

Leadership Asheville 31-Executive Summary-16 January 2013

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Background

Research was conducted through interviews and compilation of public data to attempt to predict the potential effects of a broad implementation of a Living Wage in the region. The perspectives of two economists from UNC Asheville were sought, along with staff at Montreat College across various functions and age ranges including Financial Aid and Development. A bank manager represented the local business community. The initial questions were as follows:

- 1. What might be the economic impact for Asheville if more companies/organizations paid living wages?**
- 2. Would it affect businesses choosing to open or start here? If so, how?**
- 3. What might be the impact on business/organizations as well as the general quality of life here if wages rose across the city?**

Primary data was used from Buncombe County reported average weekly wages across private industry, within the Tourism & Hospitality field, and for restaurant employees. In addition, the EDC's incentive policy was reviewed, as well as articles and existing research on the subject of minimum wage from The Economist.

Summary of Findings

The view from the economists likens the discussion to the question of increasing a minimum wage, and for two reasons. First, there is empirical data on its impact readily available for it. Second, they accept as given that an external force is needed to drive this change, since the free market has not done so as evidenced by the low-wage workers.

Regardless, the conclusions of researchers are divergent on the matter of the effect of a mandated minimum wage increase. But most agree that a Living Wage increase only helps the limited number of working poor, since it would effect just 5% of the working population and 30% of which are teenagers according to 2010 statistics. Both the academics and business representatives rejected a legislated minimum wage increase, but an alternative solution of Earned Income Credit was suggested.

What is intriguing is how the conclusions and cited research from these economists conflict with the popular wisdom regarding the effects of Living Wage implementation, as reflected in the interviews with the other members of the sample. For example, the repeatedly expressed belief among interviewees that a Living Wage requirement could dissuade businesses to open here, force them to cut back on staffing and employee's hours, or even close their doors. In fact, a study by Card and Krueger found that employment actually increased in the Quick Food Service industry in California after a minimum wage hike.

Questions and Recommendations

-Could a Hotel/Livery/Airport surcharge, already in place, provide funding for a countywide EIC in the form of a reverse "City Payroll Tax"? This would encourage employment and shift the burden to the primary consumer of those services.

-Review and Strengthen EDC Incentive program. Open a series of roundtable dialogues regarding the issues between labor, ownership, and the EDC.

-Does the term Living Wage convey an image of poverty? Does the lack of a clear return discourage participation, or fear of appearing to do the bare minimum for employees?