



# Living Wage: A Literature Review

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## Summary of Living Wage Articles

### Working Brief – December 2006: The business case for the living wage Deborah Littman, National Officer, UNISON

This article describes the economic hardships experienced by Britain's poor.

It comes from Britain and describes what a living wage is and its effects. The article specifically speaks to a dozen or so large corporations that have implemented the living wage and the positive effects that they have experienced

The companies include: HSBC, Morgan Stanley, Lehman Brothers, City Group, Deutsche Bank, Royal Bank of Scotland, KPMG, Lovells, Credit Suisse and Macquarie. Public sector organisations involved include: Greater London Authority, four East London health trusts, Queen Mary University and London School of Economics. A growing group of Third Sector organisations have also adopted living wage policies, including Big Issue, Child Poverty Action Group, ACEVO and IPP

“While the exact terms differ from employer to employer, all have signed a basic “Charter for Socially Responsible Contracting,” stipulating all direct and contract staff are: paid no less than a living wage as set annually by the greater London authority; eligible for 20 days paid holiday plus statutory holidays; eligible for 10 days full sick pay per year; allowed free and unfettered access to a trade union.” From Worker For a Living Wage

The article also mentions briefly why businesses are adversarial to living wages.

### Consumption, Work Hours, and Values in the Writings of John A. Ryan: Is it Possible to Return to the Road Not Taken? Martha A. Starr, REVIEW OF SOCIAL ECONOMY, VOL. LXVI, NO. 1, MARCH 2008, 7-24

This article describes the view points of Catholic social economist John A. Ryan, a proponent of the living wage from the former half of the 20<sup>th</sup> century.

In summation of the article I offer this quote, “In contrast, some observers argued that work hours could and should decline in order to favor social, cultural and religious endeavors outside the commercial realm. John A. Ryan supported this last option, believing it would promote “industrial sanity, social wellbeing, and desirable human life.”

Ryan believed that an increased wage would allow men and woman to live a more holistic life and pursue existential ends.

**Smith and a Living Wage: Competition, Economic Compulsion, and the Scholastic Legacy**  
**Edd S. Noell, *History of Political Economy* 38:1 2006, 151-174**

Adam Smith was the individual who coined the term the “invisible hand,” which, speaks to how man’s selfishness would lead to the benefit of all. The article’s base appears to be a single quote from Smith that expounds his belief that all men deserve to have a subsistent wage.

Additionally, the article speaks to scholastics, Christian philosophers who called for employers to be generous to their charges and provide a subsistence wage. The concept of an equitable wage is influenced by something called economic compulsion, where men would be so desperate for work that they would be willing to work for far below what was considered fair and decent.

**Living Wage and Optimum inequality in Sarkarain Framework**  
**Mark Brenner, *Review of Social Economy* Vol 66 (1) March 2008, 93-111**

This article reviews the belief, values and the economic perspective of the Indian philosopher Sarkar.

Sarkar understood that inequality is necessary in the capitalist economy so that there would be incentive to increase production and through that the betterment of society. However he acknowledges that a person should have not only subsistence, but also reasonable amenities. Sarkar believes in a high standard of living (living wage) and 100% employment.

Social and spiritual well-being are very important and money needs to only be considered one form of incentive for people while others need to be considered as well.

**The Impacts of Living Wage Policies: Introduction to the Special Issue**  
**David Fairris and Michael Reich, *Industrial Relations*, Vol. 44, No. 1**

This article was an introduction for a series of articles that examined the living wage.

Three components of the living wage are

- The ability for workers to support their families
- Workers do not want to accept charity to support themselves
- Tax payers do not want to subsidize business or government that pays a poverty wage

**The Impact of Living Wages on Employers: A Control Group Analysis of the Los Angeles Ordinance, David Fairris**

The foundations of this paper are statistical, in that it analyzes the effects of the Los Angeles living wage ordinance.

To begin the study, Farris briefly highlighted the dimensions of the ordinance and who it affected.

The results of the study were

- The total workforce experienced a decrease of employment by 2.6%
- Workers in the industries affected experienced a 25% pay increase
- Reduced turnover would absorb 4% of the cost experienced by firms from the living wage
- Decrease in turnover by 35%
- A reduction in training time
- A significant reduction in absenteeism
- Decreased use of overtime
- No significant difference in the use of low-income earners

### **The Effect of Detroit's Living Wage Law on Nonprofit Organizations**

**David Reynolds and Jean Vortkamp, *Economic Development Quarterly*, Vol. 19 No. 1, February 2005 45-61**

This article attempts to debunk the argument that non-profits would be seriously affected by the living wage, by layoffs or a decrease in hours.

This article highlights an important component of the battle in the implementation of living wage policies—that being the confusion associated with them—as even the organizations that were covered by the wage increase did not understand what portion of their staff would be affected. This situation was exacerbated because staff from the city did not understand the law and distributed misinformation.

Of the organizations that did experience financial hardship, many had to cut back on hours. For some non-profits budget could be so tight as to make it difficult to accommodate an increase in cost. In only one organization that was studied was there found to be a decrease in employment.

### **The Effects Of The Living Wage In Baltimore**

**Christopher Niedt, Greg Ruiters, Dana Wise, and Erica Schoenberger, Working Paper No. 119: February 1999, Economic Policy Institute**

The article describes how the law came into being. The living wage movement began in 1994 in Baltimore. Baltimore saw many of its well paying city jobs become privatized and therefore a lost opportunity for many to ascend the pay scale.

This study analyzed both a control group (those contracts not affected by the living wage) and an experimental group (those contracts that were affected by the living wage).

“For the 26 comparable contracts, the total price increased from \$20,273,909 to \$20,510,301 or just 1.2%, since the living wage was implemented on July 1, 1995 (or the beginning of FY 1996). Correcting for inflation, the total price actually declined.”

“Cost changes varied considerably by contract type, from an increase of 16.6% in nominal terms for janitorial services to a nominal decline of 8.2% for the Summer Food Service Program.”

In Baltimore the living wage ordinance also acts as an agent against discrimination as a disproportionate quantity of African Americans worked in low-income services 72% and woman occupied 83% of the low-paid administrative work. Additionally, “Twenty-seven percent of low-wage service workers’ households were below the poverty line in 1990. Of these families, 74% were African American.” From the Census it was also determined that 15,034 children under the age of 16 were living in the households of low-wage service sector workers, but a disproportionately large number – 40% – of these children lived in households below the poverty line.

Many of the people who were affected by the ordinance worked part-time and worked seasonally; therefore they were not able to earn a wage above the poverty line. The question was also raised of whether the people who will receive the living wage, assuming it passes, be the most significant earner in the household.

### **The Role of Community Involvement in Implementing Living Wage Ordinances** **Stephanie Luce, *Industrial Relations*, Vol. 44, No. 1 (January 2005)**

The author highlights a significant point by differentiating between enacted policy and the implementation of it. Many communities that have passed the living wage fail to enforce it, or administer it weakly. Governments may not be willing to press businesses to fully implement policy.

There are different forms of policy: Waterloo region is a narrow form, while Santa Fe and San Francisco are broad. There are also different degrees of implementation: narrow, moderate and broad, and this is the focus of Luce’s article.

Reasons why government will not implement the policy

- Living wage is seen as a potential influence for obstructing growth
- No desire to prioritize the living wage and therefore do not properly administer
- Not enough funds to hire the staff needed to administer policy

The major finding for this study was that non-government agencies were extremely important factors for catalyzing implementation.

### **Evaluating Living Wage Laws in the United States: Good Intentions and Economic Reality in Conflict?** **Robert Pollin, *Economic Development Quarterly*, 2005, 19:3**

This article highlights some of the economic effects that have demonstrated and analyzed by economists.

In an estimation conducted by Pollin, Luce and Brenner, Pollin illustrates the effects of the living wage in Los Angeles. It was anticipated that the cost of the living wage directly was approximately 80.4% of the total expenditure. The ripple effect of was supposed to influence the total cost at 19.6%, with the administration costs at approximately 1.5% of the indirect amount. Businesses typically absorb an increase in cost and do not relocate.

In regards to average increase in expenditures for firms affected by the living wage, Pollin suggests that it rises between 1% to 2%. He suggests that there will generally be companies who fall within two groupings: low impacted firms and high impacted firms. The low impact firms, which are the majority, fall within the 1-2% range. The high impacted firms will have an increase of expenditure of approximately 10% and perhaps more, because their employees contracted by the city would constitute a larger proportion of low wage workers. In the study of Los Angeles it was found that 7% of the firms saw an increase in expenditure above 10%.

Overall the effects are positive. No one can know the effects without empirical study.

**The Problems Of Labor: Time for a Living Wage Interview with Robert Pollin**  
**Challenge, vol. 44, no. 5, September/October 2001, pp. 6 18.**

Robert Pollin got involved when he was asked to analyze the living wage in Los Angeles proactively; his study was a major reason why the ordinance passed.

Advocates must understand the unintended consequence, as not all things are equal as is assumed in neoliberal economics. Minimum wage effects are overstated. Pollin found that the difference between industries that have wages at \$6 and \$9 an hour for hiring people with a high school diploma is approximately 15% higher. Therefore he assumes that the displacement affect will be approximately 15%.

**Fighting for Other Folks' Wages: The Logic and Illogic of Living Wage Campaigns**  
**Richard Freeman, *Industrial Relations* 44 (1), January 2005**

“No business that depends for existence on paying less than living wages has any right to continue in this country . . . and by living wages I mean more than a bare subsistence level. I mean the wages of decent living. [Pres. Franklin Delano Roosevelt, Presidential Papers, 1933]

Many universities and colleges are engaged in living wage campaigns. Article also mentions groups that have been involved in living wage campaigns and are in fact major influences in fight for fair wages (including ACORN). These organizations attempt to fill a hole as many workers cannot form organizations. Self-interest is difficult to imply for non-worker organizations because the financial benefits are not ostensive and may in fact adversely affect them (increased taxes, etc). Groups are needed as workers do not possess enough economic or political strength to maneuver alone. Additionally are these ties maintained and used for additional contestations.

Businesses use a variety of arguments including against the living wage:

- It is a form of welfare
- Health safety
- Attacks on unions
- Competitiveness and reduce employment

The author believes that living wage campaigns offer citizens a concrete method for increasing social justice similar to issues of unions, although different in that they are selfless. Living wage campaigns are easy to identify as it is the common worker who will benefit from the law.

As of 2003 minimum wage levels varied from 6.87 in Milwaukee to 14.75 in Fair fax California. Living wages can be tailored to particular economic situations. A particular raise, for example, could devastate an economy.

However living wages do not have a widespread effect hence why the economic effects are so small. The hope is that this process will cause greater change

**Hunger Discipline And Social Parasites: The Political Economy of the Living Wage**  
**Tony Robinson, *Urban Affairs Review*, Vol. 40, No. 2, November 2004 246-2**

This article purports that the neoliberal ideology has created a two-tier economy, and to battle this paradigm social advocates believe that any body that uses taxpayers dollars for business should recompense workers with a living wage, as government dollars encourages development that results in numerous low-wage earners. This article speaks to moral economics as opposed to natural law or neoliberal economics.

In Colorado, the low-paid workforce increased dramatically from the late 1970's to 2000's. There was a set of policies in the United States started in the Roosevelt administration that saw an increase in the redistribution of wealth. These changes resulted in increases in physical, social health and a reduction of poverty. However, after the a decline in the economy in the 1970's the living wage or New Deal era of economic ideology was over and a new ideology of free market enterprise was born (financial economy). The financial economy in the 1980's saw amplification in pay freezes, unemployment and union deterioration. In the States, similar to Canada, they have seen a major decrease in the relative strength of their minimum wage.

The author formulates a compelling point about the money that a government must give to its citizens if industries or businesses pay their workers a substandard wage. Additionally industries that have received subsidies can fall into a category of diluting the health of local communities. Tony Robinson attempts to rebut several neoliberal arguments, Iron law of Markets and Wages, Job Ladder and Brighter Future, Weak Earners and Global Challenge

**Inequality in the Creative City: Is There Still a Place for "Old-Fashioned" Institutions?**  
**Mary Donegan and Nichola Lowe, *Economic Development Quarterly*, 2008; 22; 46**

The article's first substantial point is that there are two competing theories as to how the minimum wage affects inequality; the first is through the increase of the minimum wage, which inevitably leads to job losses for the least skilled (including education). The second and more probable is that decreases in the minimum wage create a wage compression where there are a large portion of those at the bottom of the pay scale.

“More recent work by Coen Teulings (2003) has confirmed the findings by DiNardo et al. (1996); in the 1980s, the falling real minimum wage can account for the entire increase in wage dispersion in the bottom half of the income distribution.”

The premise of their article is to repudiate the theory of Florida that financial inequality is fundamentally an issue of skill and creativity and opposed to other market forces including minimum wage degradation. In other words, it is the creative class against the non-creative class.

Perhaps the single most important segment of this article for our use is how the authors said in unequivocal terms that the papers written for the cities of Chicago and Los Angeles had a significant affect on the enacting of living wage policy. In Chicago the authors denounced the planned implementation and in Los Angeles the authors endorsed it. This demonstrates that those who are attempting to promote it must look to an author who leans in the direction of social and moral economics to create the framework in hopes that they will find benefits for the populations affected by the living wage.

**Intended versus unintended consequences: Evaluating the New Orleans living wage**  
**Robert Pollin; Mark Brenner; Stephanie Luce, *Journal of Economic Issues*; Dec 2002; 36, 4; pg. 843**

This article highlights the living wage policy in New Orleans that was endorsed by the population in a referendum, but was subsequently defeated by the Louisiana Supreme Court.

- The cost of the ripple effect is estimated to be 25% cost if the living wage were implemented in New Orleans (including pay roll taxes).
- The total increase in expenditures to the firms affected by the living wage (including ripple effect) is 0.9%.
- After the minimum wage increase in the US in 1997, only 0.7% of small businesses laid off workers.
- Some industries in New Orleans would have an increase in their costs larger than 0.9%, example restaurants are at 2.2%.

A fact to consider when discussing the living wage is the displacement effect. It is liberally estimated that in New Orleans there would a reduction in the workforce under twenty by 18.8% and a reduction in workers without a high school diploma by 15.8%. This information was garnered by examining the differences in hiring practices between businesses that paid \$5.15 and \$6.15.

There would also been an increase to businesses whose customers are those who would benefit from the living wage. The authors also contend that the decrease in sales in more affluent neighbourhoods will not be noticed, because the decrease will represent very little in terms of there total sales. Many of the firms could simply raise their prices to compensate for the costs.

The authors believe that for areas with condensed low-wage earners, the multiplier effect could be upwards of 2.7%; this could ameliorate some of the effects felt by businesses that are affected by the living wage.

### **Employer Opinions on living Wage**

**Don Grant and Mary Nell Taylor, *The Journal of Working and Society*, 8, September 2004, 71-82**

In 1999, the city of Tucson in Arizona created the living wage for contractors working for the city. Several months later the mayor of Tucson introduced the Good Business Partnership (GBP) where businesses who wanted to voluntarily provide a living wage would get acknowledged in the community, through advertising.

Both the businesses who supported the living wage and those that did not experienced similar affects in regards to raising wages, increase in paper work and absorbed the additional costs. Interestingly, businesses that supported the living wage were far more likely to report positive effects as opposed to those that did not.

The authors assume that ideology plays a role in the interpretation of events and that possibly the work environment is so constricted that work place gains are difficult to actualize.

The numbers for the GBP program are insubstantial, the assumption made by the author to this effect was that the majority of the staff was already paid a living wage and only a fractional increase occurred. Additionally there were very few benefits experienced by the members of GBP program as there was no attempt by the city to advertise on their behalf.

### **Living Wage Effects: New and Improved Evidence**

**Scott Adams and David Neumark, *Economic Development Quarterly* 2005; 19; 80**

The effects of employment displacement is weaker than the positive wage gains. The Living wage appears to have a macro effect for low wage people. The authors state that these effects are only seen when living wage laws cover a large quantity of workers.

The CPS data is supposed to allow macro effects as they allow for the researchers to assess the net effects. Authors such as Pollin and Brenner have stated that their analysis using CPS data is unacceptable due to the fact that the data measures macro effects, which could not be demonstrated by the living wage.

### **The economic impact of local living wages**

**Jeff Thompson and Jeff Chapman, EPI Briefing Paper #170, February 16, 2006**

This article is the most thorough consummation of the argument for a living wage, highlighting dozens of articles and their major points, I will highlight all of the important points in the article and not provide a summary, as this article is truly a summary of the living wage.

- The living wage movement began in Baltimore in 1994
- “detailed survey of 20 cities found that the actual budgetary effect of living wage laws had been consistently overestimated by city administrators; actual costs tended to be less than one-tenth of 1% of the overall budget.

- Two separate studies of the Baltimore living wage found that city contract costs increased less than the rate of inflation.
- A study of the Los Angeles ordinance found no measurable effect on the city's fiscal health.
- A study of living wage ordinances in three New England cities found that contract costs only accrued in one city.
- Multiple studies have shown that the bidding for municipal contracts remained competitive or even improved as a result of living wage ordinances.
- Living wage laws benefit working families with few or no negative effects.
- Recent studies using original surveys in both Los Angeles and Boston have shown that the workers affected were mostly adults and mostly working full time.
- Both the Boston and Los Angeles studies also showed that most living wage workers were in households struggling to meet a basic-needs budget.
- In Baltimore and Boston, empirical studies have found no evidence of diminished employment.
- In Los Angeles, surveys of workers and firms show that job losses affected just 1% of workers getting a raise.
- Two studies of San Francisco living wage policies found employment increased among airport workers and home health care workers.
- Multiple studies of Baltimore, Boston, Los Angeles, and San Francisco have shown that firms enjoy lower turnover among employees as a result of the living wage ordinance.
- A study of home-care workers in San Francisco found that turnover fell by 57% following implementation of a living wage policy.
- A study of the Los Angeles ordinance found that absenteeism declined, and the decrease in turnover offset 16% of the total cost of the living wage ordinance.
- A study of the San Francisco airport found that annual turnover among security screeners fell from 95% to 19%, as their hourly wage rose from \$6.45 to \$10.00 an hour.
- An author by the name of Elmore discovered the following:
  - The city of Berkeley in California overestimated its cost for its living wage by almost 50%.
  - He also discovered that most cities experienced a cost increase of less than 0.1%
  - He also discovered that if the cities were going to include human services along with those of labour that that average increase in cost was 0.3%-2.8%
- In Oregon the city was able to combine its janitorial contacts across discrete institutions.
- “As the director of Boston's Living Wage Division said, "We also have not seen increased costs to maintain city contracts. Vendors and the city have successfully absorbed the cost of the living wage ordinance. There has been no adverse financial impact on the city. The living wage ordinance has been good for Boston.””
- “Overall, though, they found total labor costs to have increased by about \$2.5 million, a far cry from their prediction before the fact of \$30 to 40 million (Williams and Sander 1997, 62; Sander and Lokey 1998, 10).”
- It is suggested that the procedures used in contractual negotiations could result in the city paying more than what is necessary. Firms have successfully charged more than the increase of cost because of the bidding process that used per hour of work.
- Competitive bidding was able to keep cost low if not equal to the time before the living wage was implemented. In addition the living wage prevented organizations from undercutting each other.

- In some instances where the cost of the contract increased that is because the city did not allow a bidding process to commence, but allowed the company currently holding the contract to dictate the new cost.
- In Boston it was found that only 6% of firms would affect their desire to bid on new contracts.
- There are also cases where it is desirable for an organization to contract for more expensive employees because it would be assumed that those employees would have greater credentials and experience.
- In the San Francisco airport it is estimated that the cost increase to passengers after the implementation of a policy titled the Quality Standards Program (QSP), which contained a living wage dimension, was only \$1.42 per passenger.
- The Los Angeles Alliance for a New Economy conducted a survey in 2002 of 320 randomly selected workers who benefited from the Los Angeles living wage ordinance. This survey proved to be a rich data source for information on the thousands of workers who received raises, showing that:
  - 96% were age 20 and older; 58% were 35 and older
  - 86% worked full time
  - 71% had only a high school degree or less
  - On average, workers had been in the workforce nearly 20 years
  - 29% were African American
  - 57% were female
- Brenner and Luce surveyed 97 low-wage workers employed in the industries most affected by Boston's living wage policy. The survey of this group of covered workers reveals a generally similar profile as Los Angeles:
  - Workers were predominantly adult, full-time workers, who were disproportionately people of color
  - The average age of covered workers in Boston was 32, with 95% age 20 or older (Brenner and Luce 2005, 51-52)
  - 40% of covered workers were African American, and 79% were female
  - The average covered worker worked 43 hour per week (Brenner and Luce 2005, 60)
  - Workers benefiting from the Boston living wage policy were also disproportionately poor and low-income, especially prior to its implementation. Among those covered workers getting a wage increase under the ordinance, over half (54%) were from households with incomes too low to afford even a basic needs budget.
- In Boston, in 2005, (Brenner) it was discovered that the employment effects for firms affected by the living wage and those that were not experienced similar hiring effects. “Affected firms added 22.1 FTE positions, while unaffected firms added 22.4.”
- There was also no evidence of a loss of hours or reduced employment because of the living wage.
- In Los Angeles (Farris, 2005) Job loss occurred for less than 1% of firms covered by the living wage and only 1.4% of those experiencing mandatory wage increases
- The paper gives a summary as to the critique of Adams and Neumark, nevertheless it should be noted that they found positive wage affects, they found adverse employment effects.
- The main arguments against Neumark and Adams are as follows:
  - CPS data measures macro effects while living wage is micro, therefore they are measuring minimum wage
  - They measured areas that included business subsidies for their living wages. The major issue with this is that even though districts or cities had policy in place it was not implemented

- Poverty reduction effects that were seen were far too large considering the amount of workers that are affected by the living wage. For example their study suggests that in Los Angeles, 450,000 workers were affected by living wage when in actuality there were a maximum of 10,000 according to Farris.
- Farris stated that any number of variables could have contributed to the effects seen by Adams and Neumark
- **Lastly it should be noted that Neumark and Adams have come out with numerous studies and that these examples may not cover all of their efforts, including more specifically their article from 2005**
- Additionally Neumark is a leading advocate against the increase in state minimum wage
- Many studies that purport negative effects occurring because of a living wage are proactive and do not consider evidence retroactively. Indeed the evidence retroactive suggests that living wages are justified empirically and arguments against them are founded on *a priori* neoliberal economic principals
- An example of this is relocation, no relocations have been seen from a living wage ordinance, due to physical regions such as airports and because the business in its current location is viable. Contractors still possess the right not to bid for contracts.
- “In Los Angeles, 81% of firms that were forced to raise wages did not cut any jobs, in large part because “either the number of workers affected was small or the size of the required raises was minimal” (Fairris et al. 2005, 95).”
- Implementation is a major issue and to see enforcement the public, advocates and agencies have to get involved.
- If exemptions are allowed to take place companies will unquestionably take advantage of it and the effort put into to campaigning will therefore have less meaning as the amount of workers affected will diminish.
- The negative effects of the living wage are ameliorated by the positive effects such as:
  - Increase in productivity
  - Reduced turnover
- “SFO (San Francisco Airport), Reich found evidence that the living wage led to increased productivity, reduced turnover, and shorter airport lines. There were 1,550 fewer turnovers per year at SFO following implementation of the QSP (Reich 2003, 55). Security screeners, who had a notoriously high turnover rate of 94.7% before the living wage, had just an 18.7% turnover rate after the living wage, where the average wage of security screeners went from \$6.45 an hour to \$10.00 an hour. Annual turnover among firms experiencing “high impacts” from the QSP fell from 49% to 20%, while turnover at “low impact” firms fell from 17% to 14% (Reich 2003, 52).
- In addition, employers reported a range of other positive outcomes following the implementation of the QSP: 35% reported improvement in work performance, 47% reported better employee morale, 44% reported fewer disciplinary issues, and 45% reported improved customer service.”
- In Los Angeles it was found by Farris that lower turnover and absenteeism could be ascribed to an increase in wages
- “Howes found that homecare worker turnover fell by 57% following the implementation of the living wage policies (Howes 2005, 140). The likelihood that a new worker would stay at least one year on the job rose by 89%, after controlling for the effects of general economic growth.”
- Conversely in Boston, Brenner found that absenteeism and turnover did not improve when the living wage was factored in

- In Farris' original study of Los Angeles he came to the conclusion that costs in turnover only displaced the costs of by 4%, while in his follow study conducted with LAANE, they found that the total cost of the living wage was offset by a decrease in turnover to 16%.
- Significantly it was noted in the article that the average lost in cost for turnover per worker that earns approximately \$8 an hour is in the range of \$3500 to \$8000 depending on the industry (Reich, 2003).
- Reich estimated that the cost savings from turnover alone was \$6.6 million, which was 1/10 of the total amount
- Brenner's study from Boston found that firms did not change their hiring policies.
- Many firms increase training as opposed to hiring new more skilled or better educated workers (Reich, 2003)
- Reich believes that increases in worker morale rather than displacement is the reason for increased productivity seen in the San Francisco airport
- Concept is that people do not want to lose a well-paying job.
- In Farris' (2005) study of the Los Angeles living wage it was determined that firms did not alter their hiring practices at all.
- Firms are likely to decrease profit margins when they are affected by the living wage. Brenner reported that in Boston 40% of the firms had a reduction in profits.
- Reich (2005) also discovered what the spillover (ripple effect was) in conjunction with increases experienced because of the living wage, "Of the nearly 8,000 workers getting a raise because of the QSP, one-third (2,550 workers) received spillover raises (Reich 2005, 119)"
- "The LAANE study showed that 7,700 workers in Los Angeles received mandated wage increases under the ordinance, and that 1,850 received "non-mandatory indirect raises" (Farris et al. 2005, 19)"

**Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses**  
**Michael Reich, Peter Hall And Ken Jacobs, *Journal of Industrial Relations*, Vol. 44, No. 1 (January 2005)**

This study analyzes in depth, the effects of San Francisco's living wage policy, known as the Quality Standards Programs, on the San Francisco Airport.

Substantial improvements were made for the ground-based non-managerial sector which saw incredible growth after the enactment of the law.

TABLE 2  
PAY BEFORE AND AFTER QSP, SELECTED JOB TITLES

Job titles	Number of workers	Minimum entry wage		Average wage	
		Before QSP	After	Before QSP <sup>1</sup>	After
Customer service agents	3700	5.75	10.00	10.15 (0.70)	11.85 (0.48)
Administration/clerical	200	7.40	9.00	10.90 (1.07)	13.45 (1.73)
Baggage/ramp agents	2500	6.95	10.00	10.50 (0.78)	12.35 (0.31)
Cabin cleaners	700	6.00	10.00	9.95 (1.38)	11.45 (0.49)
Screeners	1000	5.75	10.00	6.50 (0.33)	10.05 (0.0)
Skycaps	200	5.75	10.00	6.35 (0.38)	10.00 (0.0)
All ground-based non-managerial employees	11,000	5.75	6.25	9.60 (0.35)	11.70 (0.33)

<sup>1</sup>Standard errors shown in parentheses. All amounts have been rounded to nearest 100 employees /\$0.05. Low-wage job titles not listed here include wheelchair agents, fuelers, car rental service agents, restaurant workers and retail cashiers. Sample size before QSP = 5497 employees and after QSP = 5827 employees.  
SOURCES: UCB-SFO Employer Survey, 2001, conducted by authors.

TABLE 5  
WAGE DISTRIBUTION FOR SFO WORKERS, BEFORE AND AFTER QSP

Average hourly wage in nominal dollars	Before QSP (mid-1999) <sup>1</sup>	After QSP (mid-2001)
Less than \$8 per hour	23.1	0.2
\$8 to \$9.99 per hour	32.0	4.7
\$10 to \$11.99 per hour	26.9	61.5
\$12 to \$13.99 per hour	16.0	28.2
\$14 or more per hour	2.0	5.5
All ground-based non-managerial employees	100.0	100.0

<sup>1</sup>Chi-squared test indicates that the before and after QSP wage distributions are significantly different ( $p = 0.000$ ).  
Sample size before QSP = 5497 employees and after QSP = 5827 employees.  
SOURCES: UCB-SFO Employer Survey, 2001, conducted by the authors.

As these tables demonstrate there was an incredible increase in average wages and the percentage of ground based non-managerial employees earning between \$10 and \$13.99 an hour.

TABLE 9  
CHANGE IN WAGES AND TURNOVER RATES FOR SELECTED JOB TITLES

	Percent increase		Percent decrease
	Entry wage <sup>1</sup>	Average wage	Turnover
Customer service	26	17	5
Baggage/Ramp	27	18	25
Cabin cleaner	32	15	44
Screeners	69	55	80

In addition the living wage has affected the turnover greatly for a variety of services that were examined

TABLE 10  
EMPLOYER REPORTS OF CHANGES IN EMPLOYEE PERFORMANCE

	“Better” or “much better”	“No change”	“Worse” or “much worse”	Significance level
Overall work performance	35	62	4	†
Employee morale	47	37	16	†
Absenteeism	29	66	5	*
Employee grievances	45	52	2	†
Disciplinary issues	44	47	9	‡
Equipment maintenance	29	67	4	*
Equipment damage	24	69	7	
Customer service	45	52	3	‡

NOTE: Proportion of firms reporting “better” or “much better” is statistically significantly higher than the proportion of firms reporting “worse” or “much worse” at the:  
 †99 percent confidence level.  
 ‡95 percent confidence level.  
 \*90 percent confidence level.

As can be seen by this table the employers reported positive effects from the living wage

TABLE 6  
WORKERS’ REPORTED CHANGES IN QUALITY OF LIFE VARIABLES

Change in . . .	QSP			Non-QSP		
	<i>More</i>	<i>Same</i>	<i>Less</i>	<i>More</i>	<i>Same</i>	<i>Less</i>
Time spent with family	13	65	21	0	48	52
Vacation time	31	54	15	21	50	29
Personal financial savings	18	61	21	17	29	54
Hours worked in all jobs	19	67	14	32	60	8
	<i>Better</i>	<i>Same</i>	<i>Worse</i>	<i>Better</i>	<i>Same</i>	<i>Worse</i>
Housing situation	20	66	14	17	50	33
Health	13	74	13	12	68	20

Question wording: “Thinking back on the last two years (i.e., from 1999 till now), have any of the following aspects of your life changed? Please check the appropriate box.”  
 SOURCES: UCB-SFO Worker Survey, 2001, conducted by the authors. Figures are percentages. Valid sample 83 to 92 respondents.

All of the variables have shifted because of the QSP to becoming more positive, for example, in vacation time 14% more people reported having the same vacation time or more vacation time when they compared their situation from 1999. The reasons for this are three fold, as the some of the workers may have experienced an increase in pay, increase or newly available health benefits and a potential increase in vacation time. Please note that there may be the possibility of sampling bias amongst the participants as they were asked to reflect on their experiences, as opposed to actually transcribing the information during the time period in question.

Additionally of the total cost experienced because of the QSP was \$57.6 million. The total direct cost of the policy was 42.7 million or 74% of the total cost, while the indirect cost was \$14.9 million or 26%.

The article also gives information regarding employment practices. Significantly there was a shift in hiring practices away from those with only high school to those who have completed high school and with some college by 7%. This is significant because this is even below what Robert Pollin suggested would occur in the article THE PROBLEMS OF LABOR Time for a Living Wage.

Lastly, if the increase of costs were to be transferred to the public the increase in ticket prices would be only \$1.42. Relative to other measures such as a fuel surcharge and additional safety costs this is relatively miniscule and the effects can be great considering the increase in revenues for the workers.

**Working for a living wage making paid work meet basic family needs in Vancouver and Victoria**  
**Tim Richards, Marcy Cohen, Seth Klein and Deborah Littman. Canadian Centre for Policy Alternatives, September 2008.**

The authors highlight the various poverty facts in BC. They also overstate the power of the living wage and its capability to fight poverty on a macro level.

The living wage as defined by these authors is that it is for a family of four with two full time workers each working 35 hours a week there is also consideration of vacation time and owning a car, which also includes insurance. The estimates given are conservative according to the study.

They have calculated Vancouver's living wage to be \$16.74 an hour. The living wage for B.C capital region is 16.39 per hour.

“The story of child poverty is very much a story of low wages. More than half of BC's poor children live in families whereat least one person has a full-time job.”

The authors use information from studies that point out the effects of poverty on families, increasing wage gap between rich and poor, decrease in the real strength of the minimum wage, feminization of poverty, racism in poverty. There is a particular focus on child poverty and child development, particularly day care and the effects that early learning has on the lifespan.

Why are these trends occurring?

- Decrease in pay to secondary workers
- More contract work
- Service based economy
- Global competition
- Government policies
- Reduction in the importance of job ladder.

They also speak to the costs of absenteeism and the positive economic effects that can occur because of the living wage.

The article speaks to the loss of supplements given by the government because of families exceeding a particular level of pay. What is interesting is that this information could be turned into an argument that centres on the workers ability to be financially autonomous and no longer requiring government subsidies.

What is the actual cost of living? No worker who occupies a full time position and their family should be denied the right to live a life sufficiently in the community. Most families with poor children have someone participating in the labour force.

What are the costs of role overloading to the health care system, economy, etc? Fears Concerning the minimum wage, Inflation, competitiveness and job loss.

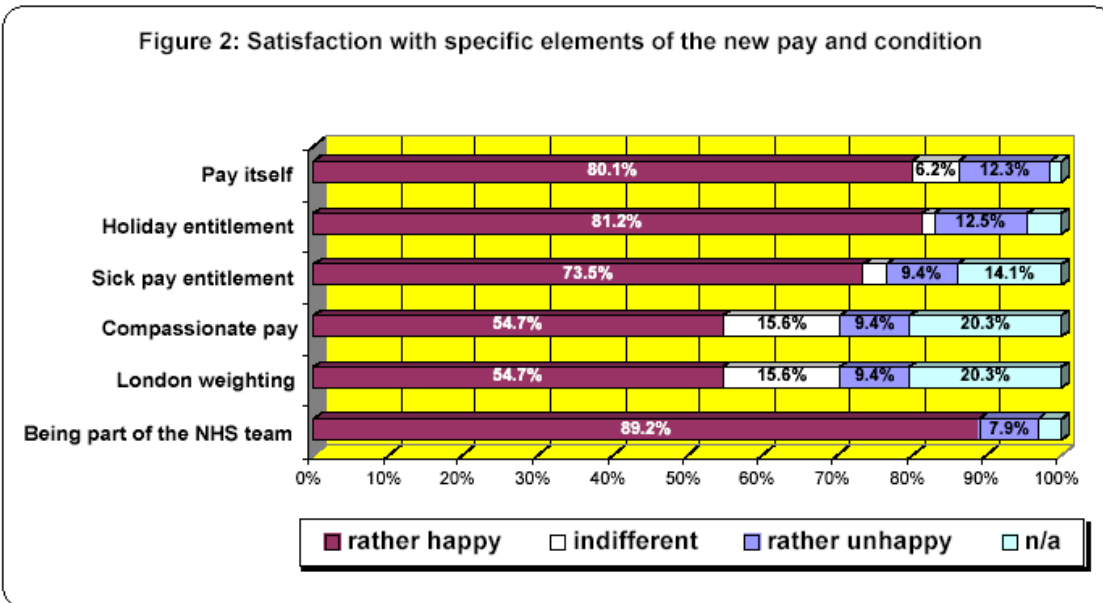
It is contradictory for governments not to support living wage policy.

What are the benefits of a reduction in poverty?

**The impact of improved pay and conditions on low-paid urban workers: The case of Royal London Hospital**

**Martin Sokol, Jane Wills, Jeremy Anderson, Marg Buckley, Yara Evans, Claire Flew, and Paula Hamilton, Queen Mary University London England, April 2006**

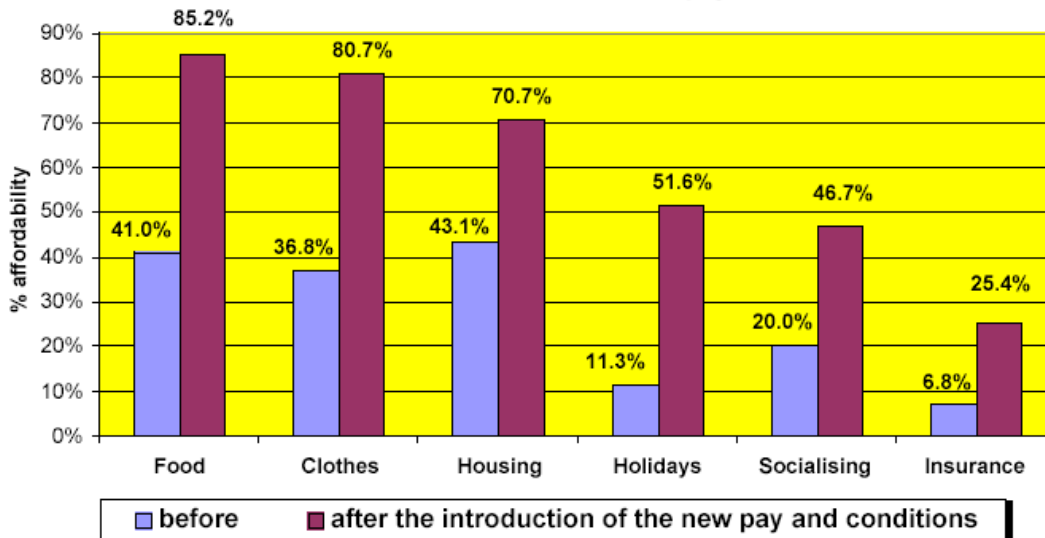
There has been an increase in low pay because of economic restructuring, technological changes, privatization, the weakening power of trade unions, subcontracting. Low pay workers also do not have benefits, pension, sick leave, vacation leave, and even compulsory benefits such as overtime.



Improvement in overall quality of life was:

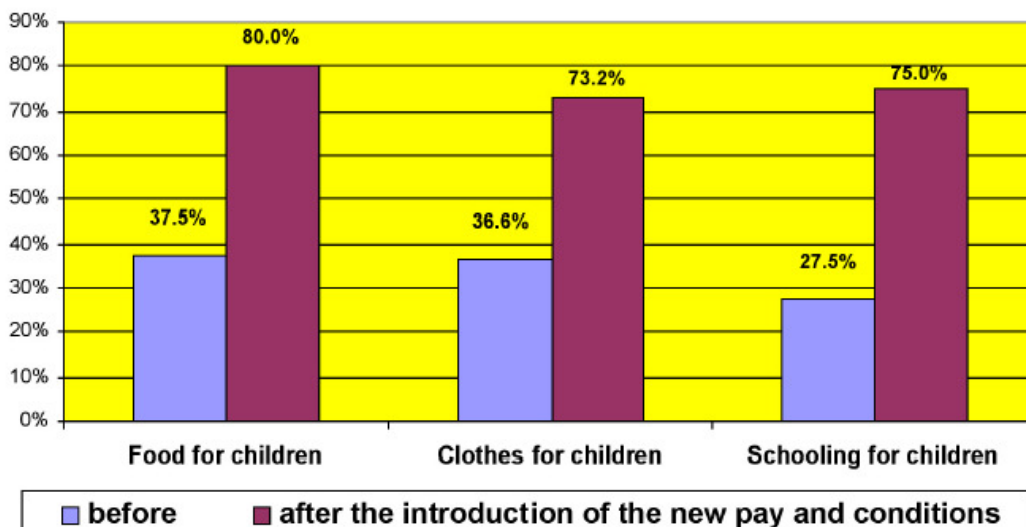
- 30.2% life was very improved
- 23.8% improved a fair bit
- 33.3% improved a little bit

**Figure 4: Impact of the 'living wage': Affordability before and after the introduction of the new pay and conditions**



As a result, domestic staff saw their hourly pay increase from £5.25 to £5.88 with an additional £1.69 London Weighting. These workers also had access to sick pay, improved holiday entitlement and better overtime pay at weekends. This increase represents a 44% gain for employees.

**Figure 5: Impact of the 'living wage' on workers' children: Affordability before and after the introduction of the new pay and condition**



Workers also said that they would have the capability to pay off their debts at a rate of 60%. Authors note: the data is most likely overstated, due to the fact that people would be more likely not to reveal their personal financial information.

The majority of those workers who possessed a debt had children. Workers did not reduce their hours as would be supposed by living wage, in fact employees were working more hours, including overtime, than they did before. The article goes on to quote the interviewees and describes their positive experiences and ruminations vis-à-vis the living wage. Workers still felt that they were not being paid enough money; in addition they could not pay for dental. Some workers saw a decrease in overtime.

- 87.7% of workers were satisfied with the new pay and conditions;
- 80.1% of workers were satisfied with the wage side of the new pay and conditions;
- 89.1% of workers were happy to be part of the NHS team;
- 87.3% of workers indicated that their life improved as a consequence of the new pay and conditions
- 94.4% of domestic workers would like to continue to work at the hospital for the long term.

### **Projected health impact of the Los Angeles City living wage ordinance**

**Brian L Cole, Riti Shimkhada, Hal Morgenstern, Gerald Kominski, Jonathan E Fielding and Sheng Wu, *Journal of Epidemiol Community Health* 2005;59:645-650**

This article suggests that an increase in health benefits could reduce the fatalities in Los Angeles and the additional wage that is given to workers should not be an option, as the money should go directly into health benefits.

### **Minimum and living wage campaigns in Canada: A Fair Day's Pay**

**Carole Pearson, *Our Times: Canada's Independent Labour Magazine*, 26:4, August-September 2007**

- When families are considered, it is estimated that there are 1.5 million people who are affected under the categorization of working poor.
- One in every four jobs in this country pays less than \$10 an hour
- Legacy of free trade and anti-inflation policies, in addition to the new service economy has resulted in wages being dramatically reduced.
- “Canada stands out as a low-wage country, second only to the U.S. among industrialized countries.” Statistics reveal many workers earn less than two-thirds of the median hourly wage and 25.3 per cent of Canadian workers are considered low paid versus five per cent of Scandinavian workers.”
- Was the minimum wage designed to be an anti-poverty wage? What is it? It is subject to different conceptions depending on the epoch and viewer’s perspective.
- “The National Anti-Poverty Organization wants the federal government to reinstate a federal minimum wage, starting at \$10 and indexed to inflation”
- Manitoba's Just Income Coalition, Newfoundland and Labrador's Make Work Pay Coalition

**Bringing Minimum wages above the poverty line**

**Stuart Murray and Hugh Mackenzie, Canadian Centre for Policy Alternatives, March 2007**

First major area of interest is the strength of minimum wages in this country. The peak occurred between 1976 and 1977 in all provinces. This is not quite the case in the U.S as their minimum wage maxed out in the late 1960's. Median wages have only increased by 1.1% from 1981 to 2004. 10.6% of people over the age of 25 earned between the minimum wage and \$10. Due to inflationary principals the authors state that the minimum wage in 2010 should be set at \$11.10. 4.1% of all employees made the minimum wage or below it.

In an Environics and CCPA poll it was noted that 86% believe the government should reduce income gap, 85% say that poverty could be drastically reduced, 88% believe that raising the minimum wage is an effective tool for fighting poverty.

Additionally the CCPA wants universities to invest in a living wage.

The argument against it is, are most of those workers are teenagers. Teenagers still want to be independent, why is there work necessarily inferior to older workers? Some teenagers will have families that they need to support. They still must save for school.

Interestingly for the total adult population, 10.6% (25+) work at a minimum wage job.

	Females	Males	Both Sexes
Teenager (Age 15 to 19)	53%	64%	57%
Age 20 to 24	19%	19%	19%
Age 25+	28%	17%	24%
Total	100%	100%	100%

SOURCE Authors' calculation using the most recent Labour Force Survey, data effective 2003.

The above table demonstrates that almost one quarter of all workers who earn minimum wage are 25 years or older. The definition of minimum wage used by the CCPA is the minimum wage of each province plus an additional 25 cents.

What is interesting to note is that out of the 24% of low-income earners who are 25 or older, 62.5% are married while the other 37.5% live in a different family situation.

**TABLE 9 Percentage of Workers Under \$10 an Hour, by Age Group**

	Females	Males	Total
Teenager (Age 15 to 19)	26%	38%	<b>31%</b>
Age 20 to 24	22%	28%	<b>25%</b>
Age 25+	52%	34%	<b>45%</b>
Total	100%	100%	<b>100%</b>

SOURCE Authors' calculation using the most recent Labour Force Survey, data effective 2003.

This table is highly important as it demonstrates that 45% of all earners who make below \$10 an hour are individuals who are more than 25, which is the largest amount for any of the categories. Additionally woman were almost three times as likely to low-income earners when they are 25+.

Proactive studies demonstrate the effects of increasing the minimum wage are minimal and typically result in a decrease of 1-3% for young workers and no noticeable decline for adults. Conversely, using retroactive studies there is no definitive example of a decline in youth employment.

Kruger and Card (1995, as cited in Stuart and Mackenzie, 2007) suggest that there is bias when economists create studies to examine the minimum wage to conform to necessary standards, thus enabling publication.

Card and Kruger in their analyses of minimum wages find that no substantial loses of employment, so much so that they are barely recognizable. They believe that other macro economic factors effect employment more poignantly than the minimum wage.

Former Federal Reserve vice chairman Alan Blinder was quoted in an article by Chapman (2006, as cited in Stuart and Mackenzie, 2007) as saying that evidence from studies examining an enhancement to the minimum wage does not demonstrate negative employment consequences.

Mackenzie and Stuart present data from the period between 1976 and 2005, from various provinces in Canada that demonstrates that no significant employment loss was experienced because of the increase in minimum wage, except for a dip in youth employment that could be explained by the recession in the late 80's early 90's.

What is the purpose of the minimum wage? How can we frame this? The CCPA article states that "it is explicitly intended to offset the imbalance of economic power."

Minimum wage increases are subject to being arbitrary in that there are no mechanisms that dictate at what moment in time they should be increased, nor to a specific amount. In Britain, the Low Pay Commission in 1998 came to the conclusion that the minimum wage should allow people to participate in mainstream society.

**"The contribution of minimum wages to increasing wage inequality"**

**Coen N. Teulings, 2003. *Economic Journal*, Royal Economic Society, vol. 113(490), pages 801-833, October.**

Indeed, applying a different methodology, Lee (1999) reached the conclusion that the decrease in minimum wages can explain virtually the whole increase in wage inequality.

**The Estimated Economic Impact of a Chicago Big Box Living Wage Ordinance**

**Ron Baiman, *Review of Radical Political Economics*, 2006; 38; 355**

*This article is an argument against the living wage.*

This article was written as an econometric response to the living wage policy that was in front of council. The proposed living wage entails an increase to the pay of workers to a minimum of \$10 an hour with a \$3 per hour health benefit. This equates to a total increase in payment costs to 15.3%. For Wal-Mart or other stores to break even they would have to increase prices by 2.1%.

Additionally the policy has set the price of health care premium inordinately; typically, most policies express an amount of a \$1.25; therefore, we could assume that the increase in prices, under normal circumstances, would be less than the 2.1%

**Santa Fe's Living Wage Ordinance and the Labor Market**

**Aaron Yelowitz, *The Employment Policy Institute*, September 23, 2005**

Santa Fe's living wage was at the time of implementation the most expansive living wage in existence as it covered all businesses who employed more than 25 people. The living wage when it was engendered in 2003, was \$8.50.

Currently the living wage in Santa Fe is \$9.85, which is lower than what was reported in Yelowitz. (Santa Fe, living wage network, <http://www.santafelivingwage.org/>) Santa Fe's increase in its wage was 65%.

His results were:

- Expansion in unemployment by 3.2% (although it should be mentioned that the employment rate increased by 2% and was concurrent with the state increase in employment)
- An increase in unemployment for Hispanic workers, workers with grade 12 education or less. A reduction in work hours for those who are unskilled (38.4-34.6, a reduction of approximately 11%)
- There was an increase to the number of unemployed by 17.6%

**Comments on Aaron Yelowitz, “Santa Fe’s Living Wage Ordinance and the Labor Market”**  
**Professor Robert Pollin and Dr. Jeannette Wicks-Lim, Political Economy Research Institute,**  
**October 2005**

When the living wage was put on trial in New Mexico Supreme Court, Yelowitz attempted to repudiate Robert Pollin’s arguments, but in doing so misrepresented data and his claims were rejected by the judge.

The authors claim that Yelowitz in his study (aforementioned) misleads and uses incomplete data. The author’s main claim against Yelowitz is that the employment growth is equal to the state and in the hospitality and leisure sector increased at a rate of 3.2% more than 50% higher than the state average, and subsequently the area of the economy that would have been the most affected by the living wage.

The second point that they discuss is that Yelowitz claims that no reasonable person would expect an increase in the minimum wage to translate into an increase in the employment rate, as what was supposedly proclaimed by advocates. Unfortunately for Yelowitz, the argument is does an increase in the minimum lead to negligible employment effects or does it lead to substantial employment effects. Pollin’s answer to this question is that the professional consensus is that modest increases in the minimum wage (like those experienced in living wage policy) exert little impact on aggregate employment.

The cost increase relative to the cost of business was 1% and the overall increase to the hospitality and leisure industry was 3%. Thus, businesses could absorb losses through increasing the costs of their products by 3%.

Yelowitz uses an elasticity of -0.22 when describing the employment effects of a living wage. Pollin refutes its use because it was derived from a study that only analyzed the fast food industry and therefore is not a powerful analogy.

The authors find that the overall the employment rate increased from 70.3% to 76.6 that correspond to an even higher increase in adults who are looking for work, which is why the unemployment rate would have increased. There has been no decrease in the amount of jobs available in Santa Fe, even relative to population.

Lastly, even if there were decreases in the numbers of hour worked decreased in accordance with Yelowitz estimate, the average individual who earned under \$8.50 an hour would at present earn approximately 10% more than they did pre-living wage.

**“The Living Wage Movement: What is it, Why is it, and What’s Known about Its Impact?”**  
**Jared Bernstein, Economic Policy Institute, Revised October 2003**

Living wage policies do not just have to be fought on the grounds of city subsidies or contracts, but also on campuses. In Harvard students were able to implement a living wage policy.

Living wage campaigns are excellent at subduing the fears of the politicians and businessman because of the limited scope of the policy that is recommended and drawing attention to this fact.

All living wage policies are different.

- There can be different types of policy directed at the coverage of workers, including contract workers, subsidies or concessions or an overall increase to the minimum wage,
- The workers can be covered to very specifically. The amount of money that is spent on a contract is also a criteria for dictating coverage.

Living wages have also been indexed to inflation.

In San Jose Businesses are given preferential treatment if they are seen as a social conscientious.

“Conversely, even if an ordinance were to pass in an environment dominated by opposing interests, it may be watered down to the point where it has no bite at all, either in terms of coverage, wage level, or enforcement mechanisms.”

Why a living wage, basic poverty facts, such as decrease in value of minimum wage and an increase in the wealth of a particular subset of the population.

“A study by the Chicago Institute on Urban Poverty compared the wages and benefits of Chicago employees to contractual employees for 10 job titles representing parking attendants, guards and custodial workers. They found that privatization led to compensation losses for entry level workers ranging from 25% to 46% for the various job titles. For senior level workers in the same job categories, two job titles experienced moderate increases in wages and benefits of 4% to 7%, while the other eight categories experienced losses of 9% to 46%.”

The living wage in Los Angeles was promoted by a group known as the Los Angeles Alliance for New Economy (LAANE), which was the birth child of the union, Hotel Employees and Restaurant Employees (HERE). LAANE additionally had a variety of community groups as members. The importance of this is that information could be disseminated to councilors were it could supposed that unions were the driving force of living wage campaigns and that they use it as a bargaining tool to increase their own wages.

Typically two kinds of opposition councilor and employers

- increased costs, decreased services, increased taxes
- possibility for relocation and a decrease in the unskilled work force who cannot compete for jobs

In trying to defeat the proposed legislation in Santa Monica; the local business group reinforced by other groups spent over two million dollars trying to defeat the ordinance. The ordinance in Santa Monica was focused not on government contracts, but on a particular beach front area. They used deceitful tactics to win over voters by making false claims regarding who did not support ordinance.

Brenner has found that most prospective studies show that the total increase to contract costs is between 0.3%-4.6%, cost is determined by the scope, robustness of the implementation and the cost of the increase to the wage.

Brenner found that the average increase compared to the living wage is 76%.

The effects supposed by proactive studies can be debated. In addition to this debate, businesses do not have to follow the prescriptions necessary to ensure that job losses do occur or may indeed try to make a gain from the increase.

Neumark and Adams have done econometric studies using large Current Population Survey data and discovered that gain in incomes for the population as a whole as well as reduced poverty. However, they found that there were job displacement effects (and most certainly job loss, added by myself need to confirm). He stated that I can no longer dismiss these policies out of hand. Also found that unions were using the ordinances as a modality to maintain their jobs by raising the costs of their fellow non-unionized workers.

The power of their methods was questioned by Bartik as Neumark and Adams results were approximately twice as large as what was seen in the literature regarding minimum wage.

The major issue with the Data found by Neumark and Adams was that they analyzed cities that had a living wage policy were businesses receiving subsidies would have been covered. Significantly, only one of the cities studies actually implemented their policy where employers who received subsidies would be obligated to pay a living wage.

Elmore (2002) discovered that most firms were able to absorb all of the cost increases, although there are some that cannot do so and those cases, specifically, will result in increases to the city budget. He also found that there was no decrease in the competition. In some cases competition is said to increase, as firms are no longer simply able to look at profit margins. Additionally, Elmore analyzed subsidized businesses and concluded that only one city saw a decrease in their economic development process, due to the fact that retailers would have been affected.

An interesting critique of Reich et al. is offered by Bernstein, in that when they analyzed San Francisco Airport, there were no controls implemented, it was measured by itself

**A very important finding by Bernstein and Schmitt was that 60% of the minimum wage benefits flow to 40% of families earning below \$27,000 a year. This is substantial because this suggests that the wage benefits will be focused on people who earn very little.**

In a study by Brenner and Pollin it was discovered that families that were low-wage workers (earning between the minimum wage and the Santa Monica's proposed living wage), in Los Angeles had a combined average wage of \$31,000 and a median income of \$20,000.

Those who receive benefit could very much be above the poverty line; however they are moderately above subsistence and most likely are not participating in communal living.

Niedt et al. did not find displacement effects in their study of Baltimore, in addition Pollin and Brenner examined the displacement effect proactively in Santa Monica and believed that over time, there would be a displacement of approximately 10-20%, lower skill workers not be able to obtain employment. Pollin and Brenner believe that the displacement effect would remove workers who have less than high school with workers that do. Furthermore in many studies the turnover effect would mitigate some of the negative employment effects.

Studies have estimated that between 47-75% of income gained from the living wage is lost, due to the loss of benefits and income being integrated into the tax system.

The article makes statements about the influence of unions in living wage movements and whether or not those influences have engendered a wider coalition whose aim is to battle for low-income earners on a range of issues.

Concepts of social justice for workers that have seen their position and status in society decline, is very hard for politicians to ignore.

Living wage may also deter government institutions from outsourcing work that is covered.

### **Living Wage laws in practice**

**Mark Brenner and Stephanie Luce, Political Economy Research Institute**

Very few studies have been retroactively. This study analyzes three New England cities that have passed living wage ordinances, well after their passage. These three cities are Boston, New Haven and Hartford.

The article mentions that not all the subcontractors were covered.

They found that employers that were affected did not cease hiring of full time workers, and in fact expanded work force. They also found that in Hartford that competition for security guard contracts increased because of the living wage.

They have incredible measurements of how workers would be affected by the living wage. For example they were able to deduce the income of the families that would be affected and discovered how their poverty situation would change because of the increase. Absolutely impressive and we need to exploit this.

In Boston absenteeism and turnover **did not** decrease a significant portion of the study.

### **Higher wages lead to more efficient service provision: The impact of living wage ordinances on the public contracting process**

**Jared Bernstein, Economic Policy Institute, 2003**

“Any regulation that affects all firms puts no one firm at a competitive disadvantage.”

He speaks to other traditional arguments for a living wage as previously cited.

“The state of economists' understanding of the issue was summed up by Nobel laureate Robert Solow, who said, "The main thing about this research is that the evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small.”

“Similarly, there is little evidence of a price or profit effect. Thus, we are left with efficiency gains as the main channel through which minimum wage increases are absorbed.”

*Prevailing Wage Laws:* These laws state that under federal (or in some cases, state) contracts, construction workers (Davis-Bacon Act) or service workers (Service Contract Act) must be paid the "prevailing wage" for such workers in that area.”

- Higher quality were able to compete with low-ballers
- training increased; injuries fell
- fewer delays

Bernstein believes that the firms have absorbed most of the costs through efficiency gains.

“The seminal research, by Akerlof and Yellen (1987), identifies "four benefits of higher wage payments: reduced shirking of work by employees due to a higher cost of job loss, lower turnover, improvement in the average quality of job applicants, and improved morale" (pg. 2).

Businesses would most likely, not willing to relinquish profitable relationships with municipalities.

### **The Employment Effects of the National Minimum Wage**

**Mark B. Stewart, *The Economic Journal*, 114 (March), C110–C116. Royal Economic Society 2004.**

“No significant adverse effect on employment is found for either the introduction or the upratings for any of the demographic groups considered.”

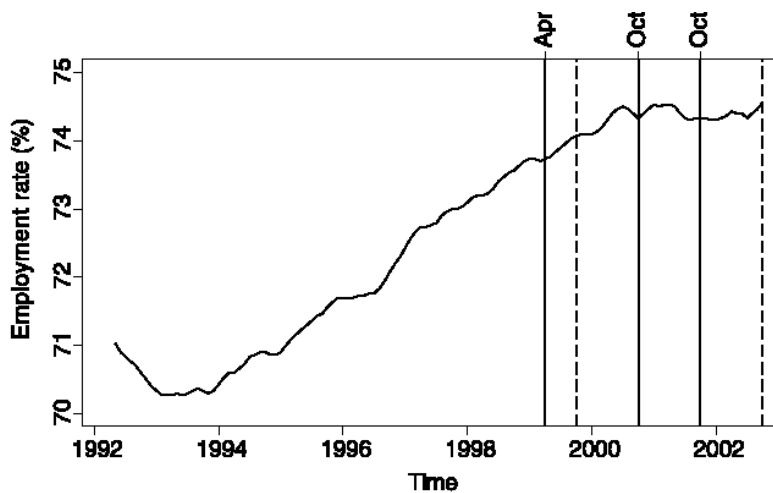


Fig. 1. *Employment rate*

Lines indicate an increase to the minimum wage and the introduction of the UK national minimum wage in April 1999. The overall increase after the introduction was 50 cents from £3. to £4.10.