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David Fairris

The Effects of Living Wages on Workers and Firms: Evidence from the Los Angeles Ordinance

Executive Summary

Living wage laws set wage and benefit standards for companies that do business with local governments as a means of improving the quality of contracted jobs and increasing the standard of living for low-wage workers. This study represents one of the most definitive analyses of a living wage law's impact on workers and employers. We find that:

- The Los Angeles Living Wage Ordinance has increased pay for an estimated 10,000 jobs, with limited negative impacts on business.
- Most workers affected by the living wage are poor or low-income.
- Workers experienced an immediate pay increase of roughly 20% as a result of the ordinance. This increase slowly eroded as higher-paid workers joined city contract firms as a result of the wage impact of the ordinance.
- While workers and their families have experienced measurable gains from the living wage, a significant minority still lacks health benefits and relies on government assistance.
- Most firms affected by the law have adapted to the living wage without eliminating jobs.
- Employers have recovered some of the increased costs of the living wage through reductions in labor turnover and absenteeism.

Caution is warranted in applying these results nationally because the occupational mix of city contract workers in Los Angeles is a small subset of the much larger set of low-wage occupations across the country. Also, the services of living wage workers are purchased largely out of public-sector budgets; similar wage mandates may have very different effects in the private sector. Still, on the whole, the evidence suggests significant and positive effects for workers from living wage laws, and limited downside to employers.

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Introduction

Living wage ordinances have spread rapidly across U.S. cities since their first successful campaign in Baltimore, Maryland, in 1994. Currently, about 140 cities possess living wage ordinances of one type or another (Wood 2006). These ordinances typically strive to increase the hourly wages of workers in city service contract firms so that, on a full-time basis, they are equal to or greater than the wages required to bring a family of four above the federal poverty line. In addition, some ordinances mandate or give encouragement to employers to provide health benefits to workers, and some stipulate a minimum number of paid days off for workers per year.

Research on the impact of living wages has, until very recently, taken the form of prospective studies that offer predictions about likely effects on employers, employees, and city budgets before the fact (e.g., Pollin and Brenner 2000). There have been recent attempts to analyze the actual impact of living wage ordinances on the wages, employment, and poverty levels of workers using the Current Population Survey (Neumark and Adams 2003a), but, with few exceptions, little systematic effort has been made to analyze the actual impact of living wage ordinances on workers or employers, or to collect information directly from the affected parties themselves in order to better measure effects.

This report combines an original survey of establishments affected by the Los Angeles living wage ordinance, an original survey of workers at those affected establishments, and an original and comparable survey of nonliving wage establishments in Los Angeles to analyze the impact of living wages on workers and firms.¹ The surveys provide us with our very first look at the “before/after” impact of a living wage ordinance on the wages, benefits, and paid days off of workers as well as the impact of the ordinance on human resource outcomes such as worker turnover and absenteeism in living wage affected firms.

The Los Angeles Living Wage Ordinance

The Los Angeles Living Wage Ordinance (LWO) was passed in 1997 by the Los Angeles City Council, and went into effect in May of that year. It was the tenth such ordinance to be passed in the country and is currently the third largest in the country (behind New York and San Francisco). Employers are covered in Los Angeles if they contract with the city or if they lease land from the city; the latter includes, most importantly, businesses at the Los Angeles and Ontario International Airports.

We estimate that as many as 8,000 workers in 150 firms were directly affected by the wage provision of the ordinance, but this represents only 2% of the low-wage labor force in the area. An additional 2,000 workers at living wage firms were indirectly affected by the ordinance by virtue of spillover effects – pay increases meant to restore *normative pay differences* between more-skilled and less-skilled workers. (Normative pay differences refer to the preservation of wage differentials across classes of workers—for instance, between janitorial supervisors and janitorial workers). Landscape laborers, janitors, security guards, food service workers, and parking attendants are among the more prominent occupational groups directly affected by the ordinance.

The ordinance covers: (1) companies with a city service contract of \$25,000 or more and their subcontractors; (2) companies that receive economic development subsidies (i.e., “business assistance”) of \$1 million or more in one year, or \$100,000 or more annually on an ongoing basis, and their subcontractors; and (3) companies that have a lease with the city, or are granted a license or permit, and their subcontractors.² Firms that had a contract or lease at the time the ordinance was passed did not become covered until that contract or lease was renewed. Finally, unionized firms are exempt from the provisions of the ordinance.

Beginning in 1997, covered firms were required to pay their employees working on city contracts or on city

property a minimum of either \$8.50 per hour (roughly 70% above the then state minimum wage) or \$7.25 per hour plus a \$1.25 hourly contribution to employee health benefits. The two-tier wage structure was intended to give employers an incentive to provide health insurance to their workers. The incentive comes largely in the form of tax savings, as employers pay taxes on the

An Overview of Living Wage Laws

The Basics of Living Wage Laws

Living wage laws:

- Strive to establish an hourly wage that, on a full-time basis, would provide a worker with sufficient income to support a family of four above the federal poverty line.
- Typically cover local government workers and contract workers, but occasionally extend to all workers in a metropolitan area (e.g., San Francisco, CA and Santa Fe, NM).
- Exist in over 120 cities as of April 2007.

History of the Living Wage Movement

The contemporary living wage movement was born in 1994 in Baltimore, MD, which established the first living wage ordinance. Currently, many large cities – including New York, Boston, San Francisco, and Chicago – possess living wage laws. Los Angeles was among the first to adopt such an ordinance and is among the largest in terms of number of affected workers. The modern living wage movement began due to frustration on the part of progressive activists with the stagnation of federal and state minimum wages and with the “contracting out” of city services, which converts high-paying public service jobs into low-paying contract jobs.

Differences between Living Wage and Minimum Wage

Living wages are minimum wages, but they are legislated by city governments as opposed to state or federal governments, and they establish a wage minimum that is much higher than federal or state minimum wages. The current federal minimum wage is \$5.15 per hour. Living wages can be almost three times that level. Santa Barbara, CA, has a \$14.00 per hour living wage. In 2002, Fairfax, CA adopted a \$14.75 living wage that increases annually in accordance with the Consumer Price Index.

wage component of labor costs but not on the value of the fringe benefits package. The living wage levels rise every year, and are indexed to the annual increase in the city employee pension fund (as of July 2006, the levels were \$9.39 without health benefits and \$10.64 with health benefits). Firms are also required to provide their covered employees with 12 paid days off and 10 unpaid days off per year.

Background Literature

Early studies of the impact of living wage ordinances were prospective in nature, relying on local government databases, surveys of contractors who were likely to be affected by an ordinance, and regional input-output data and the Current Population Survey (CPS) to arrive at “guesstimates” of likely impacts. Robert Pollin and Stephanie Luce (1998) set the standard for this type of work in the Los Angeles case, and their approach was widely replicated by others in different contexts.

Studies that analyze the impact of living wage ordinances “after the fact” are typically of two types. One approach, represented by the work of David Neumark and Scott Adams (2003a,b), uses CPS data and a regression model—over time and across urban areas—to estimate impacts on wages, employment, and urban poverty. A second approach, typified by this paper and many of the articles in the research volume edited by David Fairris and Michael Reich (2005), focuses on one urban area, and relies on direct surveys of affected workers and firms to explore the impact of living wage on a wide range of outcome variables, including labor turnover and worker morale which are not commonly measured in national data sources.

The first approach has the advantage of estimating impacts that generalize to the nation’s urban areas. However, the method is open to criticisms that it provides only indirect measures of those affected by living wage ordinances, and that some of the results are orders of magnitude away from plausibility. The second approach goes deeper and with more focused attention on

the range of possible impacts, but it has the drawback of essentially yielding a very careful and detailed case study, the results of which may be difficult to apply elsewhere.

Surveys of Workers and Establishments

The Living Wage Employer Survey was the first stage in an intentional three-part survey design that included a survey of affected workers at these very same establishments and a survey of unaffected firms to serve as a “control group” comparison for judging the true impact on living wage employers. We initially conducted structured, in-person interviews of roughly 1-2 hours each with 82 living wage employers at their offices. We then solicited approval and assistance in contacting, sampling, and surveying workers in those firms. The Living Wage Employer Survey began in fall 2001 and was largely completed by fall 2002.

In the second stage of the project, 320 workers from 65 living wage establishments responded to surveys from the winter of 2002 to the summer of 2003. The survey response rate was 81 percent. Worker surveys were typically administered away from the place of employment, and lasted from 45 minutes to 1.5 hours. The target population of the Survey of Living Wage Workers was workers directly affected by the living wage ordinance – specifically, workers in jobs wherein the wages for their jobs were mandated to increase as a result of the ordinance. The establishment and worker survey data were merged to form the matched employer-employee data set.

The data on nonliving wage establishments came from the Survey of Diversity in Human Resource Practices – a survey of roughly 210 establishments in Los Angeles that documents differences in wage and benefits packages, and in human resource outcomes such as turnover, training, and absenteeism, among establishments in narrowly-defined industrial groups. This survey was explicitly designed to mirror the size and sectoral distribution of the Living Wage Employer Survey.³ The

nonliving wage survey questions were patterned directly after those in the living wage survey. Both asked about contemporary conditions and about conditions prior to the living wage ordinance. The timing of the two surveys was roughly comparable, so the responses to questions regarding contemporary conditions cover a similar time period. Despite the similarities, the living wage survey had the official endorsement of the City of Los Angeles, and consequently, a much higher response rate than the nonliving wage survey.

In order to compare living wage workers to low-wage workers in Los Angeles more generally, and to better understand the family incomes of living wage affected workers, we utilize the 2002 and 2003 outgoing rotation files of the Current Population Survey.

Finally, a note on methods: All descriptive statistics reported in this study are weighted so as to be representative of the relevant population totals. In addition, whenever we make comparisons of outcomes – for example, with turnover in living wage versus nonliving wage firms – the comparisons are based on workers and firms with similar background characteristics. This is accomplished through multiple regression analysis, which allows us to control for establishment characteristics – such as number of employees, union status, and profit/non-profit status – or individual worker characteristics – such as education, work experience, gender, race, and ethnicity – in the comparisons. In almost all cases, only comparisons that are significant in a statistical sense are reported here. For a more precise description of the empirical methods for this study, see Fairris et al. (2005).

Characteristics of Living Wage Workers

When compared to low-wage workers in similar industries in Los Angeles County,⁴ living-wage workers are:

- *More likely to be women.* Fifty-seven percent of living wage affected workers are women, compared to 45 percent of low-wage workers in L.A. County.

- *Older than low-wage workers.* Nearly 60 percent of living wage affected workers are 35 or older, while less than 40 percent of low-wage workers in L.A. County are in that category.

- *Less likely to be Latino* (61 percent versus 71 percent in L.A. County), *but far more likely to be African American* (30 percent versus 8 percent).

- *Equally likely to be married* (40 percent) and *equally likely to have dependent children in the household* (40 percent).

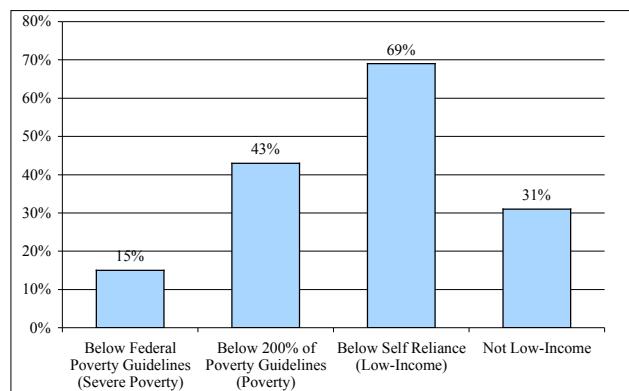
In addition, the great majority (86 percent) of employees affected by the living wage work full-time, either at their living wage job or by combining that job with another job. Seventy-one percent of living wage affected employees work full-time (35 hours per week or more) at their living wage job. Finally, the great majority (71 percent) of living wage affected workers have a high school education or less.

The above characteristics of living wage affected workers – and especially their greater propensity to be older, work full-time, and have dependent children – suggest that they are likely to be parents in low-income households, where their income is an important contributor to the overall household living standard. Unfortunately, the Living Wage Worker Survey did not gather reliable information on family income with which to confirm this prediction. The next-best source of such data for low-wage workers in L.A. County is the Current Population Survey (CPS), which we use to estimate the family incomes of living wage affected workers. Given the above comparisons, we suspect that using CPS data on low-wage workers in L.A. County will overestimate family incomes and underestimate the poverty status of living wage affected workers.

For poverty measures, we chose three different standards: (1) the Federal Poverty Guideline (which in 2002 was \$18,100 for a family of four); (2) twice the Federal Poverty Guideline – a somewhat more realistic measure of poverty, and a guideline that is closer to that used by several anti-poverty programs in the State of California (such as subsidies for child care and Healthy Families subsidized health care); and finally (3) self-reliance bud-

gets which are based on actual living expenses in the region (the self-reliance budget for a family of four with one parent working, for example, is \$40,000).⁵

Figure 1. Percentage of L.A. County Low-Wage Workers† Whose Family Income Falls Below Low-Income Thresholds



Source: Economic Policy Institute analysis of Current Population Survey March Supplement, 2002 and 2003 combined. †Includes all workers earning \$6.75 to \$11.99 per hour. N=277.

Comparing the family incomes of low-wage workers in L.A. County to these three measures yields the results shown in Figure 1. Only 15 percent of low-wage workers are in households in severe poverty, falling below the Federal Poverty Guidelines. Most households in this category are composed of occupants who do not work, and so it comes as no surprise that low-wage workers are less commonly found in households in severe poverty. Using the standard of 200 percent of the poverty guidelines as a more realistic measure of poverty status, 43 percent of low-wage workers are in poor households. These workers meet the income eligibility criteria for various government anti-poverty programs. Finally, a majority of workers, or 69 percent fall below a self-reliance standard for households in Los Angeles County, and would likely have difficulty making ends meet without sharing housing or relying on government assistance.

The income gains from the living wage are likely to affect predominantly poor and low-income families.

or informal child care. The remaining 31 percent of low-wage workers are not in low-income households, probably because they either have a spouse who earns income or they are dependents of parents who contribute to household income.

Since we suspect that living wage affected workers are likely to have even lower family incomes than the average low-wage worker in similar industries, a major finding of this study is that the income gains from the living wage are likely to affect predominantly poor and low-income families. This is consistent with the results of other studies such as Neumark and Adams (2003b).

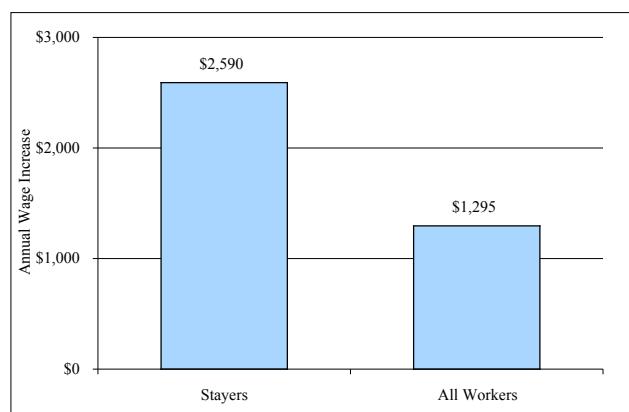
Effects on Pay and Benefits

Workers affected by living wage ordinances can be divided into two groups: (1) those who were employed prior to the ordinance (which we label “stayers”) and (2) those who joined the living wage covered sector following the ordinance (“joiners”). We calculate the pay increase for stayers and then for both groups combined. The former gives us a rough estimate of the initial pay increase of workers in the living wage sector (assuming “stayers” fairly resemble “leavers”), while the latter gives us the pay increase after a period of adjustment by firms to the living wage ordinance. The adjustment that most interests us is whether, as economic theory suggests, employers substitute towards more high-skill workers when the pay of low-skill workers is increased by virtue of a wage minimum. If firms engage in so-called “labor-labor substitution,” the pay increase for the workforce following the period of adjustment will be less, on average, than for the initial group of workers simply because the new hires will have earned higher pay in their previous jobs.

The stayers received an estimated average pay increase of \$1.48 an hour (or 20 percent), due to the living wage, after adjusting for the state-level minimum wage increases that occurred during the same time period. Joiners, who comprised 53 percent of the affected workforce at the time of the worker survey, experienced significantly smaller gains, with the average pay raise for

the post-adjustment workforce at 14 percent.⁶ The results presented in Figure 2 put these percentages in terms of annual average pay increases. The results suggest that firms are indeed able to hire more highly valued workers following the wage increase stipulated by the living wage ordinance.

Figure 2. Average Annual Pay Increase for Stayers and for All Affected Workers



Source: Living Wage Worker Survey

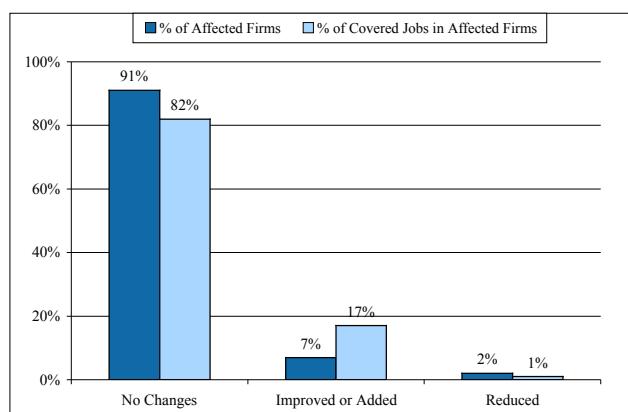
In addition to the effects of the living wage ordinance on wages, we also examined its effects on health benefits. Our analysis reveals that the ordinance did not prompt affected firms to initiate health benefits plans if they were not already providing them. Data from the establishment surveys reveal that changes in company sponsored health benefits plans were not significantly different across the affected and control group of firms (Figure 3).⁷ This suggests that the tax savings provided by the \$1.25 differential—where employers pay taxes on wages but not benefits—were not sufficient to induce firms to initiate health coverage.

However, the living wage ordinance did induce affected firms that already provided health benefits to improve benefits or extend them to more workers. Seven percent of affected firms either improved existing health

The results suggest that firms are indeed able to hire more highly valued workers following the wage increase stipulated by the living wage ordinance.

benefits for low-wage workers or extended the benefits to more workers due to the living wage. Those firms improved benefits for 2,236 jobs, representing 17 percent of covered jobs in affected firms.

Figure 3. Changes in Health Benefits for Firms and Jobs



Source: *Living Wage Employer Survey*, weighted by number of workers on living wage contracts.

Only two percent of affected firms reduced their contribution to benefits, citing as the reason the increased costs of required wage increases under the ordinance. These reductions affected 140 jobs, or one percent of covered jobs in affected firms. This very small percentage suggests that firms did not by and large react to the mandated wage increase by reducing non-wage benefits in turn. The \$1.25 mandatory offset for the absence of health benefits may have acted as some discouragement to firms considering this option.

The tax savings... were not sufficient to induce firms to initiate health coverage. However, the living wage ordinance did induce affected firms that already provided health benefits to improve benefits or extend them to more workers.

Effects on Employment and Time Off for Workers

Declines in the level of employment are a widely predicted consequence of minimum wage laws. Employ-

ers are expected to reduce jobs in response to the increased cost of labor. Empirical analysis of employment loss is a much-studied area of research and so was not a major focus of the present study. However, the Living Wage Employer Survey indicates that most affected firms did not reduce employment, consistent with much of the literature in this area (Brown 1999; Card and Krueger 1995). The survey asked if firms had changed staffing due to the living wage. Four out of five affected firms surveyed (81 percent) reported that they did not cut jobs on their city contracts due to the living wage ordinance. Firms that did cut jobs were asked to quantify the job loss. Based on these results, we estimate that 112 jobs on living wage contracts in Los Angeles were eliminated due to the living wage mandate. This number represents 0.8 percent of all covered workers in affected firms and 1.4 percent of affected workers. Affected firms that cut staff were concentrated among social service providers, janitorial companies or miscellaneous other businesses. In addition, there was a slightly greater probability of employment loss in small businesses.

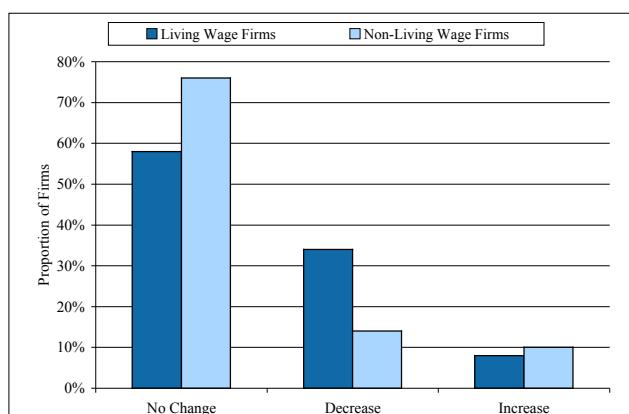
While the living wage ordinance had marginal effects on job cuts, the effects on expanding “time off” for workers were more significant. The living wage required that employers provide 12 paid and 10 unpaid days off annually to full-time workers (with part-time workers receiving time off on a pro-rated basis). Results from the control group analysis show that the average living wage affected firm increased paid days off by 1.7 days due to the ordinance, an increase of 23 percent. Moreover, on average, affected firms increased their unpaid days off by two days, from nine unpaid days off to eleven unpaid days off per year, which represents an increase of 22 percent.

Effects on Worker Turnover and Absenteeism

The cost to employers of the living wage ordinance can be gauged by the wage and benefits provisions discussed above. This section explores whether the in-

creased costs to employers are partially mitigated by costs savings in other human resource outcomes. This study found two substantive areas in which firms' costs were reduced by such savings.

Figure 4. Change in Annual Turnover for Living Wage Affected Firms and Non-Living Wage Firms



Source: *Living Wage Employer Survey and Survey of Diversity in Human Resource Practices*

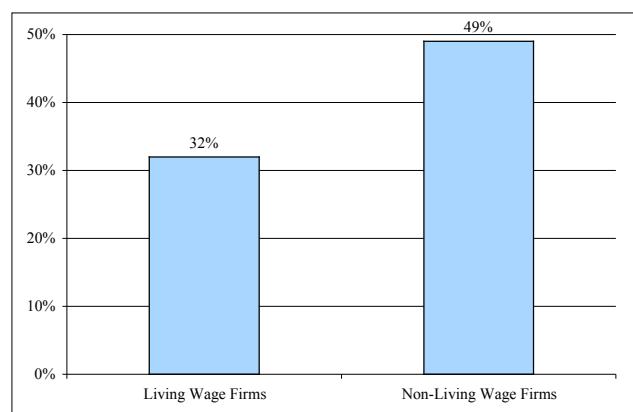
A wage or benefits increase may lead to a decrease in employee turnover for two reasons. To begin with, better wage and benefits may attract more stable employees. Also, affected workers may value their jobs more and thus be less likely to leave voluntarily. We conducted a control group analysis to measure changes in turnover by asking whether turnover increased, decreased or stayed the same.⁸ As shown in Figure 4 above, the majority of living wage affected firms experienced no changes in annual turnover, although one-third did see a decrease in turnover, and this was more than double the percentage for non-living wage firms.⁹

Results from the control group analysis also indicate that living wage affected firms have lower current rates of employee turnover than non-living wage firms, as shown in Figure 5. Looking at turnover just for the largest low-wage occupation in each survey firm, the average current turnover rate at living wage affected firms is 17 percentage points lower than at comparable non-living wage firms. Our analysis suggests that this difference is largely attributable to the living wage ordinance.

Living wage affected firms have lower current rates of employee turnover than non-living wage firms... [Also], results from the control group analysis show that absenteeism decreased on average among living wage affected firms.

The decreased turnover rates seen among living wage affected firms represent both potential productivity gains and cost savings for the employer. Lower turnover means more-experienced employees, who need less supervision and are more skilled at their jobs. Fewer employees leaving means that fewer have to be hired, leading to decreased spending on recruitment and hiring, and less supervisor time spent training new employees. Using estimates from various studies of the cost to firms of replacing low-wage workers, we estimate that the savings from turnover reduction make up roughly 16 percent of the increased wage costs resulting from the living wage. While substantial, this estimate is consistent with evidence that wage increases rarely pay for themselves through reduced turnover (Campbell 1993).

Figure 5. Variation in Current Rates of Turnover



Sources: *Living Wage Employer Survey and Survey of Diversity in Human Resource Practices*.

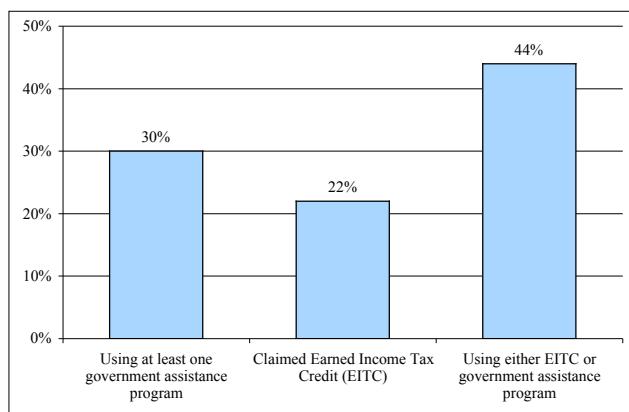
A similar dynamic might be expected with regard to employee absenteeism. The cost of absenteeism to workers increases as wages rise. Workers also value their jobs more highly, and therefore may not wish to risk

losing them by being absent from work unexpectedly. Finally, the higher wages and benefits might attract workers who are more stable and less likely to be absent without scheduling the day off. Firms in the Living Wage Employer Survey were asked whether absenteeism had decreased, stayed the same or increased since the living wage. Results from the control group analysis show that absenteeism decreased on average among living wage affected firms, while non-living wage firms reported no such decrease.

Is the Living Wage Enough?

Despite the fairly significant wage increases for affected workers, it is interesting to ask whether the living wage ordinance meets basic family needs as perceived by the workers themselves. Survey results reveal that 81 percent of living wage affected workers say that the level at which the living wage is set is not sufficient to meet their needs and those of their families. Another way to approach this issue is to examine workers' use of anti-poverty programs. The Living Wage Worker Survey data suggest that, even while earning the living wage, a sizable minority of workers are still poor enough to qualify for government assistance.

Figure 6. Participation Rates in Government Anti-Poverty Programs for Living Wage Affected Workers



Source: *Living Wage Worker Survey*

A small percentage of workers affected by the living wage rely on public housing subsidies and Food Stamps, programs which are sensitive to minor changes in income. However, as revealed in Figure 6, a significant portion of affected workers rely on other programs. Thirty percent of affected workers said they or their children made use of at least one anti-poverty program other than the Earned Income Tax Credit (EITC), with the most heavily used programs being Medi-Cal health insurance, the school lunch program and Women, Infants, and Children food subsidies. In addition, one in five affected workers said they claimed the EITC on their last tax return. In all, 44 percent of workers surveyed reported that their family either claimed the EITC or was using at least one government anti-poverty program. Living wage affected workers are by no means removed from family poverty by virtue of the living wage ordinance.

Policy Implications

The results of this study suggest that the Los Angeles Living Wage Ordinance improved the living standards of affected workers in city contract firms and yet did not result in substantive job loss. These gains were limited in several very important ways however. The ordinance affected only about 2% of the low-wage labor force in Los Angeles. Moreover, the very real gains for affected workers did not alleviate the dire consequences facing many of them and their families. The living wage is not sufficient to meet their needs, and an uncomfortable number remain without sufficient health coverage.

Firms witnessed an increase in labor costs, which no doubt affected profit margins, but these firms also experienced certain offsets in the form of reduced labor turnover and a reduction in unscheduled absenteeism. The living wage may not be a "win-win" policy for workers and firms. However, judging from our interviews and the initial resistance of city contract firms to the ordinance, we find that many firms underestimated the

positive human resource consequences that flow from a high-wage policy towards workers.

Do our findings suggest that a substantive increase in state or even the federal minimum wage will lead to similar consequences, but for a much larger swathe of low-wage workers and their employers? It is difficult to predict from the results of this study what might happen were state or federal minimum wages to increase to \$10 or more per hour. The occupational mix of city contract workers in Los Angeles is a small subset of the much larger set of low-wage occupations across the country. Employment losses might well be more severe in some of these other occupations. Opportunities for labor-labor substitution could be greater. Also, the services of living wage workers are purchased largely from public-sector budgets, where demand is arguably highly inelastic. By contrast, private-sector consumers of the products and services of low-wage labor may possess good substitutes and thereby substantially reduce quantities demanded if wages (and thereby prices) were to rise significantly.

Judging from our interviews and the initial resistance of city contract firms to the ordinance, we find that many firms underestimated the positive human resource consequences that flow from a high-wage policy towards workers

Moreover, even by our own evidence, other low-wage workers are less likely to live in poverty-stricken families. Thus, similar wage mandates in other settings may have less positive effects on family living standards. And, finally, with regard to the offsets to firm costs (in the form of reduced turnover and worker absenteeism), the extent of these offsets rests on the relative attractiveness of jobs in the minimum wage sector as compared to the uncovered sector. If most low-wage jobs were covered by a high and blanket minimum wage, the uncovered sector would be small and the human resource

benefits to firms of a high-wage policy might be mitigated.

That said, we view the general results of this study as evidence that the effects of living wage policies are much less deleterious than is commonly viewed by critics such as the small business community and conservative economists. Living wages appear to be properly targeted to needy families. They are tailored to be limited in scope, and perhaps selectively tailored so as to minimize the costs to the community as a whole. And they result from city council deliberations that may more fairly represent the interests of contending parties. For these reasons, the living wage movement is likely to grow in the future.

Notes

¹ This paper summarizes some of the results of a larger report on the impact of the Los Angeles Living Wage Ordinance by Fairris, Runsten, Briones, and Goodheart (2005). I, alone, am responsible for any errors contained herein.

² For ease of exposition, we refer to all as “city contract firms.”

³ For a more precise description of the survey instrument, sampling frame, and weights employed in each survey, consult Fairris et al. (2005).

⁴ This is from an Economic Policy Institute analysis of the Current Population Survey Outgoing Rotation Group, 2002 and 2003 combined, for workers in similar industries as those covered by the living wage and earning between \$6.75 and \$11.99 per hour.

⁵ For information on self-reliance budgets, see Pearce (2003) for the couple with no children, and California Budget Project (2003) for all other family types.

⁶ A more in-depth analysis of “labor-labor substitution” utilizing these data can be found in Fairris and Bujanda (2007).

⁷ All results comparing living wage establishments to the control group of establishments are discussed in greater depth in Fairris (2005).

⁸ In comparing changes over time across the control and treatment group of firms, we are implicitly controlling for fixed features of these firms that are not captured in the regression analysis. It is interesting to note that, despite there being a higher incidence of fringe benefits and unionization in city contract firms, absent the living wage ordinance, city contract firms report that they would pay occupational wages that are almost exactly the same as those paid by the control group. This is at least suggestive evidence that the two groups of firms are indeed similar in their wage policies in the absence of the living wage ordinance. See Fairris (2005) for further discussion.

⁹ For the purposes of this study, turnover refers to the annual percentage of employees that quit or were fired.

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