

Athens' Inconvenient Truths: High Employment and High Poverty in Clarke County

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--Draft--

The founding principle of Partners for a Prosperous Athens bears repeating: that we, as Athenians, seek the elimination of our city's poverty. While the dilemma invites a number of peripheral discussions, the most simple observation is the most significant; that is, nearly 1 in 3 Athenians lacks the necessary income to support herself.^a The various committees of PPA have thoughtfully explored the full nature of poverty in its many aspects. Many significant findings have emerged, but the most stubborn of realities remains: poor Athenians do not have enough money. This paper intends, firstly, to investigate the causes of Athens Clarke County's poverty, particularly the endemic economic circumstances which generate and maintain the condition. Second, the paper will propose strategies, policies, and procedures with which to effectively address the problem.

Athens' Economic Realities

Athens' economy is marked by an unusual pairing of phenomena – high poverty and high employment. Matt Bishop of the Initiative on Poverty and the Economy at the University of Georgia reveals that Athens consistently ranks among the poorest counties in the United States.² Unemployment, though, cannot be blamed for the unusually high poverty rate. In fact, Athens consistently posts impressive employment figures, with local unemployment commonly two *full points below* the national average.³ It cannot be said, then, that Athens' poverty is due to laziness or apathy on the part of the average worker. A 2004 study in *The Geographical Review* links the trend of low unemployment to 'college towns' across the country.⁴ An informal survey of Athens' workers corroborates the statistical data as many Athenians work two or three jobs to make ends meet.

^a Some consider the already staggering poverty figure to be a rather conservative estimate. Matt Bishop of the Initiative on Poverty and the Economy at the University of Georgia assert that a more realistic indicator of the poverty in Athens-Clarke County is 150 percent of the federal poverty threshold. At the 150 percent poverty rate, 39.3 percent of Clarke County residents are poor—equating to over 36,000 individuals. That is nearly double the state's 150 percent poverty rate of 21.6 percent. Computed in a rather crude and unscientific manner, the poverty line was not intended in its original calculation to serve as the permanent federal standard. Calculated in 1963 by Mollie Orshansky, the poverty threshold uses a long dated ratio of household expenses in which food accounted for 1/3 of a family's budget. While the formula may have characterized the economy of 1963, it is no longer an appropriate measure. Today food amounts to 1/6 of family expenses yet the poverty calculations have not been adjusted [U.S. Health and Human Services <http://www.hhs.gov>]

The Elephant in the Room

Both local experts and wider economic scholarship identify the unique economic dilemmas of the "college town." The University of Georgia exerts a sort of gravitational pull into which the various market actions take up orbit. Drew Page, former head of the Athens Clarke County Economic Development Foundation, acknowledges that the economic concerns of the Athens area are due precisely to the presence of UGA.⁵ For the purposes of this discussion, there are two readily identifiable effects of a large public university in an otherwise prosperous small city.

First, as the largest employer in the county by many thousands, the university acts as a wage-setting actor in the economy. Economists note that the employer-size wage premium dictates that an economy's largest employer marks the upper end of the wage continuum.⁶ An application of this law in the Athens economy determines that the University's wages act as a ceiling for wage potentials. This phenomenon has not gone unnoticed by PPA. Andrew Herrod, UGA geography professor and member of the UGA University Council, most succinctly characterizes the problem: "We depress wages in the local wage market because we pay so low."⁷

The second effect of UGA's presence is perhaps as significant as the first. A particular economy develops to complement a major public university; Athens is home to such an economy. Dr. Gumprecht of the University of New Hampshire outlines in *The Geographical Review* the convergence of culture and economy in the American college town.⁴ Retail, food, and service sectors thrive in the university-oriented economy. Common to Athens are fast-food restaurants, 'big box' retailers, and hotels. One also finds an abundance of supermarkets, smaller retailers, movie theatres, and table service or 'sit-down' restaurants. In short, a UGA necessitates thousands of low-wage – when not *minimum* wage – jobs.

An analysis of U.S. Bureau of Labor Statistics' Census of Employment and Wages (CEW) data reveals the effect of the UGA-dependent economy.⁸ Using only two U.S. CEW categories, accommodation and food services, one can measure the income depression. The two categories account for 10.2% of the total workforce while only distributing 3.5% of the county's total income. According to Georgia and Federal statistics, service sector jobs make up 54.9% of the Athens Clarke County workforce, or 34,037 workers.⁹ This sort of income depression can be seen throughout the predominantly service-based Athens retail economy.

So, what is the nature of poverty in Athens? Athens' poverty class is largely employed, yet they remain poor. All evidence – empirical, statistical, and anecdotal – points to one realistic remedy, higher wages.

The Living Wage: Background, History, and its Benefits

A living wage is a wage sufficient to afford the earner and a small family the fundamental necessities of a modern life. Thus, the living wage is also called a "family supportive" wage by some. The living wage philosophy finds its roots primarily in Christianity of the late nineteenth and early twentieth centuries, sometimes called the "social gospel." Catholic Priest Father John Ryan

authored the first significant text on the living wage in 1906, *A Living Wage: Its Ethical and Economic Aspects*.^b

In lieu of adequate adjustments of the federal minimum wage, living wage campaigns have come to proliferate in the last ten years. Adjusted to real value, the federal minimum wage is the lowest it has been since the late 1950's.¹⁰ Robert Greenstein, head economist at the Center on Budget and Policy Priorities, notes that "many middle- and low-income families are not sharing in the gains" of the economic rebound from the late nineties recession.¹¹ The past half century's steady erosion of the American middle-class and the subsequent increase of poverty are well documented.¹² Municipalities and universities see the living wage as means to secure the well being of their employees despite what they see as foot-dragging at the federal level.

Proponents of a living wage find many benefits outside the realm of faith and morality. A living wage allows citizens to remove themselves from governmental assistance thus allowing them to enjoy *self-reliant* rather than state-provided income. It is well documented that family stability is seen to emerge in households of economic security. It is found that the health, development, and potential productivity of children are affected by household poverty.¹³ On the employer's end, employee retention accompanies high wages, thus reducing the cost and inefficiency of employee turnover. The dangers and costs of crime diminish as well with the emergence of financially secure households and neighborhoods.

The effects of a living wage are felt immediately in the economy. Low-wage earners typically spend any increase in wages immediately and directly into the local economy.¹⁴ The multiplying effect potentially creates more jobs. Money otherwise channeled through the leaky pipes of state and federal bureaucracy (WIC, HUD section 8, welfare and state-supplemented income) is put directly into the market – into the hands of citizens and businesses where it is most effective.

Living Wage Implementations Elsewhere

To date, living wage ordinances have been implemented in over 120 municipalities, counties, and school boards nationwide.¹⁵ Currently, such ordinances are prohibited under state law in Georgia, but it is instructive to examine the cases as successful attempts to diminish poverty.

Baltimore, Maryland is likely the most studied case of the effects of a living wage. Baltimore's living wage ordinance was instituted in 1994, and its effects have had time to manifest. Two studies have concluded that the costs of city contracts affected by the wage increase grew by less than the rate of inflation.¹⁶ The rise in unemployment forecasted by some failed to materialize. This trend of employment rate continuity is seen to accompany many cities in which Living Wage laws are instituted.

^b Following Father Ryan and others, many have identified a religious component to the living wage. Much of the Christian theological basis is drawn directly from Gospel scripture. Jesus of the Gospels drew a direct link between himself and the poor, requiring followers to treat the poor as they might treat the Son of God [Matthew 26:7 and Mark 14:7]. Matthew Chapter 25 finds the most direct teaching. In the passage, Jesus warns that what a follower does "unto the least of these" one does to Christ Himself. Transgressors of this commandment are condemned to "eternal punishment" [Matthew 25:31-46]. James, in his letter to the twelve tribes, addresses just wage payment explicitly [James 5].

Studies in San Francisco and Los Angeles found that Living Wage-affected sectors saw absenteeism and employee turnover decline substantially. San Francisco Airport, for example, witnessed a 95% turnover rate among security screeners fall to just 19% with the implementation of a Living Wage.⁸

Conclusion

One thing must be made clear; that poverty in Athens *will not diminish* unless the Athens' poor receive more money. This is an absolutely inescapable reality of our city. A boon of high-paying, high-skilled, or high-technology jobs will only mask the central problem. The addition of specialized, high-salaried jobs only dilutes the statistical measure of poverty while leaving the same absolute number of poor Athenians.^c An honest analysis finds that the arrival of a Novartis Pharmaceutical division in Athens would have done nothing for the 54.9% of Athenians who constitute the service sectors. At best, the addition of such a firm might improve macroeconomic indicators in Clarke County (e.g. per capita income, average salary, etc.).

The various committees of Partners for a Prosperous Athens have thoughtfully considered many aspects of Athens' poverty; but, in many cases, the effects are mistaken for causes. A rather intuitive fact seems to escape earnest discussion in PPA -- "poverty" means *without money*. All other discourse falls subordinate to this.

Perhaps one out of four Athenians is locked into a destiny of poverty wages. That is, the poor citizens did not create the labor market of Clarke County; rather, the labor market created a poor citizenry. The labor market as it currently exists in Athens Clarke County does not allow for a poverty rate much lower than the one under which we are currently burdened.

^c One can think about the possibility this way: Bill Gates moves into a Salvation Army homeless shelter. The wealth per capita of the shelter jumps tremendously, and the various 'macroeconomic' indicators of the shelter suggest that its inhabitants are living comfortably. It would be foolish to envy the homeless tenants in the shelter on the basis of the average financial statistics. Though this illustration is a bit hyperbolic, the introduction of Novartis (or any similar firm) affects the economy vis-à-vis poverty only superficially.

² Matt Bishop, Partners for a Prosperous Athens.

<http://prosperousathens.org/committees/economy/learnings.html>
<http://www.prosperousathens.org/poverty/index.html#myths>

³ For example, in 2004, Athens Clarke County's unemployment stood at 3.6% -- against a 4.6% state unemployment level and 5.5% nationwide.

Georgia Department of Labor. <http://www.dol.state.ga.us/>

U.S. Department of Labor. <http://www.dol.gov/>

UGA Georgia County Guide. <http://www.georgiastats.uga.edu/>

⁴ Gumprecht, Blake. *The Geographical Review* 93 (1): 51-80, January 2003.

⁵ Athens Banner Herald, 8/23/05. http://onlineathens.com/stories/082305/new_20050823041.shtml

⁶ Criscuolo, Chiara, "Employer Size - Wage Effect: A Critical Review and an Econometric Analysis" (January 2000). University of Siena Economics Working Paper No. 277. Available at SSRN: <http://ssrn.com/abstract=223546> or DOI: [10.2139/ssrn.223546](https://doi.org/10.2139/ssrn.223546)

⁷ Athens Banner Herald, 10/6/06. http://www.onlineathens.com/stories/100606/news_20061006085.shtml

⁸ U.S. Bureau of Labor Statistics' Census of Employment and Wages. <http://www.bls.gov/cew/home.htm>

⁹ Georgia Department of Labor, U.S. Bureau of Labor statistics.

<http://prosperousathens.org/meetingsevents/060424/Workforce%20Profile.pdf>

¹⁰ http://www.epinet.org/issueguides/minwage/epi_minimum_wage_issue_guide.pdf

¹¹ Robert Greenstein, Center on Budget and Policy Priorities. <http://www.cbpp.org/8-29-06pov.pdf>

¹² Notable pieces are "Waking Up From The American Dream" in Business Week Magazine

http://yahoo.businessweek.com/magazine/content/03_48/b3860067_mz021.htm

and New York Times economist Paul Krugman,

http://www.bluebus.org/archives/20031222_krugman_on_the_.php

¹³ <http://www.childstats.gov/americaschildren/eco.asp>

¹⁴ <http://www.thenation.com/doc/20041220/dreier>

¹⁵ <http://www.acorn.org>

¹⁶ Economic Policy Institute, Washington, D.C. <http://www.epi.org/content.cfm/bp170>

Based on: Niedt, Christopher, Greg Ruiters, Dana Wise, and Erica Schoenberger. 1999. [The Effects of the Living Wage in Baltimore](#). Working Paper No. 199. Washington, D.C.: Economic Policy Institute.
