

POLICY BRIEF

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City Council Sidesteps Living Wage Fallout

As the implementation date for Pittsburgh's "living wage" ordinance drew near, something very interesting and predictable happened. The overwhelmingly negative consequences of this misguided legislation came into sharp focus. As a result, City Council, at the urging of Mayor Murphy, decided to avoid those consequences by shelving the "living wage" ordinance indefinitely.

At the time it was being debated, "living wage" proponents predicted that once in place, the ordinance would lead to "a prosperous local economy" and would "improve services" to residents. They claimed that impact studies done across the nation (except for the one conducted by the Allegheny Institute) showed no increase in contractor costs. In fact, some contractors praised the movement as providing a "level-playing field" in competing for government contracts. City Council obviously bought into these arguments and approved the measure last May despite the objections of the Mayor and warnings about consequences from the head of the URA, both major newspapers, many business owners, and of course the Allegheny Institute.

Reality turned out to be very different from what proponents had predicted. City contractors, such as the Animal Rescue League, made no complimentary remarks about a level playing field for the right to pick up stray animals. Instead, they petitioned Council for an exemption to the ordinance. The Animal Rescue League estimated their annual costs to comply would amount to \$363,000, forcing them to either drop the City's contract to pick up stray animals or pass the costs back the city. This reality does not sound much like "improved services".

Then too, PNC Bank was recently quoted as saying that if the City were to mandate above market wages, it would be "unlikely" that PNC Bank would be able to continue to act as a depository for city funds. Mellon opposed the ordinance and National City says that it would have "jeopardized" 265 new positions at its Allegheny Center Mall operation. Obviously, driving jobs away is not exactly a recipe for a "prosperous local economy".

Non-profit organizations such as the Carnegie Museum and Library and Phipps Conservatory say they cannot afford the increased cost associated with the ordinance.

The Carnegie Museum and Library combined would be forced to pay an additional \$1.38 million annually. The Phipps Conservatory would have to raise an additional \$149,000 every year. One option for these organizations would be to cut back programs or services. The other option would be to turn to the City and County for direct assistance or perhaps seek a greater share of shrinking RAD funds. Either way the taxpayer gets stuck with the tab.

Notwithstanding the recent positive turn of events, we should not overdo our congratulations to Council just yet. Bear in mind that Council did not eliminate the ordinance. In fact, they are only postponing it until the County enacts a “living wage” mandate of its own. Fortunately, the County is unlikely to revisit this issue anytime soon. Still, the City Council’s willingness to reinstate “living wage” legislation even in the face of severe negative consequences is stunning. The argument that businesses would have a harder time escaping if the County had “living wage” does not alter the fact that the legislation would be a detriment to the City’s economic well being. The problems associated with “living wage” described above will not disappear if the City tries to hide behind the County.

In fact, a “living wage” in both the City and County would drive costs for City taxpayers even higher than if only the City adopted and enforced the law. But just as important, there is no benefit to the City if a County “living wage” drives jobs out of the County.

Proponents of the “living wage” ordinance asked whether the City's leaders were more concerned with supporting the business community or helping working families. Our question is “without the business community, where would working families get jobs”? The attitude that the entire free market economy should be transformed into a redistribution of wealth system is based on a demonstrably failed philosophy. It only leads to shared poverty.

If the City wants good paying, family sustaining jobs to come here, it should recognize that businesses must be made to feel welcome and believe they will be allowed to compete unfettered by harmful labor market regulations.

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