

“The Living Wage Movement”

from The Living Wage Campaign
www.livingwagecampaign.org

Document Excerpt #1

In short, living wage campaigns seek to pass local ordinances requiring private businesses that benefit from public money to pay their workers a living wage. Commonly, the ordinances cover employers who hold large city or county service contracts or receive substantial financial assistance from the city in the form of grants, loans, bond financing, tax abatements, or other economic development subsidies.

The concept behind any living wage campaign is simple: Our limited public dollars should not be subsidizing poverty-wage work. When subsidized employers are allowed to pay their workers less than a living wage, tax payers end up footing a double bill: the initial subsidy and then the food stamps, emergency medical, housing and other social services low wage workers may require to support themselves and their families even minimally. Public dollars should be leveraged for the public good -- reserved for those private sector employers who demonstrate a commitment to providing decent, family-supporting jobs in our local communities. Many campaigns have defined the living wage as equivalent to the poverty line for a family of four, (currently \$9.06 an hour), though ordinances that have passed range from \$6.25 to \$13.00 an hour, with some newer campaigns pushing for even higher wages.

First, consider the economic realities facing low income people today: the failure of the minimum wage to keep pace with inflation (it now buys less than it did in the 1960s); the growing income gap between the rich and the poor; massive cuts in welfare and downward pressure on wages resulting from former recipients being forced into the labor market with no promise of jobs; the growth of service sector jobs where low wages are concentrated; the weakening of labor unions; rampant no-strings-attached corporate welfare that depletes tax dollars while keeping workers poor. The list goes on. Living wage campaigns have arisen in response to all these pressures.

“The Employment Effects of Living Wage Laws”

by Bruce Bartlett

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Document Excerpt #2

The truth is that living wage campaigns are mainly fronts for municipal employee unions. Their goal is to raise labor costs for potential competitors. If government contractors have to pay their workers more because of living wage laws, then they are less likely to replace traditional government workers. This makes it easier for government employee unions to demand higher wages for their members, because the option of saving money by contracting out has been undercut.

A new study from the Public Policy Institute of California by economist David Neumark documents this fact. He finds that existing government employees are the primary beneficiaries of living wage laws, even though such laws do not apply to them, only to government contractors. This is the main reason why he finds that living wage laws do in fact raise wages in places where they are enacted.

However, Neumark also finds, as economic theory would predict, that forcing up wages causes demand for labor to fall. The higher wages for some workers are offset by higher unemployment for others. The former would see a 3.5 percent increase in their income under a typical living wage law, while there would be a 7 percent increase in unemployment among low-wage workers.

Neumark also seems to have forgotten that someone is paying the bill for the higher wages. That person is the taxpayer, who must pay higher taxes for the same government services. He may pay again when businesses relocate from places where living wage laws are enacted, thus reducing the tax base. The actual cost of the living wage law may not be very much, but why would a business want to locate in a place where a bunch of left-wing nuts seem to be running the show? What will be next, businessmen have to wonder when deciding where to locate?

Economists have an expression, "There ain't no such thing as a free lunch." Government can't give anyone anything it hasn't first taken from someone else. Understanding this simple point is all that is necessary to see the basic lunacy of living wage laws.