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# POLICY MATTERS OHIO

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## **Policy Matters Ohio Releases Cuyahoga County Living Wage Study**

A study by Policy Matters Ohio for the Cuyahoga County Board of Commissioners has concluded that a county living wage requirement would benefit a significant number of employees at county contractors. At the same time, Policy Matters found, a large majority of such employees already are paid \$10 an hour or more, and such a requirement is not likely to impose major additional costs.

About 120 cities and counties have living wage laws, which require service contractors and sometimes also economic development aid recipients to pay a wage above the state minimum to covered employees. The cities of Cleveland, Lakewood, Cincinnati, Dayton and Toledo have living wage requirements, as do major counties such as Cook County, IL., and Wayne County, MI., and the state of Maryland.

Research on living wage laws elsewhere has found that they can have a modest positive effect on poverty and worker well-being. Paying better wages can lead to lower turnover, less absenteeism, and slightly higher productivity, allowing businesses to absorb cost increases. In Lakewood, city officials said that the living wage has improved work performance for the one covered contract. Living wage ordinances do not typically increase contract prices significantly above the rate of inflation.

Most living wage laws exclude contracts for goods, construction and those to municipalities. If Cuyahoga County approved a living wage requirement with those exclusions and a minimum contract amount of \$25,000, it would cover 43 percent of county contracts worth 57 percent of the contract total. This is with no other exemptions that might reduce the number and amount of contracts covered.

Policy Matters surveyed county contractors to better understand the possible impact of a wage requirement. We received 243 responses out of 1,100 county contractors contacted – 131 for-profits, 92 nonprofits and 20 municipalities. Excluding the municipalities, at the surveyed firms:

- More than four-fifths of the contractor workforce makes more than \$10 now. The overwhelming majority of full-time employees make more than \$10.
- Most part-timers make \$10 an hour, too, but considerable numbers do not.
- Close to 1,000 employees or 6 percent of the overall workforce at surveyed county contractors made less than \$7 an hour as of December 2006. The vast bulk of them work part-time at nonprofit organizations, where they work an average of 18.5 hours a week.
- Another 1,781.5 employees at surveyed contractors, or 11.4 percent of the surveyed contractor workforce, make between \$7 and \$10.
- Most contractor employees – in the 60 percent range at both for-profits and nonprofits – get health insurance, but many do not.
- Cuyahoga County represents about a tenth of the total receipts at surveyed contractors.

The City of Cleveland law has not appreciably affected the number of bids for city contracts and appears to be a non-issue among contractors. A small number of workers at contractors or financial-assistance recipients, along with 100-plus City of Cleveland workers, have seen their wages increase because of the law. The exact number is impossible to tell because of lax reporting requirements and monitoring. Cleveland economic development officials have heard some complaints about the city's living wage ordinance, but only one company has been publicly identified as turning down city financial assistance because of the law. Cleveland's Fair Employment Wage Board has recommended changes in the law, including adoption of a two-tier wage depending on health care, but its recommendations have not been considered. Last year, City Council indefinitely postponed increases in the living wage.

Recipients of financial aid under a number of county economic development programs could be covered if the county should include financial aid in a living wage requirement. Coverage would depend on thresholds and definitions.

Ordinances often set the living wage at the level that a full-time, year-round worker would need to support a family of three or four at or slightly above the federal poverty level. That currently works out to \$9.93 an hour for a family of four. The laws differ in scope of workers covered, benefits included and wage levels. However, most laws, including those in most of the biggest counties that have them, require a higher wage – typically \$1.50 to \$2 an hour – if health-care benefits are not provided.

Based on our review, we recommend that Cuyahoga County enact a living wage with the following provisions:

- Cover service providers with contracts of more than \$25,000 and recipients of more than \$75,000 in financial aid;
- Pay at least \$9.93 hourly when substantive health coverage is provided, and \$11.86 when it is not;
- Exempt volunteers, those in job training, workers covered by collective bargaining, construction contractors, and others;
- If the county should decide to limit coverage based on company size and hours worked, it should set the minimums at 10 employees and no higher than 20 hours a week;
- Jobs that are newly contracted out should be covered;
- Provide for waivers in specific hardship circumstances, with standards for top pay rates at nonprofits, and
- Include strong monitoring and enforcement requirements.

Policy Matters Ohio is a nonpartisan, nonprofit research institute with offices in Cleveland and Columbus.