Introduction: Raising Wages

Stephanie Luce[1]

Nick Hanauer is a venture capitalist and a tech-billionaire, based in Seattle, Washington. In June 2015, Mr. Hanauer traveled to New York City to testify in favor of the state raising wages to $15 per hour for fast good workers. When asked why he made the effort to make the trip, Hanauer proclaimed, "This is *the* issue of our times." His argument is that if employers don't significantly raise wages, we will continue to be plagued by growing inequality, and there won't be enough consumers to buy U.S. products. Hanauer also warns that unless wages are raised, political instability is likely. He writes, "…if we adjust our policies in the way that, say, Franklin D. Roosevelt did during the Great Depression – so that we help the 99 percent and preempt the revolutionaries and crazies, the ones with the pitchforks – that will be the best thing possible for us rich folks, too. It's not just that we'll escape with our lives; it's that we'll most certainly get even richer" (Hanauer, 2014).

This story highlights the extraordinary moment for the movement to raise wages. A growing number of voices, some from very unexpected places, are highlighting the ways in which persistent inequality is bad for the economy – not just low-wage workers and their families. In just a short while we have seen the mainstream in the economics discipline and policy arena shift from a neoliberal view to a version of Keynesianism. Whereas 20, or even 10 years ago, we heard that raising wages would lead to job loss and inflation, today, tech billionaires to the International Monetary Fund are worried about low wages and the impact of growing inequality on the macro-economy.

The demand for a "living wage" is at least as old as capitalism itself, but the modern movement to pass city and state living wage and minimum wage legislation has been underway in the U.S. for the past 20 years. Activists in Canada, the UK, Australia, New Zealand, Japan, among other places have also engaged in related efforts to raise wages. In

---

1. Stephanie Luce is Professor of Labor Studies at the Murphy Institute, City University of New York. She is the author of *Fighting for a Living Wage, and Labor Movements: Global Perspectives* and co-author of *The Living Wage: Building a Fair Economy, and The Measure of Fairness*. This article is based on her talk at the 2015 Phyllis Clarke Memorial Lecture, and as part of Alternate Routes' 2015 conference keynote address at Ryerson University. The presentation is available at http://www.alternateroutes.ca/index.php/ar/pages/view/Labour%20Pains

this paper I will discuss the context for the current wave of wage campaigns, including the common arguments some economists and policymakers have used to explain low wages and inequality. I will then review the various kinds of wage campaigns, their similarities and differences. I then evaluate the strengths and weaknesses of these efforts to improve wage standards.

INEQUALITY, POVERTY AND POLICY

Inequality is on the rise, reaching historic levels in many wealthy countries. But it is also an increasing problem in many global south countries. In rich and poor countries we see growth in wages and wealth at the top of the distribution and little, or at least less, at the bottom. In some countries, among some segments of the labor force, we have even seen wages fall in real terms. This persistent and growing inequality within and between countries is evidence that many tenets of the neoliberal vision are flawed. In fact it is possible to have growing GDP alongside stagnant wages and even persistent poverty. Even where large numbers of people are moving out of poverty, such as in China, there is still be growing inequality.

For a while, many economists and policymakers explained the growing inequality was a consequence of changing technology, globalization, and “skill mismatch” (workers failing to learn new skills required to obtain science, technology, engineering and math jobs). But this explanation does not hold up under close scrutiny and while it may explain some of the inequality it fails to explain it all. In recent years, analysts have pointed to other factors, including institutional factors (everything from weak labor laws to trade agreements), to the decline in union density. In early 2015, the International Monetary Fund released a report stating that they too had been wrong to keep arguing that globalization and technology were the main drivers of inequality, and their new research showed that the decline in union power was a significant factor (Jaumotte and Buitron, 2015).

Inequality does not have to necessarily imply low wages but in most cases, they go together. In fact, some might argue that low wages are not just a coincidence but integral to a highly unequal society. High-income workers demand services that employ low-wage workers, such as restaurants, tourism, retail, and personal services. And even those that are considered “middle class” may in fact depend on the existence of low wage service workers to make their own work/life balances possible. For example, it would be impossible for many middle class women to participate fully in the labor market if they did not have access to affordable childcare. Of course, this does not necessarily require these kinds of jobs to be low wage: in fact, there are higher wage child care and retail and restaurant jobs in some countries. But particularly in the U.S., and in many countries, these are mostly low wage.

Low wages are also one of the fundamental planks of neoliberalism. The theory rests in part on the notion of freeing up investors to engage in economic activity with little restriction. This is one way to create a "friendly business climate" and attract and retain capital. This involves deregulating (or reregulating) labor markets, keeping wages low, and shifting the risks and costs of the employment relationship from the employer to the employee. Some common methods for this include the move to "just-in-time" scheduling where employers put employees on on-call shifts. Workers may be hired on "zero-hours contracts" with no guaranteed work at all, or on contracts with few stable secure hours. Instead they must call the employer the night before, or morning of, a scheduled shift to see if they are needed. Or, they may come into work but be sent home early if the work is slow. In these cases, workers are not paid for the time they wait, or the time that they had kept free for work. This practice is common in low-wage service work, such as retail and food service. But it is also found in higher-wage jobs and professional occupations, such as adjunct faculty. Employers in the high-tech, legal, and health care have moved toward hiring workers on a part-time basis, or contracts of limited duration – or even classifying them as independent contractors rather than employees. This allows them to evade a host of labor and employment laws, and it also allows them to reduce the commitment to regular hours and salaries. If there is any uncertainty due to poor weather, low sales, low enrollment, slack markets, the employee now bears the burden. Low wages and inequality are not just a problem for low wage workers. The evidence is mounting that these are also a problem for the macro-economy. Workers need income to engage in consumer spending. Inequality and poverty are potential causes for social unrest and labor strife. Commentators from Thomas Piketty to Pope Francis are highlighting these problems.

THE FIGHT TO RAISE WAGES

In response to growing inequality is the move to raise wages for the lowest-paid workers. The U.S. established a federal minimum wage as part of the Fair Labor Standards Act in 1938. This set an hourly wage but did not base it on a formula or methodology, and did not include any provisions for increasing the wage level as the cost of living rose. Not all workers are covered by the minimum wage, and some tipped workers are covered by a much lower minimum wage. States can set their own minimum wages at or above the federal level. Some states also allow cities or counties to set their own wages, but that right is uneven and contested (for example, the state of Louisiana took away that right from cities in 2002 after the city of New Orleans passed its own citywide minimum wage). States can also expand the number of workers covered by the minimum wage in the state. Seven states have eliminated the lower wage for tipped workers – meaning that tipped workers are entitled to the same state minimum wage as other covered workers.

In addition to minimum wage laws, over 130 cities and counties across the country passed "living wage" laws in the past 20 years. These vary somewhat, but typically apply to firms that hold service contracts with the city or receive economic development subsidies. Some also apply to firms that operate on city-owned property. For example, the McDonald's in the Los Angeles airport has been required to pay a living wage to its employees under the Los Angeles living wage ordinance since 1997. For much of the 1990s and early 2000s activists built broad labor-community coalitions to push their cities and states to pass living wage ordinances and raise state minimum wages. Eventually the federal government raised the minimum wage in 1998, and then again in 2006. But since it was not raised by much and not indexed to inflation it was not long before the rate was low again. Activists continued to push for higher wages and more expansive coverage. But by 2008, and in the years immediately following the "Great Recession" it appeared the movement had run its course. A New York City coalition was attempting to expand the city living wage ordinance to mandate that firms receiving economic development subsidies would be required to pay their employees $10 per hour. But the Democratic Speaker of the Council refused to even let the issue come up for a vote, fearing that such a bill would be bad on the business climate. By 2010, all signs suggested that the living wage movement was over.

THE MOVEMENT REBUILDS

In September 2011 Occupy Wall Street came on the scene, capturing the public attention in a way that earlier, similar protests did not. Somehow, the concept of the 99% and the 1% caught on and media mentions of inequality skyrocketed (Milkman, Luce and Lewis, 2013). Within a few months the New York City Council scheduled a hearing on the living wage bill, and passed in soon after. And while the Occupy movement was soon kicked out of parks and lost momentum, its impact was not lost on activists from various sectors who were inspired to take bigger risks and make bolder demands. In the spring and summer of 2012, workers at warehouses servicing Walmart in Illinois and California went on strike against poor working conditions. They won some of their demands. In November 2012, the United Food and Commercial Workers called for strikes at Walmart stores on "Black Friday," the shopping day held the day after the American Thanksgiving. Some workers, and community allies, joined in at rallies at Walmart stores around the country.

Earlier in the month, that same November 2012, the Service Employees International Union, along with some community organizations, helped fast food workers engage in a one-day strike in New York City. The workers demanded $15 per hour and a union. Soon, the strikes spread to more cities. By 2014 there were strikes in over 190 cities. In the context of Occupy and strikes, a labor-community coalition in the small town of Sea-Tac, Washington decided to put an initiative on the ballot to establish a citywide minimum wage of $15 per hour. The measure won. At the same time, an openly socialist candidate ran for and won a seat on the city council in Seattle, Washington, and soon that city passed a $15 minimum wage as well (phased in over several years).

By mid-2015, the wage movement in the United States had blossomed. Whereas only three cities had citywide minimum wage laws in 2011, over 30 cities had passed citywide or significantly increased their wage in 2012-2015, including San Francisco, California and Emeryville, California all setting wages of $15 or more. A dozen more campaigns are underway. In addition 14 states raised their wage in 2014, including four Republican dominated states where voters passed ballot initiatives to raise and index the wage. As of 2015, 29 states plus the District of Colombia have state rates above the federal. The call for a $15 hour wage is remarkable, given that this occurred while the federal minimum wage is $7.25, and not long after the Democratic New York City Council would not even consider a $10 living wage for economic development recipients. There are different stories behind how the $15 amount was chosen, but according to fast food organizers, there was a meeting of fast food workers to establish demands. The workers thought the $10 living wage rate was too low, but the $20 rate would be hard to win, so they settled on $15. There is no magic formula or methodology behind it but somehow the number stuck, helping to launch a national "Fight for Fifteen" movement.

EXPLAINING THE UPSURGE

It is not possible to explain the reasons why the current wage movement is having such success, but I offer a few hypotheses. As mentioned above, Occupy Wall Street helped galvanize and sharpen public outrage about rising inequality and the weak economy. But it also helped unions and community organizations see that it might be worth taking a bold risk. Rather than spending resources hiring public relations strategists, conducting polls with voters, and testing slogans, the Occupy movement launched a campaign with no demands, no clear strategy, and no focus group testing. Veteran organizers took note. Second, the wave of strikes at Walmart warehouses, Black Friday, and fast food restaurants brought increased public attention to the issue of low wages and inequality. The organizations involved in the strikes had also participated in Occupy to some extent, in some cases advising Occupy activists on strategy. Unions have a lot of restrictions on their ability to strike: most unions agree to a no-strike clause during the life of their contract. They also are subject to labor laws that govern what counts as a legitimate strike and what does not. Workers without unions have, in many ways, more rights than unionized workers, in that the labor laws are not nearly as strict. For example, workers without a union have the right to strike and get their job back if they are fired. As long as they are engaging in concerted activity they have the protection of the law. If McDonalds workers and Walmart employees were unionized most likely they could not have launched the strike wave that they did – or if they did, they would risk penalties.

It also appears to have brought some pressure on the companies. There is no hard data on what the companies lost in terms of sales or profits due to the strike, or what they estimated the impact on their brand. But starting in 2014, a number of major companies announced that they would raise their internal starting wage. By mid-2015, approximately a dozen companies – including the Gap, Walmart, Target, IKEA, Starbucks, and McDonald's – all committed to raising wages. This unusual move suggests the companies were feeling some pressure to raise wages. The pressure may have come externally from strikes or public opinion. It might also have been coming internally, from a growing sense that low wages could have negative direct and indirect impacts for employers. Analysts showed that higher wages could lead to lower turnover and absenteeism, and higher productivity, saving companies hundreds of thousands, or millions, per year. For example, one writer estimates that Costco spends about $244 million per year on turnover, or $3,628 per worker, whereas Sam's Club spends $612 million, or $5,274 per employee (Cascio, 2006).

In addition, the upsurge happened at a time when an increasingly number of mainstream voices has begun to highlight the problems with inequality and poverty, as mentioned above. This all seems to have coalesced in an opening for wage campaigns to take off. At the same time, issues related to low-wage work and inequality are on the agenda in many other countries. Minimum wage and living wage campaigns are underway in dozens of places, and a few countries, such as Germany, have recently established minimum wage laws for the first time ever to attempt to address the problem of the growing low-wage workforce (Luce, 2015).

HIGHER WAGES AS A SOLUTION?

The growing movement to raise wages is exciting, and encouraging as a potential source of resistance to growing inequality and the downward trend in the standard of living in many rich countries. However, higher wage floors are not a solution on their own. Many workers in low-wage jobs are in precarious employment: little or no job security, few and fluctuating hours of work. Even with a large hourly raise they may still be in poverty if they don't have enough hours of work. Of course, higher wages do not help those without jobs, either because they cannot find work or because they dropped out of the labor market altogether. Other workers face other problems at work: of too many hours (forced overtime), harassment, no paid leave, no benefits, no chance for promotion. The higher wages movement alone will not solve these.

For these reasons, workers also need unions to enforce the legislation they win, and to address other problems on the job. Fortunately, many of the campaigns for higher wages are being supported by, or even run by, unions. It has been much easier to win higher wages through legislation than to unionize so there is a big challenge to make this goal a reality. Even though the Gap and McDonalds and Walmart have increased their internal base wage slightly, the significant gains have come through legislation. When workers lose the power to win by withholding labor, they may need to increasingly resort to political leverage: forcing politicians rather than employers to make changes. But at places without any democratic representation, such as universities, even higher wages have been hard to win. At least in the U.S., the "living wage" campaigns have had a much higher success rate in cities than on campuses.

The minimum wage and living wage efforts have also been most successful at the municipal level, where citizens have more power vis-a-vis business. Once you go to the state level, and federal level, politics is driven much more heavily by money and worker movements are relatively worse off. The higher wages movement can also be problematic where it divides the "deserving poor" from the "non-deserving poor." Voters consistently support higher wages when they are put on the ballot. But voters, and legislators, also tend to approve measures that further criminalize poverty, such as anti-panhandling laws. To the extent that we support living wage campaigns in a way that rewards "hard working citizens" while punishing others, we damage the potential to build broader, more inclusive and impactful movements.

Another interesting fact about the trend in the movement in the U.S. is the impact of the strikes. There is no way to prove this but it seems unlikely we would have witnessed such a strong resurgence of the movement, and such a significant jump in wage levels, without fast food and Walmart strikes. The strikes have likely influenced stores to raise their base wage, and influenced local politicians to raise minimum wages. But the strikes have not resulted in unions. It seems that even using a traditional labor strategy – the strike – is not enough leverage yet to win union recognition. It also seems clear that companies would rather raise their wages than allow a union. A higher wage may have benefits – such as reduced turnover and lower absenteeism; it also means more money in the pockets of low-wage workers who also overlap with the customer base. And a higher wage does not cede power in the way a union does.

But without a union, workers will still have many problems on the job, and little job security. For this and other reasons, the efforts to raise wages must be paired with a broader policy and political agenda, which includes unionization, but also includes measures aimed at addressing the needs of the unemployed. One possible solution is the Basic Income Grant, which has been tested in pats of Namibia, India, Canada and Brazil, and in other forms elsewhere, including a new experiment in the Netherlands (Luckerson, 2015). Other solutions include reducing the workweek to spread work among more people, which could improve conditions for those with too few hours of work, as well as those forced to work too many hours (Messenger and Ghosheh, 2013). The movement for raising wages can be a foundation for building broad coalitions, as the idea is consistently popular among voters. At the same time, activists should be aware of the limitations of wage standards as a solution in itself, and instead use the campaigns as a way to build bigger movements with more expansive demands.

REFERENCES

Cascio, Wayne F. (2006). The High Cost of Low Wages. *Harvard Business Review*. https://hbr.org/2006/12/the-high-cost-of-low-wages

Hanauer, Nick. (2014). The Pitchforks are Coming: For Us Plutocrats. *Politico Magazine*. July/August. http://www.politico.com/magazine/story/2014/06/the-pitchforks-are-coming-for-us-plutocrats-108014.html

Jaumotte, Florence and Carolina Osorio Buitron, (2015). Power from the People. *Finance and Development*. 52(1), 29-31.

Luce, Stephanie. (2015). "$15 per Hour or Bust: An Appraisal of the Higher Wages Movement." *New Labor Forum*. 24, 72-79.

Luckerson, Victor. (2015, June 26). "This Dutch City Plans to Give Residents a Universal 'Basic Income'." Time. http://time.com/3938210/dutch-basic-income

Messenger, Jon Carleton and Naj Ghosheh, editors. (2013). Work Sharing during the Great Recession: New Developments and Beyond. London: Edward Elgar Publishing.

Milkman, Ruth, Stephanie Luce and Penny Lewis. (2013). Changing the Subject: A Bottom Up Account of Occupy Wall Street in New York City. New York: The Murphy Institute/CUNY.