

The shoemaker singing as he sits on his bench, the hatter singing as he stands,
 The wood-cutter's song, the ploughboy's on his way in the morning, or at noon intermission or at sundown,
 The delicious singing of the mother, or of the young wife at work, or of the girl sewing or washing,
 Each singing what belongs to him or her and to none else,
 10 The day what belongs to the day—at night the party of young fellows, robust, friendly,
 Singing with open mouths their strong melodious songs.

Responding to Reading

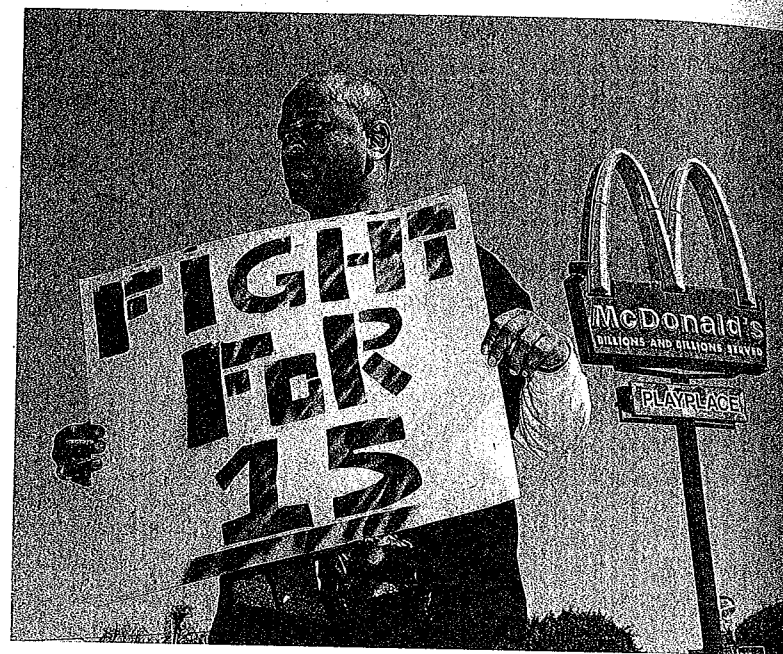
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1. What attitude toward America is Whitman trying to convey in this poem? How can you tell?
2. Whitman includes a catalog of workers in this poem. What does he want to illustrate through this range of jobs? Is he successful?
3. What does this poem say about work? about people who work? about America? In what sense can the Americans in this poem be said to be singing?

Responding in Writing

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Write your updated version of "I Hear America Singing." Make sure you include a variety of present-day occupations in your poem.

FOCUS**Is Every Worker Entitled to a Living Wage?**

McDonald's worker striking for a \$15 hourly wage, Los Angeles, August 29, 2013

Responding to the Image

MyWritingLab™

1. The photo above shows a man holding a sign. What point is the photo making?
2. At what audience do you think the photo is aimed? Explain.
3. *Visual irony* occurs when two contrasting elements are placed side by side in a visual. In the photo above, find some examples of visual irony. How do they help the photo achieve its purpose?

MEASURING THE FULL IMPACT OF MINIMUM AND LIVING WAGE LAWS

Jeannette Wicks-Lim

1970–

An assistant research professor at the Political Economy Research Institute at the University of Massachusetts, Amherst, Jeannette Wicks-Lim specializes in labor economics and the political economy of race. She co-authored

the book *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States (2008)* and coedited the essay collection *Capitalism on Trial: Explorations in the Tradition of Thomas E. Weisskopf (2013)*. In the following essay, Wicks-Lim analyzes the effects of minimum- and living-wage laws.

Raising the minimum wage is quickly becoming a key political issue for this fall's midterm elections.¹ In the past, Democratic politicians have shied away from the issue while Republicans have openly opposed a higher minimum wage. But this year is different. Community activists are forcing the issue by campaigning to put state minimum-wage proposals before the voters this fall in Arizona, Colorado, Ohio, and Missouri. No doubt inspired by the 100-plus successful local living-wage campaigns of the past ten years, these activists are also motivated by a federal minimum wage that has stagnated for the past nine years. The \$5.15 federal minimum is at its lowest value in purchasing-power terms in more than 50 years; a single parent with two children, working full-time at the current minimum wage, would fall \$2,000 below the poverty line.

Given all the political activity on the ground, the Democrats have decided to make the minimum wage a central plank in their party platform. Former presidential candidate John Edwards has teamed up with Sen. Edward Kennedy (D-Mass.) and ACORN, a leading advocacy group for living wage laws, to push for a \$7.25 federal minimum. Even some Republicans are supporting minimum wage increases. In fact, a bipartisan legislative coalition unexpectedly passed a state minimum wage hike in Michigan this March.

Minimum-wage and living-wage laws have always caused an uproar in the business community. Employers sound the alarm about the dire consequences of a higher minimum wage both for themselves and for the low-wage workers these laws are intended to benefit: Minimum wage mandates, they claim, will cause small-business owners to close shop and lay off their low-wage workers. A spokesperson for the National Federation of Independent Business (NFIB), commenting on a proposal to raise Pennsylvania's minimum wage in an interview with the *Philadelphia Inquirer*, put it this way: "That employer may as well be handing out pink slips along with the pay raise."

What lies behind these bleak predictions? Mark Shaffer, owner of Shaffer's Park Supper Club in Crivitz, Wisc., provided one explanation to the *Wisconsin State Journal*: "...increasing the minimum wage would create a chain reaction. Every worker would want a raise to keep pace, forcing up prices and driving away customers." In other words, employers will not only be forced to raise the wages of those workers

¹This essay was published in May 2006. [Eds.]

earning below the new minimum wage, but also the wages of their co-workers who earn somewhat more. The legally required wage raises are difficult enough for employers to absorb, they claim; these other raises—referred to as ripple effect raises—aggravate the situation. The result? "That ripple effect is going to lay off people."

Ripple effects represent a double-edged sword for minimum-wage and living-wage proponents. Their extent determines how much low-wage workers will benefit from such laws. If the ripple effects are small, then a higher minimum (or living) wage would benefit only a small class of workers, and boosting the minimum wage might be dismissed as an ineffective antipoverty strategy. If the ripple effects are large, then setting higher wage minimums may be seen as a potent policy tool to improve the lives of the working poor. But at the same time, evidence of large ripple effects provides ammunition to employers who claim they cannot afford the costs of a higher wage floor.

So what is the evidence on ripple effects? Do they bloat wage bills and overwhelm employers? Do they expand the number of workers who get raises a little or a lot? It's difficult to say because the research on ripple effects has been thin. But getting a clear picture of the full impact of minimum and living wage laws on workers' wages is critical to evaluating the impact of these laws. New research provides estimates of the scope and magnitude of the ripple effects of both minimum-wage and living-wage laws. This evidence is crucial for analyzing both the full impact of this increasingly visible policy tool and the political struggles surrounding it.

Why Do Employers Give Ripple-Effect Raises?

Marge Thomas, CEO of Goodwill Industries in Maryland, explains in an interview with *The Gazette* (Md.): "There will be a ripple effect [in response to Maryland's recent minimum wage increase to \$6.15], since it wouldn't be fair to pay people now making above the minimum wage at the same level as those making the new minimum wage." That is, without ripple effects, an increase in the wage floor will worsen the relative wage position of workers just above it. If there are no ripple effects, workers earning \$6.15 before Maryland's increase would not only see their wages fall to the bottom of the wage scale, but also to the same level as workers who had previously earned inferior wages (i.e., workers who earned between \$5.15 and \$6.15).

Employers worry that these workers would view such a relative decline in their wages as unfair, damaging their morale—and their productivity. Without ripple effect raises, employers fear, their disgruntled staff will cut back on hard-to-measure aspects of their work such as responding to others cheerfully and taking initiative in assisting customers.

So employers feel compelled to preserve some consistency in their wage scales. Workers earning \$6.15 before the minimum increase, for example, may receive a quarter raise, to \$6.40, to keep their wages just above the new \$6.15 minimum. That employers feel compelled to give non-mandated raises to some of their lowest-paid workers because it is the “fair” thing to do may appear to be a dubious claim. Perhaps so, but employers commonly express anxiety about the costs of minimum-wage and living-wage laws for this very reason.

The Politics of Ripple Effects

- 10 Inevitably, then, ripple effects come into play in the political battles around minimum-wage and living-wage laws—but in contradictory ways for both opponents and supporters. Opponents raise the specter of large ripple effects bankrupting small businesses. At the same time, though, they argue that minimum-wage laws are not effective in fighting poverty because they do not cover many workers—and worse, because those who are covered are largely teens or young-adult students just working for spending money. If ripple effects are small, this shores up opponents’ assertions that minimum-wage laws have a limited impact on poverty. Evidence of larger ripple effects, on the other hand, would mean that the benefits of minimum-wage laws are larger than previously understood, and that these laws have an even greater potential to reduce poverty among the working poor.

The political implications are complicated further in the context of living-wage laws, which typically call for much higher wage floors than state and federal minimum-wage laws do. The living-wage movement calls for wage floors to be set at rates that provide a “livable income,” such as the federal poverty level for a family of four, rather than at the arbitrary—and very low—level current minimum-wage laws set. The difference is dramatic: the living-wage ordinances that have been passed in a number of municipalities typically set a wage floor twice the level of federal and state minimum wages.

So the mandated raises under living-wage laws are already much higher than under even the highest state minimum-wage laws. If living-wage laws have significant ripple effects, opponents have all the more ammunition for their argument that the costs of these laws are unsustainable for employers.

How Big Are Ripple Effects?

My answer is a typical economists’ response: it depends. In a nutshell, it depends on how high the wage minimum is set. The reason for this is simple. Evidence from the past 20 years of changes to state and federal minimum wages suggests that while there is a ripple effect, it doesn’t

extend very far beyond the new minimum. So, if the wage minimum is set high, then a large number of workers are legally due raises and, relatively speaking, the number of workers who get ripple-effect raises is small. Conversely, if the wage minimum is set low, then a small number of workers are legally due raises and, relatively speaking, the number of workers who get ripple-effect raises is large.

In the case of minimum-wage laws, the evidence suggests that ripple effects do dramatically expand their impact. Minimum wages are generally set low relative to the wage distribution. Because so many more workers earn wages just above the minimum wage compared to those earning the minimum, even a small ripple effect increases considerably the number of workers who benefit from a rise in the minimum wage. And even though the size of these raises quickly shrinks the higher the worker’s wage rate, the much greater number of affected workers translates into a significantly larger increase in the wage bills of employers.

For example, my research shows that the impact of the most recent federal minimum-wage increase, from \$4.75 to \$5.15 in 1997, extended to workers earning wages around \$5.75. Workers earning between the old and new minimums generally received raises to bring their wages in line with the new minimum—an 8% raise for those who started at the old minimum. Workers earning around \$5.20 (right above the new minimum of \$5.15) received raises of around 2%, bringing their wages up to about \$5.30. Finally, those workers earning wages around \$5.75 received raises on the order of 1%, bringing their wages up to about \$5.80.

This narrow range of small raises translates into a big overall impact. Roughly 4 million workers (those earning between \$4.75 and \$5.15) received mandated raises in response to the 1997 federal minimum wage increase. Taking into account the typical work schedules of these workers, these raises translated into a \$741 million increase to employers’ annual wage bills. Now add in ripple effects: Approximately 11 million workers received ripple-effect raises, adding another \$1.3 billion to employers’ wage bills. In other words, ripple-effect raises almost quadrupled the number of workers who benefited from the minimum-wage increase and almost tripled the over-all costs associated with it.

Dramatic as these ripple effects are, the real impact on employers can only be gauged in relation to their capacity to absorb the higher wage costs. Here, there is evidence that businesses are not overwhelmed by the costs of a higher minimum wage, even including ripple effects. For example, in a study I co-authored with University of Massachusetts economists Robert Pollin and Mark Brenner on the Florida ballot measure to establish a \$6.15 state minimum wage (which passed overwhelmingly in 2004), we accounted for ripple-effect costs of roughly this same magnitude. Despite almost tripling the number of affected

workers (from almost 300,000 to over 850,000) and more than doubling the costs associated with the new minimum wage (from \$155 million to \$410 million), the ripple effects, combined with the mandated wage increases, imposed an average cost increase on employers amounting to less than one-half of 1% of their sales revenue. Even for employers in the hotel and restaurant industry, where low-wage workers tend to be concentrated, the average cost increase was less than 1% of their sales revenue. In other words, a 1% increase in prices for hotel rooms or restaurant meals could cover the increased costs associated with both legally mandated raises and ripple-effect raises.

The small fraction of revenue that these raises represent goes a long way toward explaining why economists generally agree that minimum-wage laws are not “job killers,” as opponents claim. According to a 1998 survey of economists, a consensus seems to have been reached that there is minimal job loss, if any, associated with minimum-wage increases in the ranges that we’ve seen.

Just as important, this new research revises our understanding of who benefits from minimum wage laws. Including ripple-effect raises expands the circle of minimum-wage beneficiaries to include more adult workers and fewer teenage or student workers. In fact, accounting for ripple effects decreases the prevalence of teenagers and traditional-age students (age 16 to 24) among workers likely to be affected by a federal minimum-wage increase from four out of ten to three out of ten. In other words, adult workers make up an even larger majority of likely minimum-wage beneficiaries when ripple effects are added to the picture.

The Case of Living-Wage Laws

²⁰ With living-wage laws, the ripple effect story appears to be quite different, however—primarily because living wage laws set much higher wage minimums.

To understand why living-wage laws might generate far less of a ripple effect than minimum-wage hikes, it is instructive to look at the impact of raising the minimum wage on the retail trade industry. About 15% of retail trade workers earn wages at or very close to the minimum wage, compared to 5% of all workers. As a result, a large fraction of the retail trade industry workforce receives legally mandated raises when the minimum wage is raised, which is just what occurs across a broader group of industries and occupations when a living-wage ordinance is passed.

My research shows that the relative impact of the ripple effect that accompanies a minimum-wage hike is much smaller within retail trade than across all industries. Because a much larger share of workers in retail receive legally required raises when the minimum wage is raised,

this reduces the relative number of workers receiving ripple effect raises, and, in turn, the relative size of the costs associated with ripple effects. This analysis suggests that the ripple effects of living wage laws will likewise be smaller than those found with minimum-wage laws.

To be sure, the ripple effect in the retail trade sector may underestimate the ripple effect of living-wage laws for a couple of reasons. First, unlike minimum-wage hikes, living-wage laws may have ripple effects that extend across firms as well as up the wage structure within firms. Employers who do not fall under a living-wage law’s mandate but who are competing for workers within the same local labor market as those that do may be compelled to raise their own wages in order to retain their workers. Second, workers just above living-wage levels are typically higher on the job ladder and may have more bargaining power than workers with wages just above minimum-wage levels and, as a result, may be able to demand more significant raises when living-wage laws are enacted.

However, case studies of living-wage ordinances in Los Angeles and San Francisco do suggest that the ripple effect plays a smaller role in the case of living-wage laws than in the case of minimum-wage laws. These studies find that ripple effects add less than half again to the costs of mandated raises—dramatically less than the almost tripling of costs by ripple effects associated with the 1997 federal minimum-wage increase. In other words, the much higher wage floors set by living-wage laws appear to reverse the importance of legally required raises versus ripple-effect raises.

Do the costs associated with living-wage laws—with their higher wage floors—overwhelm employers, even if their ripple effects are small? To date, estimates suggest that within the range of existing living-wage laws, businesses are generally able to absorb the cost increases they face. For example, Pollin and Brenner studied a 2000 proposal to raise the wage floor from \$5.75 to \$10.75 in Santa Monica, Calif. They estimated that the cost increase faced by a typical business would be small, on the order of 2% of sales revenue, even accounting for both mandated and ripple-effect raises. Their estimates also showed that some hotel and restaurant businesses might face cost increases amounting to up to 10% of their sales revenue—not a negligible sum. However, after examining the local economy, Pollin and Brenner concluded that even these cost increases would not be likely to force these businesses to close their doors. Moreover, higher productivity and lower turnover rates among workers paid a living wage would also reduce the impact of these costs.

Ultimately, the impact of ripple-effect raises appears to depend crucially on the level of the new wage floor. The lower the wage floor, as in the case of minimum-wage laws, the more important the role of ripple-effect raises. The higher the wage floor, as in the case of living-wage laws, the less important the role of ripple-effect raises.

Making the Case

The results of this new research are generally good news for proponents of living- and minimum-wage laws. Ripple effects do not portend dire consequences for employers from minimum and living wage laws; at the same time, ripple-effect raises heighten the effectiveness of these laws as antipoverty strategies.

In the case of minimum-wage laws, because the cost of legally mandated raises relative to employer revenues is small, even ripple effects large enough to triple the cost of a minimum-wage increase do not represent a large burden for employers. Moreover, ripple effects enhance the somewhat anemic minimum-wage laws to make them more effective as policy tools for improving the lot of the working poor. Accounting for ripple effects nearly quadruples the number of beneficiaries of a minimum-wage hike and expands the majority of those beneficiaries who are adults—in many instances, family breadwinners.

However, ripple effects do not appear to overwhelm employers in the case of the more ambitious living-wage laws. The strongest impact from living-wage laws appears to come from legally required raises rather than from ripple-effect raises. This reinforces advocates' claims that paying a living wage is a reasonable, as well as potent, way to fight poverty.

SOURCES Fairris, D. et al. *Examining the evidence: The impact of the Los Angeles living wage ordinance on workers and businesses.* (Los Angeles Alliance for a New Economy, 2005); Fuchs, V. et al. "Economists' Views About Parameters, Values and Policies: Survey Results in Labor and Public Economics," *Journal of Economic Literature* (Sept. 1998); Pollin, R., Brenner, M. and Wicks-Lim, J. "Economic Analysis of the Florida Minimum Wage Proposal" (Center for American Progress, 2004); Pollin, R. and Brenner, M. "Economic Analysis of the Santa Monica Living Wage Proposal," (Political Economy Research Institute, 2000); Reich, M. et al. *Living wages and economic performance.* (Institute of Industrial Relations, 2003); Wicks-Lim, J. "Mandated wage floors and the wage structure: Analyzing the ripple effects of minimum and prevailing wage laws." (Ph.D. dissertation, University of Massachusetts-Amherst, 2005).

Responding to Reading

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1. What is "the ripple effect"? According to Wicks-Lim, what effect does an increase in the minimum wage have on those who make above the minimum wage? on employers who must pay higher wages?
2. Why is there less of a ripple effect with living-wage laws than with minimum-wage laws?
3. **Rhetorical Analysis** Wicks-Lim never defines "minimum wage," "living wage," or "ripple effect." Should she have? What does the failure to define these terms suggest about how she views her readers?

Writing about Reading

MyWritingLab™

1. Do you think all Americans are entitled to a living wage? Why or why not?
2. **Writing with Sources** Research the debate over enacting living-wage legislation. What are the advantages and disadvantages of such legislation? Write an essay in which you present your findings and take a stand on this issue.

IF A BUSINESS WON'T PAY A LIVING WAGE, IT SHOULDN'T EXIST

The Daily Take Team,
the Thom Hartmann Program

The Daily Take Team writes for the Thom Hartmann Program, a progressive radio talk show hosted by entrepreneur and author Thom Hartmann. Hartmann has published numerous books, including, most recently, Death in the Pines: An Oakley Tyler Novel (2015). The following essay argues for the necessity of a living wage for all workers.

Last week,¹ thousands of fast food workers from across the country walked off their jobs to demand a living wage of \$15 an hour. Ever since, the Republican talking point machine has been running on all cylinders.

According to pundits on the right, giving fast food workers or any other workers, for that matter, a \$7 or \$8 bump to their hourly wages would cut so much into the bottom lines of "job-creators" that business owners would have to either pass the cost of a living-wage onto consumers or simply stop hiring new workers altogether.

But lost among all the noise on the right is one very, very important point: getting tax preferences and limitations on liability to do business in the United States is a privilege, not a right. It's a privilege that we as a society offer to budding entrepreneurs and big business alike in exchange for goods, services, and jobs.

Look at it this way: when someone opens up a business, they're entitled to all sorts of special tax breaks that most people can't get. They can write off fancy meals; they can write off nights stayed at five-star hotels; they can write off airfare to anywhere in the world they do business, or even might do business; and they can even write off any legal expenses they incur when they get busted for breaking the law. Drug dealers who push pot can't write off their lawyer's fees, but drug dealers at Big Pharma,² even when they lie and break the law in ways that kill people, can—all because they're incorporated.

¹This essay was published on August 8, 2013. [Eds.]

²A nickname for the pharmaceutical industry. [Eds.]

THE BLAIR READER

EXPLORING ISSUES AND IDEAS

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EDITED BY

LAURIE G. KIRSZNER

University of the Sciences, Emeritus

STEPHEN R. MANDELL

Drexel University

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