Living wage study exposes empty threats by business

By Peter Dreier
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President Bush and the Republicans in Congress keep resisting raising the minimum wage. But cities around the country are not sitting still.

In the last decade, more than 120 cities and counties have enacted living wage laws, which require private firms that do business with municipal governments (through contracts or subsidies) to boost pay and benefits for employees. Baltimore was the first, back in 1994. Others have followed suit, including Boston, Chicago, Detroit, Miami, Milwaukee, Minneapolis, Oakland, Calif., Portland, Ore., and Tucson, Ariz.

At least 13 other cities, including Albuquerque, N.M., Memphis, Tenn., Phoenix, Richmond, Va., and Syracuse, N.Y. , are considering living wage proposals.

While the federal minimum wage stagnates at $5.15 an hour, these living wage laws give workers a real boost. The Bozeman, Mont., law, for example, calls for $8.50 an hour with health benefits, or $9.50 without them. Cincinnati's scale is $8.70 an hour with benefits, or $10.20 without. And San Jose requires firms to pay workers $10.10 an hour with benefits or $11.35 an hour without them.

These laws came about because of grass-roots campaigns by churches, unions and community groups. And every time, business leaders warned that the living wage would cost jobs. They said it would hurt those who need the jobs the most, and it would create a hostile business climate.

But that has not happened.

In Los Angeles, back in 1996, for instance, the Chamber of Commerce warned of dire consequences, predicting a loss of 3,000 low-wage jobs. But the living wage law passed anyway the next year, and now the results are in.

A just-published report by the Los Angeles Alliance for a New Economy, a nonprofit policy research group, found that the law -- which mandates $10.03 per hour and two paid annual vacation days -- significantly increased pay for about 10,000 jobs, while firms lost an estimated total of all of 112 jobs.

The study also discovered that many firms reduced employee turnover and absenteeism. Businesses covered by the laws are immobile. Service-sector jobs are tied to the local economy. So are jobs with companies that have profitable contracts with the cities themselves. These jobs aren't going anywhere.

What's more, the boost in low-wage income helps the local economies. Workers at the bottom tend to spend everything they earn, pumping money into grocery stores and retail outlets, often in low-income neighborhoods. This helps revitalize poor communities.

A truly healthy business climate is one where employees have enough money to spend on basic necessities as well as some frills, the work force has an adequate supply of affordable housing and safe workplaces, consumers are protected from dangerous products and people can breathe clean air and drink clean water. Then employee turnover is low, worker morale is high and productivity goes through the roof.

But to ensure this healthy business climate requires government intervention. And in this age of the Bush rollbacks, that idea is hard for some people to swallow. It shouldn't be.

During the past century, whenever reformers have proposed policies to improve economic conditions -- to raise wages, regulate business to be more socially responsible or increase corporate taxes -- most business leaders argue that doing so will destroy the "business climate," the incentive to invest. History reveals that they were crying wolf.

Government intervention has brought us cleaner air and clear water, safer workplaces and safer highways. And as the living wage examples prove, it has also helped those on the bottom rung of the ladder even as it has improved the health of local communities.

More cities should adopt living wage laws. They and their residents will be better off.

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