

The Living Wage Movement and Its Implications for Florida

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Gary Landry

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EXECUTIVE SUMMARY

- The move by some political jurisdictions to create arbitrary wage levels is destabilizing to any economy subjected to wage mandates. Employers who are mandated to increase labor costs will be forced to pass those costs along to consumers, most likely in higher costs of products or services.
- Those who favor mandates fail to consider the actions of consumers who will continue to look for the lowest costs possible in making purchasing decisions. This scrutiny will send consumers shopping in neighboring communities or states where arbitrary wage mandates do not exist. Consumers would seek goods and services where wage costs, and hence, prices, are lower.
- While some biased research shows that wage mandates have no ill effect on employment, further independent research reveals quite the opposite. In a living wage survey of some 360 labor economists across the United States, the University of New Hampshire Survey Center found that three-fourths of the labor economists surveyed believe that a national living wage would result in employers hiring better skilled applicants than they hired before the increase. As a result, low-skilled employees—those ostensibly helped by minimum wage mandates—would be further shut out of the job market. Similarly, more than three-fourths of the labor economists in the survey believe that a national living wage policy would result in employment losses.
- A study of the economic implications of a living wage ordinance in Chicago found that such a law would have cost affected employers nearly \$40 million a year and would have resulted in the loss of at least 1,300 jobs. The ordinance would also have cost the city an additional \$20 million a year with more than 20 percent or \$4.2 million going to administrative costs.
- A study for the Vermont State Legislature found similar serious implications. The report stated that an increase in minimum wage to a level approaching an average livable wage would result in significantly fewer jobs for that state's lower-income workers.
- Floridians affected by living wage mandates are mainly young wage earners. These workers tend to be less educated than the average Floridian, and more likely to have never married and thus less likely to be supporting a family.
- To prevent the destabilization of Florida's economy, state lawmakers should enact legislation to prevent local jurisdictions from creating wage "zones" and mandating arbitrary levels of pay in those zones.

I. The Birth of a Notion: Living Wage

Congress first enacted a minimum wage in 1938 as part of the Fair Labor Standards Act. Initially set at 25 cents per hour, the minimum wage has been raised numerous times over the past six decades, most recently in 1996. Congress is considering raising the current minimum wage of \$5.15 per hour to \$6.65 in three installments.

While proponents of the minimum wage continue to press for an even higher wage mandate, they have had more success by launching secondary campaigns to increase wages. These are separate initiatives from the national campaign for a higher federal mandate. Taken from the “all politics is local” playbook of the former Democrat Speaker of the House Tip O’Neil, proponents of higher wage mandates are actively running campaigns in local cities and other jurisdictions for what they call a “living wage.”

The goal of these campaigns is to force employers to pay an hourly wage over and above the federal minimum wage to a level that would provide a full-time worker with annual earnings at least equal to the poverty line as defined by the Census Bureau’s poverty level for a family of four.

In 1994, Baltimore, Maryland, became the first major city in the United States to enact a living wage ordinance. By 2002, as the movement has grown, nearly 100 additional cities, counties, or other jurisdictions had passed similar legislation.

Initially, living wage ordinances applied only to employers who provided contracted services for those public entities. In the past eight years, however, not only are contractors who do business with the public bodies required to pay the living wage, but also some political jurisdictions have adopted ordinances that bind employers who do business within a defined geographical area to do the same.

For example, city officials in Santa Monica, California, created what it termed a coastal zone in July 2001. Its ordinance required employers in that zone with more than \$5 million in annual sales to pay a living wage of \$10.50 per hour with health care benefits or \$12.25 per hour without benefits. The ordinance covered not only city contractors but also hotels and other major businesses in this zone that is adjacent to the city’s famous beach. In New Orleans, Louisiana, a ballot initiative was passed last year that ties the local minimum wage at one dollar above the national minimum wage.

The measures were fought in both cities. In Santa Monica, hotel owners successfully brought the law to the ballot in November 2002, and voters defeated the ordinance 51.43 percent to 48.57 percent. The New Orleans ordinance is pending review and a decision from the Louisiana Supreme Court.

Despite these challenges, the living wage movement has gained momentum and has achieved a great deal of success along the way, particularly in Florida. As recently as October 2002, a minimum wage law requiring a wage of \$9.57 with benefits or \$10.02 without benefits was enacted in Broward County. The ordinance applies to municipal employees and city contractors. In July 2002, a minimum wage ordinance also covering municipal workers and county contractors was enacted in Orange County. This ordinance requires employers to pay \$8.63 plus benefits.

Prior to 2002, 20 other jurisdictions passed versions of a living wage ordinance including two in Florida.

- In Gainesville, city leaders approved an ordinance that set a minimum wage for municipal employees at \$8.56 per hour.
- In Miami Beach, the minimum wage for city employees was set at \$8.56 with benefits and \$9.81 without.

Meanwhile, active living wage campaigns are underway in other Florida jurisdictions including Alachua and Palm Beach counties, as well as the cities of Coral Gables, Jacksonville, Tampa, and Orlando. Nationwide as of February 2003, 89 local governments had enacted living wage ordinances, and living wage campaigns remain active in more than 137 other jurisdictions.¹

II. Defining the Movement's Players

According to a report published by the Employment Policies Institute (EPI) called *Living Wage Policy: The Basics*, Robert Pollin, a political economist at the University of Massachusetts, is at the heart of the movement.² Pollin served on the National Steering Committee of the Union for Radical Political Economists, and was

a member of its governing board (1985-1996). In fact, in a 1982 report in *U.S. News and World Report*, a spokesman for the newly formed union said “[T]he radicals support an American version of socialism, with public ownership of production and a government-planned economy to meet social needs rather than the needs of private profit.”³

According to the EPI report, Pollin has become the leading spokesman for the living wage movement, testifying before city councils from Montgomery County, Maryland, to Los Angeles, California. His *The Living Wage: Building a Fair Economy* is based on research he did while an advisor to the Los Angeles Living Wage Coalition. In his book, Pollin admits that “The overriding concern with which we began was not how to raise wages for only a small group of urban low-wage workers” but to lay the groundwork for a national living wage. Writing in *The Nation* in 1998, Pollin said, “[T]he viability of living wage proposals, whether applied to government contractors alone or to all companies in a region, invites consideration of an even more ambitious proposal of a national living wage.”⁴

Pollin uses two national organizations to push his goal of a national living wage: the New Party, an affiliation of labor union organizers, academics, and community activists, and the Association of Community Organizations for Reform Now (ACORN).

1. The New Party

The New Party official website describes itself as:

[A] progressive political organization taking root around the U.S. By starting small and thinking long-term, we’re building a multiracial, lively, and creative political organization that can, over time, break the stranglehold that corporate money and corporate media have over our political process.

For the last 10 years we have focused on local elections, and have won more than 300 of our first 400 races. For example:

- In Madison, Wisconsin, eight of 20 city council members are members of Progressive Dane, the New Party affili-

ate. ProDane has successfully used their clout to push for municipal policies and programs that support affordable housing and tenants' rights, living wages, and campaign finance reform.

- In Missoula, Montana, the Missoula New Party has consistently held between three and five of 12 city council seats. With their active membership and their block of council votes, the group has effectively advocated for municipal policies that promote affordable housing and control urban sprawl and recently passed a municipal living wage ordinance.
- In Little Rock, Arkansas, the Little Rock New Party is running an innovative antisprawl campaign. The group has united innercity African Americans concerned about sprawl's impacts on innercity services with white environmentalists. The LRNP recently secured enough signatures to give citizens the opportunity to block the construction of a super mall.
- New Party organizations have been key players in successful efforts to secure municipal and county living wage ordinances in Chicago, Illinois; Cook County, Illinois; Portland, Oregon; Multnomah County, Oregon; Missoula, Montana; Minneapolis, Minnesota; Madison, Wisconsin; and Dane County, Wisconsin.

Furthermore, the New Party website states:

Our long-term strategy is to change states' election rules to allow fusion voting—a method of voting that allows minor parties to have their own ballot line with which they can either endorse their own candidates or endorse the candidates of other parties. Through fusion, minor parties don't have to always compete in the winner-take-all two party system and can avoid "spoiling"—throwing an election to the most conservative candidate by splitting the votes that might go to two more progressive

candidates (ours and another party's).

The goals of the New Party are listed on its website as follows:

Full employment, a shorter work week, and a guaranteed minimum income for all adults; a universal “social wage” to include basic benefits as health care, child care, vacation time, and lifelong access to education and training, a systematic phase-in of comparable worth and like programs to ensure gender equity...A progressive tax system based on the ability to pay.⁵

2. The Association of Community Organizations for Reform Now

The Association of Community Organizations for Reform Now (ACORN) claims to be the nation's largest community organization of low- and moderate-income families, with more than 120,000 member families organized into 600 neighborhood chapters in 45 cities across the country. ACORN says its first priority is building organizations in low-income communities. Its website states:

Our priorities include: better housing for first-time homebuyers and tenants, living wages for low-wage workers, more investment in our communities from banks and governments, and better public schools. We achieve these goals by building community organizations that have the power to win changes—through direct action, negotiation, legislation, and voter participation. . . . Because ACORN believes that social change comes from the bottom up, organizers are on the streets every day, knocking on doors and recruiting new members. Major campaigns, whether around housing or jobs or voter registration, are designed to reach the unorganized majority of low- and moderate-income people—the key constituency that must be mobilized for a progressive movement for social change in this country to succeed.⁶

III. The Florida Connection

In his study, *The Employment Impact of a Comprehensive Living Wage Law: Evidence from Florida*, Dr. David Macpherson of Florida State University says, “A number of other academics, usually sociologists or liberal economists, have joined the movement.”⁷ The Florida connection is Bruce Nissen, who is on the faculty of the Center for Labor Research and Studies at Florida International University. He is the author of the pro-living wage report, *Bruce Nissen, The Impact of a Living Wage Ordinance on Miami-Dade County*. He was also a member of the Miami-Dade County Coalition for a Living Wage. In his *Labor Report on the State of Florida*, September 2, 2001, Nissen advocates a state-wide minimum wage of \$6 an hour with universal health care coverage.⁸

Another organization prominent in the Living Wage movement is the Political Economy Research Institute (PERI). Macpherson writes, “PERI, under the leadership of the University of Massachusetts’ radical political economist Robert Pollin, frequently provides technical assistance to local campaigns in the form of reports and testimony before local government bodies. Macpherson says the living wage movement “appears to be spreading in Florida, driven by a combination of the state’s dependence on industries that employ a large number of low-skill, entry-level workers, and the recession economy.”⁹ ¹⁰

IV. What the Research Reveals

There are two central schools of thought regarding living wage research. The first is that living wage laws have little or no negative impact on employment, and the second is that indeed they do.

Proponents point to a controversial study of minimum wage employees in New Jersey by Princeton economists David Card and Alan Krueger, which concluded that little or no impact on employment is associated with the enactment of living wage hikes.

Proponents also cite a 1995 *New York Times* article by MIT Nobel laureate economist Robert Solow that said, the “main thing about the research is that the evidence of the job loss is weak. . . . And the fact that the evidence is weak suggests the impact on jobs is small.”¹¹

However, in the Employment Policies Institute's book, *Living Wage Policy: The Basics*, the authors say all the research claiming no harm is done to employment are the result of bias. "Not surprisingly, only those [studies] conducted by living wage proponents conclude there are no ill effects association with these 'super minimum' wage mandates. All of the research conducted by independent economists, on the other hand, report that the living wage laws have negative economic consequences."¹²

The University of New Hampshire Survey Center supports the latter claim. The UNH Survey Center is an independent, nonpartisan academic survey research organization that conducts telephone, mail, e-mail, Internet, and self-administered surveys, as well as focus groups and other qualitative research for university researchers, government agencies, public nonprofit organizations, private businesses, and media clients.¹³

In the year 2000, the Survey Center conducted a living wage survey of 360 labor economists in the United States. The major findings concluded that more than three-fourths of the labor economists believe that a national living wage would result in employers hiring better skilled applicants than they hired before the increase. As a result, low-skilled employees—those ostensibly helped by minimum wage mandates—would be further shut out of the job market. Similarly, more than three-fourths of labor economists believe that a national living wage policy would result in employment losses.¹⁴ Both of these findings show that the living wage movement harms the very people it is attempting to assist.

More than eight in 10 labor economists strongly oppose using a family of four as the standard for setting hourly minimum wage levels. Economists are also strongly opposed to using a family of three as the standard for setting minimum wage levels.

The Employment Policies Institute report reveals that cities or counties considering living wage ordinances commissioned a number of studies to look at the proposed laws impartially. "Every one featured specific concerns about the economic or employment impact of the living wage mandates."¹⁵

For example, the Chicago City Council requested a study on the economic impli-

cations of a living wage ordinance when the city first considered such a proposal for employers of city contractors and firms that received municipal tax breaks. That study, by Dr. George Tolley of the University of Chicago, Dr. Peter Bernstein of DePaul University, and Michael Lesage, RCF Economic and Financial Consulting, concluded that Chicago's proposed 1996 living wage would have cost affected employers nearly \$40 million a year and would have resulted in the loss of at least 1,300 jobs. In addition, the ordinance would have cost the city an additional \$20 million a year with more than 20 percent or \$4.2 million going to administrative costs. The authors further concluded that the proposal would have cost more than \$7,000 per employee. Yet an affected full-time worker supporting his or her family would see disposable income rise by only \$1,900 under the ordinance (if the worker were not among those losing their jobs).

In Vermont, a study prepared for the Vermont State Legislature Livable Income Study Committee found that the proposed living wage bill had serious unintended effects. The authors concluded, "Minimum wage increases that even approach an average livable wage would result in significantly fewer jobs for low-wage workers. A substantial increase in the relative cost of labor will result in a reduction in the amount of labor used. . . . A state can mandate the minimum wage an employer must pay, but it cannot mandate the minimum number of workers an employer hires or the minimum numbers of hours they work."¹⁶

In San Francisco, authors of *The Living Wage in San Francisco—Analysis of Economic Impact, Administrative and Policy Issues*, found that a proposal to mandate an \$11 an hour living wage (plus benefits) was slowed when an independent analysis of the bill showed it would cost contractors, firms leasing property from the city, nonprofit organizations, and the city of San Francisco nearly \$255 million. In addition, the San Francisco State University researchers "anticipate conservatively an initial job loss of 1,790 between both the contractor and leaseholder sides." Furthermore, the researchers pointed to another even greater possible job loss effect of increasing the minimum wage:

If there are wage increases for just over 15,000 workers on current city contracts, there will be significant new competition for these (relatively) well-paying jobs from others in the labor market. It is reasonable to expect that

employers will find a wider pool of better qualified applicants for these jobs. Thus, currently employed low-wage workers may be displaced by better-qualified workers at the higher wage, independent of the job loss predicted above.¹⁷

V. The Potential Impact on Florida Workers

Dr. Macpherson's research concluded that a large fraction of workers affected by the higher minimum wage are young. "In fact, 12.5 percent to 15 percent of affected workers are between 16 and 19 years of age, and an additional 17.6 percent to 17.8 percent are between 20 and 24 years of age. Thus, 30.1 percent to 32.8 percent of affected workers are 24 or younger."

He adds:

The affected workers differ from the average Florida resident on several other demographic characteristics. [They] are less educated than the average Floridian as 26.4 percent to 29.4 percent have not graduated from high school. Also, they are more likely to have never married (41.0 percent to 43.3 percent) and [to] be Hispanic (25.4 percent to 26.4 percent) than the population as a whole.

Workers impacted by the minimum wage increase are less likely to be supporting a family than the typical Florida worker. For example, 18.0 percent to 20.3 percent of the workers are living with their parent or parents, while only 9.9 percent of all Florida workers are in this category. Also, they are much less likely to be a dual earner in a married couple (28.6 percent to 30.6 percent versus 40.3 percent) than the typical Florida worker. Lastly, less than a one-fifth are a single head or a single earner in a married couple supporting a family with children.

The family income of an affected worker is somewhat lower than the average Florida resident (\$39,593 to \$39,876 versus \$49,826). However, only about 15 percent of the minimum wage workers are in families with an income of less than \$12,500. In fact about one-third are in families with an income of \$40,000 or more.

The location of the affected workers differs from the typical Florida resident and worker. [They] are more likely to live in Ft. Lauderdale PMSA (17.0 per-

cent to 17.7 percent) than the average Florida resident (14.4 percent). On the other hand, they are less likely to live in the Miami primary metropolitan statistical area (PMSA) (9.6 percent to 9.9 percent) than the average Florida resident (10.8 percent).

Finally, Macpherson's study concludes that "an important effect of the minimum wage increase is that some workers will lose their jobs because it will be no longer profitable for firms to employ them."¹⁸

VI. The Potential Impact on Florida Consumers

Much has been said in this *Policy Report* about the impact on employment. But Macpherson also looked into the impact to consumers. "Another critical issue," he wrote, "is the cost to employers of the minimum wage increase. . . . Either these higher costs will be passed on to consumers through higher prices or profits will be reduced for firms."

The Employment Policies Institute reported that consumers also can expect to see a reduction in customer service. For example, it is common today for guests in a fast food establishment to clean their own tables. In some supermarkets, customers bag their own groceries.

Customer service can also include convenience of location. For example, if employers cannot reduce costs or raise prices, they must absorb the new labor costs. That money, the Institute points out, most likely comes out of investment and expansion. Those employers who planned to add a second store on the other side of town, making it more convenient for customers, may re-think their expansion and their plans to hire employees for the new store.

This was evidenced in 1996 after the federal minimum wage was increased by 50 cents. The *Wall Street Journal* surveyed business owners to see how they were handling the mandated wage increase. The *Journal* found some employers carefully scrutinized who they hired. Others scaled back the number of hours scheduled for their lowest-paid workers rather than laying them off, offsetting the wage increase with higher productivity. "One reason employers aren't cutting jobs is they're instead slashing hours and spreading the same amount of work around to fewer people," the *Journal* found.¹⁹

VII. A Better Solution

Labor economists overwhelmingly believe that the living wage is not an effective poverty-fighting mechanism. Researchers, including living wage advocates, have consistently found that wage mandates lead to the displacement of low-skilled employees. Economic prosperity depends upon maintaining a stable business climate that will attract new employers and allow existing ones to grow. If government oversteps its mission by establishing, in each local jurisdiction, minimum wage levels higher than those mandated by federal law, it would cause chaos in Florida's economy or in any state where government might overstep its role. The government simply cannot artificially inflate the value of labor without setting in motion damaging consequences.

Chaos caused by these individual wage ordinances would likely send business out of those communities and out of Florida in search of states and communities with a more favorable business climate. Furthermore, higher minimum wage standards, differing from one locale to another, would encourage consumers to conduct business in jurisdictions where wage costs, and hence prices, are lower.

To remedy this situation, the Florida legislature should enact legislation that would prevent such a destabilization of our state's economy. This can be done by establishing a state law that would prevent local jurisdictions from creating "zones" in which employers would be forced to pay a wage other than a federal minimum wage, or to apply a federal minimum wage to wages currently exempt from the federal minimum wage.

A similar measure that would have done exactly that passed the Florida House in 2002 but stalled in the Senate in the waning days of session. That bill was a reasonable compromise—it would not have prevented any local political subdivision from establishing a minimum wage for employees of the local public body or for employees of contractors doing business with the local entity.

Similar legislation has been filed for the 2003 legislative session. Considering this legislation should be of the highest priority for Florida lawmakers when the upcoming session convenes.

VIII. Summary

The evidence is quite clear and, notwithstanding learned conclusions expounded by economists on both sides of the issue, one must conclude that an artificial rise in wages cannot reduce poverty.

First of all, minimum wage jobs go to large numbers of young people—mostly single wage earners with no family to support. Secondly, many older employees currently hold minimum wage jobs because their limited skill levels prevent them from qualifying for better jobs.

And lastly, evidence shows that if wages are arbitrarily mandated at artificially higher levels, those higher-skilled workers will vie for those low-skilled jobs and employers having the choice of hiring a high-skilled worker over a low-skilled worker for the same wage, will choose higher skilled workers more often than not. This employer response to artificial wage mandates squeezes low-skilled workers from the job market, further exacerbating the problems of dealing with raising workers from poverty.

Aside from problems with poverty, the wage mandates would cause chaos in the state's economy. If an employer is mandated to increase labor costs, that employer will be forced to pass those costs along to the consumer in one of several ways, most likely in the form of a higher price for his product or service.

Consumers will continue to look for the lowest costs possible in making purchasing decisions. This scrutiny will send consumers shopping in adjoining communities or neighboring states in search of goods and services where wage costs, and hence, prices, are lower.

Endnotes

¹ *Living Wage Proposal*, Employment Policies Institute, available from http://epionline.org/livingwage/lw_proposals.cfm?state=Allstates.

² Robert Pollin describes himself as an impartial economist researching living wage mandates, suggesting that the benefits of these mandates outweigh the negative implications they may have. However, an investigation into Pollin's background leads to

many questions about his impartiality. The Nov. 1996 issue of *Progressive* magazine describes him as an active member of the New Party. He is a research associate for the Economic Policy Institute, a union-funded organization linked closely to the national living wage campaign.

³ “Economic Theories That Vie for Dominance,” *U.S. News & World Report*, Apr. 26, 1982, p. 54.

⁴ Pollin, Robert, “*Living Wage, Live Action: Living Wage Proposals Gaining Ground across Nation*,” *The Nation*, Nov. 23, 1998, p. 15.

⁵ The New Party available from <http://www.newparty.org/principles.html>.

⁶ The Association of Community Organizations for Reform Now, *Living Wage Resource Center*. Available from <http://www.acorn.org>.

⁷ Macpherson, David, *The Employment Impact of a Comprehensive Living Wage Law: Evidence from Florida*, Employment Policies Institute, Washington, D.C., 2002.

⁸ Nissen, Bruce, and Cattan, Peter, *The Impact of a Living Wage Ordinance on Miami-Dade County*, Miami, Florida International University, Oct. 1998.

⁹ Macpherson, p. 2.

¹⁰ Other academics in the movement include David Reynolds of Wayne State University and Michael Reich of the University of California at Berkeley. Reynolds is on the faculty of the Labor Studies Center at Wayne State University and author of ACORN’s activist guide. He has published a report in support of the Detroit living wage ordinance and was a consultant to the Detroit Living Wage Campaign and is on the steering committee of the Washtenaw Coalition for a Living Wage.

¹¹ “Minimum Wage,” *Almanac of Policy Issues*, Sept. 1, 2002, at www.policyalmanac.org/economic/minimum_wage.shtml.

¹² *Living Wage Policy: The Basics*, Employment Policies Institute, Washington, D.C., 2000, p. 11.

¹³ The Survey Center, University of New Hampshire, *The Living Wage: Survey of Labor Economists*. Employment Policies Institute, 2000.

¹⁴ In the survey, labor economists were asked this question: “According to government data, minimum wage employees are spread across a range of family types, with concentrations among single adults, dual-earner households, and individuals living with parents or relatives. In your opinion, is the poverty level for a family of four/three an acceptable standard to use in setting hourly minimum wage levels for all employees?” Eighty-seven percent responded “no” to a family of four and 82 responded “no” to a family of three. Furthermore, in Florida, nearly one-third of this state’s minimum wage employees are young people ages 16 - 24.

¹⁵ Employment Policies Institute, p. 19.

¹⁶ Kavet, Thomas; Brighton, Deborah; Hoffer, Douglas; and McCrate, Elaine, *Act 21. Research and Analysis in Support of the Livable Income Study Committee*, Vermont State Legislature, Nov. 1999.

¹⁷ Alunan, Susan et al. *The Living Wage in San Francisco: Analysis of Economic Impact, Administrative and Policy Issues*. San Francisco Urban Institute, Oct. 1999

¹⁸ Macpherson, p. 6.

¹⁹ *Wall Street Journal*, Nov. 20, 1996, citing *Living Wage Policy: The Basics*, Sec. III, p. 34.

