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MINIMAL ENFORCEMENT:  
THE CLEVELAND  
LIVING WAGE LAW'S  
FIRST YEAR

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## Executive Summary

Cleveland's living wage law, effective January 2001, set an initial minimum wage of \$8.20 an hour, with cost-of-living increases built in, for city workers and certain employees of firms receiving city contracts or city economic development assistance. This report evaluates living wage implementation through the first year.

- Through one year, the City had applied the living wage to nine service contracts and one financial assistance deal.
- Approximately 100 city workers, primarily part-time and seasonal, have seen raises as a result of the living wage law, and the lowest paid city worker now makes \$8.70 an hour. The City has been unable to provide exact figures on the number of employees affected and the cost of raising their salaries.
- The number of private-sector workers who have received raises as a result of the law is unknown, partly because monitoring procedures written into the law have proven insufficient, and the City has focused very little time and effort on monitoring and enforcement.
- The City has not adequately enforced the minimal paperwork requirements for employers, effectively negating the health care provisions in the law.
- The Fair Employment Wage Board, charged with reviewing the law, has not completed the initial task of creating a posting informing workers of their rights. As worker complaints are the primary way of monitoring compliance, this is a glaring omission.
- A loophole in the law's wording has excluded many financial assistance recipients.
- Impacts on Cleveland's businesses cannot yet be measured, though the City reports that contracting costs have not increased because of the law.
- Worker displacement and impacts on worker poverty cannot yet be measured, in part because of minimal reporting requirements for employers.

The living wage was intended to provide support for some Clevelanders who, even while working for a living, are not earning enough to meet their basic needs. Fully evaluating the success of that goal will require more effort from the City in the way of monitoring and enforcing the law. The entrance of a new administration supportive of the living wage creates an opportunity to shore up some of the weaknesses exposed in the initial year. This brief reviews that initial year and concludes with several suggestions to improve monitoring and enforcement, in the hopes that a more detailed assessment of the law's effects on poverty and local businesses will be possible in future years.

## Introduction

On June 20<sup>th</sup> of 2000, the Cleveland City Council passed the Fair Employment Wage Ordinance, becoming one of a growing number of cities and local municipalities across the country to pass wage-floor legislation. The Cleveland ordinance set an initial minimum wage of \$8.20 for all city workers and for employees of certain private businesses receiving money from the city, either through service contracts or economic assistance. The movement to pass such laws at the local level has gained momentum as a way to combat urban poverty. Baltimore passed the first 'living wage' law, as they have come to be known, in 1994. Since then, nearly 80 other localities have passed similar legislation, from large cities like Los Angeles to small municipalities such as Ypsilanti Township, Michigan. While these laws differ considerably in size and scope, the basic intent is the same: to raise living standards for workers whose jobs pay poverty wages.

In large measure, the recent proliferation of living wage laws is a response to the falling value of the minimum wage at the federal level. In inflation-adjusted dollars, the federal minimum wage has lost more than a third of its value since 1968. A full-time minimum wage worker today would earn \$10,712 a year, well below the amount one would need to earn in order to keep a family of three or four above the poverty level. Many localities have pegged living wage levels to federal poverty standards, choosing a wage floor that would allow a family of four to escape poverty, while others have gone further, pointing to a growing body of research that finds the poverty level itself to be inadequate.<sup>1</sup> Different definitions of exactly what represents a living wage have led to a wide range of figures used by different localities, from \$6.75 in Milwaukee County to \$12.25 in Santa Monica. The variance by municipality also reflects regional cost-of-living differences.

The type of workers affected by living wage laws also differs from city to city. Some laws cover only public employees, while others extend coverage to private sector employees whose jobs are funded by public dollars, either through contracts or financial incentive deals. Private employers covered by the living wage generally fall into one of several categories: for-profit contractors and financial assistance recipients; non-profit contractors and financial assistance recipients; subcontractors; and lessees of city property. Newer living wage ordinances continue to expand the types of businesses and workers affected. For example, an ordinance passed last year in Santa Monica, California compels all employers located in a specific geographic area to pay living wages. Voters in the city of New Orleans recently approved the most far-reaching living wage proposal yet, essentially raising the minimum wage for all private-sector workers in the city to \$6.15, one dollar higher than the federal minimum wage requires. Because the types of employees covered by the living wage vary so greatly, the total number of workers affected from city to city can be quite different. Laws in smaller municipalities may

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<sup>1</sup> The Department of Health and Human Services recently released its 2002 poverty guidelines, which show that it would take an hourly wage of \$8.70, or \$18,100 a year, to keep a family of four above the poverty line. Other research has suggested that the official poverty line does not represent a true cost-of-living standard. A recent report by the Economic Policy Institute found cost-of-living expenses to be almost double the official poverty line, with a national median of \$33,511 for a two-parent, two-child family.

affect fewer than 100 workers, while the ambitious New Orleans proposal will affect an estimated 47,000. However, the large majority of living wage laws affect only a small percentage of the workforce.

Likely outcomes of living wage legislation have been disputed across the country, with Cleveland being no exception. Opponents of living wage legislation maintain that such laws will result in higher costs for cities, predicting that employers will pass the costs of increased salaries on to the city. They also argue that businesses forced to pay higher wages will respond by cutting jobs and replacing low-wage workers with 'more-qualified' employees attracted by the higher wages. Such displacement would cause the law to negatively impact the very population it is intended to serve. Living wage opponents also contend that such laws create a 'hostile business climate,' discouraging firms from locating in the city.

Living wage proponents counter by arguing that these laws will reduce poverty among covered workers by helping to offset the falling value of the minimum wage. They contend that no full-time worker ought to live below the poverty level, and that living wage laws are an effective method of ensuring that public money is not used to subsidize poverty-wage jobs. Living wage supporters maintain that employers who choose not to locate in a city or not to bid on contracts because they are unwilling to pay living wages should not be receiving taxpayer money. They expect that living wage legislation will create a business climate that values workers and supports "high road"<sup>2</sup> businesses, while imposing relatively minimal costs on cities.

Because these laws are so new, few post-enactment studies of the living wage have been completed. However, the studies published thus far have found that, on balance, the positive effects of higher wages outweigh any negative outcomes. Two studies of Baltimore's living wage program have both concluded that the city's contracting costs did not rise appreciably as a result of the law. Additionally, a recently released study of living wage laws across the country done by David Neumark, an economics professor at Michigan State University, found that living wage ordinances decreased poverty among urban families. Neumark, often characterized as an opponent of living wage laws, was quoted as saying "living wage laws actually reduce poverty. If someone's getting up on a soapbox saying these are a disaster, they may believe it, but there's really no evidence." Neumark found that when a city passed a living wage 50 percent higher than the minimum wage, the average wage of low-income workers rose by 3.5 percent. Nevertheless, more research on living wage laws is needed. This initial report on the Cleveland living wage is one attempt to fill that research void.

This research brief provides an overview of the first year of the Cleveland's living wage, with a focus on implementation. While some questions regarding the law's impacts on

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<sup>2</sup> The argument rests on the idea that some businesses compete by having low wages, low training, low costs and low quality, while others compete by having higher wages, training, quality and costs. "Closing off the low road" through wage floors or health insurance requirements, makes it easier for high-road businesses that want to be good employers.

businesses and workers cannot yet be answered, this brief points to several ways that the law, and its monitoring and enforcement, could be improved.

### **Cleveland's Ordinance**

The Cleveland Living Wage ordinance, which took effect in January 2001, set the initial living wage pay level at \$8.20 an hour, with provisions for this amount to rise to \$8.70 an hour in October 2001 and to \$9.20 an hour in October 2002. From there the rate will be indexed to inflation and adjusted once a year by City Council. The ordinance also encourages, but does not mandate, employers to provide health care insurance to their employees. It authorizes the city to provide financial incentives to employers able to demonstrate that they offer a health insurance plan comparable to the plan the city provides its employees.

Workers covered by Cleveland's living wage include:

- City Employees;
- Full-time employees of businesses receiving financial assistance from the city. Examples of financial assistance recipients include companies given tax breaks, low interest loans, or grants.
- Full-time employees of businesses who contract with the city to provide certain services. Employees of subcontractors are also covered by the law.

The living wage ordinance contains several exclusions that limit the number of private sector employees it affects. For-profit employers with fewer than 20 employees and non-profits with fewer than 50 employees are exempt from the law, as are employees of commercial retail establishments. The law also does not cover employers who contract with the city to provide goods. In addition, businesses must be receiving a certain amount of city money before they become eligible. Financial assistance recipients must receive at least \$75,000 to be covered, while service contractors must have at least \$25,000 worth of city contracts. As a result of these exclusions Cleveland's living wage covers a relatively small portion of workers in the city, likely a few thousand once the ordinance is fully implemented.

### **Administration and Reporting**

Administration of the law was assigned to the city's Economic Development Department, and a full-time Living Wage coordinator (LWC) was hired in March to oversee the law. The coordinator is in charge of both determining which contracts are covered by the living wage and ensuring compliance with the law.

The employer reporting requirements created by the law are minimal, and are different for service contractors as opposed to financial assistance recipients. Both types of employers are required to sign the following: an agreement stating that they will comply with the terms of the law, a form indicating the number of full-time employees they have, a declaration of the type of health insurance offered to employees, and a statement of

other contracts with the city. However, the law also requires that semi-annually, the LWC examine the payroll of financial assistance recipients to confirm compliance with the law. No similar requirement exists for service contractors. In addition, there are no reporting requirements for subcontractors.

### **Impacts of Cleveland's Living Wage**

The most important and most disputed questions about the impact of Cleveland's living wage ordinance cannot yet be answered. We do not know exactly how many workers have received raises as a result of the law, nor can we yet determine its effects on poverty or worker displacement. According to City officials, contract costs have not increased measurably, though the small number of contracts signed thus far makes it difficult to determine how meaningful this statement is. This section lays out what we have learned and leads us towards recommendations that will enable us to better answer these questions.

Nearly 100 city workers have seen raises as a result of the living wage law, and the lowest paid city worker now makes \$8.70 an hour. Because much of the city's workforce was already making more than the living wage, most of the workers receiving raises were part-time and seasonal employees. The City has been unable to provide exact figures on the number of city employees affected and the cost of raising their salaries. Table 1 shows the positions affected by the living wage.

Table 1  
**City Positions Affected by the Living Wage**

<b>Classification</b>	<b>Job</b>	<b>Previous Salary Range</b>	<b>Current Salary Range</b>
Part-Time/Seasonal	Chaplain	\$6.74-\$11.04 per hr	\$8.70-\$11.04 an hr
Part-Time/Seasonal	Checker	\$5.15-\$6.94 per hr	\$8.70 per hr
Part-Time/Seasonal	Conservation Aide	\$5.15-\$5.63 per hr	\$8.70 per hr
Part-Time/Seasonal	Head Usher	\$5.15-\$10.91 per hr	\$8.70-\$10.91 per hr
Part-Time/Seasonal	Park Maintenance Aide	\$5.15-\$8.25 per hr	\$8.70 per hr
Part-Time/Seasonal	Ranger	\$5.15-\$10.77 per hr	\$8.70-\$10.77 per hr
Part-Time/Seasonal	Section Supervisor	\$5.50-\$6.62 per hr	\$8.70 per hr
Part-Time/Seasonal	Student Aide	\$6.00-\$8.33 per hr	\$8.70 per hr
Part-Time/Seasonal	Usher	\$5.15-\$6.35 per hr	\$8.70 per hr
Part-Time/Seasonal	Usher Captain	\$5.89-\$7.68 per hr	\$8.70 per hr
Crafts	Painter-Apprentice	\$6.95-\$14.89 per hr	\$8.70-\$14.89 per hr
Division of Police	Trainee	\$8.50 per hr	\$8.70 per hr
Division of Fire	Trainee	\$8.50 per hr	\$8.70 per hr

Source: Cleveland City Record; Handout from Fair Employment Wage Board Meeting, Dec. 5th

The lack of reporting requirements for covered employers makes it more difficult to determine the impact of the law on workers and businesses in the private sector. The lone covered financial assistance recipient, Vocational Guidance Services (VGS) has submitted their payroll records to the city. According to those records, VGS has 206 employees covered by the law. Of these 206 workers, twelve received raises as a result of the living wage, ranging from \$0.20 an hour to \$1.20 an hour, which equates to between \$416 and \$2,496 a year for a full-time worker. The other employees were already earning above the living wage level.

As mentioned above, covered service contractors are not required to submit similar payroll information, though they must file a form stating the number of full-time workers they employ. Table 2 details this information, showing the five service contractors who did file the required forms employ a total of 328 workers. Two service contractors failed

to report how many workers they employ. The table excludes subcontractors, who are not required to file any forms with the city.

**Table 2**  
**Service Contracts Covered by Cleveland's Living Wage**

<b>Contract</b>	<b>Vendor</b>	<b>Contract Amount</b>	<b># of Covered Employees</b>
Vehicle Maintenance	Wise International Trucks	\$490,000.00	37
Rebuild Transmissions	Wise International Trucks	\$226,540.00	37
Meals for Summer Program	Tom Paige Catering Co.	\$225,400.00	68
Food Service	Hillcrest Food Service	\$69,577.08	91
Disposal of Waste	Republic Services of Ohio	\$1,497,500.00	93
Direct haul of Waste	Republic Services of Ohio	\$3,812,500.00	93
Disposal of Waste	American Landfill	\$6,270,000.00	39
Temporary Workers	Ran Associates	\$617,494	Did not report
Temporary Workers	Ameritemps	\$1,588,940.00	Did not report

Source: City of Cleveland, Economic Development Department

As shown in Table 2, the City has applied the living wage to nine service contracts, for services ranging from automotive maintenance to the provision of temporary employees. According to data obtained from the City, 130 non-professional service contracts for more than \$10,000 were signed in 2001 and the first two months of 2002. The small percentage of service contracts covered by the law highlights its narrow scope. In part, it also reflects the strict interpretation standards chosen by the Economic Development Department. Contracts authorized by City Council prior to the effective date of the law were exempted from the living wage, even if the bidding and awarding process took place in 2001. Had the City chosen to cover these contracts under the law, it would likely have doubled the number of service contracts affected by the living wage.

The figures in Table 2 represent the best available estimates of the number of contractor employees covered by the law. No data exists to determine how many of these workers actually received raises as a result of the law, and the City has made no efforts to collect such data. Requiring service contractors and subcontractors to submit payroll information would both ensure that workers were being paid a living wage and allow for a more complete evaluation of impacts on workers.

The law's effects on Cleveland's businesses are also difficult to measure. While the City has made no formal attempt to evaluate these effects, anecdotally, officials report no negative impact on service contracting. City staff said that they have not seen a decrease in businesses willing to bid for city contracts, nor have they seen any price increases from bidders, aside from normal inflationary increases.

However, Chris Warren, Cleveland's Economic Development Director, maintained that the financial assistance portion of the law had negatively impacted Cleveland businesses. He pointed to Godfrey & Wing, a Cleveland manufacturing company that recently moved to an expanded facility outside the city. A spokesman from Godfrey & Wing indicated that the company did not leave because of the law, but that they were opposed to the concept of the living wage and that it was a disincentive to returning to Cleveland. He noted that the firm provides low-skill, entry-level job opportunities for disadvantaged workers, and that paying these workers a living wage is not economically feasible. He also pointed to the fact that while Godfrey & Wing's entry-level wage is \$7.00, their average wage is closer to \$9.50.

Warren argued that the law could be improved by making distinctions between companies that pay virtually all of their workers less than a living wage, and companies that pay the majority of their labor force higher wages, but maintain an entry level wage that falls below living wage levels.

Advocates of the living wage disagree. Luring businesses that compete on the basis of low wages is simply bad economic development policy, according to Jen Kern, Director of ACORN's Living Wage Resource Center. Kern, who has been involved in living wage campaigns across the country, maintains that, "By insisting on job quality standards, living wage laws help cities focus on high-road economic development that benefits workers, their families, and the businesses who employ them."

### **Enforcement**

Thus far, City staff have devoted the majority of their efforts to determining which contracts the law covers. The LWC attends bid meetings to ensure that prospective service contractors are aware of the law and its requirements. However, the City has spent less time ensuring that contractors covered by the ordinance are complying with its terms and that workers covered by the ordinance are being paid a living wage. The law itself requires very little in the way of ongoing monitoring and enforcement. As a result, the City's knowledge about whether workers covered under the law are being paid the wages they are entitled to be receiving is limited.

As mentioned, the law requires semi-annual review of payroll records from financial assistance recipients but does not provide for ongoing monitoring of service contractors. Instead, contractors are assumed to be in compliance with the law until an employee files a complaint. The affidavits signed by contractors indicating their intent to comply provide the only real method of ensuring conformance for service contractors.

This method of monitoring has proven problematic. The City has not adequately enforced the requirement that employers complete the mandatory forms. Additionally, the hands-off approach to enforcement has created confusion as to who is actually covered by the law. Covered employers are required to pay all of their full-time employees (defined in the law as employees working more than 30 hours a week) at least the living wage. Two of the initial contracts covered by Cleveland's living wage were with temporary agencies supplying seasonal workers for the City's Parks and Recreation Department. As a result of these contracts, these temporary agencies should have been required to pay all of their workers in the State of Ohio a living wage, not merely those workers supplied to the city. While City staff was unsure as to whether the temporary firms were aware of this requirement, the contracts signed by these firms indicate only that they intended to pay employees working on city projects a living wage. If enforced, this provision in the law could extend the living wage to thousands of temporary workers.

### **Health Care**

The majority of employers did not file the required forms until well after the contracts were awarded, a factor that has had a decided impact on the enforcement of the health care provisions in the law. Original proposals for Cleveland's living wage included a two-tiered wage structure that provided a 20% higher wage for employees not receiving health benefits. The final version of the ordinance calls instead for "meaningful consideration of the offering of reasonable health care insurance" when evaluating bids for service contracts. The law allows that as long as a bid for a service contract is within 5% of the lowest bid, preference may be given to a prospective contractor who provides 'reasonable' health care insurance to its employees. It also authorizes for financial assistance recipients offering reasonable health care to receive additional financial incentives. Health care insurance is considered reasonable if it is comparable or superior to the city of Cleveland's health care plan.

The functioning of this provision is only possible if the health care forms are completed in time to be evaluated before the contracts are awarded. Of the seven service contractors covered by the law, two failed to complete the required health insurance form, and four others submitted the form after the contract had already been signed. In effect, by approving contracts without giving consideration to health care, the City is ignoring the health insurance portion of the law.

### **Subcontractors**

The area of subcontracting also exposes flaws in the current enforcement method. Businesses hired as subcontractors to assist with work on city service contracts are covered by the law. Thus, if an employer covered by the law contracts with another business to help perform the work under the city contract, that subcontractor is also required to pay its employees a living wage. However, the law does not specifically state how the living wage is to be enforced in regards to subcontractors. Three of the seven

employers covered thus far by Cleveland's living wage are using subcontractors to perform a portion of their work on city contracts. City staff has taken the stance that contractors are responsible for ensuring that their own subcontractors are indeed paying a living wage. However, the City's written explanation of the law to contractors makes no mention of this responsibility. The City is currently unsure as to whether subcontractors are in fact paying their employers a living wage and is equally unsure as to whether the subcontractors are even aware that they should be paying a living wage.

Other subcontractors are exempted by a contradiction within the law itself. The law defines subcontractors, tenants, and leaseholders of financial assistance recipients as covered employers. However, it fails to designate employees of such businesses as covered employees. This exclusion has a significant impact on the effects of the financial assistance portion of the law. Often financial assistance contracts are awarded to Limited Liability Companies (LLC's), which typically have far fewer than twenty employees, and are therefore not covered under the living wage. While the LLC is technically the recipient of the city financial assistance, typically a tenant or leaseholder of the LLC is the company actually benefiting from the assistance. The exclusion of the employees of these tenants and leaseholders greatly limits the scope of the law and is a large reason why so few financial assistance recipients are currently covered by the law.

### **The Fair Employment Wage Board**

The Fair Employment Wage Board (FEWB) was created by the law to review the effectiveness of Cleveland's living wage. The FEWB consists of two business representatives, two labor representatives, one community representative, one representative appointed by the Mayor and one by City Council. The Board's responsibilities include reviewing reports on compliance with and exemptions from the law, monitoring charges of non-compliance, making recommendations to the City Council, ensuring that the community is informed as to whether businesses are complying with the law, and creating a notice to advise employees of their rights.

The FEWB is scheduled to meet quarterly, though because the LWC was not hired until March and a September meeting was canceled, it has only met twice. The unfortunate result has been that one of the Board's most important initial tasks, creation of a notice to be posted by employers covered by the living wage informing employees of their rights, has not been accomplished. This notice is particularly crucial to living wage implementation because the main mechanism for enforcement on covered service contracts is employee complaints. The law reads "[enforcement] will primarily depend on charges of noncompliance filed by Covered Employees who will have been informed of their rights through the posting of the notice of such rights and such other educational efforts as may be undertaken by the FEWB." However, since the Board has yet to approve the notice to be sent to employers, the employers currently have nothing to post, and the employees no knowledge of their rights. This lack of knowledge is an impenetrable barrier to monitoring or enforcing the law, since both depend almost

entirely on employees being aware enough of their rights to file a noncompliance charge. Not surprisingly, no employee has filed such charges to date.

### **Recommendations and Conclusion**

Cleveland is not the only city to experience difficulties with implementing a living wage ordinance. For example, a report commissioned by the Los Angeles City Council found that the Los Angeles living wage ordinance had reached only one-third of the firms it was intended to reach after eighteen months on the books. According to living wage researcher Stephanie Luce, "It's clear that implementation and enforcement is a serious problem in many cities. While a few cities have done an admirable job monitoring worksites, informing workers of their rights, and penalizing employers found in non-compliance of the ordinance, in other cities there is little to no enforcement whatsoever." Luce pointed out that the Living Wage Coalition in Buffalo, New York had to bring a lawsuit against that city in order to get the administration to implement the ordinance.

However, Cleveland clearly has room for improvement. In an interview, several City officials, including the Director and Assistant Director of the City's Economic Development Department and the Living Wage Coordinator, acknowledged difficulty in implementing the law, calling it 'confusing.' City officials have also stated that the law has too many exemptions to be truly effective. Fixing the exemption that excludes many financial assistance recipients would be a good start.

Improving reporting requirements and better monitoring of employers would also strengthen the living wage. Looking to the experiences of other cities can provide some instruction. For example, the monitoring and enforcement requirements written into the city of Tucson's living wage ordinance are very similar to those found in Cleveland's law. Nevertheless, Tucson's Contract Compliance Officer estimates that he spends 3 to 4 days a week conducting site visits, and 40% of his time interviewing contractor employees. Similarly aggressive oversight of Cleveland's law would both ensure that workers were receiving the intended benefits of the law and make measuring the impact of the law more feasible.

### **Recommendations**

The living wage law was intended to provide support for Clevelanders who, even while working full-time positions, are not earning enough to meet their basic needs. In order to evaluate the success of the living wage, the City must first ensure that the law is being administered effectively and that it is reaching the intended employers and employees. The entrance of a new Mayor who fully supports the living wage creates an opportunity to shore up some of the weaknesses exposed in the initial year. This section points to several ways to do that.

### **Require More Stringent Monitoring**

Monitoring is the area of Cleveland's living wage implementation which could be most improved. The lack of monitoring required on service contracts and subcontractors makes effective enforcement of the law virtually impossible.

Requiring that employers submit payroll records, or inspecting those records on a regular basis, is the method of enforcement commonly used by other cities with living wage laws. Several cities conduct regular site visits to employers to examine payrolls and interview employees. Indeed, as a living wage analysis done by the city of Berkeley points out, "from the experience of other cities, regular site visits to employers seems to be the most effective method to find violations".

Cleveland should consider both requiring service contractors to submit payrolls and conducting site visits to ensure compliance. Collecting payroll information from employers will also allow for better evaluation of the law's impacts.

### **Ensure Adequate Enforcement of Existing Provisions**

To this point, the majority of employers have not been reporting all the information required by the living wage ordinance. This lack of reporting has rendered health insurance provisions in the law completely ineffective, and made measuring employer compliance difficult. Service contracts and financial assistance deals should not be approved unless the employer has completed mandated forms.

The City should also do a better job of ensuring that covered employers are aware of the law's requirements. Contractors should be informed that all of their full-time employees must be paid a living wage. Additionally, the City should take responsibility for ensuring that subcontractors understand their obligations, rather than deferring that responsibility to the primary contractor.

### **Inform Employees of Their Rights**

The Fair Employment Wage Board met only twice, and has failed to complete its most important task, the completion of a notice to inform workers of the wage they should be paid. While a draft of this notice has been created, it has yet to be approved or sent to employers. Because enforcement of the law is dependant on employees being aware of their rights, it is imperative that this notice be approved by the board and sent to employers immediately.

Conducting on-site interviews as a part of the monitoring process will also ensure that employees are aware of their rights under the law.

### **Modify the Health Insurance Provision**

Given that the rising cost of health care can be a significant burden on low-income workers, health care provisions can go a long way towards advancing the goal of the living wage – reducing poverty. Thus far, the Cleveland ordinance is doing a poor job of ensuring that employees covered by the living wage are receiving reasonable health care

coverage. Looking to other living wage laws around the country points to better ways to incorporate health care as a part of the law.

The majority of ordinances around the country create a two-tier wage structure, mandating that employers not offering health care coverage pay a higher wage to their employees, typically adding between \$1.00 and \$2.00 per hour. Cleveland should move to a similar system. The most recent data from the Bureau of Labor Statistics indicates that the average employer provided health care cost is \$1.16 an hour.

### **Close Loopholes in the Law**

The law's exclusion of businesses obtaining financial assistance from the city through Limited Liability Companies has significantly limited its reach. This exemption could be fixed simply by clarifying the language in the law to include employees of the company benefiting from the financial assistance.

### **Conclusion**

The Cleveland living wage was passed with great fanfare, City Council unanimously approving the measure in a chamber packed with supporters. While the intent of the law is to raise living standards for low-income workers, it will not achieve its desired effects without vigorous oversight and monitoring. The new Mayoral administration should make a priority of actively enforcing this potentially beneficial law.

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