
POLICY MATTERS OHIO

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Testimony to the Fair Employment Wage Board (FEWB)

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1:00 PM

Policy Matters Ohio is evaluating the Cleveland living wage law. We are completing a report that will be forwarded to the Board when it is concluded. We are awaiting information from the city that will help in the completion of this report.

CITY EMPLOYEES

Over 9,500 people work for the city of Cleveland, and most did not receive an raise from the first living wage increase, as they were already making over \$8.20/hr. Policy Matters previously found that nearly one hundred workers received a pay increase, or roughly 1% of all employees.

SERVICE CONTRACTS

A national study by the Brennan Center in New York City concluded that living wage laws resulted in a negligible increase in the cost of contracts. Cleveland's Purchasing Department concurs, saying that the ordinance has not had any effect upon on the cost of contract bids. The department reported that no contractor has voiced concerns to them about the ordinance.

Over three years, the Cleveland ordinance has covered 29 service contractor companies (out of roughly a thousand total service contractors, about 3% of the city's total). There have been 42 covered service contracts, totaling \$62,660,503. According to city records, Republic Waste Services of Ohio has had more covered contracts than any other vendor, with eight, and also the highest total dollar amount of covered contracts. Republic and other covered companies have operations elsewhere in Ohio. It is unknown if such workers are being paid the living wage as the ordinance requires.

Altogether, covered service contracts cover as many as 6,940 workers. It should be noted that two-thirds of these workers work for only two firms, Millar Elevator Service and Tenable Protective Services, although it is likely that some workers reported by these two companies do not actually work in the state of Ohio, and are thus not covered.

FINANCIAL ASSISTANCE

Only four current financial assistance deals are covered by the law: Gateway Electric, Minolta Business, SYSCO, and VGS. These four deals, totaling \$38,512,702, are estimated to apply to approximately 1,270 employees. Seven financial assistance deals are pending.

The vast majority of this assistance is in the form of a \$35 million tax abatement for SYSCO, a large food distributor. SYSCO stated in its affidavit that it had zero covered employees, although it has other locations throughout Ohio, where all workers are covered by the stipulation of the Cleveland Living Wage ordinance.

The non-profit Vocational Guidance Services increased the wages of twelve workers (of 206 total) for the second living wage increase (to \$8.70/hr). They were making on average 45 cents more under the living wage prior to their raise. However, no further updates are available to confirm compliance with current living wage levels. So far, this is the only employer we have confirmed as having given wage increases due to the living wage ordinance.

REPORTING & MONITORING

Many cities have attempted to improve upon prior shortcomings in their laws and implementation, especially in the areas of reporting, bookkeeping, and monitoring.

At present, potential contractors fill out an affidavit that asks how many current employees they have and how many they expect to employ if they receive the contract. The question itself does not detail how many non-Cleveland employees there are in Ohio or the number of subcontractors 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.

Since we do not know the actual number of workers covered, nor their current or prior wage levels, it is impossible to fully understand the benefits the law is producing.

The current method for dealing with service contract violations is worker complaints, unlike with financial assistance. Some communities have instead required municipalities to monitor compliance. The living wage coordinator does site visits to verify the posting of the ordinance.

HEALTH CARE

We could only find two service contractors out of the 29 covered by the law who did not offer health insurance to employees, indicating that most companies do offer some form of insurance. Both of those that did not offer insurance are temporary employment agencies. Nearly all contractors are already providing insurance for their employees. Only one company, US Cotton, has come forward to seek an official exemption because its insured employees make under a living wage.

Nationally, a majority of ordinances have health care components, something that the Cleveland law does not. The other four ordinances in Ohio (Cincinnati, Dayton, Lakewood, and Toledo) have two-tiered health insurance provisions, which require higher wages for employees without health insurance.

Policy Matters Ohio would like to offer a few simple suggestions to improve the Living Wage ordinance.

1. Enhance reporting requirements for companies.

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. 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 for insuring that this is taking place.

2. Require submission of payroll records for companies with service contracts.

It is important that the law be changed to require service contractors 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 because of the living wage. This would help monitor the law and understand its impact. Keeping track of the number of employees currently employed would also be a helpful change, since at the moment, it is unknown how many workers each employer has actually added since filling out its affidavit paperwork.

3. Adapt the law to require a higher wage for companies without health care for their workers.

Covered employers who do not offer health insurance should pay employees more than employers who do offer it. Without such a provision, employers who offer health insurance are subjected to competition from those who do not. Requiring higher compensation of uninsured workers provides employers with an incentive to offer insurance and provides uninsured workers with greater means to purchase insurance on their own.

In sum, the Cleveland living wage law appears to have resulted in a modest wage increase for a modest number of workers. Contrary to the predictions of some opponents, it has not caused large numbers of employers to locate elsewhere, nor has it 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. Even in its current form, however, the law appears to have a modest positive effect on the well being of certain workers in Cleveland.

Declaration of Number of Persons Employed by the Bidder
[POLICY MATTERS OHIO: Suggested Form Updates]

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

2.

Current Total Employees in Entity	Total Employees to be added in Entity if awarded contract (covered)
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Current Total Employees in Ohio (covered)	Total Employees living in Cleveland to be added if awarded contract (covered)
Current Total Employees working in Cleveland (covered)	

Current Total Employees living in Cleveland	Total Subcontractor Employees to be added if awarded contract (covered)
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Current Subcontractor Employees (covered)

2. If you are a non-profit entity, what is highest amount paid to any employee (please identify in what increment that amount it paid)? _____

3. If you are a non-profit entity, what is lowest amount paid to any employee (please identify in what increment that amount it paid)? _____

Entity name: _____

Name: _____

Title: _____