

# LOCAL LIVING WAGE ORDINANCES

Experience, Evidence and Best Practice  
November 2013

## Executive Summary

Living wage ordinances are enacted by local governments to raise job standards for workers at firms that do business with a city or county, or that benefit from taxpayer assistance. At least 140 communities in the U.S. have passed such laws over the past two decades, and there is now a significant body of research on their effect. **The evidence shows that living wage ordinances raise wages for low-income workers, often by a significant amount, with few if any measurable negative effects on either employment or taxes.** Any government considering a living wage ordinance of its own should consider the track record of living wage laws in other communities in order to implement the best living wage law possible. This white paper provides these details.

Local governments spend billions of tax dollars every year with private businesses on service contracts, lease and concession agreements, and economic development incentives and subsidies. Instead of ensuring that taxpayer dollars pave the way for stronger local economies by going only to benefit employers that provide good, family-supporting jobs, in too many cases government spending goes to fund low-wage, low-benefit jobs that consign the families of workers who do them to poverty, even forcing some to rely on public assistance just to make ends meet. In Wisconsin, local governments have the power to pass living wage ordinances to ensure that when taxpayer dollars are spent, the jobs created meet minimum standards.

There has been little movement in Washington or Madison on policies to improve job quality. Local policy-makers in struggling communities are desperate for policies that can deliver tangible economic benefits, but have relatively few policy levers at their disposal. Living wage ordinances are one effective tool for increasing wages and raising the bar for job standards. They help raise and stabilize the wage floor for low-income workers. **They boost local economies by putting more money in the pockets of low-income workers, money that is almost immediately recirculated via increased consumer spending on basic needs.** And, just as important, **living wage laws represent a community declaration of values about hard work, poverty and family economic security.** At a time when almost 200,000 Milwaukee-area workers, more than one quarter of the workforce, are working poverty-wage jobs, one can see why Milwaukee County legislators would consider a living wage ordinance.

A living wage ordinance requires **businesses that benefit from local public dollars, whether through a service contract, a concession or lease agreement, or a development deal, to pay a "living wage" to the workers employed as a result of these taxpayer dollars.** The wage, often pegged as a percentage above the federal poverty level, is intended to be high enough to allow a full-time worker to make enough to be able to live out of poverty. **Many living wage ordinances also include standards beyond a basic wage, like health insurance coverage or earned sick time.** And **good living wage laws set up enforcement and compliance mechanisms to ensure that the law has its intended effect.** This white paper outlines key best practices for the core components of a living wage law.

# COWS

## BUILDING THE HIGH ROAD



### About COWS

Based at the University of Wisconsin-Madison, COWS is a national think-and-do tank that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

### About ALICE

The American Legislative and Issue Campaign Exchange, or ALICE, is a one-stop, web-based, public library of progressive law on a wide range of issues in state and local policy. ALICE is a project of COWS.

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(Tourette Furtick)

Despite nearly 20 years of experience and considerable evidence to the contrary, living wage opponents continue to trot out the same objections - the claims that living wage laws are job killers, that they raise the cost of public services, and that they lead to higher taxes. These opponents rely on a simplistic logic - higher wages must reduce the demand for labor and must increase costs to taxpayers - that has simply not been borne out by experience. In fact, because many of the companies benefitting from public resources are very large, very profitable firms that can afford to pay their workers more, because higher wages improve firm performance by increasing worker productivity and lowering worker turnover, and because higher labor costs actually lead to more competitive bidding on municipal contracts, the higher wages that the living wage law brings to workers employed by these firms do not translate directly into higher costs to local governments, or higher taxes. Likewise, the claim that living wage laws decrease employment - by limiting the number of workers employed by firms benefitting from public resources or simply chasing employers to other locations - has also not been borne out in practice. Numerous studies of existing living wage laws show that living wage laws do not kill jobs.

The experience of the jurisdictions that have passed living wage laws is that they raise wages and boost local economies. As Milwaukee County considers its own living wage ordinance, proponents and opponents would do well to consider the evidence from other communities.

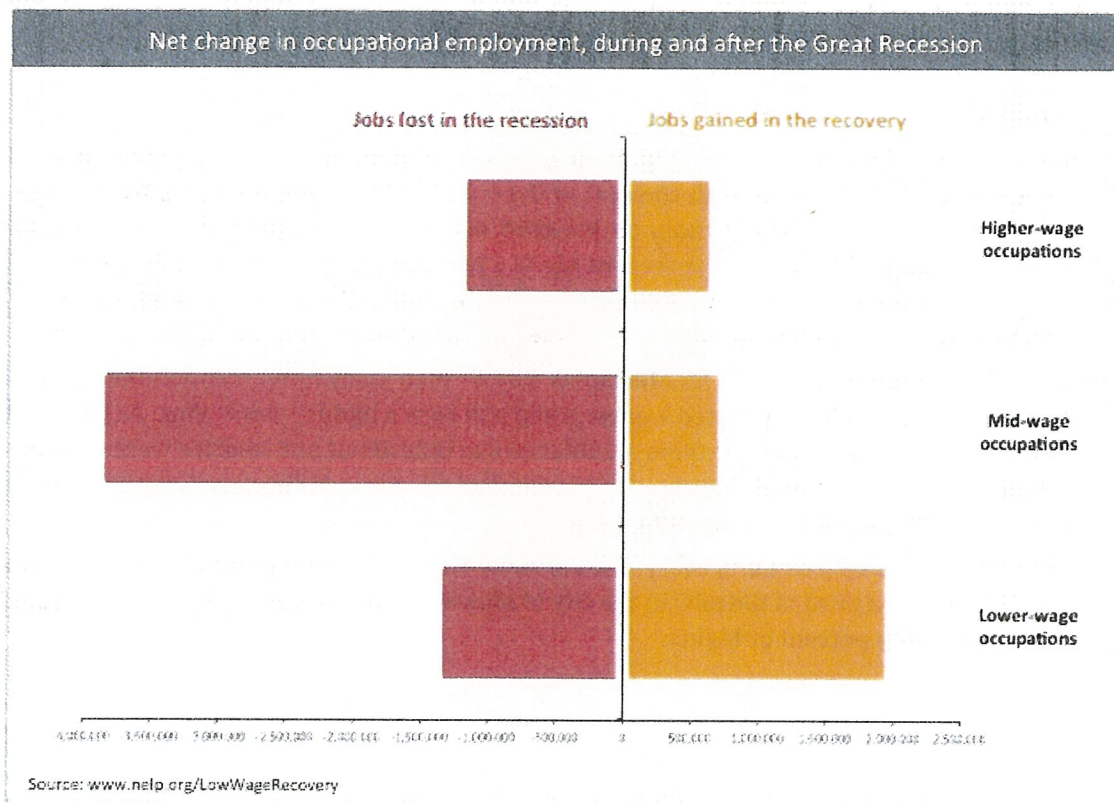
## I. The Good Jobs Crisis

### A. Nationwide

The entire United States suffers from a shortage of good jobs. Even before the housing bubble inflated and then burst, crashing the economy with it, long-term trends - the decline of U.S. manufacturing, the shrinking percentage of jobs that offer decent pensions or health insurance coverage, and the fact that **worker productivity has increased 80 percent over the past forty years but real wages for working people have stayed flat or actually declined**<sup>1</sup> - were shrinking the number of good jobs. According to the Center for Economic and Policy Research, despite the fact that today's workforce is older, more experienced, better educated and working with better technology than ever, the share of jobs in the U.S. that qualify as "good jobs" has fallen three percentage points from 1979 to 2012.<sup>2</sup> Four years into the supposed recovery from the Great Recession, we still face **a shortage of perhaps 9 million family-supporting jobs.**<sup>3</sup>

As the industries and professions that used to provide middle-class jobs decline, how likely is it that new industries and professions will fill the void? The U.S. Bureau of Labor Statistics reports that **the jobs expected to gain the most employment over the next decade are disproportionately low-wage: retail sales, food prep and food service workers, personal care and home health aides.**<sup>4</sup>

And the most recent data is perhaps the most alarming. Nationwide, **60 percent of the 6.3 million jobs lost in the first two years of the Great Recession of 2007-09 were middle-wage jobs; only 1 in 5 was low-wage.**<sup>5</sup> After three full years of recovery, there are still **two million fewer jobs** in the U.S. than there were before the



1 For example, from 1973 to 2012, the inflation-adjusted wages of low-wage workers (those at the 10th percentile) fell by an average of 0.6 percent, and wages of the typical worker grew by just 3.4 percent. See Sylvia A. Allegretto and Steven C. Pitts, "To Work With Dignity: The Unfinished March to a Decent Minimum Wage," Economic Policy Institute, August 26, 2013. Available at: <http://www.epi.org/publication/work-dignity-unfinished-march-decent-minimum>.

2 John Schmidt and Janelle Jones, "Where Have All the Good Jobs Gone?" Center for Economic and Policy Research, July 2012. Available at: <http://www.cepr.net/documents/publications/good-jobs-2012-07.pdf>

3 Josh Bivens, Andrew Fieldhouse, and Heidi Shierholz, "From free-fall to stagnation: Five years after the start of the Great Recession, extraordinary policy measures are still needed, but are not forthcoming," Economic Policy Institute, February 14, 2013, p. 3. <http://www.epi.org/publication/bp355-five-years-after-start-of-great-recession/>

4 [http://www.bls.gov/emp/ep\\_table\\_104.htm](http://www.bls.gov/emp/ep_table_104.htm)

5 National Employment Law Project, "The Low-wage Recovery and Growing Inequality," NELP Policy Brief, August 2012, p. 1. [http://www.nelp.org/page/-/Job\\_Creation/Low-WageRecovery2012.pdf?nocdn=1](http://www.nelp.org/page/-/Job_Creation/Low-WageRecovery2012.pdf?nocdn=1)

recession.<sup>6</sup> And fully **60 percent of the net new jobs created in the first two years of recovery were low-wage jobs; only 1 in 5 paid middle-class wages (see chart 1).**<sup>7</sup> A staggering 57 percent of new jobs gained since the labor market began growing in February 2010 have come in the low-wage industries of retail trade, leisure and hospitality, health care services, and temporary jobs.<sup>8</sup>

Some economists and business people claim that these are inherently low-skill, low-productivity jobs, and that no one should expect a job like this to provide a decent standard of living to a working person or family. One sometimes hears that these jobs are mostly held by teenagers working for spending money, or by young people just starting out in a first job. This has never been more than partially true, and it is less true today. In 1979, 26 percent of all low-wage workers were teenagers and just under half were in the prime working ages from 25-64. **By 2012, fully 60 percent of low-wage workers were aged 25-64; only 12 percent (fewer than one-in-eight) were teenagers.**<sup>9</sup>

Too many poverty-wage jobs means too many working people and families who cannot cover basic living expenses, who do not have health insurance, who need public assistance in order to have enough to eat, to see a doctor, or to maintain a place to live.

Of course, many of the construction and manufacturing jobs that supported the “old” middle-class were also once low-wage jobs. Those workers and their families also lived in poverty. It wasn’t the invisible hand of the free market that turned those jobs into middle-class jobs. It was working people and communities coming together to pass progressive legislation and organize unions.

## B. Milwaukee

The recent COWS report, *Raise the Floor, Milwaukee*, provides a stark picture of how these trends have played out in metropolitan Milwaukee. **As with the rest of the country, Milwaukee suffers from a lack of good jobs. Almost 200,000 workers in the 4-county metro area, more than one-quarter of the workforce, worked for poverty-level wages in 2012.**<sup>10</sup> The median age of a poverty-wage worker in Milwaukee is 28<sup>11</sup> - which means half the poverty-wage workforce is older than that. **Yet just 37 percent of workers in poverty-wage jobs received health insurance through work. One-third had no health insurance at all.**<sup>12</sup>

The decline of U.S. manufacturing has hit Milwaukee harder than many other communities. Manufacturing was one sector where a non-college educated worker could still earn a middle-class living. As late as 1979, a third of all jobs in Milwaukee County were still in manufacturing; only about one-quarter were service-sector jobs. By 2012, that situation was entirely reversed: almost half of all jobs in Milwaukee County were in the service sector; fewer than one in five was in manufacturing.<sup>13</sup>

The disappearance of good jobs hurts everyone. But some Milwaukee-area communities have suffered more than others. More than a third of the jobs in the city of Milwaukee pay poverty wages and in some Milwaukee neighborhoods it is fifty percent or higher.

6 Josh Bivens, Andrew Fieldhouse, and Heidi Shierholz, “From free-fall to stagnation: Five years after the start of the Great Recession, extraordinary policy measures are still needed, but are not forthcoming,” Economic Policy Institute, February 14, 2013, p. 3. <http://www.epi.org/publication/bp355-five-years-after-start-of-great-recession/>

7 National Employment Law Project, “The Low-wage Recovery and Growing Inequality,” p. 1.

8 Adam Hersh, “Most New Jobs Don’t Pay a Middle-Class Wage,” Center for American Progress, Nov. 8, 2013. <http://www.americanprogress.org/issues/economy/news/2013/11/08/79237/most-new-jobs-dont-pay-a-middle-class-wage/>.

9 John Schmidt and Janelle Jones, “Low-wage Workers Are Older and Better Educated than Ever,” CEPR, April 2012. <http://www.cepr.net/documents/publications/min-wage3-2012-04.pdf>

10 This report defines “metropolitan Milwaukee” as the four core counties: Milwaukee, Waukesha, Ozaukee, and Washington. Center on Wisconsin Strategy, “Raise the Floor, Milwaukee,” June 2013, p. 4. [http://www.cows.org/\\_data/documents/1491.pdf](http://www.cows.org/_data/documents/1491.pdf).

11 “Raise the Floor, Milwaukee,” p. 6.

12 “Raise the Floor, Milwaukee,” p. 6.

13 “Raise the Floor, Milwaukee,” p. 12.

## II. How Living Wage Ordinances Can Raise Wages and Local Job Standards

### A. Why A Local Living Wage Ordinance?

Raising job standards has historically been seen as a national responsibility. However, as the federal government has failed to keep up with the needs of low-wage workers and communities, state and local efforts to improve job quality have become increasingly important.

Inflation eats away at the value of the minimum wage each year and only sporadically do national leaders respond to fix the problem. **Over the last forty years, the federal government has allowed the real value of the federal minimum wage to fall thirty percent<sup>14</sup>** (and the real value of the minimum wage for tipped workers to fall by an astounding 60 percent<sup>15</sup>). Since it was last raised to \$7.25 per hour worked four years ago, the inflation-adjusted value of the federal minimum wage has fallen by almost ten percent.<sup>16</sup>

Because the federal standard is too low, **nineteen states around the nation have raised their state's minimum wage above the federal level**, most recently California and New Jersey. While several more states are contemplating increases in 2014, **Wisconsin is not among them**. Furthermore, Wisconsin is one of the states where anti-worker legislators have succeeded in passing state legislation explicitly outlawing local minimum wage laws.

Yet the same state law that prevents local minimum wage ordinances expressly allows local laws that raise wage and benefit standards for employees at firms with public contracts, leases, or concessions, or that receive subsidies or other public benefits from local government, or that lease from firms who do. These are exactly the workers who could benefit from a local living wage law.

**Cities and counties around the country have used local living wage laws to raise wages for workers at firms that do business with the locality.** This is one area where local government has led the effort to increase the number of good jobs. **A living wage ordinance ensures that jobs supported by local taxpayers pay a decent wage and that companies benefitting from taxpayer-supported projects or contracts pay their workers enough to make ends meet.**

Why is this good? One study in Illinois study showed that 37 percent of all public benefits spending in the state went to working families, primarily families where the breadwinner earned \$10 per hour or less. Four-fifths of the working families receiving public assistance were supported by a full-time worker employed 35 hours or more per week. One-third of the year-round workers with families receiving public assistance are employed at firms with 1,000 or more workers.<sup>17</sup> **With a local living wage law, the community is saying that firms benefitting from public dollars are morally obligated to pay their workers decently. It is as simple as that.**

### B. The spread of living wage laws in the U.S.

Since Baltimore passed the first living wage ordinance in 1994, more than 140 U.S. cities and counties have followed suit. It was estimated in 2005 that nearly 20 percent of the U.S. population was living in a locality covered by a living wage law, **almost 40 percent of residents of large cities.**<sup>18</sup> There is nothing extreme or radical about a local living wage law.

The first local living wage laws were mostly a response to local government outsourcing decisions. Private contractors like to promote outsourcing as a way for localities to save money, by having more efficient private

14 Craig K. Elwell, "Inflation and the Real Minimum Wage: A Fact Sheet," Congressional Research Service, R42973, September 12, 2013. <http://www.fas.org/sgp/crs/misc/R42973.pdf>.

15 <http://www.dol.gov/whd/minwage/chart.htm>.

16 [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm).

17 Nik Theodore and Marc Doussard, "The Hidden Public Cost of Low-Wage Work in Illinois," Center for Urban Economic Development, University of Illinois at Chicago, September 5, 2006, p. ii.

18 Mark Brenner and Stephanie Luce, *Living Wage Laws in Practice: The Boston, New Haven, and Hartford Experiences*, Amherst MA: Political Economy Research Institute, 2005, p. 1. Available at: <http://www.peri.umass.edu/236/hash/828cb127367263684c20f26ec3a4da27/publication/56>.

firms do the work of public employees. In fact, often the only savings come from paying very low wages to the workers doing the actual work, much or all of which can be eaten up with higher administrative costs and company profits.<sup>19</sup> To minimize their own contribution to lowering wage standards, some communities began to pass living wage ordinances to ensure that work performed at taxpayer expense paid at least a living wage.

Over time, many new and amended living wage ordinances have expanded coverage to include employees of all firms that benefit from public dollars, whether through contracting, public leases or concessions, or by utilizing tax or other economic development subsidies. Several communities that originally passed living wage laws in the 1990s or early 2000s are now looking to update them, most notably Los Angeles.<sup>20</sup>

Living wage laws are based on the moral premise that full-time workers should be able to earn enough to avoid having to live in poverty. Yet it is well-known that federal poverty data provides an unrealistically low estimate of the cost of living.<sup>21</sup> And that the income needed to keep a family out of poverty is higher than it is for a single person. While living wage laws can yield wage increases of 30 percent or more for covered workers, the new, higher wage levels are anything but extravagant. According to the most widely recognized “real” living wage calculator (<http://livingwage.mit.edu/>), only one local living wage law (in Hartford CT) actually delivers to a fulltime worker an income (wage plus insurance benefit) minimally sufficient for a family of four (see Table 1).

### **C. Evidence from other localities with living wage laws:**

**The evidence from economic studies of existing living wage laws is clear: they raise wages for low-income workers, do not reduce employment, do not increase the cost of government, and do not lead to higher taxes.**

#### **Raising wages for low-income workers**

There is now a large body of evidence that living wage laws bring meaningful wage increases to low-wage workers, often in the range of 30-50 percent.<sup>22</sup>

There is also the “knock-on” effect, when employers not covered by the law also raise wages, either to match the new standard or to keep their own wages slightly higher. Brenner and Luce surveyed employers in Boston after that city passed its living wage ordinance in 1998. They found that the ordinance not only boosted wages for low-wage employees of city contractors but also led to raises for an estimated 30 percent of the city’s low-wage workers who were not directly covered by the ordinance.<sup>23</sup>

#### **Bringing needed purchasing power to low-income communities**

Wage increases paid to low-wage workers tend to be spent, not saved. This benefits the local community more than corporate tax cuts, which are often simply banked by corporations, or not invested locally.

#### **Raising productivity, reducing turnover**

Workers are less likely to quit a higher paying job, which reduces hiring and training costs and results in a more experienced workforce. A study of the Los Angeles Living Wage Ordinance found that as wages in firms covered under the ordinance increased, costs associated with turnover and absenteeism went down.<sup>24</sup> Workers and employers both have incentive to invest more in skill upgrading when wages are higher and jobs are more stable.

19 In The Public Interest, “Privatization and Contracting Out of Municipal Services,” June 21, 2011. Available at: <http://www.inthepublicinterest.org/article/municipal-services-background-brief>.

20 Seema Mehta, “Workers rally for higher ‘living wage’ at supervisors’ meeting,” Los Angeles Times, August 27, 2013. <http://articles.latimes.com/2013/aug/27/local/la-me-ln-living-wage-20130827>.

21 Mark Greenburg, “It’s time for a better poverty measure,” Center for American Progress, August 25, 2009. [http://www.americanprogress.org/wp-content/uploads/issues/2009/08/pdf/better\\_poverty\\_measure.pdf](http://www.americanprogress.org/wp-content/uploads/issues/2009/08/pdf/better_poverty_measure.pdf)

22 Michael Reich, Peter Hall and Ken Jacobs, “Living Wages and Economic Performance: The San Francisco Airport Model,” Institute of Industrial Relations, University of California, Berkeley, March 20003, p. 35. [http://www.irle.berkeley.edu/research/livingwage/sfo\\_mar03.pdf](http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf).

23 Mark Brenner and Stephanie Luce, Living Wage Laws in Practice, p. 64.

24 David Fairriss, David Runsten, Carolina Briones, and Jessica Goodheart, “Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses,” LAANE, 2005. [www.laane.org/whats-new/2005/05/26/examining-the-evidence-the-impact-of-the-los-angeles-living-wage-ordinance-on-workers-and-businesses-2005](http://www.laane.org/whats-new/2005/05/26/examining-the-evidence-the-impact-of-the-los-angeles-living-wage-ordinance-on-workers-and-businesses-2005).

### **Paying for wage increases through lower profits and efficiency gains, not tax increases**

Aside from the efficiency gains to employers noted above, many of the businesses affected by living wage laws (airport contractors, large property owners, and retail and restaurant tenants of subsidized projects) are large, profitable firms that should pay and can afford to pay their workers more.

### **Encouraging high-road firms to bid on public contracts, leases, and concessions**

Maryland is the one state with a statewide living wage law. A 2008 study of the law's impact by the state Office of Policy Analysis found no reduction in the number of bidders on government contracts. In fact, almost half the contractors interviewed said the living wage law encouraged more bidding on contracts because low-wage firms no longer had the advantage.<sup>25</sup> A similar dynamic occurred in Hartford when security guard contracts were rebid after the living wage law was passed.<sup>26</sup> Living wage laws encourage high-wage, high-productivity firms to start bidding on public contracts because they can compete knowing that low wages are not the most critical factor.

### **Maintaining overall employment levels**

The most comprehensive study of living wage laws compared 15 cities with effective living wage laws to a comparable group of cities without them. The authors tested 14 different industry subsectors and concluded the living wage laws had "no employment effect" at all.<sup>27</sup> There was no measurable difference in overall employment levels or employment growth. Nor was there any evidence of a reduced employment in the affected occupations. In the words of the study's author, **"On the whole, the evidence suggests significant and positive effects for workers from living wage laws, and limited downside to employers."**<sup>28</sup>

### **Maintaining local tax levels**

Living wage laws are able to raise pay for many workers with no cost impact to taxpayers. Raising wages for employees of airport contractors and concessionaires may lead some business to raise prices modestly, but evidence from San Francisco and Los Angeles showed no negative effect on taxpayers.<sup>29</sup> Likewise, social service agency workers covered by living wage laws in some communities are paid with state or federal pass-through funding. While some living wage studies have found instances where the overall cost of some contracts has increased, many others have found no clear relationship between living wages and overall contracting costs. A good example is Boston, where the director of the unit responsible for implementing the city's living wage law reported, "We have not seen increased costs to maintain city contracts. Vendors and the city have successfully absorbed the cost of the living wage ordinance. There has been no adverse financial impact on the city. The living wage ordinance has been good for Boston."<sup>30</sup>

25 State of Maryland, Office of Policy Analysis, Department of Legislative Services, "Impact of the Maryland Living Wage," 2008, p. 10. [www.chamberactionnetwork.com/documents/LivingWage.pdf](http://www.chamberactionnetwork.com/documents/LivingWage.pdf).

26 Brenner and Luce, *Living Wage Laws in Practice*, pp. 22-23.

27 T. William Lester and Ken Jacobs, "Creating Good Jobs in Our Communities: How Higher Wage Standards Affect Economic Development and Employment," Center for American Progress Action Fund, November, 2010, p.

28 *Ibid.*

29 Reich, et al., "Living Wages and Economic Performance: The San Francisco Airport Model" and Fairriss, et al., "Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses."

30 Brenner and Luce, *Living Wage Laws in Practice*, p. 27.

Table 1: A Sampling of Cities and Counties with Living Wage Ordinances

Location	State	Year Enacted (Amended)	Mandated Living Wage (+ Benefits Supplement) as of Nov 1, 2013	% Four-person Family Poverty Line (for 1 FT worker)	% Four-person MIT Living Wage Threshold (for 1 FT worker)*
Milwaukee (City)	WI	1995	\$9.39	83%	48%
Baltimore	MD	1994	\$11.07	98%	56%
Chicago	IL	1998	\$11.32	100%	58%
Denver	CO	2000	\$11.32	100%	58%
Dane County	WI	1999	\$11.33	100%	58%
Buffalo	NY	1999	\$12.15	107%	62%
Macomb County	MI	2005	\$12.21	108%	62%
Rochester	NY	2001	\$12.41	110%	63%
San Francisco	CA	2000	\$12.43	110%	63%
Madison	WI	1999	\$12.45	110%	63%
Washington	DC	2006	\$12.50	110%	64%
Cincinnati	OH	2002	\$12.82	113%	65%
Broward County	FL	2002	\$12.95	114%	66%
Westchester County	NY	2002	\$13.00	115%	66%
Long Beach	CA	2012	\$13.00	115%	66%
Prince George's County	MD	2003	\$13.05	115%	66%
Suffolk County	NY	2001	\$13.12	116%	67%
Dayton	OH	2003	\$13.59	120%	69%
Washtenaw County	MI	2001	\$13.65	121%	69%
Miami	FL	2006	\$13.70	121%	70%
Port of Oakland	CA	2002	\$13.75	121%	70%
Boston	MA	1998 (2001)	\$13.76	122%	70%
Montgomery County	MD	2002	\$13.95	123%	71%
Miami-Dade County	FL	1999 (2009)	\$14.01	124%	71%
Cook County	IL	1998	\$14.15	125%	72%
Detroit	MI	1998	\$14.15	125%	72%
Warren	MI	2000	\$14.15	125%	72%
Ingham County	MI	2003	\$14.15	125%	72%
Lansing	MI	2003	\$14.15	125%	72%
Syracuse	NY	2005	\$14.68	130%	75%
Minneapolis	MN	1997 (2005)	\$14.72	130%	75%
St. Paul	MN	1997 (2007)	\$14.72	130%	75%
Toledo	OH	2000	\$14.72	130%	75%
Wayne County	MI	2006	\$14.72	130%	75%
Seatac**	WA	2013	\$15.00	132%	76%
Nassau County	NY	2005	\$15.21	134%	77%
New Haven	CT	1997	\$15.67	138%	80%
Los Angeles	CA	1999 (multiple)	\$15.67	138%	80%
St. Louis	MO	2000 (2002)	\$15.92	141%	81%
Santa Cruz	CA	2000	\$16.13	142%	82%
Santa Cruz County	CA	2001 (2013)	\$16.13	142%	82%
Santa Barbara	CA	2006	\$16.39	145%	83%
Hartford	CT	1999 (2010)	\$22.00	194%	112%

Municipalities located in the Midwest/Great Lakes region are offset in light blue.

\* The MIT Living Wage Calculator is designed to provide a minimum estimate of the cost of living for low wage families. The MIT Living Wage Calculator calculates the real living wage for family of four in Milwaukee at \$19.66/hour.

\*\* The just-passed \$15/hour minimum wage in Seatac, the municipality that is home to Seattle's airport, is effectively a living wage for workers at the airport and surrounding businesses.

Source: COWS analysis of local living wage laws; MIT Living Wage Calculator (<http://livingwage.mit.edu/>)



### III. Living Wage Law Best Practice

With nearly twenty years of experience, the key aspects of a good living wage law are now well understood. The identical Minneapolis and St. Paul living wage ordinances, revised and updated in 2005 and 2007, are referenced here not because they are uniquely better than others but because they represent well-accepted standards.

#### A. Coverage

Because living wage laws cover many fewer workers than comprehensive minimum wage laws, it is best practice to ensure as wide coverage as possible.

##### Covered employers under good living wage laws include:

- All county **contractors and subcontractors** with contracts over a minimal amount.
- All **companies with concessions or leases** from the county over a minimal amount.
- All **companies that receive tax exemptions or subsidies or any other financial benefit** over a minimal threshold. Since public subsidies and benefits are often one-time payments, the living wage law needs to specify how coverage applies to these firms. Typical is St. Paul, where tax benefit or subsidy recipients must adhere to the living wage law for the length of their agreement with the city or three years, whichever is longer. An even better option is to have the law apply for a period of time per unit of benefit or subsidy – for example, coverage under the law for 1 year for each \$25,000 or \$50,000 worth of economic benefit. This way, recipients of very large subsidies are covered for a very long time.

##### Employer exemptions:

- In general, **wage standards work best when applied to all employers**. This discourages gaming the system.
- Many cities and counties do exempt employers who have a valid collective bargaining agreement (CBA) in place. In Los Angeles, the CBA must explicitly reference and pay more than the living wage.
- Many cities and counties find it practical to exempt employers with very few workers. Some localities set an absolute standard (i.e. 5 or fewer employees). Other reference existing local or state standards. The St. Paul ordinance references a Minnesota statute defining small business as 20 or fewer employees.
- **Non-profits are not exempted from the law just because they are non-profits**. Many non-profits are large businesses that can and should pay a living wage. In other cases, for-profit firms set up non-profit subsidiaries to take advantage of legal loopholes.



##### Employee Exemptions:

- In general, wage standards work best when applied to all employees. This discourages gaming the system.
- Many living wage laws do exempt some temporary workers, interns, “workers-in-training,” and workers with disabilities or in other special programs. In all cases, these exemptions should be narrowly defined.
- **Tipped workers are not exempted**. Nor do they have a lower living wage. Ideally, the living wage should apply to tipped workers before tips.




## B. Minimum Standards

What are the minimum job standards in good living wage ordinances?

### Wages and benefits:

-  **Wages:** Many of the first living wage laws set the wage at a specific dollar amount. This level was often more influenced by what was perceived to be achievable politically rather than by what a worker needed to live on. The better living wage laws **set the wage rate at a specific percentage above the federal poverty rate**, ideally the poverty rate for a family of four. This makes clear the link between poverty and the living wage law, and eliminates the need for indexing, as the living wage updates automatically each year based on new poverty data. Many cities, including Minneapolis and St. Paul, set the living wage at **an hourly rate sufficient to allow a full-time worker an income equal to 130 percent of the poverty rate for a family of four**. For 2013, this was \$14.72 per hour.
-  **Health care assistance:** Most low wage jobs lack adequate health care insurance coverage. Good living wage laws compensate for this by **allowing employers to pay a lower cash living wage if they also provide reasonable health insurance coverage**.
  - **In Minneapolis and St. Paul**, an insurance plan qualifies if it pays 75 percent of the premium for basic individual coverage plus 50 percent of the premium for basic family coverage, provides reasonable co-pays, deductibles, and annual out-of-pocket maximums,<sup>31</sup> and is not less in value than provided to first level supervisors. For employers offering such insurance coverage, **the cash wage can be 110 percent of the federal poverty rate for a family of four**.
  - **In Los Angeles**, the living wage law requires employers to pay both a cash wage and a **health insurance supplement**. For workers at Los Angeles International Airport, the original health insurance supplement of \$1.25 per hour was not nearly enough to allow workers to actually afford health insurance. In 2009, it was raised to a more realistic \$4.50 per hour in 2009, and is now reviewed and adjusted every three years.<sup>32</sup>
  - The **Hartford** living wage law is perhaps the most realistic when it comes to the cost of health care. Employers who do not provide comprehensive family medical coverage pay a **health care supplement based on the actual average cost of non-group comprehensive health insurance in the state**. The result is a living wage of \$13.59 per hour if comprehensive health insurance coverage is offered, \$22.00 per hour if not.

### Earned Time Off:

-  Low-wage workers rarely have access to paid time off work when they or a family member is sick. A handful of cities, including New York, San Francisco, Seattle, Portland OR, and Washington DC have municipal paid sick-and-safe-leave ordinances that apply citywide. The City of Milwaukee passed such a law by referendum in 2008. However, it was nullified in 2011 by a state law outlawing such ordinances.
-  Some cities, including Philadelphia, provide for earned time off in the living wage law.
-  Given the status of Wisconsin state law, it may be problematic to include earned time off in a county living wage law.

**Temporary non-displacement of existing contractor workforce:** Living wage laws are intended to allow municipal contractors and subcontractors to pay decent wages to their employees. However, many government-contracting regulations still prioritize the low-bidder, which encourages unscrupulous

<sup>31</sup> In-network deductibles not to exceed 25% for office visits, urgent care, in-patient and outpatient care, out-of-pocket maximums not to exceed \$1500 per year for an individual and \$3000 for a family in-network care, \$2000/\$4000 for out-of-network care.

<sup>32</sup> See: [bca.lacity.org/site/pdf/lwo/airport\\_Living\\_Wage\\_amendment.pdf](http://bca.lacity.org/site/pdf/lwo/airport_Living_Wage_amendment.pdf).

firms to make unrealistically low bids. To prevent this, and the myriad problems that emerge when these contractors are not able to do the work for the bid price, many communities have added language (in the living wage law or elsewhere) to protect employees of contractors who lose a contract by **requiring the new firm taking over the contract to employ the existing workforce for a minimum of 90 days**. This provides a strong disincentive for employers to try to win contracts on the basis of low wages and job standards.

### **C. Implementation, Monitoring & Enforcement**

#### **Posting and Notice:**

- Every contract, concession, and lease posting specifically references the living wage requirement and includes current wage and benefit requirements.
- Terms and current wage and benefit requirements are posted at every covered workplace of every covered employer.

#### **Enforcement:**

- The process for filing a complaint under the living wage law is clear and simple.
- Employee advocates as well as affected employees themselves are able to file complaints.
- A good living wage law clearly identifies the agency charged with enforcing the law, and endows that agency with adequate staff, funding, and authority. The enforcing agency is able to engage in proactive enforcement, not simply respond to complaints filed. This requires employers to provide payroll data and other evidence in a reasonable time frame.
- In addition to agency enforcement, a good living wage law provides a private right of action that allows individuals to also pursue claims against employers in court.
- The law also bars retaliation against employees who file complaints, with appropriate penalties for employers who do so.

#### **Penalties and Sanctions:**

- Good living wage laws have serious penalties and sanctions so as to discourage employer violations.
- In addition to employee back pay, they should provide for punitive damages and fines.
- Employers who violate the law are banned from bidding on future contracts or receiving future public benefits for a period of time.
- Repeat offenders are punished more harshly.

## IV. What A Milwaukee County Living Wage Ordinance Could Do

Even with the limited scope that current Wisconsin law provides for cities and counties in setting employment standards, there are still significant groups of workers that could potentially benefit from a Milwaukee County living wage ordinance.

### A. Home health care workers in Milwaukee County

Home health care is the fastest growing employment sector nationwide. Employment in the two core occupations – personal care aides and home health care aides – is projected to grow by 1.3 million jobs over the decade 2010-2020, faster than any other occupation.<sup>33</sup> Yet the pay is awful and getting worse. Nationally, personal care aides, who assist the elderly or people with disabilities, earned a median wage of just \$8.90 per hour in 2012. Home health aides, who perform routine medical care, earned just \$9.82.<sup>34</sup> Adjusted for inflation, these wages are actually lower than they were a decade earlier. And because many home-care workers are unable to work full-time, either because of other commitments or because they are not able to get enough hours, annual incomes in the profession average less than \$17,000 per year. A third of home-care workers lack health insurance for themselves and their families, and a staggering 50 percent of home-care workers live in households that rely on public benefits such as food stamps and Medicaid.<sup>35</sup>

Low wages are also directly implicated in the profession's excessively high turnover. About half the workforce in home health care quits every year. This is estimated to cost the industry about \$2 billion per year, money that would otherwise be available to improve wages, upgrade skills, and improve patient care.<sup>36</sup>

Yet two-thirds of the home health care services industry is supported by tax dollars.<sup>37</sup> Ensuring that home health care workers supported by tax dollars are able to earn a living wage is good for the worker, good for the person receiving care, good for the profession, and good for the community.

### B. Employees of airport contractors, subcontractors and concessionaires

Airport workers are another large category that could benefit from a county living wage ordinance. Living wage laws have been shown to increase wages of airport workers without reducing employment or negatively impacting airport operations. A case study of the impact of San Francisco's living wage law at the SFO International Airport showed direct wage increases for nearly 10,000 workers but no negative effect on employment.<sup>38</sup> And claims that Los Angeles International Airport would become unattractive to airport concessionaires after the health insurance supplement to the LAX living wage ordinance was raised from \$1.25 to \$4.50 per hour in 2009 proved entirely unfounded. When new concession contracts were bid in 2011, dozens of companies vied for the new contracts.<sup>39</sup>

On the other hand, a recent report on wages and working conditions at Philadelphia's airport shows what can happen in the absence of an effective local living wage law. The average hourly wage for the 200 contract workers surveyed, two-thirds of whom were age 25 or older, was \$7.85 per hour including tips. Wheelchair agents made less than \$6.00 per hour before tips, less than \$7.00 per hour even after tips. Baggage handlers, cabin cleaners, and security agents all averaged less than \$9.00 an hour. Three-fourths of workers surveyed reported trouble paying their bills. Sixty-five percent had no private or employer-sponsored health insurance. Five percent reported having had to use a homeless shelter or sleep in their car because they could not afford

<sup>33</sup> Monthly Labor Review, p. 100.

<sup>34</sup> Amy Traub and Robert Hiltonsmith, "Underwriting Bad Jobs: How Our Tax Dollars are Funding Low-Wage Work and Fueling Inequality," Demos, May, 2013, p. 11. Available at: <http://www.demos.org/sites/default/files/publications/UnderwritingBadJobs-Final-2.pdf>.

<sup>35</sup> Dean Baker and Steven L. Dawson, "Home health aides deserve a living wage," Washington Post Op-ed, March 29, 2012. Available at: [http://www.washingtonpost.com/opinions/home-health-aides-deserve-a-living-wage/2012/03/29/gIQA6TsjS\\_story.html](http://www.washingtonpost.com/opinions/home-health-aides-deserve-a-living-wage/2012/03/29/gIQA6TsjS_story.html).

<sup>36</sup> Baker and Dawson, "Home health aides deserve a living wage."

<sup>37</sup> Traub and Hiltonsmith, "Underwriting Bad Jobs," p. 11.

<sup>38</sup> Michael Reich, Peter Hall, and Ken Jacobs, "Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses," *Industrial Relations* 44 (1) (2005): 106-138.

<sup>39</sup> Madeline Janus, "L.A.'s living wage ordinance isn't a job killer," LAANE, Sept. 21, 2011. Available at: <http://www.laane.org/whats-new/2011/10/03/1-a-s-living-wage-ordinance-isnt-a-job-killer>.

rent.<sup>40</sup> More than one-third had to rely on a public health insurance program and a similar percentage on public food assistance.<sup>41</sup>

### C. Workers at firms that contract, subcontract, lease, hold concessions, or receive tax benefits from Milwaukee County

The two other general categories of workers who would benefit directly from a Milwaukee County living wage law are employees of the firms that hold general service contracts with the County and employees of firms that enjoy tax subsidies or other public benefits from county government.

The first group includes many building service, food service, and private security workers who work for the companies that have taken over the building service work formerly done by county employees. While contracting out this work generally results in much lower wages paid to the workers who do the work, many cities and counties have seen minimal savings after contract oversight costs and private profits are subtracted. And in many cases, the companies profiting from these low wages are giant national or multi-national firms that could and should pay their workforces better.

For these workers, a non-displacement provision that prevents them from being let go for at least ninety days simply because their employer was underbid on a building service contract is also critical. Not only would it reduce needless churning of this workforce; it would also provide a strong disincentive for unscrupulous firms to underbid on these contracts.

Similarly, the development companies that receive taxpayer assistance for development projects, and the retail, food service, and other companies that lease space in them, also employ too many workers at very low wages, yet are often giant corporations that could afford to pay more. While it is impossible to predict the number of workers who might be impacted on county-supported projects, there is no reason for taxpayers to be subsidizing developers or tenants who refuse to pay their workers a living wage.

<sup>40</sup> National Employment Law Project, "Soaring Poverty at the Philadelphia International Airport," June 11, 2013, p. 23. Available at: <http://www.nelp.org/page/-/rtmw/NELP-Soaring-Poverty-Philadelphia-International-Airport.pdf?nocdn=1>.

<sup>41</sup> *Ibid.*

