How the "Living Wage" Sneaks Socialism into Cities

The living-wage campaign is not just a modest effort to help low-wage workers but a major push to impose a left-wing economic agenda on cities. And it is succeeding.

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Over the last decade, a savvy left-wing political movement, supported by radical economic groups, liberal foundations, and urban activists, has lobbied for a government-guaranteed "living wage" for low-income workers, considerably higher than the current minimum wage. The movement has scored enormous success: 80 cities nationwide, from New York to San Francisco, now have living-wage legislation in place. Many of the earliest laws were narrowly focused on workers at companies with government contracts. But as the movement has grown, it has successfully imposed its mandate on a wider array of businesses; one city has even passed a citywide living wage.

This is bad news for cities. The living wage poses a big threat to their economic health, because the costs and restrictions it imposes on the private sector will destroy jobs—especially low-wage jobs—and send businesses fleeing to other locales. Worse still, the living-wage movement's agenda doesn't end with forcing private employers to increase wages. It includes opposing privatization schemes, strong-arming companies into unionizing, and other economic policies equally harmful to urban health.

The living-wage movement got its start in mid-1990s Baltimore, whose radical urban politics and anti-business ethos provided fertile ground. In 1993, a coalition of Baltimore's left-leaning church leaders, unionists, and community activists began to push for a "social compact" that included a hike in the minimum wage to $6.10—43 percent above the federal minimum wage at the time—for service workers in hotels and other businesses in the city's redeveloped Inner Harbor, a prime tourist area.

Baltimore's then-mayor Kurt Schmoke initially balked at the potential harm that such a wage increase would inflict on the city's already shrinking economy and budget. But he eventually signed a compromise bill that guaranteed the new $6.10 minimum for workers at any companies contracting with the city, on the principle that, unlike the Inner Harbor firms, these employers benefited directly from public funds and thus had an obligation to pay a higher minimum as a way of helping the city carry out its self-proclaimed mission of improving the lot of the urban poor.

Supporters hailed the increase as a costless victory for low-income workers. The labor-backed Preamble Center for Public Policy rushed out a study purporting to show that the legislation benefited Baltimore workers but did no harm to the local economy or to the city budget, because city contractors effortlessly absorbed the cost of the wage hike. The study's claims didn't withstand scrutiny—contracting costs *did* rise—but that was almost beside the point. Far from turning into a workers' paradise, Baltimore saw its economy crash and burn during the mid-

1990s, with 58,000 jobs disappearing, even as the rest of Maryland added 120,000 jobs and other cities across the country prospered. The living-wage bill was just one expression of a fiercely anti-business climate that helped precipitate Baltimore's economic collapse.

Sensible observers would call Baltimore in the nineties an urban disaster, but to the nascent living-wage movement, the city became the poster child for future activism. Looking to the "success" of the living-wage campaign in Baltimore, a host of left-wing groups, including Ralph Nader's Citizens Action and the Association for Community Reform Now, or ACORN, joined forces in 1995 in a national "Campaign for an America That Works," which made the living wage central to its demands. The campaign was so radical that it had no impact on the national level. But on the local level, where the political environment is usually far to the left of Washington, it popularized the living-wage idea, which began to catch on in city after city.

As it spread beyond Baltimore, the living-wage movement at first purposely kept its aims narrow. Early legislative victories applied to just a few workers. In 1996, for example, Milwaukee County passed a law increasing the minimum wage only for city-contracted janitors and security guards to $6.25 an hour. New York City's law, passed over Mayor Giuliani's veto, applied only to government-contracted security personnel, cleaning workers, and temporary employees.

Soon, though, living-wage supporters began to win ever broader laws, covering ever more workers and businesses. Detroit's 1998 living wage applied to any business or nonprofit with a city contract or to any firm that had received $50,000 or more in economic development assistance—ranging from the Salvation Army to small manufacturers located in the city's economic development zones. San Francisco's law went beyond city contractors to cover workers at the city airport, on the grounds that businesses there leased land from the city; airlines, newsstands, fast-food restaurants—none was exempt. In early 2002, New Orleans, ACORN's national home, enacted the first citywide living wage in the nation—something the movement would like to see replicated everywhere. Today, 42 states now have at least one municipality with living-wage legislation.

The movement owes much of its success to the model campaign—exportable anywhere, anytime, fast—that its proponents, above all ACORN's national living-wage center, have created. The prospective living-wage activist can find everything he needs to know in a step-by-step manual, concocted by ACORN director of living-wage campaigns Jed Kern and Wayne State University labor economist David Reynolds.

The manual echoes the organizational theories of legendary radical Saul Alinsky. Coalition building is key. Alinsky's *modus operandi* was to get diverse constituencies to support his various causes by emphasizing their shared interests. In the same way, ACORN urges local living-wage campaigns to build powerful coalitions of Hispanic workers, inner-city ministers, and various community advocacy groups.

To pull off such coalition building in practice, you need more than a manual, of course; you need money—and the movement has lots of it, thanks to the backing of leftist foundations. The Tides Foundation (currently lending financial support to groups opposing war in Iraq) has given hundreds of thousands of dollars to local and national living-wage groups. The Ford Foundation has been another big contributor.

The coalitions the movement has assembled have included hundreds of religious groups, allowing organizers to present their economic agenda as deeply moral—even divinely sanctioned. Labor groups have signed on, too, and some 60 coalitions of labor and interfaith religious groups have sprung up nationally since the mid-1990s to campaign for the living wage.

The Los Angeles–based Clergy and Laity United for Economic Justice (CLUE) is a prominent example. Formed during a successful living-wage campaign in Los Angeles, CLUE brought together an Episcopal priest who had worked to unionize Santa Monica's hotels, a Baptist minister who once invited a union local into Sunday services to get signatures for a hospital unionizing drive, and a rabbi who had campaigned against the Hollywood stereotyping of Palestinians as terrorists. To highlight the plight of "exploited" hotel service workers deprived of the living wage, the religious trio staged a dramatic procession through Beverly Hills to deposit bitter herbs at the doorstep of the Summit Hotel—evoking the Jewish tradition of using such herbs to recall the Israelites' deliverance from Egyptian bondage.

CLUE is only one of countless examples of the living-wage movement using religion to give it moral clout—in Providence, Rhode Island, churches even held a "living-wage Sunday." "It makes it hard to sound negative about a living-wage campaign when it's presented in those terms," says Jeffery Hunter, a government-affairs specialist with the Greater Detroit Chamber of Commerce, which fought in vain against one of the nation's earliest living-wage laws. Indeed, the very notion of a "living" wage makes anyone who opposes it seem like . . . well, an executioner.

Living-wage campaigns have repeatedly outflanked the business community by practicing what ACORN calls "legislative outmaneuver." Local groups work behind the scenes for months before going public. They draft partisan economists to release timely studies on the prospective benefits of the living wage before opponents can come up with any countering data, and they try to keep any actual legislation off the table until the very last minute, so that there's no fixed target for opponents to get a bead on. ACORN rationalizes these stealth campaigns by arguing that the business community will use, in the words of Kern and Reynolds's organizing manual, a "bag of dirty tricks" to fight the legislation. ACORN ominously—and ludicrously—warns: "Many companies today engage in tactics which hark back to the bloody [unionizing] battles of the 1930s."

ACORN's stealth tactics worked particularly well in Detroit. The Motor City business community had no idea that a living-wage ordinance was about to wallop them until just weeks before it showed up on a citywide referendum. "The organizers won," a labor newsletter observed, "by slipping quietly under Detroit's corporate and political radar." Same story in Boston: "The living-wage ordinance wasn't picked up on the radar until it was too late," complained a local business publication. The Boston law, the publication adds, "initially looked and sounded like yet another innocuous piece of feel-good legislation," but its small print included onerous provisions that required city contractors to work under the supervision of a living-wage enforcement committee and to prefer Boston residents for jobs over applicants from beyond the city limits.

These stealth campaigns can produce legislation so bad that it even turns earlier supporters of the living wage into enemies. In Detroit, then-mayor Dennis Archer, initially an ally of the living-wage proposal, excoriated its backers after it became law, because they "did not consult with business or with the [Detroit Regional] Chamber, [so that] the ordinance unfairly impacts on small business and non-profit groups." One hard-hit nonprofit, the Southeastern Michigan Salvation Army, chose not to renew several city contracts to provide housing services to the poor, because the living wage raised its costs too high. "We had a good working relationship with the city, but we ended that," says a spokesman. ACORN has since accused the Salvation Army—the *Salvation Army*—of "the big lie" for opposing its living-wage agenda.

Providing the intellectual muscle (such as it is) for the living-wage movement is a small group of Marxoid economists, led by University of Massachusetts–Amherst professor Robert Pollin, a longtime board member of the Union of Radical Political Economists, founded in the 1960s to bring Marxist economics to American universities. Pollin, a New School Ph.D., began serving as an advisor to living-wage campaigns in the mid-1990s, and in 1998 he co-authored (with Stephanie Luce) the book that has become the movement's bible: *The Living Wage: Building a Fair Economy.*

In *The Living Wage*, the class war rages on—and on. Businesses, assert Pollin and Luce, have grown increasingly hostile toward workers in recent years. Their sole evidence for this claim—that the unionization rate has plummeted over the last three decades—ignores the conventional explanations for union decline in the U.S.: more intense global competition, the shift to a service-oriented, knowledge-based economy, and more generous benefits at non-unionized companies. But never mind: to keep the ravenous capitalists under control, they argue, government clearly needs to impose a national living wage on the private sector. And that's just the beginning. Caps on profits, mandated benefits, rules to make unionization easier, massive taxation—government will manage the economy from top to bottom in *The Living Wage*'s warmed-over socialism.

Indeed, for Pollin and Luce, only one economic goal ultimately matters: raising worker salaries—no matter what the cost to the broader economy. Consider their discussion of prevailing wage laws, which set pay rates for public-sector construction projects. Pollin and Luce argue that these laws show what good living-wage legislation will achieve—and what damage the absence of government economic control inflicts on workers. The authors cite a study of nine states that repealed prevailing wage laws and then watched construction-worker annual salaries fall $1,500, or 6 percent. To the authors, this is entirely bad news. Nowhere do they try to estimate the savings for government (and thus for taxpayers) once the laws stopped demanding artificially high wages for construction contracts. Nor are the authors interested in the productivity gains for the construction industry—and hence for the economy as a whole—when wages settle at levels dictated by supply and demand, not government bureaucrats.

The complete rejection of a free-market economy by these living-wage gurus—and by the living-wage movement itself—is too much even for many liberal economists. One of the most telling critiques of *The Living Wage* came from self-professed liberal economist and *New York Times* columnist Paul Krugman. In an article archived on the "cranks" section of his website, Krugman observes that "what the living wage is really about is not living standards, or even economics, but morality. Its advocates are basically opposed to the idea that wages are a market price—determined by supply and demand."

But then, if living-wage advocates truly understood the free market, they'd know that it ultimately is far more moral than the centrally controlled economic system they endorse. If there is one thing that the last 50 years tell us, it is that the free market provides far greater economic opportunity and a decent standard of living for far more people than government-controlled markets. Pollin and Luce charge that the American economy is failing, because poverty levels in the United States aren't declining significantly. But the authors disregard the effect on the poverty level of the vast stream of immigrants—many of them poor and without skills—cascading into the country every year. What was remarkable about the American economy during the 1990s, when about 13 million low-skilled, low-wage immigrants arrived, is that poverty rates *didn't* soar, and actually declined slightly—showing the muscularity of our economy in lifting even many of these newcomers out of poverty. A recent Sphere Institute study of low-wage workers in California found that more than 80 percent moved up the economic ladder during the 1990s, their average income more than doubling, to $27,194. If that's not economic justice, nothing is. As for those Pollin (following the Census Bureau) calls poor: 40 percent own homes, 97 percent own color televisions, two-thirds have air conditioning, and about seven in ten own cars. This is hardly the poverty of a Vietnamese peasant or a 1930s sharecropper.

What's most appalling about Pollin and Luce's economic theorizing, however, is the cavalier way they talk about confiscating income from middle-income Americans to pay for their living-wage scheme. In a follow-up article to his book, published in the far-left *Nation* magazine, Pollin proposed a national living wage of $7.25 per hour, more than $2 above the current minimum. To achieve this, he says, would require a redistribution of income "equal to a reduction of only 6.6 percent in the incomes of the richest 20 percent of households, from roughly $106,600 to $100,000." *Only* 6.6 percent? Stripping $6,600 a year away from a family making $106,000 a year—a construction worker married to a secretary might well earn this much—is no insignificant levy (even though Pollin's math is wrong). Down more than $550 a month, such a middle-class family might have to forgo sending one of their kids to parochial school, or put off adding a room onto the house for the new baby—goals they may have worked very hard to achieve.

Not only is Pollin's national living wage wildly unfair; it wouldn't work. Numerous studies show that increasing the minimum wage produces no significant reduction in poverty levels and may even increase the number of families living in poverty by eliminating many low-wage jobs. A recent Congressional Budget Office report, for example, estimates that upping the minimum wage to $6.65 an hour (40 percent less than Pollin's proposal) would eradicate between 200,000 and 600,000 jobs. Moreover, it would wreak economic havoc, costing employers $7 billion a year in additional payroll costs. Nor, it's important to add, are minimum-wage earners necessarily struggling economically in the first place. About 64 percent of those receiving the minimum wage today aren't heads of households or sole earners. Many are children still living at home or second wage earners in their family. The average annual household income of a minimum-wage worker in the United States is nearly $44,000. And of course, almost no workers stay at the minimum for long.

Understandably, given these considerations, most economists today favor earned-income tax credits, not government-mandated wages, as a more effective way to aid the working poor. These tax credits, applied for when filing, provide thousands of dollars in cash rebates from federal and state governments, supplementing the income of low-wage workers without imposing direct new costs on businesses.

Pollin and his radical economist colleagues have regularly descended from the ivory tower to try to convince local elected officials around the country that living-wage laws will help low-wage workers without destroying jobs or significantly raising government expenses. In a 1997 study on a proposed living-wage law in Los Angeles, for instance, Pollin claimed that the legislation—doubling the minimum wage for government contractors—would increase the city's contracting costs by only $7.5 million. The wage hike, Pollin argued, would require just a $40 million increase in contractors' payrolls—something they could easily absorb, he held, given their total sales of $4 billion; little, if any, of the additional cost would be passed on to government.

In a later city-commissioned report, UCLA economist Richard Sander—who calls himself a "progressive Democrat" and a defender of narrowly drawn living-wage laws—demolished Pollin's rosy scenario. Sander estimated that the actual cost of the legislation to city government would be $42 million—six times Pollin's estimate. Moreover, Sander noted, adding $40 million to firms' salary costs, as the law proposed, was nothing to sneeze at—as is evident as soon as you compare the new costs not with companies' total revenues, as Pollin did, but with their very much smaller profits.

Los Angeles eventually enacted narrower living-wage legislation, and Sander has completed a study of it. He found that the city, and not its contractors, is bearing all the cost of its living wage. Hit with the legislation, L.A. vendors either raised prices or reduced services to the city. Adding in the expense of monitoring compliance with the law, the city bears "more than 100 percent of the cost," Sander says.

Joining the radical economists on the front lines of living-wage campaigns are the unions, which have their own reasons for supporting the legislation. For unions and their political allies, the threat of the living wage has become a powerful means to pressure firms to unionize. About two dozen current living-wage ordinances, and about a dozen more proposed laws, specifically exempt unionized companies from the legislation. So if a local city contractor paying $2 below the living wage unionizes, it won't have to raise salaries—at least in the short term.

No wonder that many living-wage campaigns erupt in places where unions are fighting tough organizing battles with local businesses. In Santa Monica, for example, a living-wage campaign got under way after a local hotel union had failed in a three-year effort to organize workers in the city's tourism district. The living-wage legislation that Santa Monica's left-leaning City Council then crafted and passed, with heavy union input all down the line, subjected every business in the tourism district to its terms—except unionized hotels. Santa Monica voters recently overturned the law in a referendum, though advocates are trying again.

These kinds of union-tailored living-wage laws are so blatantly pro-labor that they may be illegal. When a law forces employers to choose between paying higher wages and accepting a union, says Atlanta labor lawyer Arch Stokes, it amounts to a collective-bargaining ordinance. Municipalities don't have the legal right to supersede federal labor law and pass such legislation.

Municipal unions like living-wage laws, too, for a different reason. By raising the cost of city contracts, these laws make privatization efforts less appealing and thus protect the cushy jobs of city workers. After all, if cities can't save much money by contracting out work traditionally done by high-paid municipal workers, what is the point of privatizing? ACORN puts it bluntly in its manual: "The Living Wage undercuts the incentive to privatize."

Ironically, even as ACORN battles to make businesses and nonprofit contractors pay higher wages, the State of California is suing the group for paying its own workers below the minimum wage. ACORN argued that minimum-wage laws infringe on the group's First Amendment right of free speech. If it had to pay the minimum wage, the organization says—shamelessly echoing the arguments of the businesses that it is forever seeking to regulate—it would have to hire fewer people, making it harder to get its message out.

The living-wage movement's next steps are clear—and potentially devastating to urban prosperity. Activists are working hard to expand the number of those covered by existing living-wage legislation. In New York City, one of the first places to enact a living-wage law, the new City Council and Mayor Bloomberg recently extended it to 50,000 or so privately employed health-care workers. The powerful union SEIU/1199, representing some home health-care workers who fall under the extended legislation, lobbied heavily for the change. Thanks to Mayor Bloomberg, New York will now have the largest number of workers covered by any living-wage law in the nation. Other cities have expanded their laws, too. Oakland's initial edict, to take just one example, originally applied only to city contracts, but in early 2002 city lawmakers extended it to firms in the government-subsidized Port of Oakland.

It's not just the number of those covered that the movement wants to expand. ACORN activists have begun advocating more capacious living-wage laws that incorporate affirmative-action requirements, restrictions on employers' use of part-time workers, mandatory vacation time, and prohibitions on using revenues from public contracts to hire law firms to resist union-organizing efforts. San Francisco, already moving in this direction, amended its law a year after it passed to include certain health-care benefits on top of the wage boost.

As living-wage laws get broader and more expansive, supporters are also trying to offload some of the cost, increasingly burdensome to cities, onto state and federal government. The revision of the New York City law, for instance, zeroed in on health-care workers because many of them work in state-funded institutions. City Council members who sponsored the legislation justified it by saying that the state's share of the cost will be five or six times higher than the city's. And Detroit's law included contracts that the city simply administered but that were paid for by federal agencies, such as Housing and Urban Development.

Emboldened by their successes, living-wage advocates have gone on to help organize local coalitions to lobby for much broader left-wing economic programs, under the slogan "sustainable economics." ACORN's own organizing manual says it best: "[A]cross the country grassroots projects are using Living Wage as a campaign tool for building broad and comprehensive progressive agendas."

Sustainable economics covers a whole agenda of government social and fiscal policies to redistribute income and regulate business that add up to socialism by another name. The Milwaukee coalition responsible for that city's living-wage law, for example, is now pushing for an economic-development plan that includes more money for community job-training programs, laws that bolster union organizing and that require "socially responsible banking," government investment to create "environmentally friendly" jobs—and on and on. Its agenda even leaps beyond economics to require multicultural public school curricula, more ethnically diverse teaching staffs, and greater inclusion in curricula of topics such as workers' rights, the history of the labor movement, and family leave laws.

Lest this grand program sound like mere pie in the sky, note that living-wage advocates in California have already succeeded in getting the state's assembly to pass a sustainable economic plan for the greater Sacramento area. Startlingly, this plan forces growing suburban communities to share tax income with the city, and it restricts suburban growth, so that residents and businesses will find it more difficult to move just outside the city limits. Having created the policies on taxation, crime, and education that propelled the middle class out of urban America in the first place, the Left is now looking for a way to slow that flight by governmental fiat. It's yet more bad news for cities—especially since the rest of the country fortunately is still free and has plenty of room.