

Review of: *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*

Robert Pollin, Mark Brenner, Jeannette Wicks-Lim and Stephanie Luce  
Cornell University Press, Ithaca, 2008

In recent years, across the United States, hundreds of local communities have passed 'living wage' legislation, and the objective of this book is to summarize the policy lessons that can be taken from those community experiences. Since the most frequent objection to minimum wages is that jobs will be lost, the key question the book addresses is: "to what extent do legislative attempts to increase the pay of low-wage workers imperil the jobs that they now hold?"

"Not much, if at all" is the basic answer provided here. Reporting the results from case studies of communities (e.g. New Orleans, Sante Fe or Boston) and econometric analyses of secondary data, the authors argue that legislation to increase the minimum wage has little impact on the employment of low-wage workers, but does increase the earnings of those both at the minimum wage and just above it (via a 'ripple effect').

In coming to this conclusion, the authors are firmly in agreement with many other labour economists. As Freeman summarizes the literature (in a quote which appears on both pages 97 and 217 in the current volume): "The debate is over whether modest minimum wage increases have 'no' employment effect, modest positive effects or small negative effects. It is *not* about whether or not there are large negative effects. (emphasis in original)." The authors also cite a survey of labour economists which indicates that most share this opinion.

If this is true, it is fair to ask what another book on the subject can add to the debate. One contribution of the current volume is to draw together a good deal of disparate evidence, from prospective and retrospective studies and using both case study and econometric methodology.

Disparities in the data arise because the 'living wage' idea is more a social ideal than a specific policy proposal. As the authors note, 'living wage' legislation sometimes only constrains local governments, and private firms supplying those governments, to meet a minimum wage obligation but in other instances covers all workers within a given jurisdiction. These differences in target population crucially affect impacts and in addition the target hourly wage varies widely. Chapter 4 examines \$6.15 (New Orleans), but Chapter 5 on Sante Fe specifies \$8.50 (rising to \$10.50). Chapter 6 on Arizona (\$6.75) is followed by Chapters 7 and 8 on Santa Monica (\$10.75). In Chapter 2, the authors conclude that for the Boston area in 2005 "a reasonable range is somewhere ... between \$12 and \$24" – which is surely a pretty dramatic expression of uncertainty.

Although it is individual workers who get wages, most people live in families. Whether or not a specific hourly wage produces a socially acceptable living standard for a family depends on how many workers there are in each household, how many hours they work, how many dependents they have and the income needed for adequacy in each local area. Sixty years ago, when social policy could plausibly be premised on the 'male breadwinner model' of a single full-time, full-year worker per household, it was much easier to calculate the hourly wage which corresponds to the 'living wage' ideal – but the present volume never really addresses the complexities of modern family life. The numeric examples provided jump around – sometimes being for three or four person families, sometimes one or two workers, sometimes each working

1700 or 2000 hours a year – but certainty is always presumed. The health, job availability and household composition insecurities which dominate the lives of poor people are unmentioned.

Nevertheless, whether or not the ‘living wage’ is a shifting target, it is a remarkable testament to grass-roots organizing in the United States that during a long period of time in which anti-poverty policy has dropped off the national agenda, local communities have tried to act directly against the widening inequality and deepening deprivation this has produced. The current book is clearly aimed at reinforcing this trend. The case studies of Chapters 4 to 10 provide exhaustive calculations which detail, for realistic examples, just how small the burden of minimum wage increases for employer costs actually is – which motivates the authors’ finding of minimal employment impacts. A more academically oriented economics book would probably not have apologized for statistical technique in making the same point, or relegated these studies to Chapters 11 to 14 at the end, but this book is primarily aimed at activists, not econometricians.

However, there is a problem. As Pollin notes: “The living wage initiatives that have become law throughout the country are motivated by a common initial premise: that people who work for a living should not have to raise a family in poverty. (page 111)” Does focussing a social movement around this premise imply that it is seen as socially acceptable for the unemployed or the disabled to raise a family in poverty – or that it is OK for people who do not have families to be poor?

The authors would possibly respond “of course not” – but they do not actually say. It is unclear what network of social supports they envisage for those individuals who cannot work, and their families. The current US social welfare system is only tangentially mentioned – on page 108, for example, the reader is assured that “the truly needy already receive income support in the form of the EITC, food stamps and related subsidies”. Although one could imagine a book which notes the inadequacy of such transfer payments in the US, the authors of this book choose not to mention this. Neither do they discuss how people should qualify for transfer payments or how such payments should be adjusted – although they do decry “government agencies, rather than low-wage workers and their families, becoming the beneficiaries of the law” when transfers are reduced because earnings increase. They also argue that it is an “important consideration” for family income increases to come in the form of earnings rather than as transfers.

So is this a book about a policy whose intended beneficiaries are “the deserving poor”? Does advocating such a policy increase public consciousness of poverty and deprivation and provide the social empathy underlying more generous transfer programs for those who cannot work? Or does restricting discussion to families who work reinforce the idea that they are the only poor people who have a legitimate claim for public support? No book can cover every topic, but some readers may want to know whether the ‘living wage’ is part of a broader social vision, and what exactly that larger framework is.

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