



# EXAMINING THE EVIDENCE

## THE IMPACT OF THE LOS ANGELES LIVING WAGE ORDINANCE ON WORKERS AND BUSINESSES

**David Fairris**

*Department of Economics, University of California Riverside*

**David Runsten**

*North American Integration and Development Center,  
University of California Los Angeles*

**Carolina Briones**

*Los Angeles Alliance for a New Economy*

**Jessica Goodheart**

*Los Angeles Alliance for a New Economy*

# EXAMINING THE EVIDENCE:

## THE IMPACT OF THE LOS ANGELES LIVING WAGE ORDINANCE ON WORKERS AND BUSINESSES

*David Fairris*  
*Department of Economics,*  
*University of California Riverside*

*David Runsten*  
*North American Integration and Development Center,*  
*University of California Los Angeles*

*Carolina Briones*  
*Los Angeles Alliance for a New Economy*

*Jessica Goodheart*  
*Los Angeles Alliance for a New Economy*

### *About This Report*

This report was made possible by funding from the Ford Foundation, Los Angeles World Airports and the University of California Institute for Industrial Relations.

This is a summary of a longer report, written by the same authors and with the same title. The full report contains more detailed statistical and methodological information, including an appendix on survey methodology. The full report can be downloaded in PDF format at [www.iir.ucla.edu/research/research.html](http://www.iir.ucla.edu/research/research.html), and ordered in hard copy at [www.LosAngelesLivingWageStudy.org](http://www.LosAngelesLivingWageStudy.org).

COVER PHOTO CREDITS

Front Cover Los Angeles: © John Gettler  
Cafeteria Worker: © VICTOR ALEMAN / 2MUN-DOS.COM

Back Cover Los Angeles: Binko Nagara  
Convention Center: © VICTOR ALEMAN / 2MUN-DOS.COM

## ACKNOWLEDGEMENTS

A project of this size does not come into being without the talent and hard work of many people. We would especially like to thank the following contributing authors: León Fernández Bujanda, who conducted the multiple regression analyses, and Alissa Anderson-Garcia and Amy Willis, who conducted other statistical analyses and wrote drafts of many sections. We extend our gratitude to Jeff Chapman of the Economic Policy Institute, who spent countless hours reviewing our survey data and assembling comparative data from the Current Population Survey. We also thank Heather Boushey and Wei Wei of the Center for Economic and Policy Research, who analyzed comparative data from the Survey of Income and Program Participation.

We extend our appreciation to the members of the academic advisory board for this project, who helped us in a variety of ways, from giving us feedback on the research design in the early stages of the project, to reading and commenting on report drafts.

### *Academic Advisory Board*

**Rick Abel**, UCLA Law School

**Mark Brenner**, University of Massachusetts Amherst Political Economy Research Institute

**Robin Liggett**, UCLA Department of Urban Planning

**Ruth Milkman**, UCLA Institute of Industrial Relations, and Department of Sociology

**David Neumark**, Public Policy Institute of California

**Manuel Pastor**, UC Santa Cruz Department of Latin American and Latino Studies,  
and Center for Justice, Tolerance and Community

**Robert Pollin**, University of Massachusetts Amherst Political Economy Research Institute

**Michael Reich**, UC Berkeley Economics Department

**Abel Valenzuela**, UCLA Department of Urban Planning, Department of Chicano Studies,  
and Center for the Study of Urban Poverty

**Carol Zabin**, UC Berkeley Center for Labor Research and Education

The employer and worker surveys were multi-year projects that required dedication, tenacity and organizational prowess from many people. Nicole Drake, Edith Mendez and Carolina Sarmiento were the heart and soul of the worker survey team. Nicole coordinated the team, and also conducted many of the employer interviews, while Edith and Carolina conducted many of the worker interviews. Other worker surveyors included: Marjeli Cruz, Ariane Dalla Dea, Martha Gonzales, David Marquardt, Eli Naduris-Weissman, Blanca Novelo and Judith Stevenson. This team spent countless hours outside worksites and at kitchen tables in order to find and interview the 320 workers who agreed to share their stories with us. Ana Garcia and Socorro Sarmiento piloted the initial survey and helped refine the questions. Anna Garcia also translated the survey into Spanish. The employer survey team included Jamie Goodwin-White, Loh Sze Leung, Sarah Gray Ramsey, Amy Willis, Eric Schwimmer, Erwin Letona and Tarecq Amer. Jamie also designed the data entry platform for the employer survey. Rita Davila, Nicole Drake, Jamie Goodwin-White, Edith Mendez, Carolina Sarmiento, Eric Schwimmer and Amy Willis spent many arduous hours entering and cleaning survey data.

The surveys would not have been possible without the help and advice of June Gibson and Nghiem Tran from the office of the Los Angeles City Administrative Officer, who shared their living wage enforcement database with us and assisted us in countless ways. Various staff members at Los Angeles World Airports were instrumental in allowing us to complete the sur-

veys as well. Steven Wallace of the UCLA Center for Health Policy Research read the health chapter and made important and useful comments. John Colborn of the Ford Foundation also provided helpful comments on the draft.

We want to acknowledge the 82 employers who took time out of their busy schedules to share their experience of the living wage ordinance and to facilitate interviews with their employees. Likewise, we want to thank the 320 workers who shared their personal experiences under the living wage ordinance and ultimately made this study possible.

We are grateful to the following funders that helped make this project possible: The Ford Foundation, Los Angeles World Airports, the University of California Institute for Industrial Relations, the McKay Foundation, the French American Charitable Trust, VEATCH Unitarian Universalist Program and the Solidago Foundation.

The authors take full responsibility for the contents of this report and are responsible for any errors or omissions it may contain.

# EXECUTIVE SUMMARY



## ABOUT THIS STUDY

This study represents the most definitive analysis of a living wage law's impact on workers and employers. It provides important new insights on the effects of living wage policies, which have been adopted by more than 120 local governments around the country.

The study's findings are based on three original random-sample surveys of workers and firms. Random sampling techniques ensure that survey findings are representative of the entire population being studied. The surveys include:

- A survey of 320 workers affected by the Los Angeles Living Wage Ordinance, conducted after the pay increase had taken place. This is the first such survey ever completed.
- A survey of 82 firms affected by the Los Angeles Living Wage Ordinance.
- A control group survey of non-living wage firms in similar industries, which provides a baseline for comparison in order to isolate the impacts of the living wage.

## ABOUT THE LIVING WAGE

Living wage laws set wage and benefit standards for companies that do business with the government, such as service contractors, as a means to improve the quality of contracted jobs and increase the standard of living for low-income workers.

The first living wage law was passed in Baltimore in 1994. Over the past 11 years, many of the largest cities in the country, including New York, Boston, San Francisco and Chicago, have passed living wage laws, as have scores of smaller cities.

In 1997, Los Angeles became one of the first major cities to pass a living wage law. The ordinance currently (as of 2004–2005) requires firms to pay either \$10.03 per hour, or \$8.78 with a \$1.25 per hour contribution to health benefits, and to provide 12 paid days and 10 unpaid days off per year.

## General Findings

- The Los Angeles Living Wage Ordinance has increased pay for an estimated 10,000 jobs, with minimal reductions in employment.
- The number of jobs where pay was increased is among the largest in the nation, after New York and San Francisco.
- Although the living wage has not prompted firms to set up health benefits plans, some firms have improved their existing plans or extended coverage to more workers, affecting 2,200 jobs.
- Most workers affected by the living wage are poor or low-income.
- Most firms affected by the law have adapted to the living wage without eliminating jobs. Employment reductions amounted to one percent of all affected jobs, or an estimated 112 jobs.
- Employers have recovered some of the increased costs of the living wage through reductions in labor turnover and absenteeism.
- Firms have adapted to the remaining costs in a variety of ways, including cutting fringe benefits and overtime, hiring more highly trained workers, cutting profits and passing on costs to the city or to the public.
- 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.

## WHAT JOBS ARE AFFECTED BY THE LIVING WAGE?

- Sixty-four percent of jobs affected by the living wage are at Los Angeles International or Ontario airports.
- Major affected occupations include airline service workers, janitors, parking attendants, food service workers and retail clerks.
- Most affected jobs are in firms that are service contractors to the city (41 percent), or service contractors to the airlines (37 percent).

## ARE LIVING WAGE WORKERS IN POOR OR LOW-INCOME FAMILIES?

- The L.A. Living Wage Ordinance affects primarily poor and low-income families.
- Seventy-one percent of workers affected by the living wage have a high school education or less, and only four percent of affected workers are teenagers.
- On average, affected workers have been in the labor force for 19 years, and 86 percent work full-time.
- Compared to L.A. County low-wage workers, workers affected by the living wage are more likely to be women, to be African-American and to be single mothers.
- We used data on L.A. County low-wage workers to estimate the family incomes of workers affected by the living wage, because the two groups share many common characteristics.
- Fifteen percent of L.A. County low-wage workers fall below the Federal Poverty Guidelines, a measure of severe poverty.
- More than 40 percent of low-wage workers in L.A. County fall below 200 percent of the



poverty guidelines. This is arguably a more realistic measure of poverty status, since many workers at this income remain eligible for government assistance.

- Nearly 70 percent of low-wage workers in L.A. County can be considered low-income. They fall below a self-reliance standard, which measures the actual cost of living expenses in Los Angeles County.
- Workers affected by the living wage are likely to have lower family incomes than L.A. County low-wage workers.

---

## WHAT IS THE IMPACT OF THE LIVING WAGE ON WAGES?

- Pay for an estimated 8,000 jobs has been increased to meet the requirements of the ordinance. The average mandatory pay increase was 20 percent, or \$2,600 per year.
- The wage gain for the current workforce is smaller than the original pay increase because some of the original workers have left and workers from higher-paying jobs have been hired. For the workers in affected jobs at the time of the survey, the average raise was \$1,300 per year, or about half as much as the pay increase for the original workforce.
- Voluntary raises affecting an estimated 2,000

additional jobs have been given mostly to maintain pay differentials between higher- and lower-paid workers. These raises average \$0.75 per hour, or \$1,300 per year.

- An analysis of three prototypical families, representing 68 percent of affected workers, shows that workers keep 70 percent or more of their wage gains after taxes.
- A similar analysis shows that most workers and their families will likely retain their eligibility for anti-poverty programs. Three percent of affected workers, who are single parents relying on Section 8 or Food Stamps, are likely to face reduced eligibility for these programs.

---

## WHAT IS THE IMPACT OF THE LIVING WAGE ON BENEFITS?

- The \$1.25 health care differential is not sufficient to encourage firms to initiate health plans for workers if they do not already offer such plans. The health care differential is less than the average cost of job-based individual health benefits in California, which was \$1.49 per hour for a full-time worker in 2003.
- However, the living wage has improved health benefits for an estimated 2,200 jobs by encouraging employers who already provide benefits to improve their plans or extend coverage to more workers. Benefits have been reduced for 140 jobs in order to cut costs.
- Even after the living wage, 31 percent of workers are uninsured and 54 percent of workers' children rely on public health insurance or are uninsured.
- Almost 60 percent of workers who receive the higher wage in lieu of health benefits say they would accept the lower wage in exchange for free employer-provided health insurance. Three out of four workers who receive the lower wage say they would not trade their health benefits for a higher wage.

- Living wage firms offer workers two more paid days off per year as a result of the ordinance, an increase of 23 percent. However, some workers report being discouraged from taking days off or being penalized for doing so.
- Compared to the original workforce, workers hired after the living wage have similar levels of education, are of similar age, and are no less likely to be members of racial or ethnic minority groups.

---

## WHAT IS THE IMPACT OF THE LIVING WAGE ON EMPLOYERS AND THE WORKPLACE?

- Employers have cut costs by making small reductions in employment and fringe benefits. Employment reductions total an estimated 112 jobs, representing one percent of all living wage employment in affected firms. Employers cut fringe benefits for less than five percent of living wage jobs in affected firms, including cuts in health benefits, merit pay and bonuses.
- Use of overtime has declined, representing a further reduction in labor costs. Training for new hires stayed the same at living wage firms, while non-living wage firms have increased their training, representing a relative decrease for living wage firms.
- Labor turnover has declined as a result of the ordinance. Current rates of turnover at living wage firms average 32 percent, compared to 49 percent at comparable non-living wage firms. These turnover reductions represent a cost savings for the average firm that is 16 percent of the cost of the wage increase, based on various estimates of the cost of replacing a low-wage worker.
- The ordinance has had no impact on the use of part-time workers, the intensity of supervision, the tendency to fill vacancies from within or the use of equipment and machinery.
- Firms have not actively displaced workers in order to hire workers who are better qualified, and most firms have not changed hiring standards as a result of the ordinance.
- New hires are more likely to be male and to have higher levels of formal training. Fifty-six percent of new hires are male, compared to 45 percent of workers hired before the living wage. Twenty-two percent of new hires had formal training before being hired, while only 12 percent of workers hired before the law had such training. These changes occurred primarily through normal attrition at the firms. They suggest somewhat diminished job opportunities in city contract work for women and for workers with less formal training, as compared to before the ordinance.



**EXAMINING THE EVIDENCE:  
THE IMPACT OF THE LOS ANGELES  
LIVING WAGE ORDINANCE ON  
WORKERS AND BUSINESSES**

*For more information, visit  
[www.LosAngelesLivingWageStudy.org](http://www.LosAngelesLivingWageStudy.org)  
or [www.iir.ucla.edu/research/research.html](http://www.iir.ucla.edu/research/research.html)*