

LIVING WAGE ORDINANCES

THE PROBLEM

In 2014, 46.7 percent of Americans lived in poverty, largely because too many workers were paid very low wages.¹ Federal and state minimum wages are too low to lift working families out of poverty, much less into the middle class. Many cities do not have the legal authority to set higher minimum wages.

THE SOLUTION

Over the past twenty years, more than 140 cities around the country have passed living wage laws, which help ensure that public expenditures create good jobs.² The laws set minimum standards for the wages of private sector workers – such as janitors, bus drivers, gardeners, and cafeteria workers – who are employed by businesses that contract with the city or receive public subsidies. Living wages are a second-best alternative to higher minimum wages for all workers. But, unlike minimum wages, most cities have the authority to implement them.

Although opponents claim that the laws will cost cities significant money, rigorous academic surveys of living wages across the country show that “actual costs tended to be less than one-tenth of 1% of the overall budget.”³ In addition, living wage laws often improve the competitiveness of bidding for city contracts because they give high-road, high-quality contractors the confidence that they will not be under-bid by low-road, low-quality contractors.⁴ In addition, living wage laws increase worker productivity and decrease turnover – and help create upward pressure on wage rates more broadly.

Most laws set the wage between \$9 and \$16 per hour. But they can also encourage the provision of health insurance, guarantee paid sick leave and vacation time, and facilitate the hiring of local residents or disadvantaged populations. In 2015, **New Orleans** passed a living wage ordinance of \$10.55 for certain companies that do business with the city. If your city already has a living wage law, you should consider amending it to include best practices from around the country. It is also best

practice for cities to include both contractors and subcontractors in their ordinances; cities can look to **Dallas** as a recent example.⁵

POLICY ISSUES

The following topics will likely come up when designing or revising your city’s living wage legislation. Legislators can tailor their proposals to the political and economic realities in their city by adjusting the scope of coverage and the wages and benefits provided.

APPROPRIATE WAGE: Economic analysis can help cities set a living wage rate that will in fact support working families adequately, in accordance with that city’s cost of living. Further, there are a variety of ways to set the living wage in law so that it is not frozen over time. Some cities (such as **Lincoln, NE** and **Cincinnati**) set their living wage at a particular percentage (usually 110 or 130) of the federal poverty guideline for a family of four. This helps remind the public that the law is merely providing workers with enough income to stay out of poverty. Other cities, including **Sacramento** and **Tucson**, set their wage rate to rise with inflation. **Dallas**, which passed their living wage ordinance of \$10.37 in 2015 set it to adjust annually to meet the Massachusetts Institute of Technology’s calculated living wage for a single adult in the city. **Philadelphia** has set the living wage at 150 percent of the federal minimum wage and **Washington, D.C.** at \$1 more than the federal minimum wage.⁶

HEALTH INSURANCE: Under federal law, cities are prohibited from mandating that employers provide health insurance to their workers. To work around this problem, many living wage ordinances set two wage rates: one for employees who are provided with health insurance and a higher rate for those who are not. The best statutes also ensure that the insurance is adequate and affordable.

PAID SICK LEAVE & VACATION: Wage ordinances have not been enforced properly. Both public pressure and smart legislative design are crucial to ensuring

compliance.⁷ Laws should include: requirements that employers notify employees of their rights and keep wage records; a private right of action for employees who are not paid properly; penalties for non-compliance, including the loss of contracts; and the establishment of robust enforcement tools within a city agency. Ideally, the agency responsible for contracting should be tasked with its enforcement because contractors want good relationships with that office. However, if the agency is resistant to the law, enforcement can be vested in a comptroller or a department of labor, consumer affairs, or workforce development.

LANDSCAPE & RESOURCES

The National Employment Law Project and the **Partnership for Working Families** have provided expert support for many living wage campaigns over the past two decades.

NOTES

- 1 United States Census Bureau, Income, Poverty, and Health Insurance Coverage in the United States: 2014. <<http://www.census.gov/newsroom/press-releases/2015/cb15-157.html>>
- 2 The Partnership for Working Families, <http://www.forworkingfamilies.org/resources/policy-tools-living-wage>
- 3 Jeff Chapman and Jeff Thompson, The Economic Impact of Local Living Wage Laws, Economic Policy Institute (2006) at www.epi.org/publication/bp170/.
- 4 Id.
- 5 Findell, Elizabeth. "In Our Own Backyard: Confronting Growth and Disparities in American Jails." City Hall Blog. November 10, 2015. Accessed June 14, 2016. <<http://www.vera.org/sites/default/files/resources/downloads/incarceration-trends-in-our-own-backyard.pdf>>
- 6 See Local Living Wage Laws and Coverage, www.nelp.org/page//Justice/2011/LocalLWLawCoverageFINAL.pdf?nocdn=1
- 7 Jeff Chapman and Jeff Thompson, The Economic Impact of Local Living Wage Laws, Economic Policy Institute (2006) at www.epi.org/publication/bp170/.