



Your Turn

Joel Rogers

Pending before the Madison City Council and Dane County Board is legislation mandating a "living wage" for employees of local government and of firms contracting with or receiving economic development assistance from that government. For next year, the legislation defines a "living wage" as an hourly wage sufficient to bring a full-time year-round worker to the poverty line for a family of four (in 1998 dollars, \$7.91). The legislation also asks Madison and Dane to consider requiring, for the same employees, employer-provided health insurance. Affecting as many as 2,000 local workers, passage of the law would send a clear message about the kinds of jobs we are and are not prepared to support with our tax dollars.

And that is exactly what we, as a community, should do. It makes no sense to use tax dollars to subsidize below-poverty employment, the growth of which erodes our tax base while drawing down services. And it makes good sense to raise mandated wage floors, which have fallen over the years. The federal minimum wage, for example, is 25 percent below its level of 30 years ago – despite a 50 percent increase in worker productivity since that time.

More broadly still, it's time that we as citizens took more charge of the direction of our economy, which is now dragging down living standards and driving us apart.

Nationally, the U.S. boasts record low unemployment, record high rates of labor force participation, and the highest worker productivity in the world. But over the past generation, average wages have actually fallen. Americans are working harder, and better, for less! This is unique in our history. Over 1896-1973, the real hourly pay of American workers rose some 2.3 percent annually, doubling living standards every 30 years. (If we had kept that up after 1973, real wages today would be about 70 percent higher than they are.) And it is unique in the developed world. In Europe, over the same period, wages rose at about the 2-3 percent annual rate the U.S. once boasted; in Japan, they rose faster.

It's not that new wealth is not being generated. Over 1979-94, for example, U.S. national income increased \$4,500 per family. It's just not getting shared. Fully 99 percent of the 1979-94 income increase, for example, went to families in the top 5 percent of the earnings distribution, and most of that went to those in the top 1 percent. This is no longer an economy in which a "rising tide lifts all boats." Mostly, it just lifts yachts.

Nor is Wisconsin immune to these national trends. While

Making work pay

the distribution of family income hasn't changed much here, wages have declined. Over 1979-97, for example, median wages in Wisconsin (though up recently) fell 8 percent, and the share of Wisconsin jobs paying only poverty-level wages increased from one in four to just under one in three. Our state wage decline over the period, in fact, was bigger than the national one. In 1979, our median wage was 5 percent above the U.S. median; in 1997, it was only 1 percent above – an 80 percent drop in the "Wisconsin advantage."

What's going on here?

Many things, of course, but the basic story is simply told. More than ever before, firms in today's economy face a basic choice on how to compete. They can pursue a "low-road" strategy that focuses on cutting the cost of goods or services – typically beginning with the cost of the labor. Or they can pursue a "high-road" strategy that focuses on improving the quality and distinctiveness of goods or services, with the premium charged customers for better quality passed on to the more productive workers who produce it.

Low-roading is associated with job insecurity, wage decline, increased inequality and a degraded environment. High-roading is associated with longer-term employment, higher wages, greater equality and a cleaner environment. From the standpoint of society, then, the preferred strategy is clear. We should take the high road.

But what the wage and income data tell us is that, as a society, we have not. The basic reason is that, as a matter of public policy, we have neither "closed off" the low-road by imposing higher standards on firms, nor "helped pave" the high road by providing the infrastructure of supports (advanced training systems, modernization services, appropriate tax incentives, etc.) that staying on it typically requires. With plenty of money to be made on either strategy, but one less costly and difficult to pursue, it's not surprising that most firms have chosen some version of low-roading.

Getting more Wisconsin firms onto the high road of shared prosperity will require that we do a better job building that high-road infrastructure. But it also requires that we begin to close off the low-road option. Removing tax subsidies to low-road employers – and this really is all the living wage ordinances propose to do – is a natural step toward an economy that reflects our values and benefits us all.

Joel Rogers is a professor of law, political science and sociology at the University of Wisconsin-Madison. He is director of the university's Center on Wisconsin Strategy.