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IT'S BUSINESS AS USUAL FOR SOME LIVING-WAGE OPPONENTS

By Peter Dreier, Manuel Pastor. Los Angeles Times. Dec 8, 1996.

The current debate over the proposed "living wage" ordinance, now before the City Council, is, in many ways, a political Rorschach test. What you think about the proposal, which would set a wage floor of \$7.50 an hour, plus benefits, for employees in companies that do business with the city or receive certain benefits from it, depends on your assumptions concerning the way the economy works and the role government should play in addressing social and economic problems.

Business, generally, opposes the living wage, warning that such an ordinance, though well-meaning, would cloud the "business climate" and possibly kill the regional economic recovery. Such an argument has a long pedigree.

At the turn of the century, the nation's work force included more than 1.7 million children between the ages of 10 and 15; in the cotton industry, 13% of the workers were children, some as young as 6 years old, who worked, on average, 11 1/2 hours a day. At first, reformers sought to work at the local, not the national, level to end this abuse. Corporate leaders warned legislators that if the lawmakers passed bills curbing child labor, they would sacrifice their states' competitive edge.

Nevertheless, several states passed legislation banning all child labor. By 1920, 30 states limited a child's work day to eight hours. None of them suffered economically. In fact, the economy, overall, benefited, because more and more children attended school and developed skills that made the labor force more efficient.

More recently, labor economists David Card and Allen Krueger have shown that business admonitions against states that seek to raise their minimum wage above the federal level are similarly hollow. Indeed, several states had minimum wages exceeding that of the federal government's before Congress recently raised the wage level. And California's minimum wage is still higher than its U.S. counterpart.

Mayor Richard Riordan and the city's business elite have added a new twist: A living-wage ordinance would primarily hurt small businesses, the lifeblood of the new L.A. economy. They contend that many of these companies are owned by minority and women entrepreneurs and that imposing any added costs of doing business, such as higher wages, could sink them. Workers employed by these firms also tend to be disproportionately people of color. Thus, a living wage, opponents claim, could backfire and hurt most the very workers, especially minorities, it seeks to uplift.

But these arguments are like pouring old wine into new bottles.

* Fewer than 900 firms (and 11,000 employees) would be directly affected by the ordinance, as currently written. The wage increases they would be required to grant amount to about 1% their total output, according to one study. Moreover, most of these companies, because they primarily do business with L.A. city government--garbage collection, food service, park maintenance, food service, laundry and others--are unlikely to move out of the city to escape the living-wage requirements, contrary to what opponents predict. A recent UC Riverside study, moreover, shows that a living-wage ordinance would have little effect on the city's budget, would not force a decline in municipal services and would have virtually no direct impact on employment levels.

* Indeed, small neighborhood businesses may be the biggest indirect beneficiaries of a living-wage ordinance. If enacted, working poor households would receive an additional \$39 million. Where will they spend most of this new income? In the low-income communities where they live.

* The Coalition to Keep L.A. Working, the lobbying group recently formed to fight a living-wage ordinance, is not simply a group of small companies. Instead, it is dominated and funded by the same powerful business leaders who run the Chamber of Commerce, the Central City Assn. and the Valley Industry and Commerce Assn. Minorities and women are barely represented on

these companies' boards. Of the city's 40 largest private employers, minorities comprise less than 4% of the boards of directors, women less than 9%. The handful of minority business owners who have become the public face of the coalition are not a fair reflection of the group's makeup.

* Riordan and his business allies have offered no alternative plan to address the city's widening economic gap and its growing numbers of working poor. After the 1992 riots, corporate leaders pledged to work together to invest in poor communities. Four years later, big business has invested little and the institutional fruit of its effort, RLA (once known as Rebuild LA), will soon disappear.

The proposed living-wage ordinance is certainly not flawless. It may be best that the proposed wage increases be phased in or that additional raises be made contingent on overall economic conditions, as in Baltimore.

But the underlying issue is simple. The city's poverty is tearing at its social fabric. Studies show that metropolitan regions with the biggest income gaps have the slowest economic growth. Too much inequality dampens demand and raises social tension, worsening conditions for big and small businesses alike. Public and private efforts to reduce poverty can thus be a "win-win" situation for business, labor and the community.

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