire is entitled to basic human rights.

Freedom from child labor. Freedom from forced labor. A workplace free from discrimination. And the freedom to join together and bargain collectively to balance the overwhelming power of global capital. These basic rights are being denied to people around the world. Each year, millions of children go to work instead of school, producing for export markets clothes and shoes and basketballs they'll never have a chance to play with, while their parents go without jobs.

It is our belief that a trade policy that conditions market access not just on the openness of a country's markets but also the strengths of its civil institutions secures the long-term viability of our

trading partners. We see important markets for the Northwest, like Indonesia, go from an Asian tiger to a society in chaos, with riots, declining incomes, and currency devaluation.

The U.S. pursues a policy that at its root is based on the idea that increased GDP is the only measure of success, even if the economy is dominated by an oligarchic class that concentrates wealth and power.

We turned a blind eye to the Indonesian government's corruption, suppression of democratic institutions, and prohibition of free trade unions. We were told that over time, trade would civilize the human rights situation. Instead we have lost trading opportunities, the economy is in shambles and the society is unraveling. The handling of that crisis would have been far different if Indonesia had developed institutions and we had supported the development of those institutions that enabled the voice of the people to be fully expressed, if there were unions that gave workers a voice in economic affairs, and instead of rioting in the streets the people of Indonesia had the means of debating critical issues in the halls of power.

And we're repeating the same mistake with China. The recent deal negotiated by the U.S. trade representative for China's accession to the WTO had everything to do with open markets and nothing to do with the openness of its society. We believe that new WTO members must be in compliance with core worker's rights before they are admitted to the WTO, and that

means that if human rights and workers rights have no place in China, China has no place in the WTO.

Free independent trade unions are not permitted in China. Trade union organizers are subjected to extreme penalties. For example, China recently sentenced two railroad workers to a forced labor camp for simply protesting against unpaid salaries. Income inequality is accelerating with increased wealth and power lodged in the hands of a few. Countervailing forces are ruthlessly suppressed. The members of a benign meditation group are now threatened with execution.

When China implodes, as it inevitably will under the weight of its oppressive policies, the consequences for the U.S. will be severe.

COMMISSIONER LEWIS: Thank you very much for your presentation. The last person will be Karl Ege with the Frank Russell Company in Tacoma.



Idaho • Montana
Oregon • Washington

NORTHWEST
Job Gap
STUDY

SEARCHING **FOR** WORK THAT PAYS

**NORTHWEST POLICY CENTER AND
NORTHWEST FEDERATION OF COMMUNITY ORGANIZATIONS**

JANUARY 1999

WASHINGTON

WASHINGTON KEY FINDINGS

Key findings for Washington are:

- The living wage for a single adult is \$10.25 an hour. This is based on what is needed to meet basic needs and provides some ability to deal with emergencies and plan ahead. The living wage for a single adult with two children is \$16.86 an hour.
- Forty one percent of all job openings pay less than the \$10.25 an hour living wage for a single adult. Seventy two percent pay less than the \$16.86 an hour living wage for a single adult with two children.
- For each job opening that pays at least the \$10.25 an hour living wage for a single adult, there are **five** job seekers on average. For each job opening that pays at least the \$16.86 an hour living wage for a single adult with two children, there are 12 job seekers on average.

WHAT IS A LIVING WAGE?

Living wages for Washington, which reflect family budgets as shown on the following page, are:

- For a single adult household, \$2 1,322 a year or \$10.25 an hour.
- For a single adult with one child, \$27,288 a year or \$13.12 an hour.
- For a single adult with two children, \$35,079 a year or \$16.86 an hour.
- For two adults, one of whom is working, with two children, \$29,023 a year or \$13.95 an hour.
- For two adults, both of whom are working, with two children, \$38,369 a year or \$18.45 an hour (which means that the combined wages of both working adults needs to total this amount).

These are statewide averages. In some areas, costs are higher (particularly for housing and child care) and, as a result, living wages are higher. In other areas, including most of the state's rural areas, costs and, therefore, living wages are lower. Living wages for higher cost and lower cost areas are:

	Higher Cost Areas	Lower Cost Areas
Single adult	\$10.43/hour	\$9.50/hour
Single adult with one child	\$13.49/hour	\$12.16/hour
Single adult with two children	\$17.59/hour	\$15.47/hour
Two adults (one working) with two children	\$14.16/hour	\$12.89/hour
Two adults (both working) with two children	\$19.17/hour	\$17.11/hour

Washington's higher cost areas are King, Pierce, Snohomish, Spokane, Clark, Kitsap, Yakima, Thurston, **Whatcom**, **Benton**, and Franklin counties.



WASHINGTON FAMILY BUDGETS (IN 1996 DOLLARS)

	Household 1	Household 2	Household 3	Household 4	Household 5
Food	141	263	331	462	462
Housing & Utilities	488	615	615	615	615
Transportation	372	321	364	333	390
Health Care	64	117	132	162	162
Child Care	0	170	602	0	602
Household, Clothing & Personal	230	284	312	340	352
Savings	144	178	195	212	220
State, local & Federal Taxes	338	327	372	296	395
Gross Monthly Income Needed	1,777	2,274	2,923	2,419	3,197'
Gross Annual Income Needed	21,322	27,288	35,079	29,023	38,369'
Living Wage (at 2080 hrs/yr)	\$10.25	\$13.12	\$16.86	\$13.95	\$18.45'

Household 1 is a single adult

Household 2 is a single adult with a school-age child (age 6-8 yrs)

Household 3 is a single adult with a toddler (12-24 months) and a school-age child (age 6-8 yrs)

Household 4 is two adults (one of whom is working) with a toddler and a school-age child

Household 5 is two adults (both of whom are working) with a toddler and a school-age child

'Total amount earned by two working adults

Washington's minimum wage is about 50 percent of the living wage for a single adult and about 30 percent of the living wage for a single adult with two children. The state's average annual wage (\$28,871 in 1996) is 135 percent of the living wage for a single adult and 82 percent of the living wage for a single adult with two children.

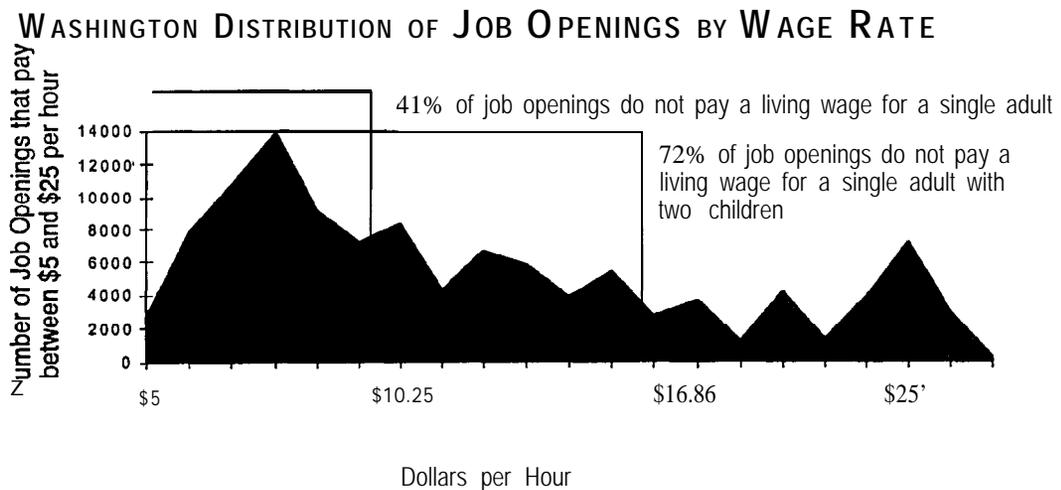
ARE WE CREATING ENOUGH JOBS THAT PAY A LIVING WAGE?

There were about 1.8 million working age households in Washington in 1996, but only about 1.5 million jobs that could support a single adult and about 610,000 jobs that could support a single adult with two children.

Thirty seven percent of all jobs in the economy pay less than the \$10.25 an hour living wage for a single adult and 73 percent pay less than the \$16.86 an hour living wage for a single adult with two children.

Of all job openings, 41 percent pay less than the \$10.25 an hour living wage for a single adult, as shown in the chart below. Seventy two percent pay less than the \$16.86 an hour living wage for a single adult with two children.

It is important to note the distinction between jobs and job openings. Not all jobs come open during a year. Job openings are of particular interest because they provide employment opportunities to people looking for work.



There are few job openings in the economy that pay more than \$25 an hour. Due to lack of space they have not been included here.

In addition, there are more people looking for work than there are job openings that pay a living wage. As shown in the table on the following page, job gap ratios, which compare job seekers to job openings, are:

- For each job opening, regardless of pay, there are three job seekers on average.
- For each job opening that pays at least the \$10.25 an hour living wage for a single adult, there are five job seekers on average.
- For each job opening that pays at least the \$16.86 an hour living wage for a single adult with two children, there are 12 job seekers on average.

For those job openings that pay a living wage and require at most some combination of a high school diploma, on-the-job training, work experience, **and/or** post-high school vocational training, the competition may be even stronger. Fifty three percent of all job openings that pay at least the \$10.25 an hour living wage for a single adult require that amount of education and training. For those job openings that pay at least the \$16.86 an hour living wage for a single adult with two children, the proportion is 24 percent.



WASHINGTON JOB GAP RATIO

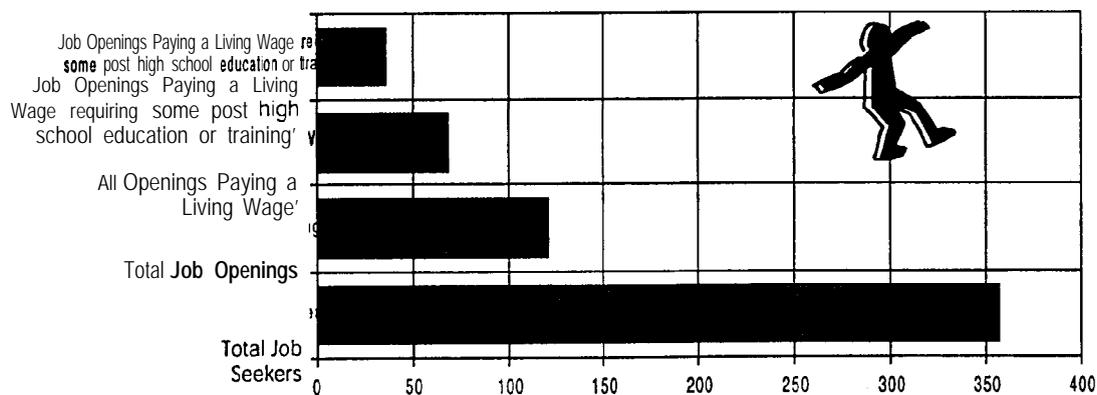
	<u>Household 1</u> <u>\$10.25</u>	<u>Household 3</u> <u>\$16.86</u>	<u>All Job</u> <u>Openings</u>
Seekers	357,243	357,243	357,243
Job Openings	68,382	30,606	120,765
Job Seekers per Job Opening	5 to 1	12 to 1	3 to 1
Percent of all Job Openings paying less than a living wage	41%	72%	

Job gap ratios are calculated by dividing the number of people who were looking for work at some point during 1996 by the number of job openings that year. Job seekers total 357,243, which equals about 13 percent of total employment in the state. Job seekers include the unemployed (about 59 percent of the total), involuntary part-time workers (30 percent), and discouraged and marginally attached workers (11 percent).

Job openings total 120,765 and include job openings due to growth (about 45 percent of the total) and job openings due to net replacement (55 percent).

As shown in the chart below, 68,382 of the 120,765 job openings pay at least the \$10.25 an hour living wage for a single adult. And 36,139 of these job openings pay at least the \$10.25 an hour living wage for a single adult and require at most some combination of a high school diploma, on-the-job training, work experience, and/or post-high school vocational training.

FINDINGS FOR WASHINGTON



*Living wage refers to a single adult household

Thousands of Job Openings and Job Seekers