A living wage: Dollars and sense

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One of the characters in Marshall Jevons's mystery novel *Murder at the Margin* is a Harvard Divinity School professor named Matthew Dyke, who at one point complains about the exploitation of low-wage workers. Dyke declares that the employers' "profit-maximizing behavior" at the expense of the workers is unethical—as is all profit-maximizing behavior. A colleague from the economics department, Professor Henry Spearman, overhears this remark and asks why, if profit maximation is unethical, Dyke sublet his house at market rates rather than offer it to an impecunious graduate student at a much lower price. The economist adds that he has yet to hear of anyone on the divinity faculty asking for a salary decrease.

Here is the usual standoff between the hard-headed economist and the soft-hearted moralist, and since the author's sympathies are entirely with the economist, he makes sure that Dyke appears naïve about the ways of the world, and a bit of a hypocrite to boot.

One can imagine, however, some real-life conversations that are much like this one. In fact, similar conversations have likely been taking place these days at Harvard, where a group of students, supported by many people at the divinity school and other divisions of the university, have been urging the school to pay its janitors and dining hall workers a living wage—at least $10.25 an hour (about twice the current minimum wage). According to the student-led protest, which included a three-week sit-in at an administration building earlier this month, some Harvard workers earn just over $6 an hour, which, according to the government scale, puts them in poverty.

The Harvard protest is part of a nationwide movement to raise the wages of semiskilled and unskilled workers. Some 70 cities have passed ordinances requiring companies that contract with the city to pay their workers a living wage. The living-wage movement is based on the idea that people who work full time should not have to live in poverty.

Traditionally, economists and businesspeople have regarded this movement as a quixotic attempt to interfere in the market. To set a high minimum wage, they warn, will force some employers to cut their workforce and others to relocate their businesses. In other words, to take Professor Spearman's line, there's no getting away from the stern realities of the market.

But a wiser and better-informed Professor Dyke—one who had been paying attention to the living-wage movement—would have some more cogent things to say in reply. He could say that while profit maximization is not unethical in itself, it is unethical to make profit maximization the only consideration in doing business. He could also point out that selling one's labor in the marketplace is rather different from selling a house or a car, since one's labor constitutes much of one's social identity and the source of one's livelihood.

He could observe that cities which have enacted living-wage ordinances have not seen a loss of jobs. Steven Brull reported last year in *Business Week* that employers have adjusted to living-wage laws by trimming their profit margins and increasing their efficiency. Living-wage laws have themselves spawned greater efficiency by boosting workers' morale and decreasing turnover rates. Other economists have pointed out that when companies pay a living wage, taxpayers have to spend less on food stamps, health care and other forms of assistance.

The living-wage movement is rightly focusing attention on low-wage workers, whose incomes have stagnated or declined in the past decade while the income of high-skilled workers has soared. It is giving these workers a political voice. And it is showing that paying a living wage is good ethics and good business.