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Three Year Review of Cleveland Living Wage Ordinance Finds Small Impact Report Recommends Adding Health Provision, Improving Monitoring and Enforcement

Three years after Cleveland's Fair Employment Wage Ordinance went into effect, a new report from Policy Matters Ohio finds that it has resulted in modest pay raises for a small number of workers. It has not caused a substantial increase in contract costs, and has prevented only one financial assistance agreement according to the city. Loose record-keeping requirements in the law have made it difficult to fully assess the ordinance and limited enforcement has reduced the law's effectiveness.

The ordinance, passed in June 2000 and popularly referred to as the Living Wage law, requires that a higher minimum wage be paid by the city and certain employers contracting with or receiving economic development assistance from the city. The current required wage, \$9.34 an hour, is indexed to the Consumer Price Index to rise with inflation. "In addition to being good for workers themselves," report author Dana Williams said, "other research has shown that living wage laws also strengthen local economies, lead to more efficient service provision, and encourage high-road economic development in a city."

Of the roughly 9,500 people working for the city of Cleveland, previous Policy Matters research found that about one percent, slightly less than 100 employees, received wage increases as a result of the ordinance. Eight city employees received raises last year after the most recent required increase in the wage, and some employees may have benefited from the 2002 increase. All other city employees were already earning above the threshold.

Over three years, the Cleveland ordinance has covered 39 service contracts with 27 contractors who together employ 7,392 workers. This is roughly three percent of the city's contractors. Other contracts were exempt because they were for goods instead of services, they were for uncovered services, or because employer size or contract size was too small. Nearly all covered employees were already paid above the required wage.

Of 47 financial assistance deals reviewed for compliance by the city, the law covers only six, applying to about 2,300 employees. Contracts are still pending on several assistance agreements that could be covered. Other contracts are exempt because the firms employed too few people or the assistance levels were below \$75,000.

Just one financial assistance recipient, the non-profit Vocational Guidance Services, increased wages to comply with the ordinance. Ninety percent of the \$39 million in assistance agreements is for a \$35 million tax abatement for Sysco, a food distributor relocating from Bedford Heights.



Container Compliance is the only firm on the city’s list of projects it could not assist because of the ordinance. The company employed 21 people, some at lower-than-required wages, when it applied for a \$160,000 loan and \$25,000 grant, which would have allowed it to add five workers.

At least four covered companies do not offer health insurance. One company, US Cotton, was granted an exemption from the wage requirement because it argued that if health insurance costs were included in hourly compensation calculations, the employee payment would exceed the living wage even though hourly wage payments did not. Many living wage laws elsewhere include a provision requiring higher hourly compensation for workers not provided insurance.

“We recommend requiring employers who do not provide affordable health insurance to provide higher hourly compensation,” said Williams. “Including a health provision makes it easier for companies who offer insurance to compete, and assists uncovered workers in purchasing their own coverage. We also suggest improved monitoring and enforcement, including clearer questions on the number and wage levels of employees.”

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