A Report from

Policy Matters Ohio

Cleveland's Living Wage Law: A Three-Year Review

Dana Williams

May 2004

Executive Summary

Three years after Cleveland's Fair Employment Wage Ordinance went into effect, this new report from Policy Matters Ohio finds that it has resulted in modest pay raises for a small number of workers, has not resulted in a substantial increase in contract costs, and has prevented only one financial assistance agreement from going forward according to the city. Loose record-keeping requirements in the law have made it difficult to fully assess the impact of 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 financial assistance from the city. The current required wage, $9.34 an hour, is indexed to the Consumer Price Index to rise with inflation.

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 earlier increases. All other city employees were already earning above the threshold.

Service Contracts

Over three years, the Cleveland ordinance has covered 39 service contracts with 27 contractor companies who together employ 7,392 workers, according to data reported by the vendors. This is roughly three percent of the contractors with whom the city does business. Other contracts were not covered because they were for uncovered services, for goods instead of services, or because the size of the employer or the size of the contract was too small. Not all of the 7,392 employees are covered, but the exact total is uncertain because of the way the data is currently reported. The vast majority of covered employees were already paid above the required wage.

The city's purchasing department reported that contract costs have not increased, and that no employers with whom the city contracts have voiced concerns to them about the requirement. Although the law covers subcontractors, they have not been monitored.

Financial Assistance Agreements

Out of 47 financial assistance deals reviewed for compliance by the city, the law covers only six – Gateway Electric, International Steel Group (ISG), Minolta Business, NEON, Sysco, and Vocational Guidance Services (VGS). These six covered agreements apply to an estimated 2,318 employees and total $39,560,164. The non-profit Vocational Guidance Services increased the wages of twelve of its 206 workers by about 45 cents an hour each to comply with the second living wage level of $8.70 per hour.

Some financial assistance agreements that would be covered have remained "contract pending" during the law's three-year period, and others were exempt because the firms employed too few people. The lion's share of covered financial assistance is for a $35 million tax abatement for Sysco, a large food distributor that is moving to Cleveland from Bedford Heights.

Only one employer, Container Compliance, appears on the city's list of "Financial Assistance Projects the City was unable to Assist". The company produces steel, plastic, and fiber drums for recycling, and employed 21 people, some of whom earned less than the required wage, when it applied for a $160,000 loan and $25,000 grant from the city. The city reported that the loan and grant would have allowed the firm to add five additional employees.

Health Insurance

Most companies covered under the law offer health insurance, although at least four do not. One company, US Cotton, requested and was granted an exemption from the living wage requirement because it argued that if health insurance costs were included in its hourly compensation to employees, the hourly employee payment would exceed the living wage even though hourly wage payments did not.

More than half of the 111 communities with living wage ordinances include a provision that requires higher wage compensation for those employers that do not provide health insurance. In those ordinances, the average required increase in hourly compensation for workers not provided insurance is $1.46.

Recommendations

1. The ordinance should be amended to require higher compensation for employees who are not provided with affordable health insurance.

2. To enable better monitoring and enforcement, reports should be enhanced as follows:

   A. Those bidding on service contracts or requesting financial assistance should be asked to report, clearly and directly:
      i. Number of Ohio-based employees
      ii. Wages of all Ohio-based employees
      iii. Percent of new hires to come from the city of Cleveland

   B. After being granted a contract or a financial assistance agreement, all employers should be asked to report semi-annually:
      i. Number of Ohio-based employees
      ii. Wages of all Ohio-based employees

Conclusion

The living wage ordinance has had a modest positive impact on a small number of Cleveland workers. The city has not detected increased contract costs and the city has recorded only one financial assistance agreement that could not proceed because of the requirement. Improved reporting and monitoring should improve the effectiveness of this ordinance.

Introduction

In June 2000, Cleveland City Council passed Ohio's first living wage law, the Fair Employment Wage Ordinance. The law required that the city and certain employers doing business with the city pay their employees at least $8.20 an hour, adjusted annually for inflation, to a current hourly level of $9.34. One year after the law went into effect in January 2001, Policy Matters conducted and published a review of the law, called *Minimal Enforcement: The Cleveland Living Wage Law's First Year*. This report is available on-line at: http://www.policymattersohio.org/lwintro.html

This new report reviews the impact of the ordinance during the three years it has been in place. The law called for a review now, and the Fair Employment Wage Board (FEWB), the committee that oversees the functioning of the law, is in the process of writing its own report, as well.

As with our earlier report, we found it difficult to gather some of the information needed to fully understand the effects of the law on workers in the city of Cleveland. From what we were able to ascertain, the law is applied to a very small percentage of employers who do business or receive assistance from the city. For the small numbers of employees covered by the ordinance, the law has had a modest positive effect.

This report concludes by making a number of concrete recommendations to improve the law, such as to enhance reporting requirements for companies, require submission of payroll records for companies with service contracts, and mandate a higher wage for employers who don't provide health insurance care for their employees.

Background on Living Wages ordinances

The federal minimum wage has not kept up with inflation – since 1968 it has lost close to 40 percent of its value. Had it kept pace with inflation since then, the minimum wage would have been worth $8.46 last year instead of $5.15. At current levels, a full-time minimum-wage worker earns $10,712 a year, far below the $18,850 federal poverty line for a family of four.[1] Getting above that level would require payment of about $9.06 an hour for a full-time year-round worker. Other research has put the real cost of staying out of poverty considerably higher.

In the mid-1990s, partly in response to state and federal governments' failure to index the minimum wage to inflation, workers' rights activists in many communities began trying to enact living wage ordinances. These ordinances required that municipal employees and employees of companies doing business with local governments be paid a minimum wage that was slightly or somewhat higher than the federal minimum wage. The first ordinance, passed in Baltimore, required that workers be paid $6.10/hour (now $8.70).

[1] Department of Health and Human Services, "Annual Update of the HHS Poverty Guidelines". http://aspe.hhs.gov/poverty/04fedreg.htm

There are now 111 municipal, county, or township living wage ordinances in 30 different states around the country. The wage levels required under the ordinances range from a low of $7.06 in Milwaukee County, WI to a high of $13 in Fairfax, CA. Eighty-seven of these ordinances were passed at the city or township level, while 24 of the ordinances went through at the county level. Ordinances vary in scope – some communities cover only municipal employees, other communities have gone so far as to require that all businesses operating within their borders pay a higher minimum wage. Most of the ordinances, however, cover municipal employees and employees of companies receiving contracts or economic development assistance from the municipality. The ordinances that do cover contracts usually cover only service contracts, but some communities have tried to also enforce the wage standards on businesses from which they are purchasing goods. Some ordinances require that businesses pay a higher hourly wage if they fail to provide health insurance to their workers. In short, the laws vary quite a bit, but all are designed to provide higher wages to certain employees within a community.

There are several economic reasons to create these wage floors. First, paying workers well provides resources to be spent, often locally, which can strengthen the local economy. Second, paying higher wages can often lead to more efficient service provision, as the Economic Policy Institute found in one study.[2] Third, higher wages can reduce turnover. Finally, wage floors can encourage "high road" businesses that invest in their workforce and create a high-productivity, high-wage model, and can create a disincentive to "low road" businesses that compete by offering low wages and low quality. Without wage floors, it can be difficult for high-wage businesses to compete, even if those businesses provide better services.

Local context

Despite the low level of the official poverty line, 26 percent of Cleveland individuals and 24 percent of Cleveland families fell below this threshold in 2002, according to the U.S. Census Bureau. Rates for children were higher, at 41 percent. The median income of households in Cleveland was $26,529, according to this survey.[3]

George Zeller, a researcher at the Council for Economic Opportunities in Greater Cleveland, reported that the average 2001 income for tax returns in the Cleveland school district was $26,331. That was down 9.0 percent from $29,935 in 1986, adjusted for inflation. For the state as a whole, average taxpayer income started much higher at $39,718 in 1986, and grew in the late 1990s, peaking at $44,000 in 2000 and dropping to $42,602 in 2001.[4] It is clear that many Cleveland residents are struggling economically.

[2] Jared Bernstein, 2000. "Higher Wages Lead to More Efficient Service Provision – The Impact of Living Wage Ordinances on the Public Contracting Process". http://www.epinet.org/content.cfm/issueguides_livingwage_alexlivwg

[3] US Census Bureau, 2003. "Population and Housing Profile: Cleveland city, Ohio". http://www.census.gov/acs/www/Products/Profiles/Single/2002/ACS/Narrative/160/NP16000US3916000.htm

[4] See http://www.ceogc.org for more information. Also, see the Ohio Department of Taxation. All numbers in this paragraph are in 2001 dollars.

Partly because wages and income have been low in the city of Cleveland, the city council passed what is popularly referred to as a living wage ordinance in the year 2000. The ordinance required that a minimum wage of $8.20 an hour be paid to employees of the city, of some companies holding service contracts with the city, and of companies receiving economic development assistance from the city. Service contracts for less than $25,000 and financial assistance agreements of less than $75,000 are exempt from the ordinance, as are employers with small numbers of employees. The Cleveland living wage is now $9.34 an hour, and is indexed to the Consumer Price Index so that it will increase in value along with inflation.

Proponents of the ordinance argued that the requirement would improve living standards for some workers and help establish a climate that valued workers. Opponents of the ordinance argued that it would impede economic development efforts, increase the costs of city contracts, and establish a bad business climate. This evaluation assesses the ordinance at the three-year mark.

Evaluation of the Cleveland's ordinance

Policy Matters Ohio has done ongoing monitoring of the city's living wage law. We often had trouble getting good information about city contracts, economic development recipients, and covered employees. Access to data and relevant personnel within the city was at times difficult and slow. As a result, key features about the law's impact cannot be analyzed. Deficits in reporting and record keeping make it impossible to know exactly how many workers have benefited from the law and how much. The city's Fair Employment Wage coordinator, Tanya Jones, has been helpful in providing much of the information upon which this report is based.

City employees

Over 9,500 people currently work for the city of Cleveland.[5] Most did not receive a raise from the first living wage increase, as they were already making over $8.20 per hour. Policy Matters previously found that the ordinance brought about a pay increase for nearly one hundred workers, roughly one percent of all employees. Eight city employees received raises last year after the most recent required increase. It is likely that some employees received raises when the living wage was adjusted in 2002, but the exact number is not available from the city.

Service contracts

A national study by the Brennan Center for Justice concluded that living wage laws resulted in a negligible increase in the cost of contracts.[6] Cleveland's Purchasing

[5] Interview with Jenison Brown, Assistant Personnel Director, 1/21/04 (layoffs had been announced in the city and were taking place at this time).

[6] Brennan Center for Justice, 2003. "Living Wage Laws and Communities: Smarter Economic Development, Lower Than Expected Costs". http://www.brennancenter.org/programs/living_wage/elmorereport.html.

Department concurs, saying that the ordinance has not had any effect upon the cost of contract bids. The department reported that no contractor has voiced concerns to them about the ordinance.[7]

Over three years, the Cleveland ordinance has covered 27 service contractor companies out of roughly a thousand total service contractors, or about three percent of the city's total[8]. There have been 39 individual covered service contracts, totaling $59,804,364, as Table 1 shows. Many contracts are not covered because the ordinance does not apply to for-profit employers with fewer than 20 employees, non-profits with fewer than 50 employees, or contracts worth less than $25,000. The ordinance does not cover vendors of goods to the city, and applies only to certain kinds of services. Finally, the living wage only applies to full-time employees who work at least 30 hours per week. This limits the number of employees covered by the ordinance.

Service contracts falling under the living wage law cover a total of 7,392 employees, according to data reported by vendors. This includes employees to be hired after the contracts were awarded. Companies receiving these contracts have stated that receiving them would increase their employment by a total of 772 employees.[9] Nearly two-thirds of the total covered employees work for only two firms, Millar Elevator Service and Tenable Protective Services. Some employees reported by these two companies do not actually work in the state of Ohio, and are thus not covered (some also may not be covered because they work less than 30 hours a week).[10] Therefore, the reported total figure of covered employees is a good deal larger than the actual number of employees covered by the law. As will be noted in the "Monitoring and Enforcement" section, it would be very useful for employers to report the number of covered employees, as opposed to merely how many employees there are in total.

According to city records, Republic Waste Services has had more covered contracts than any other vendor, with eight, and also by far the highest total dollar amount of covered contracts ($37,601,500). Three covered companies (American Landfill, American Waste Management Services, and Republic Waste Services) received twelve service contracts for waste and debris disposal, totaling $45,316,355, more than 75 percent of the total value of covered service contracts. Republic has had city waste disposal contracts since before the living wage law and has been paying its 100 area employees more than the living wage. Republic is a national company with other operations in Ohio, all of which are covered by Cleveland's law. Although Ronald Luri, general manager of Republic's Cleveland operation, said that most Republic employees are in unions, which tend to pay high wages, he does not know what other Republic operations in Ohio were paying their

[7] Interview with Commissioner Myrna Branche, 1/14/04.
[8] This number and the information in the next paragraph is drawn from presentations by the city's living wage coordinator at quarterly meetings of the Fair Employment Wage Board (FEWB).
[9] More than 90 percent of these employment gains are in three temporary agencies. If these employees have seen wage increases, this is a substantial contribution to improved labor remuneration for covered employees. Some other employers may also have hired new workers to meet contract needs, but the data does not make this clear.
[10] The ordinance states that all Ohio-based employees who worked for covered employers are to get the living wage.

employees. Luri said that he likes the living wage law because it "keeps companies that are paying good wages" in the city.

The living wage law also covers subcontractors. However, subcontractors have not been monitored, since the law has been interpreted to mean that such record keeping is not required.[11] Table 1 below provides information reported by the living wage coordinator on service contractors covered by Cleveland's living wage ordinance during the first three years of the law. The table relies on information provided by the contractors and is at times confusing – for example many of the employers report no change in employment levels after receiving large contracts. One explanation for this may be that the employer has ongoing contracts with the city, so new staff isn't hired upon contract receipt, but employment levels would certainly decline if the contract were not awarded.

The city's three-year review report contains some minor errors that make it difficult to get a clear understanding of the law's impact.[12] Future reports from the city should clarify how many workers received wage increases, what current and previous wage levels are, and how employment levels have changed.

The reported data does not show how many employees received wage increases, or even what the wages of employees are before or after a contract is awarded. However, some companies reported that data to us. For example, Tenable Protective Services increased to the mandated level only those wages paid to the roughly 50 employees working directly on the city contract. Some of these employees likely dropped below that wage rate once the contract was up, according to CEO Peter Miragliotta. He estimated that only ten to fifteen percent of Tenable's employees were making at least as much as Cleveland's living wage at the time of its contract.[13] Although the law is supposed to cover all full-time Ohio employees of a covered company working at least 30 hours a week, the city has not reported that Tenable was out of compliance. Miragliotta nonetheless voiced strong criticism of the ordinance, because he does not feel that the city should dictate what employees are paid.

---

[11] Interview with Fair Employment Wage coordinator Tanya Jones, 3/2/04.

[12] Two covered contracts not mentioned previously in the coordinator's quarterly reports to the FEWB were in the coordinator's three-year report: Able Contracting Group Inc and Asplundh Tree Expert Co. Four previously reported contracts were removed from the living wage coordinator's three-year report, because each dealt with providing a good – and not a service – to the city. Also, a landscaping contract with Perfecturf, Inc. from 2002 to 2004 was noted as not covered because it had "less than 20" employees, although the same report noted the company had 100 employees. Policy Matters' earlier report on the living wage showed that two temporary agencies (Ameritemps and Ran Associates) received covered contracts during the law's first year. The companies did not complete their affidavits, declining to fill out how many employees they had. At the time, the city briefly pursued Ameritemps under the law's provision for paying their other Ohio employees a living wage. But on the coordinator's three-year report these contracts are denoted "Bid went out prior to FEWL", even though the contracts were awarded after the law went into effect.

[13] Interview with CEO Peter Miragliotta on 3/31/04.

Table 1. Companies with Covered Workers Awarded Service Contracts
with the City of Cleveland, 2001 to 2003

Company	Number of contracts	Contract description	Contract value	Employees: *Before* contract awarded	Employees: *After* contract awarded	Change in number of employees
A. W. Farrell & Son	1	Repair roofing	$237,240	216*	216	0
Aaron Landscaping	1	Landscape maintenance	$161,814	23	20	-3
Able Contracting Group	1	Installation of Fencing	$107,511	42	42	0
Action Door	1	Repair overhead doors	$825,000	44	44	0
American Landfill	3	Disposal of waste	$7,540,630	37	37	0
American National Fleet	1	Automotive repair	$250,000	54	54	0
American Waste Management Services	1	Disposal of debris	$174,225	21	21	0
Asplundh Tree Expert	1	Tree trimming	$109,237	306	306	0
Building Technicians	1	Repair roofing	$297,975	30	30	0
Energy Mechanical	1	NVAC repair	$925,000	20	23	3
Flex-Tech	1	Temporary workers	$1,483,126	75	480	405
G&M Auto	1	Towing services	$213,750[14]	25*	25*	0
Hal Jones Construction	1	Repair roofing	$121,950	55	55	0
Kenmore Construction	1	Street grinding	$1,520,000	172	172	0
KONE	1	Elevator maintenance	$1,619,955	59*	59*	0
Kurtz Brothers	1	Disposal of debris	$67,200	157	157	0
Millar Elevator Service	1	Elevator maintenance	$152,712	2,500	2,500	0
Northcoast Employee Leasing	1	Temporary workers	$320,500	63	320	257
Norton Environmental	1	Waste disposal services	$464,000	198	198	0
RAN Associates	1	Temporary workers	$2,773,445	34	84*	50
Republic Services of Ohio	8	Waste disposal services	$37,601,500[15]	100	100	0
SimplexGrinnel	1	Life safety system repair	$64,400	121	121*	0
T&F Systems	2	Roof repair & replacement	$1,375,718	80*	80	0
Tenable Protective Services	1	Unarmed security guards	$829,431	1843	1893	50
Warren Roofing and Insulation	1	Repair roofing	$62,500	85	85	0
West Roofing Systems	1	Repair roofing	$73,545	60	60	0
York Building Maintenance	1	Cleaning West Side Market	$432,000	200	210	10
Total	***39***		***$59,804,364***	***6,620***	***7,392***	***772***

Source: FEWB. Notes: Contract values for companies with more than one contract have been added together. Contract values have also been rounded to the nearest dollar. The above employment figures are from the living wage coordinator's three-year report and (*) denotes where a different employment figure has previously been reported. Previous figures suggested an additional 475 covered employees than shown above.

[14] Previous city reports had valued the G&M contract at $123,750.
[15] One Republic contract was previously reported as valued at $104,930, but on the coordinator's three-year report was $160,000.

Financial assistance

Out of a total 47 assistance agreements reviewed by the living wage coordinator for compliance, the law covers only six – Gateway Electric, International Steel Group (ISG), Minolta Business, NEON, Sysco, and Vocational Guidance Services (VGS). These six agreements apply to an estimated 2,318 employees and total $39,560,164. This is shown in Table 2 below. A number of financial assistance deals that would be covered by the living wage ordinance have remained "contract pending" during the law's three-year period. As with service contractors, this number is low due to small employment sizes.

Table 2. Employers covered by the living wage ordinance receiving financial assistance from Cleveland, 2001 to 2003

			Employees	
Employer	**Type of assistance**	**Total value of assistance**	***Before* assistance given**	***After* assistance given**
Gateway Electric	Loan & tax abatement	$231,721	70*	70
ISG	Loan & tax abatement	$434,000	0	800
Minolta Business	Tax abatement	$263,036	96	101
NEON	Loan & grants	$613,462	248	248
Sysco	Tax abatement	$35,500,000	0	893
Vocational Guidance Services	Loan & grant	$2,517,945	206	206
Total		***$39,560,164***	***620***	***2,318***

Source: FEWB. Note: (*) The three-year review report from the living wage coordinator shows zero employees for Gateway Electric before receiving assistance, although the company's affidavit lists 70.

The vast majority of this assistance money is in the form of a $35 million tax abatement for Sysco, a large food distributor. Sysco stated in its affidavit that it had no covered employees, although it has other locations throughout Ohio and is moving to the city from Bedford Heights. Sysco is building a new facility and is not yet receiving financial assistance, although it has been declared as covered by the coordinator's three-year report.

Sysco's workforce will be relocating to Cleveland and will not be significantly changing in size. Vice-President of Finance Jeff Moore estimated that the average wage for Sysco's approximately 600 employees was $24 an hour, more than twice the living wage. The city of Cleveland will be gaining a significant $30 million payroll from this move.[16]

Another large employer, International Steel Group (ISG), had no employees before receiving assistance because it is a new company formed in 2002, consolidated from the assets of bankrupt steel companies, like LTV Steel, Acme Steel, and Bethlehem Steel.[17]

[16] Interview with Jeff Moore, 4/28/04.
[17] David Prizinsky, 8/11/03. "ISG on lookout for more bargain buys". *Crain's Cleveland Business*.

All of the approximately 1,150 union members at ISG in Cleveland are already paid much more than the living wage.[18] The living wage ordinance was of little relevance to either the Sysco or the ISG agreements because both already paid all employees above a living wage.

Besides Tenable, the only employer that we were able to confirm as having provided a wage increase due to the ordinance is the non-profit Vocational Guidance Services (VGS). VGS increased the wages of twelve workers (of 206 total) for the second living wage increase (to $8.70 per hour). These employees were making on average 45 cents an hour less than the living wage prior to the raise. Gateway Electric and ISG have also submitted payroll records, although prior wage levels are unknown. The other financial assistant recipients have yet to do so.

Although some companies and employer groups have claimed that the living wage is an obstacle to assistance deals, only one employer, Container Compliance, appears on the living wage coordinator's "Financial Assistance Projects the City was unable to Assist" report. The coordinator stated that when the Economic Development Department's project coordinator informed the company about the living wage law, the firm decided not to pursue any financial assistance. She stated that she is "99 percent sure" that is why it backed out.[19] The company produces steel, plastic, and fiber drums for recycling, and employed 21 people, some of whom earned less than the required wage, when it applied for a $160,000 loan and $25,000 grant from the city.

Neither opponents of the law nor the city have identified additional examples of projects that the city could not assist because of the ordinance. The Greater Cleveland Growth Association's Carol Caruso testified at a FEWB hearing that: "We are often asked for data to support our position. How many businesses have been impacted by such regulations? … Have those impacts been negative or positive? Unfortunately, this data is extremely hard to come by. As is evidenced by the relatively low number of cases you have reviewed, not many companies are impacted."[20]

Policy Matters reported in 2002 that financial assistance contracts were often awarded to Limited Liability Companies (LLC's), which typically have far fewer than twenty employees, and are therefore not covered under the living wage. Although LLC's are technically the recipients of assistance, a tenant or leaseholder of the LLC may be the company actually benefiting from that assistance. The extent to which this loophole in the law has been used more recently is unknown. The city did not provide information in response to a request for this study about the number of LLC's receiving financial assistance. However, this issue could be avoided by clarifying the law to include employees of the company benefiting from the financial assistance.

---

[18] Interview with Pat Gallagher of United Steel Workers of America Local 979, 4/27/04. The lowest union wage at ISG is $15.50/hour.
[19] Interview with Tanya Jones, 10/8/03.
[20] Testimony delivered by Carol Caruso to the FEWB three-year review hearing, 2/18/04.

Reporting & monitoring

Some cities have attempted to improve upon prior shortcomings in their laws and implementation, especially in the areas of reporting, bookkeeping, and monitoring. Where appropriate, Cleveland should also tighten up loopholes to better fulfill the initial intent of the law.

At present, potential contractors fill out an affidavit that asks how many current employees the employer has and how many it expects to employ if the contract is received. The question does not ask how many non-Cleveland employees the company has in Ohio or the number of subcontracted employees working on the contract. Also, since the second answer is an estimate, it is possible that the listed number will differ somewhat from the final number employed after the contract is granted. The affidavit also fails to ask about subcontractors who are doing work on service contracts.

Service contract and financial assistance reports by the living wage coordinator have listed employment for employees working "in Cleveland". However, the affidavit does not ask for employment by location, so it is impossible to conclude that all workers listed on the affidavit are Cleveland employees, and not somewhere else in Ohio or out of state. As noted earlier, the reports have also occasionally had omissions and errors. While these mistakes are often corrected immediately, they make it difficult for outsiders to know what this law has meant to covered employees in Cleveland. Attachment 1 at the end of this report provides a suggested revised affidavit that would enable the city to better address these concerns.

Since we do not know the number of workers covered or their current or prior wage levels, it is impossible to fully understand the impact of the law. Brief phone interviews with a few companies confirmed that initial affidavit employment figures were no longer accurate.

The current method for monitoring the compliance of covered financial assistance recipients is through submission of semi-annual payroll records. Service contracting companies, on the other hand, are monitored by worker complaints. Other communities have instead required municipalities to monitor compliance, by also analyzing payroll records of service contractors. This is similar to how the federal government monitors conformity with the minimum wage. The coordinator has stated that as of the three-year mark of the law, there have been no worker complaints submitted.

As mentioned above, the law requires companies receiving financial assistance to submit semi-annual compliance reports to the FEWB and the Clerk of City Council. Although the living wage coordinator gives reports at the quarterly FEWB meetings on the status of both service contracts and financial assistance deals, semi-annual compliance reports have not been submitted to the clerk of city council as required.[21] Otherwise, both service contracts and financial assistance reports from the coordinator have improved over time

[21] Interview with Tanya Jones, 3/2/04. Jones stated that she wanted the reports to have the "correct information" before she submitted them.

with the provision of additional information not found on earlier reports, although changes were sometimes made during FEWB meetings that corrected various figures on the reports handed out.

Covered employers are not asked on affidavit forms what percentage of new hires will be residents of the city of Cleveland. The law recommends employers should aim for 40 percent of their new employees to be Cleveland residents, an important factor for Cleveland's economy. There is also no other mechanism for knowing if this is taking place.

The living wage coordinator does site visits at covered companies to verify the posting of the ordinance. She has found all worksites have it posted somewhere.

Health insurance

Although records received from the city are incomplete, of the 27 service contractors covered by the law, at least four do not offer some form of health insurance to employees. This indicates that most companies do offer some form of insurance. While insurance may be offered almost universally, it is less clear whether it is affordable.

Only twelve service contractor companies covered under Cleveland's law specified health insurance cost information on the affidavit in a comparable fashion. Thus, even for employers who offer health insurance, it is difficult to fairly compare plans to judge affordability. For those where a premium could be determined, costs do not vary widely, with a low-range annual premium for individuals around $276 and a high-range of nearly $1,700. Adding in the cost of deductibles and co-payments can increase the cost of health care; the median cost of health insurance (premium + deductible) becomes $426, with a high-end cost of $1,930. The information available for financial assistance recipients generally reflects a similar range.

For a comparison, the city of Lakewood defines reasonable health care in its living wage ordinance as being no more than 15 percent of one's income.[22] A full-time, single employee making $19,427 per year would pay no more than $2,914 for a premium.[23] At most workplaces where health care costs could be determined, health insurance falls well below this threshold for individuals. Costs for a family of four are considerably higher. However, one financial assistance recipient offers as its cheapest health care package a premium of $3,428 for a single, hourly employee. A provision like Lakewood's would help prevent such wild deviation.

Only one company, US Cotton, has come forward to seek an official exemption from the living wage law because its insured employees make under a living wage. Although 33 percent of its current workforce didn't earn an hourly pay rate that conformed to living wage requirements, the company stated: "When the health insurance and employee benefit package are added based on an hourly rate, 100% of the employees meet the

[22] Lakewood Charter, Chapter 113: Living Wage.
[23] It also specifies "single health care benefits", not for a larger family.

Living Wage".[24] The company was granted a living wage exemption from City Council on February 4th, 2004, and thus is able to receive financial assistance from the Department of Economic Development despite paying less than a living wage.

Nationally, the vast majority of living wage ordinances have health care components, something that the Cleveland law does not.[25] The Cleveland law states that a preference is given to employers who offer employees health insurance, but does not require employers to provide it. The other four living wage ordinances in Ohio (Cincinnati, Dayton, Lakewood, and Toledo) have two-tiered health insurance provisions, which require higher wages for employees without health insurance. Over half of the 111 living wage ordinances in place require higher wages if employees are not offered health insurance. The average differential required is $1.46 more per hour for uninsured employees.

Recommendations

Policy Matters Ohio offers the following suggestions to improve the Living Wage ordinance:

1. Enhance reporting requirements for employers.
Reports should be expanded upon to guarantee accuracy, completeness, and usefulness of submitted data. Affidavit questions should be more carefully worded to clarify employee numbers on employers' forms, and to gauge how many employees are benefiting from the law. (Please see the attached sample form for specific suggestions on how to address this.) Space should be made on the affidavit to address the percentage of new hires to come from the city. There should also be suitable follow-up to know if such hiring is taking place.

2. Require submission of payroll records for employers with service contracts.
The law should require service contractors and any subcontractors to submit semi-annual payroll records, as opposed to the "complaint-only" method currently used for enforcement. We recommend that the city require a simple, semi-annual report detailing how many workers have received pay increases and for how much. This would help monitor the law and allow citizens to understand its impact. Keeping track of the number of employees currently employed in Ohio would also be a helpful change, since at the moment we do not know how many workers each employer has actually added since filling out its affidavit.

3. Adapt the law to require a higher wage for employers without affordable health insurance for their employees.
Covered employers who do not offer affordable health insurance should pay employees more than employers who do offer it. Without such a provision, employers who offer health insurance are subject to being undercut by competitors who do not. Requiring higher compensation of uninsured workers provides employers with an incentive to offer

[24] City of Cleveland Memorandum, Re: US Cotton, LLC, 8/25/03, from Steven Sims to Jane Campbell.
[25] Jen Kern, Director of ACORN's Living Wage Resource Center, interview 1/04 by Zach Schiller.

insurance and provides uninsured workers with greater means to purchase insurance on their own. The Lakewood law provides a reasonable guide to follow.

Conclusion

Contrary to the predictions of some opponents, there is no evidence to suggest that the Cleveland Living Wage ordinance has caused large numbers of employers to locate elsewhere. Further, it has not caused any appreciable increase in price of contracts.

The law should be strengthened by including health insurance provisions and by requiring better monitoring and enforcement. In its current form, the law appears to have had a modest impact on a small number of workers in Cleveland. There is also evidence that some covered employees should have been paid the living wage, but weren't. More reporting is necessary in order to better understand how workers are being affected by the ordinance.

Attachment 1

*[Policy Matters Ohio offers the following suggestions for updating the affidavit for covered employers, to provide a more accurate and richer count of employees. Changes to the current form are shown in **bold**.]*

Declaration of Number of Persons Employed by the Bidder

(All persons declared here must be full-time employees, who work a minimum of 30 hours per week)

1. Is this a for-profit _________ or a non-profit _______ entity?

2.

CURRENTLY	… IF AWARDED
Current Total Employees in Entity	Total Employees to be added in Entity if awarded contract
Current Total Employees in Ohio	**Total Employees living in Cleveland to be added if awarded contract**
Current Total Employees working in Cleveland	**Total Subcontractor Employees to be added if awarded contract**
Current Total Employees living in Cleveland	

3. What is lowest amount paid to any employee (please identify in what increment that amount is paid)? ______________________________

4. If this is a non-profit entity, what is the highest amount paid to any employee (please identify in what increment that amount is paid)? ______________________________

5. How many employees are paid less than the living wage ($9.34/hour)? _________

Entity name: ______________________

Your Name: ______________________

Your Title: ______________________

Date: ____________________________