

LOCAL LIVING WAGE ORDINANCES

Experience, Evidence and Best Practice
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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.

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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.

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.