The Living Wage Comes To Washtenaw County

by David Reynolds

On November 3, Detroit became the first city in the nation to pass a Living Wage ordinance by popular vote. Despite bad press from the area's corporate media, a sweeping four out of five voters chose the new law. Detroit joins with over twenty cities from Los Angeles to Chicago to Boston whose local councils have legislated a Living Wage. Now the Living Wage is coming to Washtenaw County.

The need for a Living Wage is clear. Detroit researchers, for example, found two women doing similar cleaning work under city contracts. One struggled to feed and clothe six children on the $6 an hour, no benefits wage paid by T & N Services. Simply to survive she had to work a second job on weekends and hope her kids didn't get sick. The other woman enjoyed $9.25/hour plus full health insurance because her employer, Total Building Services, was unionized. Unfortunately, the way a company paid and treated its workers had not been a factor determining who got city contracts. Indeed, the city was not keeping track of the wages paid by either contracting companies or those who receive large tax abatements or other public financial assistance. Detroit's Living Wage requires companies receiving more than $50,000 in city contracts or financial assistance for economic development or job creation to pay a Living Wage. This wage is defined as the poverty line for a family of four (currently $8.23 an hour) if health insurance is provided, or 125% of the poverty line ($10.26/hour) if no health benefits are offered. The Living Wage steers tax dollars toward family-supporting jobs.

This example has spread to Washtenaw County. Over the past several months, area activists have begun to pull together a coalition of labor, religious, and community groups. "We aim to persuade local governments throughout the county to pass Living Wage laws of the kind approved by Detroit voters," explains Ed Resha of the Huron Valley Central Labor Council. Endorsers of the Washtenaw Coalition for a Living Wage include the Central Labor Council, the UAW, the Interfaith Council for Peace and Justice, the Gray Panthers, the NAACP, Huron Valley Greens, the Labor Party, several churches, and the county Democratic Party. And the list keeps growing.

But prosperous Ann Arbor and Washtenaw County are completely different from the big city, right? Wrong! Nearly one out of six county residents live in poverty. And low-wage jobs are a big part of the picture. Half of all service sector jobs in the Ann Arbor-Flint-Detroit metropolitan area pay under $7 an hour. One out of ten industrial jobs also pays as badly. Contrary to myth, the bulk of people working at these jobs are not teenagers looking for some extra cash, but adults struggling to raise a family. Area homeless shelters report a significant proportion of people staying in their facilities who work at full-time jobs. The working poor include many highly trained people. A recent study by Michigan State University found that several years after graduating, nearly a third of college graduates did not work in jobs for which they had trained. Currently, the nation has 100,000 more people with Ph.D.s than job openings for people with such qualifications. Long-term national statistics show that the effective buying power of wages for both high-school graduates and those with college degrees has fallen since the mid-1970s.

Local governments can have strong voices in deciding what kinds of jobs come to our communities. In 1997, governments in Washtenaw County granted, through Michigan's Industrial Facilities Exemption Program, twelve year tax abatements for company assets valued at over $350 million. That's $350 million of assets that will use local services, but not pay for them. Unfortunately, this taxpayer money is often given with very little asked in return. While many firms pay decent wages, recipients of the Industrial Facilities Exemption Program include firms which pay starting wages of $6 an hour.

It also includes Pilot Industries in Manchester. In 1994, the courts forced Pilot Industries to pay a former employee $65,000 and to apologize publicly to her for the treatment management inflicted upon her and her coworkers when they attempted to unionize. Dawn Kowalski had decided they needed a union after she compared the firm's $17 million yearly profits with her $6.80/hour pay check. In retaliation, management not only placed Kowalski in the worst jobs and told coworkers not to talk to her, but they also accused union supporters of using sexual favors as a way of getting people to sign union cards. After she began a lawsuit, Kowalski began getting threatening phone calls and curse words sprayed on the outside of her home. The company finally forced Kowalski to quit after she was physically attacked by a supervisor's favorite, a 6-foot-5-inch-tall coworker who had been hired upon release from his prison sentence for murder. Not surprisingly, the terrorized workers voted 78 to 53 against the union. Today, Pilot Industries continues to enjoy tax abatements from the Village of Manchester.

Every year local governments spend millions contracting with local employers to provide public services. Once again, the public is subsidizing poverty jobs. One Ann Arbor-based janitorial firm used by local municipalities, for example, advertises new jobs at $6/hour. Even worse, tax money can be used to *create* poverty jobs. When the city of Ann Arbor, for example, privatized jobs at the city's parking structures they replaced unionized, well-paid attendants with a private contract firm whose wages now start at $6.50 an hour. Originally, they paid only $5.15. All too often, the results of privatization are lower wages, worse service, and eventually higher prices.

The Living Wage campaigns developing in Michigan are part of a growing national movement. In 1994, Baltimore passed the first Living Wage law in the country. Since then almost two dozen cities and county governments have enacted Living Wage ordinances including Boston, Chicago, Los Angeles, Oakland, Milwaukee, St. Paul, Minneapolis, New Haven, San Antonio, Cook County, and Milwaukee County. The Washtenaw campaign joins over three dozen areas currently organizing Living Wage efforts including a continuing drive in Detroit and a newly formed campaign in Kalamazoo.

This wealth of experience demonstrates the arguments used by low-wage employers against the Living Wage are simply untrue. Stung by the decisive 80% pro-Living Wage vote in Detroit, the city's Chamber of Commerce and media have been particularly shrill in recent weeks. "Detroit, the renaissance city?," editorializes *Crane's Detroit Business*, "You can kiss good-bye that enormous public relations effort to portray Detroit as business-friendly. It simply isn't true." In a desperate search to find some innocent looking group supposedly hurt by the Living Wage, the *Detroit News* latched onto the Salvation Army—a group likely not covered by the Living Wage law. Without explaining where their numbers came from the *News* painted an alarming picture of 200,000 families who would go without a turkey dinner, all because the Salvation Army might have to pay its workers a living wage. The *News* even made the ridiculous suggestion that General Motors would have to pay its workers in Mexico a Detroit Living Wage because the company received millions of dollars in tax abatements from the city!

Such dire predictions of job loss and a poisoned business climate have been made in every single city that has passed a Living Wage. In not one of the almost two dozen communities have any of these threats come true. Although the opposition treats the Living Wage as if it is an across-the-board minimum wage increase, in fact the law covers only companies that receive significant taxpayer funds. And the law applies only to new and renewed contracts and financial assistance. Therefore, companies know about the Living Wage conditions when they apply for local funds. It makes simple common sense that if a firm wants public money, in return it ought to pay a wage high enough to keep its workers off public assistance. Typically, the details of most Living Wage laws exempt programs aimed at special work situations—such as temporary youth employment or job training. Thus, training programs which have been cited by the Detroit Chamber of Commerce as being viciously hurt by the Living Wage, such as those run by Focus Hope, will be entirely unaffected.

A detailed study on the impact of Baltimore's Living Wage found that the city had only benefited from the law. The wage increases helped those most in need of a family-supporting income. And, contrary to the critics' claims, the costs to the city for contracted services did not increase. Researchers could not find one contractor who would speak out against the Living Wage, even through many initially opposed it. None had reduced employment as a result of the law. Indeed, employers had found that the higher wages had raised worker morale, had cut down on costly employee turnover, and had increased overall productivity. Many knew of these benefits of higher wages, but had been unwilling to stick their necks out prior to the legislation. The Living Wage leveled the playing field among all firms competing for city contracts. And business investment flowing into Baltimore actually increased after the Living Wage—reversing several years decline.

An in-depth estimate for the impact of Los Angles' Living Wage shows why the alarms of massive job loss are simple nonsense. Economist Robert Pollin and his team found that roughly one thousand companies would be affected by the city's law. For almost all of these firms the maximum cost of the Living Wage, including upward pressure on wages higher up the income ladder, amounted to less than one percent of firms' annual budgets. In return, 7,600 full and part-time workers would see their income rise and their reliance on public assistance drop considerably. The researchers found only six firms for whom the Living Wages represented a serious cost. They argued that the city could easily provide extra assistance to these special cases with little impact on its budget.

Indeed, the Living Wage is only "anti-business" for those short-sighted employers who look only to compete on the low road. Such firms seek short-term gain by slashing labor costs. "Until we get wage levels down much closer to those of the Brazils and the Koreas, we cannot pass along productivity gains to worker's wages and still be competitive"—that's how Stanley Michelick, Executive Vice President of Goodyear, put it. The low road, however, mortgages the long-term future of both the company and the community. It reduces consumer demand, demoralizes workers, and treats the community and the environment as expendable.

By contrast, the Living Wage rewards employers who adopt long-range, high-road practices. High-road companies see their employees as an asset that they invest in. By training their workers and paying family-supporting wages, these companies build high performance workplaces and a healthy future for themselves and the community. And the buying power of family-supporting wages gets spent in the local economy. A study by the Midwest Center for Labor Research found that an average $4.95 wage increase for 1565 non-union food and commercial workers at Superior Grocers Warehouse in Los Angeles would place at least $12 million a year into local consumer spending and create 208 new jobs.

The Living Wage is about community decisions on what kind of future we want for our area and what kinds of firms we want to attract. When a community provides taxpayer dollars to firms which force workers into poverty, it not only subsidizes exploitation, but sacrifices valuable financial resources that could be spent building the elements that attract high-road firms. Several studies of firm investment decisions suggest that an increasing number of companies, especially those in the growing high-tech sectors, look for well-educated, skilled workers, a well-maintained infrastructure, and overall good quality of life in an area when deciding where they will locate their facilities. Low taxes (and hence poor government services) and lax regulations do not appeal to these firms.

We want employers to come to Washtenaw County because it is a great place to work and live—because we have a highly skilled and motivated workforce, a first-rate infrastructure, and a high quality of life. In the long run, businesses succeed best when they partner with a healthy, vibrant community.

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