

A Just and Living Wage

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Wages, because they are compensation for work done by children of God, raise significant issues of human dignity and equity. Christians cannot ignore wages, but our reflection cannot be conducted within a theological cocoon. We must grapple seriously with the practicalities of economics and business administration and politics.

Nowhere do theology and economics converge more directly than in the area of wages. The Bible is filled with references to wages and wage-earners, and the sheer fact that wages are compensation for work done by children of God makes them intertwined with significant issues of individual human dignity and matters of equity. At the same time, wages result from economic transactions, buyers and sellers exchanging money for a service. Wage levels are closely tied to a wide variety of macroeconomic factors like productivity, prices, employment, and purchasing power.

Thus, Christian reflection cannot ignore wages, but our reflection cannot be conducted within a theological cocoon. We must grapple seriously with the practicalities of economics and business administration and politics. Let us steer clear, however, of the notion that the “laws” of economics are, like gravity, unalterable. In truth, the economy is a purely human construct, its structure and operation influenced heavily by the values and attitudes people hold. Consequently, what is desirable need not be shackled by mere references to “economic reality.” Unlike gravity, values and attitudes change.

That those who “sell” their labor to an employer should receive a living wage can be deduced from two related but rather distinct Christian traditions, the just wage theory of the scholastics and the more modern effort to combat poverty. Furthermore the economic objections to a living wage, it

seems to me, are suspect at best and simply untenable at worst. But even if all of this is true, it still leaves us with the vexing question about how globalization of the economy affects the possibility of securing a living wage.¹

THE JUST WAGE TRADITION

“Whenever economic exchange was being discussed” by Christians in the medieval period, Odd Langholm notes, “one of the fundamental principles...was that honest labor deserves its material reward.”² The argument for this just wage grew out of the concept of the just price. For Thomas Aquinas (1225/27-1274) and other scholastics, especially the great economic thinkers Bernardino of Siena (1380-1444) and Antonio of Florence (c. 1432-1498), the just price of a product was its “normal and customary” price set in ordinary market transactions. They did not mean the price agreed upon by any particular buyer and seller, but the price reflected in the aggregate transactions of all buyers and sellers. Sounding a similar note, the *New Catholic Encyclopedia* defines the just price of a thing as “its value in terms of money. Value, in this context, is the capacity of a good to satisfy human wants.... Natural law theory maintains that the just price should be determined not by the usefulness of a commodity to this or that individual but to men generally.”³

The scholastics considered an economic transaction to be just and fair only if it satisfies three conditions. There must be a complete absence of any kind of violence or coercion, and there must be no fraud or deception. These conditions assure that the transaction has been entered into voluntarily with both parties having reasonable knowledge of all the relevant facts. A third condition was equally important, that the bargaining position of the parties not be vastly unequal. For instance, several scholastics vehemently condemned those who took advantage of shortages to charge exorbitant prices.⁴

This third condition is especially pertinent in wage bargains. Far more often than not, the employee needs the income of the wage significantly more than the employer needs the work done. Moreover, the less skill the employee possesses, the more likely it is for this to be the case. Thus, low income and dependency can give the wage bargain an odor of compulsion. Antonio stated explicitly that it was “unfair and sinful to pay less than the just wage because a worker had mouths to feed.”⁵ A mere willingness by the worker to toil at a specified wage, therefore, does not relieve the employer of the moral responsibility to pay a just wage.⁶

Moral exhortations to provide a just wage continue to appear in more recent Roman Catholic social teaching. “Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages,” wrote Pope Leo XIII in the encyclical *Rerum Novarum* (1891), “nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-

earner.”⁷ In *Guadium et Spes* (1965), Pope Paul VI held that “remuneration for labor is to be such that man may be furnished the means to cultivate worthily his own material, social, cultural, and spiritual life and that of his dependents.”⁸ “A just wage is the legitimate fruit of work,” teaches the *Catechism of the Catholic Church* (1992) in its explication of the seventh commandment against stealing. “Agreement between the parties is not sufficient to justify morally the amount to be received in wages.”⁹

While not to be shortchanged, this approach has a fatal flaw. Unless all employers are equally convinced of the rightness of paying a just wage, and all do so in fact, the unscrupulous employer wins a competitive advantage. Therefore, only a law compelling all employers to pay the just wage will level the playing field.

Two different public policies might bring about a just wage. One tack would be to ensure equality of bargaining by having strong unions bargain with employers under the watchful eye of the state.¹⁰ The other is to have the state set a legally mandated minimum wage, with the level of that wage tied to some kind of decency standard.¹¹

AN EFFECTIVE RESPONSE TO POVERTY

As Christians we all agree that the gospel calls us to address the suffering brought on by poverty, but we disagree about how we should do it. Are church-sponsored, private remedies sufficient or are public policies also needed?

While in no way disparaging either the sincerity or the effectiveness of church-sponsored forays into social redemption, in the end they are inadequate. The scale of the problem is beyond the means of the religious community.

The number of people in poverty in advanced industrial countries, to say nothing of the world at large, and the magnitude of the pathologies involved—poor healthcare, inadequate education, unemployment, wretched housing, and unsafe neighborhoods, to

name but the more obvious—are simply beyond the capabilities of churches. Furthermore, private efforts are inherently unsystematic. Help is given here but not there. Enormous overlap and confusion results from the fragmented organizational pattern of churches and their institutions. And oftentimes when help is needed most, say during an economic downturn, is the very time that churches find their own resources shrinking.

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Do churches perform a bounty of good works? Certainly. Can they provide models for others to emulate? Definitely. Can they realistically be expected to accomplish all that needs to be done? No. In short, if we are to mount a serious effort to alleviate poverty, then some type of public effort is inevitable.

Then the question becomes which types of public policies are likely to be most effective. Here is where we need to keep a level head, a very level head. A living wage, while clearly not a panacea, is one of the most desirable approaches to fighting poverty. First, it values work. Christianity puts a premium on the meaning and dignity associated with work. Thus, by stressing work and frowning on idleness, the living wage reinforces those values. Second, for the vast majority of people wages and salaries are the mainstay of their incomes. By directly addressing low wages, it strikes at the root of many facets of the problem of poverty. Third, it avoids many of the issues that often accompany public expenditure policies. One of these is that there is a danger, often exaggerated but nonetheless real, that such policies will end up doing more harm than good. They can create dependency; they can pit one segment of the community against another, for who is a payee and who is a recipient is easily demarcated; they can lead to a “nanny state,” as overweening bureaucrats order people’s lives. A living wage does none of these things. Another is that social welfare policies can sap the viability of church-related (and other private) efforts, as a “the government will take care of that” attitude seeps into people’s thinking. The living wage, on the contrary, will not parallel any private charitable efforts, and therefore poses no dangers on this front. Furthermore, its cost to the public purse is miniscule. Aside from a small bureaucracy to enforce the law, no outlays are required.

Of course, some expenditure policies, such as public pensions, will always be needed. In addition, the public provision of certain services, chiefly healthcare and education, can be both efficient and effective. What the living wage can replace are the bevy of cash transfer payments and tax subsidies (such as the Earned Income Tax Credit) given to individuals.

Thus, Christians could come via this route to support a living wage as much as from the just wage tradition.

PURPORTED DRAWBACKS TO A LIVING WAGE

Many opponents to a living wage offer what might be called a “sanctity of the market” argument. Actually there are two subgroups here. The first holds as a matter of faith (and that is not too strong a word) that the market is a moral good, and therefore that any interference with its operation is not only counterproductive but sinful.¹² In this group, some believe in the moral goodness of the market with the same intensity as those who give the seven-day creation story a literal reading, and are equally immune to evidence. Others see the market, even with all its failings, as the best guarantee of

social justice. Some Catholic theologians of the counter-Reformation era took this position, for example.¹³ More recently, Ronald Nash has made largely the same argument.¹⁴ For both groups, any type of minimum wage, much less a living wage, is anathema. Dialogue with the former group is, of course, foreclosed; with the latter, the argument must be joined at the level of general evidence, which leads us to the next three matters.

Three economic ills are often claimed to accompany the introduction of any minimum wage law or increase in the minimum wage: lower levels of employment, inflation, and rising business failures. While the literature on these is immense, it might be helpful to examine recent British experience.¹⁵

Britain had no uniform minimum wage until 1999.¹⁶ Along with the new minimum wage, Parliament established a Low Pay Commission, whose role is both to recommend future increases and to monitor the impact of the policy. This Commission has collected an enormous amount of data from a wide variety of sources and sponsored a host of studies.¹⁷

As for any negative employment effects, the evidence all points in the other direction. Aggregate employment has gone up the entire time the policy has been in effect. Even more to the point, employment in the low-wage sector (cleaning, retail, and the like) has also gone up. The Commission has concluded that the minimum wage's effect on employment was "if anything, mildly positive."¹⁸

Regarding inflation, the picture is similar. Although a survey of firms in the low-wage sector found many that claimed they have raised prices, the actual movement of prices has been level. This has been true for prices overall and for prices in the low-wage sector.

When we turn to business failures, we find a parallel story. Overall, the level of profits among British firms has remained constant. Further, the number of firms in existence in the economy as a whole, and even in the low-wage sector, has actually increased. In short, British businesses are flourishing with a rising minimum wage.¹⁹

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Finally some people, including a recent commentator on National Public Radio's "Marketplace" program, argue that the minimum wage, and by implication a living wage, are ineffective poverty fighting instruments because many (some even say most) minimum wage workers are high school and college students merely earning extra pocket money, not people supporting families. It is true that many minimum wage workers are young

(half in the U.S. are under 25), but they do not come mostly from affluent families. In Britain, the largest group of minimum wage workers is spouses of full-time workers in the lower deciles of the income distribution. The most careful study found that the impact of one of the recent minimum wage increases varied from £1.75 per week in family income in the lowest decile to £0.07 in the highest.²⁰ Although similar figures are not available for the United States, it is interesting that in 2005, 24% of minimum wage workers worked forty hours or more per week, and another 10% worked thirty-five hours or more. A third of minimum wage earners, then, work full-time by Department of Labor definitions. So, while a living wage would not be perfectly targeted, it would be a highly effective poverty-fighting tool.

No society has tried a genuine living wage. Australia came closest in the years when it had a very high Basic Wage, as it was known then.²¹ Thus, we do not really know what the actual impacts of a living wage, which would have to be much higher than minimum wages found in most countries now, would be. Accordingly, the most sensible approach would be to implement it in stages, and if it were truly found to have adverse effects, it could be frozen or even lowered.

THE IMPACT OF GLOBALIZATION

Suppose that a majority of the voters in advanced industrial nations were convinced that having a living wage was desirable. If experience with minimum wages is any guide, enforcing it would require a good bit of diligence, but it would not pose a major problem. A reasonably sized inspectorate with powers to investigate payroll records and levy fines coupled with a legal right for individual workers to bring suit to recover back wages usually suffices.

Globalization, however, poses two special problems. First, there is the matter of immigration. Some economists have proposed truly open markets, with factors of production, including workers, able to pass across national borders unhindered. Business interests often advocate something similar, though usually in somewhat attenuated form (long periods for “guest” workers and the like). However, few governments want to give up control of their borders in this fashion.

A living wage policy is bound to make any advanced industrial country even more attractive to would-be immigrants, legal and illegal, than it is now. The higher the living wage, the greater the incentive for unscrupulous operators to import and utilize illegal immigrants, who will work for far less and will avoid government officials, including labor inspectors, at all costs. Thus, enforcing a living wage would take on a whole new dimension. At the same time, the social implications of waves of illegal immigrants living in a shadow world are huge and grim.

For a living wage to be workable, the only possible policy is to place severe restrictions on immigration. However, the harshness associated with

such policies runs counter to the liberal values espoused by modern democracies. It is a dilemma that has yet to be solved, and a living wage would not help. Nonetheless, this same argument could be made about any policy to improve society. Would we want to dispense with educational reform or expanding free speech merely because it might make our society more attractive to immigrants?

The second issue involves wages in less developed countries, where poverty is far more entrenched and governments usually are much less responsive to the needs of the poor. If a less developed country decided to adopt a living wage policy, it would likely find itself (at least in the short run) at a competitive disadvantage in international markets. Thus, hope for securing living wages for these people would almost certainly require the help of those residing in advanced industrial countries.²²

But how would such a policy be enforced? Would a certification coming from the business or the government involved be enough? This would be an invitation to evasion. There would have to be some inspection system with teeth, and there are only two alternatives. The first is to empower inspectors from advanced industrial countries to enter factories and workshops in less developed countries to conduct interviews and obtain records of various sorts. It is unlikely that the governments of either the advanced or less developed countries would agree to such a scheme.

The only other approach is to set up some type of international inspectorate. But problems abound here as well. Should it be under the auspices of a general international organization, such as the United Nations, or a specialized institution, such as the World Trade Organization? Who would fund such an inspectorate? How would the inspectors be selected? What powers would such an agency have? In short, this is an administrative challenge of the first order.

CONCLUSION

The essential task for Christians at the moment is to reflect on whether the living wage is desirable or not. If the answer is yes, we should be mindful of, but

not overwhelmed by, the practical difficulties. At one time, it should be remembered, opponents of political democracy argued that it was impossible. Both human nature and practical limitations conspired against it, it was said. However, we remade the political world, and even with all its shortcomings and even given all the places where it is still waiting to be born, democracy is an important ideal.

Economic globalization poses two special problems for securing a living wage—controlling immigration and providing higher wages in less developed countries.

So too with the living wage. The economic world can be remade should the living wage become an ideal. Will it ever be universally acknowledged and followed? Probably not. Would the world be better if it were the ideal and a good bit of effort went into securing it for everyone who works, no matter at what task, where, or for whom? Decidedly.

NOTES

1 The Poverty in America project at Pennsylvania State University defines a living wage as “the hourly rate that an individual must earn to support their family, if they are the sole provider and are working full-time (2080 hours per year).” Their Living Wage Calculator (online at www.livingwage.geog.psu.edu) uses food, housing, medical care, transportation, and child care costs in communities across the United States to estimate a local living wage for an individual and up to three dependents (a spouse and one or two children).

2 Odd Langholm, *The Legacy of Scholasticism in Economic Thought: Antecedents of Choice and Power* (New York: Cambridge University Press, 1998), 119.

3 Daniel Lorne Lowery, CSSR, “Just Price,” *New Catholic Encyclopedia*, second edition (Detroit, MI: Gale, 2003), 8.64.

4 Steven Epstein, “The Theory and Practice of the Just Wage,” *Journal of Medieval History* 17 (1991), 66.

5 Quoted in Edd Noell, “In Pursuit of the Just Wage: A Comparison of Reformation and Counter-Reformation Economic Thought,” *Journal of the History of Economic Thought* 23 (2001), 473.

6 It fell to Fr. John Ryan, writing in the early twentieth century, to complete the framework of the just wage by asking how it was to be implemented. The scholastics went no further than moral exhortation. See John Ryan, *The Living Wage: Its Economic and Ethical Aspects* (New York: Macmillan, 1906).

7 *Rerum Novarum*, §45. This encyclical is available online at www.vatican.va/holy_father/leo_xiii/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum_en.html (accessed May 29, 2007).

8 *Gaudium et Spes*, §67. This pastoral constitution from the Second Vatican Council is available online at www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_cons_19651207_gaudium-et-spes_en.html (accessed May 29, 2007). This position is qualified, however, to allow that productivity and the conditions of business must also be considered. The needs of the worker come first, though, because labor “is superior to the other elements of economic life.”

9 *Catechism of the Catholic Church* (1992), §2434. The catechism is available online at www.vatican.va/archive/catechism/ccc_toc.htm (accessed May 29, 2007).

10 This is the approach adopted by the Scandinavian countries.

11 This highlights the difference between a minimum wage and a living wage. A *minimum* wage is any legally established and enforced base; a *living* wage reflects the needs of the worker, whether established by bargaining or statute.

12 Milton Friedman’s *Capitalism and Freedom* (Chicago, IL: University of Chicago Press, 1962) is the most cogent statement of this view.

13 Marjorie Grice Hutchinson, *Early Economic Thought in Spain, 1170-1740* (London: Allen and Unwin, 1978).

14 Ronald Nash, *Poverty and Work: The Christian Debate over Capitalism* (Westchester, IL: Crossway Books, 1986).

15 I survey much of this research in *The Politics of the Minimum Wage* (Champaign, IL: University of Illinois Press, 2000), 69-88.

16 From 1909 to 1993, a series of Trade Boards (later renamed Wages Councils) set minimum wages in specific industries.

17 Information can be found on the Department of Trade and Industry's Web site, www.dti.gov.uk.

18 *The National Minimum Wage: Making a Difference*, Third Report (volume two) of the Low Pay Commission (June 2001), \$2.16. This report is available online at www.lowpay.gov.uk/lowpay/report/rep01.shtml (accessed May 29, 2007).

19 Minimum wages can be measured in a variety of ways. Perhaps the most helpful is as a percentage of median earnings. In the United States in 2004, the minimum wage was only 32.2% of median earnings. For the United Kingdom it was 43.2% and for Australia 58.8%.

20 Mark Bryan and Mark Taylor, *An Analysis of the Household Characteristics of Minimum Wage Recipients* (2004). This report prepared for the Low Pay Commission is available online at www.lowpay.gov.uk/lowpay/research/pdf/t01EZEJ7.pdf (accessed May 29, 2007).

21 In 1996, Australia changed to a "Safety Net Wage," which churches and others said should be set at a living wage. The Australian Industrial Relations Board, considering the needs of workers, was to adjust the level of the wage annually. More recently, the conservative-leaning government has changed this body's name and charge. It is now the Fair Pay Commission, and more emphasis is put on the wage's economic effects. See Mark Wooden, "Minimum Wage Setting and the Australian Fair Pay Commission," *Journal of Australian Political Economy* 56 (2006), 82-91.

22 Since a living wage would have to be calculated with reference to living standards in a given society, the levels of such wages would, for some time at least, have to be lower than those in richer countries. Wages ideally should move toward equality, but it could not be done all at once. We also have to confess that setting the level of such a wage would be a daunting task. I discuss some of the problems in *The Case for the Living Wage* (New York: Algora, 2004), chapter 6.



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