

Headline:	(W) COMMENTARY - Real data show 'living wage' benefits outweigh costs
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Body Text:	<p>The Providence Chamber of Commerce has released a report that is highly critical of the proposed Providence Jobs and Living Wage Ordinance.</p> <p>The report, prepared by RCF Financial Consulting of Illinois, claims that under the ordinance, private-sector firms would incur massive cost increases, the city's budget would increase by \$18 million, and nearly 3,000 workers would lose their jobs.</p> <p>It is not surprising that the Chamber would pay someone to say that a living wage is a bad idea. What is surprising is how sloppy the analysis is.</p> <p>The report seems to presume that the only way to help working people is to help the well-to-do, and hope that prosperity trickles down. While never clearly stated, this value judgement is the most plausible explanation for the report's (and the Chamber's) casual and careless attitude toward poverty in Providence.</p> <p>The RCF study fails to consider any of the actual research conducted to date on living-wage campaigns, or the words of city administrators in the approximately 70 cities that have already passed such ordinances. For example, in Cambridge, Mass., city government spokesperson Ini Tomeu stated that the living wage has not been a big burden on the city. Steven Mermell of Pasadena, Calif., echoes Tomeu's analysis. While Chamber of Commerce representatives predicted huge costs for that city as a result of a living-wage ordinance, Mermell notes that two years after the law was enacted, the cost was "not as great as originally thought."</p> <p>In addition to ignoring living-wage research, the RCF study includes a number of misleading findings.</p> <p>First, RCF's survey of potentially affected businesses included establishments in the Providence Place mall. However, the proposed ordinance is not retroactive and would not cover contracts and tax abatements in place prior to the ordinance's enactment. Thus, the claims of extraordinary costs and job loss are based on results from firms that would not be affected at all.</p> <p>The RCF study does not account for the long-term nature of city contracts. Thus, whatever impacts the ordinance might have, they would certainly be phased in over several years. Some of the largest contracts do not come up for renewal until 2005, meaning that the city would have plenty of time to adjust itself to the new law.</p> <p>The study assumes that companies will lay off employees, instead of paying the living wage. This does not make sense for many city services, which simply cannot adjust staffing levels. Bus companies need a certain number of drivers and monitors. This is equally true for</p>

school janitors and security guards.

Further, the RCF study takes no account of the possibility of paying for **wage** increases out of profits. In fact, the research we have available on living-wage ordinances shows that employers are more likely to cover costs through reduced profits, and lower turnover and absenteeism, than through reduced employment. RCF should listen to employers like George Corti, who runs Pedus Services, a security-guard company that holds a contract with the city of Tucson, Ariz. Since that city passed its **living wage** ordinance, Corti notes that his turnover has dropped significantly and that jobs with his firm are in high demand.

RCF and the Chamber take no account of the costs of not paying a **living wage**, in terms of increased demand on city and state services by the working poor. Even the critics of living-wage ordinances in other cities recognize that savings on use of public-health and income-support services have to be factored in to any analysis.

So while the numbers and tables in the RCF report give the impression of scientific analysis, they are misleading. Moreover, the report analyzes the original proposal, not the one that is currently on the table. According to proposed changes given to us by advocates of the ordinance, goods contracts would be removed from the ordinance, and the equivalent of full family health insurance could be changed to \$2.50 per hour.

Some Chamber members have claimed, and the RCF report implies, that passing this ordinance would end the "Providence Renaissance."

No serious observer could possibly believe that raising the wages of a few hundred bus monitors, school-lunch employees and custodial workers will have much effect on growth in Providence, either positively or negatively. A targeted **wage** increase for a small group of low-wage workers will have economic impact in particular neighborhoods, as new money (that used to be profits, and often sent out of state) is spent locally. It will directly benefit the working poor, and raise the **wage** floor, providing some gains for all working people in the city and surrounding areas.

The RCF report is one in a long line of analyses that claim that things that appear to benefit poor and working people will actually hurt them. It is interesting that these condescending claims are never made by poor and working people, but rather by the wealthy and their hired guns.

Nowhere in their report does RCF address the remarkable growth of income inequality in **Rhode Island**. Nowhere does it address the fact that wages in **Rhode Island** remain significantly below those in Connecticut and Massachusetts, or that the share of workers in the state earning poverty-level wages, or below, is high and rising.

The RCF Providence study is modeled after the consultants' earlier analysis of the Chicago living-wage ordinance. They made similar, exaggerated claims for the costs of the Chicago proposal. In fact, no credible study has been able to find evidence for the widespread negative effects claimed by opponents, in any city that has passed a living-wage ordinance.

RCF claims that something that will directly benefit working people and that is supported by poor and working people, in overwhelming numbers is actually bad for them.

A recent Federal Reserve study argues that the most likely effect of living-wage laws is to transfer income from municipal contractors to workers, with minimal effects on city budgets. A reasonable observer might conclude that the RCF report and the Chamber's campaign is really about protecting the profits of low-standard employers, at the expense of poor working people. The principle of a **living wage** the principle that city contracts should not subsidize substandard employers needs to be established in law.

Richard McIntyre is a professor of economics at the **University of Rhode Island**.

