

# Living Wage Ordinances

## THE PROBLEM

Forty-six million Americans lived in poverty in 2011, largely because too many workers were paid very low wages.<sup>2</sup> 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.<sup>3</sup> 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.”<sup>4</sup> In addition, living wage laws often improve the competitiveness of bidding for city contracts because they give high-road, high-quality contractors confidence that they will not be under-bid by low-road, low-quality contractors.<sup>5</sup> 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. If your city already has a living wage law, you should consider amending it to include best practices from around the country.

## POLICY ISSUES

The following topics will likely come up when designing or



*“The 1995 Baltimore living wage campaign ‘was about the force of particular moral propositions: first, that work should be rewarded, and second, that no one who works full time should have to live in poverty.’”*

– Jon Gertner, *The New York Times Magazine*<sup>1</sup>  
(Pictured: **Manuela Soto**, hotel housekeeper in Baltimore)

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. **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.<sup>6</sup>

**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:** Ideally, living wage laws

should guarantee covered employees 5 to 10 days of paid sick leave per year and a similar amount of paid vacation. In 2011, Philadelphia amended its living wage law to provide paid sick leave.<sup>7</sup>

**CONTRACTORS COVERED:** Many living wage laws exempt contracts under a certain size (e.g., \$25,000 or \$100,000) based on the argument that such small contracts do not affect many workers. More controversially, some laws exempt small and non-profit contractors or contractors in particular industries. Such exemptions should be avoided when possible. Coverage should also extend to sub-contractors.

**COVERAGE OF ECONOMIC DEVELOPMENT ASSISTANCE:** The best living wage laws cover recipients of the city's economic development assistance, which consists of grants, low-interest loans, and tax reductions and is given to businesses that agree to relocate or remain in the city and to land developers. Los Angeles leads the way in ensuring that subsidized development projects pay a living wage, not only to the construction workers who build the sites but also to the service employees who will staff the stores in the development. "Los Angeles' economic development agency has found that these standards have not prevented developers from balancing project budgets, getting financing, and finding anchor tenants."<sup>8</sup> Such policies are crucial – particularly in larger cities that offer significant development assistance.

**TARGETED HIRING & JOB TRAINING:** Cities can also use their living wage laws as tools for providing jobs to particular populations that face barriers to employment, including the long-term unemployed, people with disabilities, people transitioning back into society from prison, and people who attended local public schools or local job training programs.

**ENFORCEMENT:** Studies have found that many living

wage ordinances have not been enforced properly. Both public pressure and smart legislative design are crucial to ensuring compliance.<sup>9</sup> 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

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.

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### NOTES

1. What is a Living Wage?, The New York Times Magazine (Jan. 15, 2006).
2. United States Census Bureau, Income, Poverty, and Health Insurance Coverage in the United States: 2011.
3. The Partnership for Working Families, <http://communitybenefits.org/section.php?id=154>.
4. Jeff Chapman and Jeff Thompson, The Economic Impact of Local Living Wage Laws, Economic Policy Institute (2006) at [www.epi.org/publication/bp170/](http://www.epi.org/publication/bp170/).
5. Id.
6. See Local Living Wage Laws and Coverage, [www.nelp.org/page/-/Justice/2011/LocalLWLawsCoverageFINAL.pdf?nocdn=1](http://www.nelp.org/page/-/Justice/2011/LocalLWLawsCoverageFINAL.pdf?nocdn=1)
7. See <http://legislation.phila.gov/attachments/12002.pdf>.
8. Paul Sonn, Experience Shows Living Wage Policies Work, Gotham Gazette (Dec. 2010) at [http://nelp.3cdn.net/do85afbb3c5e773119\\_ym6ib7pw.pdf](http://nelp.3cdn.net/do85afbb3c5e773119_ym6ib7pw.pdf).
9. Chapman and Thompson.

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The **Center for Popular Democracy** promotes equity, opportunity, and a dynamic democracy in partnership with innovative community-based organizations, elected officials, local and state networks, and progressive unions across the country. We work with our allies to design, pass, and implement cutting-edge state and local policies that deliver tangible benefits for working families.