

A Breviary of Studies of a Living Wage

My report attempts to define a living wage and provide answers to questions about its sustainability within the current economy. I also seek to answer the question of how the raising of 'minimum' wages, as a way of providing the economy of individuals and communities with a continual boost, can be sustainable over time.

Interest in 'living wages' has grown considerably over the past several years. Providing a 'living wage' has become the mantra of many unions and people who seek to alleviate poverty. 'Living wages' are often defined as 'minimum wages' which are above the federal minimum wage, however 'living wage' is not another word for 'minimum wage'. In the United States, and other developed countries, the value of work is tied to the value of money. When a 'living wage' is presented as an increase in the 'minimum wage' it ties the value of work to a defined amount of money. A 'living wage', in its definition, seeks to change this relationship in the way that 'fair trade' seeks to change the relationship between consumer and provider. 'Living wages' are not tied to the federal poverty guideline. Instead a 'living wage' is tied to an individuals' situation, where they live and who benefits from their income.

A 'minimum wage' is supposed to provide full time employees with an amount of money, which may allow the employee to live at a minimum level within the community. This is often not the case. "The key benefit of the minimum wage is the higher earnings that can accrue to low-wage workers. On the negative side, three issues dominate the debate. First is the issue of cost: do the benefits to low-wage workers outweigh the cost to employers of having to pay the higher wages and to consumers of having to pay higher prices for products produced by low-wage workers? Second is the issue of efficiency: does the minimum wage

lead to lower employment of low-wage workers as a result of the higher labor costs faced by employers? Third is the issue of effectiveness: does the minimum wage help low-income families or teenagers and secondary earners in non-poor families?"

<http://www.financeprojectinfo.org/mww/minimum.asp> (last accessed Nov., 2003). One of the difficulties with assigning a minimum wage arbitrarily throughout a population is that, according to the federal poverty guide lines, "A single individual with no children working full-time at \$5.15 an hour will have an annual income above the poverty line. She or he may be a low-wage worker, but not poor. On the other hand, a married individual with three children and a non-working spouse who earns \$9.00 an hour is not a low-wage worker, but would be considered poor given his/her family size." <http://www.financeprojectinfo.org/mww/minimum.asp> (last accessed Nov., 2003). An increase in the federal minimum wage will not provide the sustainability that is needed for the future even if it is called a 'living wage'.

Definitions of a 'living wage' vary slightly from one area to another but most agree that a 'living wage' means, a salary which allows a worker to meet basic needs; and to have a small discretionary income which allows them to set aside small savings to plan for the future or invest in themselves and their community.

http://www.iccr.org/issue_groups/accountability/feature_wage.htm & <http://www.womenontheborder.org/art%20workersbasneeds.htm> (last accessed Nov. 2003) In order to assign a 'living wage' a tie needs to be established between the wage and the cost of living in an area with a family size and situation. Hierarchy and longevity can still be established and rewarded within an organization or company yet a 'living wage' would allow every employee to have a wage which will provide a living for them and their family. Individuals and diversity are taken into consideration and used as a tool to alleviate poverty. "Providing a living wage is likely to lead to lower turnover and absenteeism as well as higher worker productivity. Lower turnover and absenteeism can save

businesses money and improve the quality of their services. The money saved will not typically cover the full cost of the wage increases, however once improved quality of service is taken into account, the combined benefits may outweigh the cost of the wage increase. So why have more employers not raised their wages? One reason may be because many employers that pay low wages must bid for contracts. The nature of their market may require them to bid low and deal with the quality of service issues later. By contrast, employers who voluntarily pay their employees a living wage will win fewer contracts, but will likely retain more business." <http://www.financeprojectinfo.org/mww/minimum.asp> (last accessed Nov. 2003)

In the United States, trying to provide legislation over a broad area, considering the diversity that is required for a 'living wage', is problematic so a minimum 'living wage' is established in some communities, organizations or companies then it is applied to the general population of that area to hopefully help those workers who need it the most. According to the article on called Making Wages Work by the organization on *Information for Decision Making* (<http://www.financeprojectinfo.org/mww/minimum.asp>) this type of, generally applied, wages will help at least 71% of the workers who are poor. Unfortunately this also means that 29% of the workers, who will benefit, are not classified as poor. These are the second income workers and teenagers from non-poor families.

In order to provide a true 'living wage', which will be sustainable, a cultural shift in thinking about the value of work is needed. This includes a complete understanding of how a living wage can work for our society in a sustainable way. Instead of having more family members so that a person could earn a higher wage, longevity and education can be rewarded with higher pay and benefits. New ways of looking at economy will also have to be introduced so that the things that are valued can be encouraged and the things that are detrimental will be

discouraged. This is one of the reasons that indexes such as the GDP are not working for these measurements. "[The] GDP is an aggregate measure of the total value of net output of all residents [those who normally stay in the economic territory of the economy for 12 months or longer] producing units of a country or territory in a specified period. Net output is measured by value added, which is defined as the value of gross output less the value of intermediate consumption (that is the value of goods and services used up in the course of production). ... Adding to GDP the income earned by residents of the economy from the Rest of the World, and deducting income earned by non-residents within the economy, gives the Gross National Product (GNP)." http://www.info.gov.hk/censtatd/eng/statliteracy/edu_booklet/introtogdp/gdpgnpbop.htm (last accessed Nov., 2003)

There are many ways that we can strengthen our economy and provide an income for people. We need to encourage a new way to think about what success is and how we measure it. Living in a strong and sustainable way and providing for others with our labor and our interest can allow us to change our cultural values about earning money. Paying and earning a 'living wage' is one way to begin but it is not the whole answer to societal problems with poverty. 'Living wages', when defined as a modified 'minimum wage', act as a Band-Aid to relieve some pain but do not fix the problem.

In summary, although a 'living wage' is much more than a 'minimum wage', by itself it would probably not be sustainable given the current view of our economy. When spread over a broad range of individuals and their situations, its legislation would turn it into a new kind of minimum wage. This will negate some of the most powerful effects of the definition of a 'living wage'. Giving employees a 'living wage' can, however, work within defined

communities and is working in situations such as the *Alternatives Federal Credit Union* in Ithaca, NY (<http://www.alternatives.org/about.html>) (last accessed Nov. 2003).

"Across the nation, cities, counties and other local governments are adopting living wage ordinances to help working families get a decent standard of living. While the details vary, these ordinances seek to insure that the employees of public contractors or corporations receiving public financial assistance, and public employees earn at least a poverty level wage. Some have gone beyond this bare minimum to offer higher wage rates, incentives for employers to provide health insurance, and paid time off for sick leave and vacations." Some of the cities which have implimented standards which allow employees to have a minimum wage which is above the minimum wage set by the federal; government are, Detroit, Minneapolis, Oakland, St. Paul, San Francisco, Santa Fe, Santa Cruz and Santa Monica."

<http://www.newrules.org/equity/wage.html> (last accessed Nov. 2003) When a new way of thinking, and new ways of measuring our economic growth are introduced, the idea of a 'living wage' can be a powerful tool for individuals and communities to provide maximum benefit at the places where it is needed most.

CHARTS:
 2003 DSHS Poverty Guidelines

Size Family Unit	48 Contiguous States & D.C.	Alaska	Hawaii
1	\$ 8,980	\$11,210	\$10,330
2	12,120	15,140	13,940
3	15,260	19,070	17,550
4	18,400	23,000	21,160
5	21,540	26,930	24,770
6	24,680	30,860	28,380
7	27,820	34,790	31,990
8	30,960	38,720	35,600
For each additional person, add	3,140	3,930	3,610

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Some Economic Solutions:

- Alternative Measures of Progress
- National Inventories of Natural Resources
- Green Taxes
- Full-Cost Pricing
- Life-Cycle Costs
- Economic Incentives
- Marketable Permits
- Removing Market Barriers and Subsidies

<http://isu.indstate.edu/jspeer/conservation/chapter23.htm> *Economics and our Future* Conservation of Natural Resources Web Pages from Indiana State University Faculty Pages.

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CHART: determining a living wage in Ithaca, NY

http://www.alternatives.org/livable_chart03.html

determining a living wage in Thurston County:
 housing in Olympia, WA

0 BR	1 BR	2 BR	3 BR	4 BR	Fair market rents HUD
489	600	750	1032	1218	Olympia, WA Thurston County

<http://www.hud.gov/local/or/library/washingtonfmrs2002.pdf>

Transportation:

Personal vehicle 91.2 Transit 4.9 Walk 2.8 Other 1.1

Public transportation costs \$1.50 for an all day pass or \$7.50 per week, plus 3 other trips for shopping, totaling \$14.50/week or \$58/mo or \$796/year.

Using a car, according to the Consumer Expenditure Survey for consumers in the second quintile (those whose incomes are between the 20th and 40th percentile) is \$2442.

Claritas estimated \$33 per year expenditure for bicyclists. We assume that walking incurs no extra costs.

A weighted average can be computed like this:

$$(.912)(2442) + (.049)(796) + (.028)(0) + (0.011)(33) \text{ to get an average of } \$ 2266.47/\text{yr}$$

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energy costs/ mo Thurson Co.:

elec	65
sewer	44
water	14
garbage	12
TOTAL	135

HUD 2003 utility allowance 2 bdrm single family or duplex

http://www.co.thurston.wa.us/bocc/homeinvestment/ThurstonConPlanFinal_7-01_8.3.pdf

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living wage:

\$10.43/hr single

\$17.59 /hr with 2 children

http://www.co.thurston.wa.us/bocc/homeinvestment/ThurstonConPlanFinal_7-01_8.3.pdf

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THURSTON COUNTY LIVING WAGE

Category	Year (2002)	Month (2002)	Comments
Rent	\$7200	\$600	Fair market rent for single bedroom apartment, including utilities. Source: HUD
Transportation	\$2266.47	\$188.87	Weighted average of amount spent on cars, public buses and bicycle.
Food	\$1,939.80	\$161.55	Average of low-cost plan Food Stamp cost for males and females 20-50. Source: USDA
Energy costs	\$1620	\$135	HUD 2003 utility allowance 2 bdrm single family or duplex
Telephone	\$318.00	\$26.50	Source: Quest
Health Care	\$1,099.36	\$91.61	Estimate
Recreation	\$1,377.00	\$114.75	Reading materials, computer hardware, software, TV, radio, sound equipment.
Savings	\$600.00	\$50.00	
Misc	\$1,382.50	\$115.21	Clothing, personal care, housekeeping, small appliances, etc.
TOTAL (Single person)	\$15,801.13	\$1316.76	Hourly pay @ 40hrs/wk = 10.97
Day Care Expenses Age 2 \$120 per week	\$6240	\$520	Source Day Care Council Single adult with 2 children age 2 & age 4 in daycare
Ages 3,4 \$100 per week	\$5200	\$433.34	
TOTALs with 2 children	\$27241.13	\$2270.10	\$18.92/hour