

Executive Summary

# Living Wage Laws & Communities:

Smarter Economic  
Development,  
Lower Than  
Expected Costs

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## Living Wage Laws: Expanding Nationwide

In one of the most pronounced local policy trends in recent years, scores of cities and counties across the United States—more than one hundred as of July 2003—have adopted local “living wage” laws. Under these laws, employers receiving city contracts or city business subsidies must pay full-time workers a wage sufficient to support themselves and their families at a subsistence level.

The policy goals driving these initiatives—that hard work should be rewarded with adequate pay and benefits, and that taxpayer dollars should not support jobs that leave workers and families in poverty—have found broad support among local lawmakers and the public.

### Questions Raised About Living Wage Laws

In assessing the value of living wage laws as policy tools, it is important to understand their costs and benefits for communities. Especially in a time of budget deficits and job losses, local policymakers have had two key questions about these laws:

- Will they increase the costs of city contracts?
- Will they limit the ability of cities to use business subsidies to increase the number of good jobs in their communities?

To answer these questions, we asked local government officials in communities with living wage laws to examine the impact of these laws after they were implemented. We have collected their findings in this report. Significantly, local government officials found:

#### Jobs Covered by Living Wage Laws

The living wage laws analyzed in this report apply to jobs generated under two types of city programs:

##### City Contracts

Cities (and other local governments) employ private contractors to provide a range of services for the government and the public. Living wage laws require firms that perform city service contracts to pay their workers a “living wage”—generally set between \$8 and \$12 per hour—and to provide health benefits.

##### City Business Subsidies

In order to attract or retain jobs in their communities, some cities offer taxpayer-funded business subsidies—usually in the form of grants, tax abatements or below-market bonds or loans—to employers that pledge to open or retain facilities in the community. Living wage laws require employers receiving city business subsidies to pay their workers a living wage and to provide health benefits.

- Only small increases in city contract costs as a percentage of city budgets—and less than initially expected.
- No significant adverse effects on city business subsidy programs—and in some cases such programs were actually strengthened.

By collecting the actual findings of government officials in communities that have implemented living wage laws, this report provides detailed information that may be valuable to other communities considering whether to enact similar laws.

**Table 1: Increases in City Contract Costs After Passage of Living Wage Laws, 2001**

Locality	City Budget	Contract Cost Increase	Increase as a % of City Budget
Alexandria, VA	\$395,636,000	\$265,000	0.067%
Berkeley, CA	\$289,546,000	\$229,000	0.079%
Cambridge, MA	\$296,467,000	\$150-\$200,000	0.067%
Hartford, CT	\$422,667,000	\$160,000	0.038%
Hayward, CA	\$135,400,000	\$9,000	0.006%
Madison, WI	\$159,000,000	\$29,000	0.018%
New Haven, CT	\$511,071,000	\$20,000	0.003%
Pasadena, CA	\$493,596,000	\$240,000	0.049%
San Jose, CA	\$645,000,000	\$40,000	0.006%
Warren, MI	\$136,490,000	\$60,000	0.040%
Ypsilanti, MI	\$13,000,000	\$6,000	0.044%
Ypsilanti Twnship, MI	\$24,745,000	\$0	0.0%

\* The twelve cities in this table represent all of those that had had a living wage law in force for at least one year as of 2001 and that were able to report to us internal assessments of the effects of their living wage laws on costs for city service contracts.

**Table 2: Increases in Human Services Contract Costs After Passage of Living Wage Laws, 2001**

Locality	Budget for Human Services Contracts	Cost Increase for Human Services Contracts	Increase as a % of Human Services Budget
Berkeley, CA	\$6,099,000	\$170,000	2.79%
Dane Cty, WI	\$112,000,000	\$338,000	0.3%
San Francisco, CA	\$312,000,000	\$3,714,000	1.01%

\* The three localities in this table were those that covered human services contracts under a living wage law that had been in force for at least one year as of 2001 and that were able to report to us internal assessments of the resulting costs. Because these localities were able to break out their human services contracting budgets from the overall city or county budgets, we compare the cost increases to the human services budgets rather than to the overall budgets as in Table 1.

## City Contracts: Lower Than Expected Costs

**For city contracts, local officials reported that cost increases have been small and less than initially expected.**

- For most cities, contract costs increased by less than 0.1% of the overall local budget in the years after a living wage law was adopted. See Table 1, at left.
- Generally, in each city a few contracts involving large numbers of low-wage workers—for example, contracts for janitorial or security guard services—increased substantially in price. For these few contracts, the contracting businesses submitted higher bids, or negotiated for higher prices, to perform the city work once the living wage requirement took effect.
- But the officials interviewed found that most contracts increased little, if any, in cost. In many cases, contracting employers were reported to have absorbed much or all of the additional labor costs without demanding increased funds from the cities.
- Living wage requirements encouraged some local governments to institute competitive bidding for contracts that had not been put out for bid in many years, reportedly yielding savings for the cities.
- In localities that extended living wage requirements to human services such as home healthcare or child care services, cost increases were slightly larger—ranging from 0.3% to 2.79% of local human services budgets—although still quite moderate overall. See Table 2, above.
- These increased costs reflect both the high concentrations of low wages among city-contracted caregivers, and the fact that cities have sometimes agreed to automatically pay for some or all of the increased wage costs for such contracts because of the vital nature of human services and the budgetary constraints faced by the non-profit agencies that often provide these services.

## City Business Subsidies: Smarter Economic Development

**For city business subsidy programs, local officials reported that they could still attract desired business development, and that living wage laws often reinforced smarter economic development focused on creating higher quality jobs.**

- Local officials reported that only in a very few instances did living wage requirements that applied to business subsidy programs limit their ability to attract desirable employers to their communities. See Table 3, following page.
- Many business subsidy programs already emphasized attracting higher-wage jobs, so living wage laws effectively formalized and reinforced existing practices.
- Some local officials reported that a living wage requirement increased public support for their business subsidy programs by assuring taxpayers that public funds would be spent to attract only high wage jobs.
- Relatively few local officials reported using their business subsidy programs to attract jobs in low-wage sectors such as retail, since such jobs are less beneficial to local residents and the economy than higher paying jobs. The few that did use subsidies to attract retail jobs reported that they were still generally able to attract such employers, although some cities renegotiated subsidy packages or chose to exempt some businesses from the living wage requirement.

## A Guide for Local Policymakers

Local governments, in their findings collected in this study, consistently report that living wage laws cause only small increases in city contract costs, and do not interfere with city business subsidy programs. This snapshot of the actual effects of fully implemented living wage laws in a range of communities provides useful guidance for policymakers considering adopting such measures.

**Table 3: Impact of Living Wage Laws on City Business Subsidy Programs, 2001**

Locality	Type of Projects	Number of Projects with Living Wage Conditions Each Year	Number of Projects Cancelled Because of Living Wage Law
Duluth, MI	Health Care, Technology	2	0
Los Angeles, CA	Mixed Use	3	0
Minneapolis, MN	Technology	6-7	0
Oakland, CA	Mixed use	1	0
San Antonio, TX	Technology, Finance, Manufacturing	4	0
San Francisco, CA	Mixed use	1	1
Toledo, OH	Industrial	n/a	0
Warren, MI	Industrial, Manufacturing	4-6	0
Ypsilanti, MI	Industrial	1	0
Ypsilanti Township, MI	Technology, Industrial	5	0

\* The ten cities in this table represent all of those nationally that had had a living wage requirement for recipients of city business subsidies in force for at least one year as of 2001 and that were able to report to us the impact of those requirements on their economic development programs.

## The Study

The information in this report was provided by local officials in twenty cities and counties—the entire set of cities and counties that, by late 2001, both a) had a living wage law that had been in force for at least one year, and b) had the administrative capacity to produce cost impact estimates, formal internal evaluations, or other empirical assessments of the effects of their laws. Collecting such information from larger cities like San Francisco, CA and San Antonio, TX, medium-sized cities like Oakland, CA, and smaller cities like Madison, WI and Warren, MI, the study reflects the experiences of a broad range of communities with living wage laws.

## The Brennan Center's Economic Justice Project

Good jobs are essential to the long-term viability of our communities and our economy. The Brennan Center's Economic Justice Project works with coalitions of stakeholders to create regional solutions to problems of job quality and economic competitiveness. We also work at a broader level to help rebuild the core job and safety-net standards that have been dismantled over the past three decades. We support these efforts to combat growing inequality with a unique combination of research, legal assistance, and policy analysis.

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A copy of the complete report is available on the Brennan Center's website at <http://www.brennancenter.org>.

