



December 6, 2017

Allegheny Institute Op-Ed

680 words

Pittsburgh's minimum wage obsession

By Colin McNickle

A Peduto administration plan to require companies receiving professional services contracts valued at \$100,000 or more (and paid entirely with city funds) to pay their workers a \$15 hourly minimum wage raises a host of potential problems and more questions than answers.

“Once again the role of the marketplace and prudent government are given short shrift,” says Jake Haulk, president of the Allegheny Institute for Public Policy. “Once the concept of mandating minimum wages is in place, what is to prevent the city from moving the minimums higher?”

The intent, the administration says, would ensure that such contractors follow the same wage standards for full-time city workers who, by 2021, will be paid a like wage base.

The first question that comes to mind is how many current or future businesses with \$100,000 contracts pay any of their employees less than \$15 hourly.

“If there might not be any, as the city’s chief financial officer claims,” asks Haulk (*in Policy Brief Vol. 17, No. 48*), “why engage in a meaningless gesture designed merely to further enhance elected officials’ ‘progressive’ bona fides?”

Additionally, if there are such employees, what assurances are there that the wage floor proposal won’t increase costs for taxpayers, given that the cost to do business is passed on to customers?

“Bear in mind that the Pittsburgh city government remains one of the most expensive per resident among comparable-size cities in the country with substantially more workers per 1,000 residents,” the Ph.D. economist notes.

Furthermore, given that most City of Pittsburgh workers are unionized, why would the city pay higher wages than collective bargaining agreements otherwise would dictate?

“The city is effectively negotiating with itself and boosts the trajectory of wages in the future beyond what they would have been absent the minimum requirement it imposes on itself,” Haulk notes.

Worse, is such a move designed as a poison pill to thwart privatization of services that could save money and reduce staff?

Additionally, the \$15 minimum wage could foment disunity in the employee ranks of contractors winning those city bids.

“Since the contractors are not required to pay \$15 per hour to their employees not doing work called for by city contract, this could potentially set up unequal pay rates among employees doing similar jobs -- not a situation most companies want to face,” Haulk says.

The fallout from such a scenario – pressure to raise all company wages and if the companies can’t afford such rates – might lead some to abandon even seeking city work.

“This situation could limit the number of companies willing to bid on jobs and thereby create even more cynicism about cronyism,” Haulk adds.

The call for raising the cost to do business in Pittsburgh comes in a climate hardly conducive to such government meddling.

To wit, decades of neglecting its water and sewer infrastructure has led to state Public Utility Commission oversight. Customer costs soon will skyrocket to underwrite critically needed upgrades.

And despite much feel-good talk about a resurgent economy, the Allegheny Institute reminds that Pittsburgh ranks quite low in new business starts and business climate and has suffered from a lack of net job growth and population declines dating back to 1990.

“This lack of job gains has occurred despite the promises made by advocates of the Regional Asset District tax and notwithstanding the claims about job growth that were made to justify construction of new stadiums and a new convention center,” the Pittsburgh think tank chief reminds.

Apparently little or nothing has been learned about the advantages of free markets, low taxes and a friendly business climate, even in a city that remains in financial distress and subject to oversight.

“Reducing spending, [government] employment and eventually taxes should be its priorities,” Haulk says.

“Tinkering with wage rates of companies doing business with the city or paying its own workers more than the market or union bargaining requires should not be a priority of a prudent government.”

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