



Cities Must Strategize To Boost Service Workers' Pay

By editor

Originally published on Wed February 6, 2013 10:51 am

Transcript

STEVE INSKEEP, HOST:

Let's look at the economy in another way. The urban scholar Richard Florida has found a problem with the way our cities are evolving.

DAVID GREENE, HOST:

He's famous for studying the creative class, his term for millions of entrepreneurs, writers, thinkers, engineers, the innovators who make an economy grow.

INSKEEP: Florida says cities become more prosperous when those innovators are concentrated there.

GREENE: Many cities have embraced his argument, so it is striking to find Richard Florida himself writing online for The Atlantic that this economic strategy has limits, limits that we'll explore in today's Business Bottom Line.

INSKEEP: Mr. Florida's on the line. Welcome back to the program.

RICHARD FLORIDA: Thank you, Steve. It's great to be with you.

INSKEEP: So you studied cities that attract lots of professionals over time. And you found that while it's good for the cities, some people do not benefit. Who is not benefiting?

FLORIDA: Well, I think the first thing that's clear is that a city or a metro region is much better off if it has a large share of knowledge workers, of innovators, entrepreneurs, artists, professionals that make up the creative class. The wages and incomes of that city go up. And I'm not the only person who's said that. The problem is that others have said this has a trickle down effect - that these wages benefit everyone. And I've been skeptical of that from the beginning. In fact, I pointed out that places that have large, creative class concentrations have greater levels of inequality. So what we did with the help of a colleague, Charlotta Mellander, is we actually looked at the amount of wages and salaries people have left over after housing. When you do that, the creative class, they do better. They have more wages left over after paying for housing. But everybody else does worse. So I think the point that I'm trying to make in this is that you're better off with more knowledge workers, but sooner or later we're going to have to develop strategies in our country to boost the wages and salaries of the more than the 60 million workers who deliver our services, who prepare our food, take care of our homes, wait on us in stores. We're going to have to make their wages higher if everyone's going to prosper.

INSKEEP: Suppose you got a call from a mayor and the mayor says that all sounds really great in the abstract, but give me one concrete thing that you think I could do as mayor of this city that would improve the problem you're talking about.

FLORIDA: The first thing you have to do is figure out a way to engage the service companies, to call them together in a summit and say we're going to work together to boost the wages and productivity of service workers. At the same time, begin to work on more affordable housing options, begin to work on how to increase density. If you're in a city like Chicago or New York, where there is transit, encourage the development of more knowledge-intensive and creative work around transit nodes and connections. It's a whole complex of things that's going to make our cities more competitive and boost the wages, not only of the people at the talented one-third, but boost the wages of everyone.

INSKEEP: How do you encourage an upward pressure on wages in service jobs? Yes, there are some companies where they say that fits their business model, they want to treat their workers a certain way, but there are others companies that will constantly feel competitive pressure.

FLORIDA: Well, it's the same problem we faced in manufacturing. In the early 20th century we treated our manufacturing workers like crap. Workers worked maybe five, six, seven days a week, 12, 16, 18 hours a day and could barely put food on the table. And then during the Great Depression, some industrialists like Henry Ford or Lincoln Filene, and of course the great FDR, said hold on a second. If we're going to create demand that John Maynard King says stimulates the economy, how can we do that? Government can only fund so much. We're going to have to boost the wages of the workers who make the cars so they could buy the cars. Well, the same thing. If we want to boost demand in the United States, if we want a real stimulus today that's lasting, we have to boost the wages of nearly half of our workers who work in the service industry. The way to do that is not to falsely do it by just imposing minimum standards, although that may be worth doing in some big cities, by the way. The way to do that is to make their work

more productive, to engage them in innovation, just like we did in our factories. When we began to organize workers in team, organize them in quality circles, engage them in continuous improvement, the factories got more productive and the wages of the workers went up.

INSKEEP: To listen to the workers - that's what you're telling me.

FLORIDA: The workers know best how to do their jobs. Whether it's in a manufacturing facility, you know, figuring out how to put that door panel on a car, or we found in our studies backed by the National Science Foundation a couple of decades ago, even when it came to environmental cleanliness, the workers knew best where to put the drip pans, how to stop the spills, how to keep the emissions in check. Listening to the workers and making them part of the solution, not just in factories, not just in Silicon Valley high-tech work, but in all sorts of work - that's the path to prosperity in the future.

INSKEEP: Richard Florida is a prolific writer and director of the Martin Prosperity Institute at the University of Toronto. Thanks very much.

FLORIDA: Thank you, Steve. It's a pleasure to be with you. Transcript provided by NPR, Copyright NPR.