The Living Wage, by Robert Pollin and Stephanie Luce

reviewed by Philip J. Chmielewski in the March 17, 1999 issue

*By Robert Pollin and Stephanie Luce,* The Living Wage: Building a Fair Economy. (*New Press, 244 pp.)*

Robert Pollin and Stephanie Luce argue for a single program at the municipal level that promises broad benefits for the economy as a whole. Their book is especially interesting because it raises the issue of how we value work. The "living wage" proposal requires companies to pay their workers enough to enable full-time workers to raise their families outside poverty and thus free from government subsidies. The decline in the actual value of the current minimum wage, the drop in the average wage for employees under the upper-management level, the rise of the number of contingent workers--all these trends point to the need better to sustain working families.

Even after the 1997 increase, the minimum wage for full-time work falls short by 19 percent in providing enough support to keep a family of three above the poverty level. For a family of four it is insufficient by 37 percent. The erosion in the minimum wage since 1968 is the more remarkable since our economic productivity has risen by 52 percent during this period. If low-wage workers were to receive a commensurate share in this productivity increase, the minimum wage would now be $11.20, not $5.15.

Pollin (co-director of the Political Economy Research Institute) and Luce (an economist formerly at the U.S. Department of Labor) address the objections that have been raised about the living-wage program and conclude that they are not supported by the evidence.

Those who support the living wage do not see it as a grudgingly granted subsidy. Rather, they want to help working people meet the normal costs of raising a family. The living wage would increase both earned income and spending power. It would give families greater access to bank loans and credit. Workers would obtain better health care. And some groups of citizens would become less reliant on government subsidies and, consequently, attain a greater measure of self-respect.

The authors carefully note how business would benefit from a living wage. Companies' costs would be lowered by a reduced turnover in workers. The quality of work, the level of cooperation between workers and management, and the degree of flexibility within the business all would rise. Thus, living-wage standards would benefit the nation as a whole.

Pollin and Luce's proposal should be especially attractive to those concerned with the welfare of cities. The suggestions for living-wage ordinances challenge the currently favored model for revitalizing the urban fabric--a model that depends on tax abatements for businesses, enterprise zones and industrial development bonds. The proposal also circumvents the problems connected with the outsourcing of municipal services.

Pollin and Luce claim that the current model of urban development according to which political and business leaders have reshaped our metropolitan life has gotten a free ride: costs are not measured (e.g., the tax loss that results from abatements); benefits are not assessed (e.g., whether promised jobs are in reality created). Furthermore, the strategic thinking behind the approach that favors business is deficient. Reduced taxes are effective only if other cities do not match the reductions. New jobs are beneficial only if they are stable positions and are not stolen from other needy places. The artificial benefits to companies do not in themselves secure either the complementary inactivity of other municipalities or ensure that the jobs drawn to the city come from areas of high employment.

The outsourcing of municipal services to private business is another common and unsuccessful tactic for revitalizing cities. In the hurried pursuit of an economic cure, the city government moves from having long-range obligations with unwritten codes of loyalty both toward and on the part of workers to subcontracting with outside firms. The city awards contracts to the firms that submit the lowest bids. Often those firms are able to bid low only by markedly reducing the wages and benefits of their workers. Urban developers see such businesses as efficient. Yet, as Pollin and Luce point out, private businesses are not necessarily efficient and uncorrupted, nor are public agencies necessarily inefficient and corrupt.

City governments can cooperate with businesses to renew the metropolitan landscape by offering firms what they want: the synergy promised by a densely populated location, a sustaining infrastructure, a range of public amenities, and a broad and skilled labor force. Cities should attract businesses because of their inherent comparative advantages--advantages that come through workers who need structures to sustain their production and service, who have lives apart from work, and who, through their families, develop new workers for continued collaboration. The living wage sustains workers, benefits business and reforms cities.

Pollin and Luce conclude by placing the concept of the living wage in a more comprehensive context. They argue that workers are jeopardized when managers deploy globalization as a threat or when the economy shifts investment from the training progams for workers--which would yield long-term benefits--to policies that bring a return within the quarter-year. Legal manipulations or rank illegalities often prevent workers from unionizing. The 10 percent of employees who are considered "contingent" are denied stable work. Finally, our growing economic inequality hinders the increased social provision of goods and services.

Pollin and Luce plead for public investment in health care and education and suggest a number of ways to secure the revenue for this investment. These include a Swiss-modeled form of wealth tax, a tax on security trading, and the filling of tax loopholes that hamper the production of social wealth. Several clear and informative appendices offer tips, questions and patterns that may be used to press for a policy that supports families, justly rewards workers and sustains lively, varied cities.