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Urban path dependency theory and the living wage: Were cities that passed ordinances destined to do so?

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ABSTRACT

Most accounts of why cities pass living wage ordinances stress the importance of grassroots coalitions that have successfully mobilized bias out of concerns for justice and fairness. On the basis of data from the Integrated Public Micro-Use Data Series (IPUMS) for the years 1950–1990, this paper argues that cities that passed ordinances had labor market characteristics that may have predisposed them to do so. These cities were also more likely to pass ordinances because of transformations in their labor markets that were occurring over several decades. It is these transformations that constitute a form of path dependence. Consequently, it is this path dependence that may account for why some cities were more conducive to the development of grassroots organizations and coalitions that were able to capitalize on changes over a 40-year period as a basis for mobilizing bias. Although the story of post-World War II economic transformations is nothing new, this paper seeks to make a systematic attempt to quantify the extent to which they may have made certain cities more likely to pass ordinances.

Since the first Living Wage ordinance was passed in Baltimore in 1994, more than a hundred and thirty municipalities have passed similar ordinances. A living wage ordinance generally specifies a minimum wage that private firms with contracts to perform municipal services must pay their employees. Most accounts of why living wage ordinances have been passed revolve around the practice of cities outsourcing to private contractors municipal services that were once performed by relatively well paid unionized employees. Because these contractors tend to hire low-wage workers who are not unionized, those currently performing municipal services barely earn enough to subsist on, let alone support families. These campaigns argue that paying a living wage is only a matter of fairness and justice (Pollin and Luce, 1998). While arguments of fairness and justice may serve to mobilize individuals to join grass-roots campaigns, such concerns are insufficient to explain why cities may have passed these ordinances. We might get better insight by looking at both the labor market features of those cities that passed ordinances, and the impact of path dependence.

In this paper I argue that cities that passed living wage ordinances were predisposed to doing so because of the transformations in their labor markets that were occurring over several decades. To the extent that these transformations could be said to have made it more likely that some cities would pass ordinances over those that did not experience the same transformations, these transformations could be said to constitute a form of path dependence. Although passage of an ordinance is clearly a political action undertaken at the City Council level, I argue that the nature of the changes in labor market characteristics of those cities that passed ordinances may have constituted a set of economic circumstances that perhaps made it more likely that they would pass such ordinances. I also argue that these transformations could be said to constitute critical junctures that have necessitated the creation of certain types of institutional responses, which is a core assumption of path dependency theory. A labor market analysis of those conditions conducive to the passage of living wage ordinances will show that they are consistent with a concept of path dependence in which historical events or patterns ultimately influence the decision that political actors will not only be able to make, but in many cases feel compelled to make.

My central hypothesis is that cities that passed ordinances may have been put on a path towards their passage because the economic transformations that occurred effectively made those cities conducive to the development of living wage campaigns. That economic transformations have occurred during the post-war period

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is certainly nothing new. But no systematic attempt has been made to quantify the extent to which they may have made certain cities more likely to pass ordinances. In this paper, I show, on the basis of data from the integrated public micro-use data series (IPUMS) for the years 1950–90, that cities that passed ordinances experienced in some cases more acute transformations than other cities. And that these transformations may be said to reflect historical patterns. In the case of living wage ordinances, historical patterns clearly led to consequences that political actors may have ultimately been forced to deal with, and these consequences were more acute in cities that passed living wage ordinances.

1. Common reasons for the living wage

A common argument is that living wages are often responses to grassroots campaigns seeking to attain justice and fairness for low-wage workers. These campaigns have specifically emerged in response to a couple of trends. The first trend has been for many municipalities in efforts to cut their budgets to out source many of the services once performed by relatively highly paid unionized workers to private contractors who pay their non-unionized workers considerably less. Often times, these contractors pay their workers not much more than minimum wage. Secondly, they have been a response to the failure of both the federal minimum wage and state minimum wage laws to keep pace with inflation and enable low-wage workers to live above the poverty line.

A central argument for the living wage, flowing from the second trend, has been because the economy in general, and local economies in particular, have failed to generate jobs that pay wages sufficient to support families, some type of wage policy, whether it be a minimum wage or a living wage, must be mandated to compensate for this structural failure. The federal minimum wage was born in an era when the economy was undergoing the pains of industrialization and the strife that accompanied it. The first federal minimum wage in 1938 was passed as an anti-depression measure intended to achieve economic stability by boosting wages and ensuring that workers would be able to demand goods and services through increased purchasing power. The modern living wage, however, was born in the post-industrial economy, whereby the base of the economy has shifted from industrial-based manufacturing to a service and information based economy. This shift has resulted in most jobs being created either at the high end of the income distribution that also require considerable training and skill, or at the bottom end where most workers are lacking in both education and skill.

The flight of capital from the nation's cities that in many respects has been emblematic of this post-industrial transformation has forced many local governments to pursue the types of economic development and redevelopment policies that would generate growth. To attract investment, municipalities often feel compelled to create "favorable business" climates, which often means reducing government expenses and offering tax breaks (Greene, 2002). In many cases, the contracting out of municipal services to private contractors has been to cut costs in just those efforts to create such a favorable business climate. In this vein, these types of policies reflect the urban growth machine model first formulated by Molotch (1976) and later refined by Peterson (1981). In Molotch's formulation, cities are essentially growth machines, whereby the principal function is to generate economic growth and to in turn pursue those policies that will facilitate growth. To achieve these ends, public officials form coalitions with business leaders for the purposes of generating growth-oriented policies. At the same time, in order to appear representative of the larger population, as well as to deflect attention from these coalitions, they focus on symbolic political issues.

In Peterson's refinement, a public official when confronted by the need to generate growth, would never pursue the types of policies that might create unfavorable business climates. In the Peterson model there are three types of politics: allocational, redistributive, and redevelopment. By allocation, Peterson means the types of policies that will result in large segments, if not all segments, of the community receiving something and the costs being passed on to all. When a government pursues redistributive policies, it takes from one group and gives to another. Hence raising taxes in order to pay for some new type of program is seen as being redistributive. Redevelopment refers to the types of policies intended to attract investors into the city in order to generate growth and achieve fiscal stability. The end result is what Stone (1989) might refer to as an urban regime predicated on growth. By regime, he means the types of coalitions and/or partnerships formed between public and private actors for achieving a public objective, which in this case is defined as an economy that will create jobs and opportunities.

Reducing costs through the outsourcing of municipal services is seen as part and parcel of creating a favorable business climate. As Greene (2002) suggests, privatization works to the benefit of the regime pursuing growth policies by making the city a more attractive place to invest. Elder and Cobb (1983) refer to this as sending a signal in order to convey a message, which in this case is that the city in question is a good place to do business. Not only is it a good place to do business because it may be offering financial assistance for the sake of luring business, but it is a good place for doing business because the reduction to the municipal budget effectively signals to businesses that they will not have to worry about the local government pursuing redistributive policy at the expense of development. The irony, however, is that public officials pursuing growth policies don't see themselves as necessarily beholden to business interests; rather they see themselves as stewards of the public interest, and that by pursuing these types of policies, they are furthering the larger urban interest. When the result has been low-paying service jobs, the response has often been the emergence of anti-growth community coalitions arguing that these policies are essentially unjust and unfair (Merrifield, 2002). And to a large extent, the emergence of living wage campaigns can be viewed as a political backlash against these types of policies (Levin-Waldman, 2004, 2005).

The belief that the living wage is about achieving a more fair and just society is ultimately about achieving economic justice. There are those who view the living wage movement as but a new form of social movement. Nissen (2000) suggests that because the policy objectives of living wage campaigns have been relatively limited, they might be considered within the context of long-term social movements, whose ultimate objectives are to achieve a more just and equitable society. Groups protest when they believe that their concerns are not adequately being addressed by the governing regime. Often, social movements emerge in response to the distribution in public goods, as exemplified in public policy, not being available to all, even though the larger community may have played a role in their production (Kirschelt, 1993). An example of that might be type of economic development that may only benefit a few, but all are effectively being forced to pay for in the form of tax abatements and outsourced city services intended to achieve a favorable business climate. Reynolds (1999) notes that living wage campaigns across the country have brought together broad coalitions to fight for economic justice. At the same time, these campaigns' leaders have been given opportunities to develop new strategies for organizing because they have been able to build coalitions with the communities they live in and other progressive organizations, and to also connect them with a progressive political agenda. Most definitions of social movements do share some reference to "social change," and contemporary conceptions of social movements may