

POLICY BRIEF

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Pittsburgh Living Wage: Empty, Feel Good Symbolism

On May 22, Pittsburgh City Council unanimously passed a living wage ordinance for all firms doing business with or receiving assistance from the City. The sponsor of the ordinance, Jim Ferlo, was quoted in a Tribune-Review article saying that this legislation will "...encourage growth and development in Pittsburgh but also require that there will be improved living wages and benefits to working families here in the city of Pittsburgh."

Just how mandating artificial "living wages" will encourage growth and development is not covered in the economic textbooks or theories we have seen or studied. Has the City done a study to show how that happens and can it provide documented evidence that "living wages" have boosted economic growth? It would seem fairly basic procedure to evaluate and demonstrate with hard evidence the probable efficacy of programs before adopting them.

But beyond the common sense defying logic that "living wages" promote development, there remains the serious question of the real motivation for this attempt at by-passing the marketplace. If the intention is to boost the income of low wage workers, then this is at best a temporary palliative. It does nothing to ensure the workers will improve their financial prospects in a meaningful way over the long term. It is in short, welfare by another name.

Indeed, if the Council is truly concerned about the long term economic well-being of the City workers and workers for City contractors, it should adopt aggressive and generous training and education reimbursement programs. That is the best way to give motivated employees an opportunity to get the skills and education needed to get the jobs that pay well and offer substantial career paths. Are there counseling programs in place to help workers in selecting and pursuing financially rewarding careers? If not, the "living wage" ordinance is nothing more than cynical symbolism.

What's more, who are the people who will benefit from the glorified minimum wage? Has Council made any attempt to classify its workers into family units? How many of these beneficiaries are part of a two-income earning family of four? What if a recipient has more dependents, or less? Are they entitled to more (or less) money? What if the recipient is not a head of a household and lives in a family that has a high income?

Clearly, the problem of trying to use a broad based policy tool to solve the financial problems of a few will undoubtedly lead to perverse redistributions of income. That is unwise for a city that has no money to waste.

And what about the morale of employees who are currently earning at or just above than the “living wage” ? They will surely not be happy to see fellow workers, many with lesser qualifications, be raised to their wage level by government mandate. In a word, the “living wage” concept is unlikely to make everybody happy and could irritate more employees than it pleases.

The ordinance states that any firm doing business with the city, or receiving more than \$50,000 in assistance is required to pay their employees the living wage. If such a firm sees an increase in its cost of doing business, it will simply pass these costs along to the City and its taxpayers. The cost of government just went up in Pittsburgh, by how much no one knows yet.

Obviously, none of this makes the City better off. It appears that Council's passing of the “living wage” ordinance has all of the characteristics of "feel good" legislation. In the face of hard, but pertinent, questions, the “living wage” comes up short on substance or justification.

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Note: Dennis Barbagello, Harrisburg correspondent for the Tribune-Review, will be the special guest speaker at this month's Rascals meeting at 9:00 a.m. on Saturday, June 23. If you are interested in attending, please RSVP Woody McVicker at 412-487-3065 or woodymcv@telerama.com.

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