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The Living Wage Movement
What Is It, Why Is It, and What's Known about Its Impact?

Jared Bernstein

3.1 Introduction

Although living wage movements have appeared throughout this century (Glickman 1997) the contemporary movement is centered on a specific policy: passing a local ordinance to raise the wage floor for a specified group of workers covered by the ordinance.

Since the mid-1990s, such ordinances have proliferated. According to a recent review by Brenner (2003b), more than 100 cities, counties, or other entities had enacted living wage laws by the end of 2002. The community-organizing group Association of Community Organizations for Reform Now (ACORN), prominent living wage advocates, reports that as of mid-2003 there are seventy-two ongoing living wage campaigns. University students have also mobilized recently on behalf of low-wage workers, calling for ordinances to raise the pay of support staff.

Each of these ordinances is unique. Thus, the first part of the paper suggests a typology for the different ordinances currently in place based on coverage, wage levels, and other requirements. The second section will address the arguments for and against living wages, examining the motivations behind the campaigns, such as the increase in wage and income inequality, the increase in privatization of public services, and the increase in the use of tax abatements to increase local economic activity.

This section then turns to the arguments of those who oppose living wages. These arguments typically stress negative employment effects

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engendered by intervening in the locality's wage structure and the potential for service cuts, tax increases, and reduced competitiveness of the contracting process. In an important recent development for the movement, in numerous localities antiliving wage activists are attempting to pass preemptive legislation prohibiting living wages. Utah, for example, has such a law, prohibiting any locality within the state from adopting a living wage ordinance.

The next section examines the evidence on the impact of current ordinances. While many of the impact studies are prospective—they forecast the effect of an ordinance based on assumptions about coverage and costs—there now exists a small academic literature on the impact of passed ordinances, including two pre/post studies with controls. There are also a number of administrative reports from cities that have adopted living wage ordinances, and while such reports tend not to invoke counterfactuals, they do offer useful "on the ground" reports on impacts from the perspective of those who help implement the programs.

A key question of this overview is whether the living wage movement is an effective policy tool for raising the living standards of the working poor. The answer that I offer, after a fairly exhaustive review of the evidence, is that the movement is beset by a paradox. By keeping the coverage of the ordinances quite limited in terms of the number of workers whose wages are lifted by the policy, living wage campaigns are quite effective at quelling officials' concerns regarding economic problems caused by the wage mandate, and, according to the available evidence, limited coverage appears not to generate significant inefficiencies. At the same time, limited coverage constrains the ability of the policy to reach many low-wage workers.

I explore this trade-off in greater detail and examine alternative policies that have emerged in recent debates around living wages. One innovative approach with the potential to meet both the goals of the movement and concerns of those who oppose living wages is combining a living wage with a local Earned Income Tax Credit (EITC), an approach that currently exists in two U.S. localities (Montgomery County, Maryland and Denver, Colorado).

3.2 What are Living Wage Ordinances?

A living wage ordinance is legislation that establishes a wage floor above that of the prevailing minimum wage for workers covered by the ordinance.

There are something on the order of 100 living wage ordinances in place, and no two are the same. Table 3.1 provides a sample of existing ordinances. Their differences can be understood in the following framework: who is covered on the employer and employee side, and what is the nature of the coverage (e.g., what is the wage level, are fringe benefits included, are there local hiring restrictions)?

Table 3.1 **A sampling of active living wage ordinances**

City and year enacted	Wages and benefits	Employers covered	Miscellaneous provisions
Alexandria, VA: 2000	$10.89 index annually to the poverty line for a family of four with cost for health insurance (7/03)	City employees, contracts, and subcontracts and other firms who benefit from over $75,000	
Arlington, VA: 2003	$10.98; index annually (7/03)	Service contractors; contracts over $100,000 for services provided on county-owned or county-controlled property	
Baltimore, MD: 1994	$6.10 in 1996 to $8.70 (8/03) later	Service contractors; construction contracts over $5,000; includes subcontractors	Must pay employees biweekly
Berkeley, CA and Marina: June 2000, amend. October 2000	$10.76 with health; $12.55 without (8/03)	City, contracts, financial assistance recipients, and leaseholders of city land	
Boston, MA: 1997	$10.96 (8/03); adjusted annually by the higher of the federal poverty line for a family of 4, CPI or 110% of the federal minimum wage	Contracts and subcontracts over $25,000, subsidies (grant, loan, tax incentive, bond financing) for-profits with over 25 employees and nonprofits with over 100 employees; leaseholders or renters of beneficiaries; exemptions for hardship	
Buffalo, NY: 1999	1999: $8.08 with health; $9.08 without health (8/03); [2000: $6.22, 2001: $7.15, 2002: $8.08 with health; $1.00 more each year without health]	City service contracts and subcontracts over $50,000	
Burlington, VT: 2001	$11.67 with health; $13.49 without (7/03); annual adjustment to a state-issued "basic needs budget" for a single earner (a concept and formula introduced by the Vermont Livable Wage campaign)	City, service contractors, or businesses with grants from the city of at least $15,000	Companies have to provide at least 12 compensated days off per year for employees who fall under the law. (Vermont Livable Wage Campaign)

(*continued*)

Table 3.1 (continued)

City and year enacted	Wages and benefits	Employers covered	Miscellaneous provisions
Cambridge, MA: 1999	$10.68, increased later to $11.48 (8/03) adjusted annually by CPI	City, contract or subcontracts over 10,000, and firms that benefit from at least $10,000 annually	
Central Arkansas Library System, 2001	$8.75, $9.00 starting July 1, 2002, plus full health benefits and retirement benefits, indexed for inflation	All Central Arkansas Library System employees	
Chicago, IL: 1998	$7.60 increased to $9.05 in 2002, annual indexing was added in 2002	Service contracts with over 25 employees; includes subcontractors; exemptions for nonprofits, home and health care workers, security guards, parking attendants, day laborers, cashiers, elevator operators, custodial workers and clerical workers	n.a.
Cincinnati, OH: November 2002	$8.70 with health; $10.20 without, adjusted annually	City itself, city service contractor with a contract worth at least $20,000	
Cleveland, OH: June 2000	$8.20, increased to $9.20 Oct. 2002 (indexed accordingly thereafter on annual basis)	Contracts and subsidies over 75,000 with at least 20 employees (profit) and 50 employees for nonprofit with a wage ratio greater than 5:1, subcontractors, leaseholders, or tenants of recipients of assistance	
Denver, CO: February 2000	100% of poverty line for a family of four, updated annually	City employees, contractors, subcontractors with a contract of $2,000 or more engaged in the work of a parking lot attendant, security guard, clerical support worker, or child care workers on city owned or leased property	
Detroit, MI: 1998	100% of poverty line for a family of four with health benefits; 125% of poverty line without benefits	Service contracts or subsidies (federal grant programs, revenue bond financing, planning assistance, tax increment financing, tax credits) over $50,000; includes subcontractors and leaseholders	Must attempt to hire city residents for new jobs

Hartford, CT: September 1999	110% of poverty level for a family of 4, with health benefits that requires employees to pay no more than 3% of annual wages (or equivalent)	Contracts over $50,000 in the following categories: food service, security services, custodial/maintenance, clerical/office, transportation, and parking services	
Jersey City, NJ: 1996	$7.50	City contractors employing clerical, food service, janitorial workers, or security guards	Employer has to provide health benefits and vacation to full-time workers.
Los Angeles County, CA: 1999	$8.32 with health benefits; $9.46 without health benefits	Contractors $25,000	Prohibits the use of part-time employees on county contracts without justifiable cause and prohibits the use of county funds to inhibit employee organization; provides that its provisions may be expressly superseded by a collective-bargaining agreement
Madison, WI: 1999	100% of poverty line for a family of four in 1999; 105% of poverty line in 2000; 110% of poverty line in 2001	Certain contracts over $5,000 and certain subsidies over $100,000; categories: food preparation, security, custodial, clerical, transportation and parking services	The ordinance also allows that the terms of a collective-bargaining agreement may supersede the requirements of the living wage ordinance.
Miami-Dade County, FL: 1999	$9.00 with health; $10.30 without	County workers, service contractors ($100,000), and airport licensees; categories: food preparation and/or distribution; security services; routine maintenance services such as custodial, cleaning, refuse removal, repair, refinishing, and recycling; clerical or other nonsupervisory office work, whether temporary or permanent; transportation and parking services including airport and seaport services; printing and reproduction services; and, landscaping, lawn, and/or agricultural services	The ordinance establishes a Living Wage Commission to enhance compliance and review the effectiveness of the law.

(*continued*)

Table 3.1 (continued)

City and year enacted	Wages and benefits	Employers covered	Miscellaneous provisions
Milwaukee City, WI: 1995	$6.05 adjusted annually by federal poverty line for a family of three. The current living wage is $7.06 (as of 9/02).	Service contracts; excludes contracts that involve the purchase of goods; includes subcontractors	n.a.
Milwaukee County, WI: 1997	$6.25; adjusted by union pay scales	County workers, categories: janitors, parking lot attendants, and unarmed security guards	n.a.
Milwaukee Public Schools; 1996	$7.70		Direct employees and contractors
Milwaukee School Board, WI: 1996	$7.70	School board workers	n.a.
Minneapolis, MN: 1997	110% of poverty line for a family of 4, currently $9.57	Subsidies over $100,000 in one year	60% of new jobs will go to city residents.
Missoula, MT: 2001	100% or more of the lowest wage of full time employees of the City of Missoula, currently $8.80, and provide health benefits	Recipients of city economic development assistance	The ordinance also requires the recipients to comply with the Fair Labor Standards Act.
Monroe County, MI: October 2001	$8.70 with health; $10.20 without; indexed annually	County itself, county contractors (greater than $10,000 per year)	
Montgomery County, MD: June 2002	$10.50	County contracts over $50,000 and at least 10 employees	The measure also includes a "nonpenalty" clause that encourages nonprofits that contract with the county to pay a living wage by insuring that the bidding process does not unfairly undercut them.

New York City, NY: November 2002	$8.60 with health; $10.10 without; The wage rate will rise in two steps until it reaches $10.00 an hour in July of 2006.	City service contractors, principally health care workers	
Oakland, CA: 1998	$8.00 with health benefits; $9.25 without benefits; adjusted yearly by regional CPI, bringing the current wage requirements to $9.58 and $11.02; 12 days paid leave	Service contracts over $25,000 or subsidies over $100,000; includes subcontractors	The ordinance also allows for the terms of a collective-bargaining agreement to provide that said agreement may supersede the requirements of the living wage ordinance.
Pima County, AZ: 2002	$9.00 with health; $8.00 without, adjusted by CPI	Categories: facility building, maintenance, refuse collection and recycling, temporary employee services, janitorial and custodial services, landscape maintenance and weed control, pest control, security, and moving services	
Port of Oakland, CA: 2002	$9.58 with health; $11.02 without	1,500 low wage workers at Oakland's Airport and Seaport, including baggage handlers, security guards, drivers and food service workers	
Portland, OR: 1996	$6.75 in 1996; $7.00 in 1997, $7.50 in 1998 and $8.00 in 1999 through the year 2000.	Service contracts; categories: janitors, parking lot attendants, temporary clerical services and security workers	n.a.
Prince George's County, MD: 2003	$10.50, adjusted by CPI	County service contractors ($50,000) who employ 10 or more workers	
San Francisco, CA: 2000	$9 without health; $10 next year, followed by 2.5 percent raises for three more years, an additional $1.25 without health, 12 paid days off and 10 unpaid days for family emergencies. The current rate is $10.25 (8/03).	City service contractors, including nonprofit agencies and leaseholders at San Francisco International Airport	

(*continued*)

Table 3.1 (continued)

City and year enacted	Wages and benefits	Employers covered	Miscellaneous provisions
San Jose, CA: 1998	$10.10 with health; $11.35 without (8/03)	City service contracts worth at least $20,000; direct financial grants from the city valued at $100,000 or more in a year; categories: automotive repair and maintenance, food service, janitorial, landscaping, laundry, office/clerical; parking lot management, pest control, property maintenance, recreation, security shuttle services, street sweeping, and towing	
Santa Fe, NM: 2003	$8.50 (6/03); the wage will rise $1.00 every two years until it reaches $10.50 in 2008, when it will be indexed to inflation.	Any business in the city with at least 25 employees	
Stanford University; 2002	$10.10 with health; $11.35 without.	Major university contractors with nonunionized employees	
Toledo, OH: 2000	110% of the federal poverty level for a family of 4, currently $9.57 with health; 130% of the poverty level, currently $11.31, without health	City contracts over $10,000 (and more the 25 employees) and recipients of city subsidies over $100,000 (with more than 50 employees), tenants	
Tucson, AZ: 1999	$8.77 with health; $9.87 without (8/03), adjusted to CPI	City contractors; categories: facility and building maintenance, refuse collection and recycling, temporary employee services, janitorial and custodial, landscape maintenance and weed control, pest control, security, moving services	60% of workforce must be city residents.
Ypsilanti Township, MI: 1999	$8.50 with health; $10.00 without (8/03)	City service contracts or financial assistance over $10,000 ($20,000 for nonprofits)	

Note: n.a. = not applicable.

3.2.1 Coverage: Employers and Workers

Luce (2003) points out that seventy-four existing ordinances cover employers who contract with the city to provide a service. The next largest group covers businesses that receive some type of subsidy under the rubric of economic development assistance, such as a tax abatement, a below-market-cost loan, or the below-cost provision of a city service or good (e.g., as when a city agrees to pay for new infrastructure to facilitate a new factory or office building).[1] On the employee side, coverage can be specific to industry, occupation, or part-time or full-time status.

Ordinances can be quite specific about who is covered. For example, in Los Angeles, nonsupervisory workers who work for a service contractor are covered, but if such a worker provides *goods* under the city contract, they would not be covered. Thus, a security guard who works for a firm contracted to provide services to the city (e.g., cleaning or busing services) would be covered, while a guard who worked for a firm providing the city with goods (e.g., building supplies) would not be covered. In Portland, occupational coverage is very specific as only janitors, security guards, and parking attendants are covered by the ordinance. Turning again to Los Angeles, there is a distinction made between workers employed by those firms who contract with the city, and those working for firms who receive a subsidy. Any worker meeting the industry or occupational criteria is covered in the former case. But in the latter case, the ordinance language covers only a worker who "expends at least half of his or her time on the funded [i.e., subsidized] project" (http://www.laane.org/lw/docs-lacitylwordinance.pdf).

As a result of bargaining during the political process, certain exemptions from coverage usually find their way into most of the ordinances. For example, contracts and subsidies below a certain dollar value may be exempted. A glance at table 3.1 shows the range of these values in different localities. In Arlington County, Virginia the threshold in $100,000; in Cincinnati, it is $20,000. In Boston, the original law stated that direct service contracts with the city must be fore over $100,000 for the living wage ordinance to be applied (for subcontractors, the limit was $25,000), but advocates later successfully campaigned to lower the direct contractors' cutoff to $25,000 in order to increase coverage. The Oakland, California law requires coverage for workers on service contracts of at least $25,000 and development assistance of $100,000 or more (including the tenants and leaseholders of the subsidy recipient). In Chicago and other cities, nonprofits that contract with the city are exempted; in other cities, they are included, though there often exists a threshold here as well in order to exempt smaller providers.

1. As shown in table 3.1, a single ordinance can cover both service contracts and subsidized businesses.

As noted previously, hours worked can also be a coverage criterion. In Jersey City, all workers under service contracts are covered by the living wage, but only full-time workers are required to receive vacation and health benefits. In Milwaukee, on the other hand, the ordinance has very specific language to cover all workers, including part-time and temporary workers.

One relatively new application of the living wage model is in the university setting (ACORN reports three such policies currently active). Perhaps the more renowned example is Harvard University, where student supporters staged an aggressive campaign in support of low-wage workers employed directly or indirectly (through subcontractors) by the university. The ordinance covers security guards, custodians, and dining services. A significant motivation for the campaign was the observation that outsourcing of jobs previously held in house was leading to lower campus-wide wages in these occupations. Thus, along with initial pay raises, the ordinance includes a "wages and benefits parity policy" requiring that outsourced jobs provide wages and benefits comparable to in-house unionized workers performing the same work. The use of living wage laws to address such concerns as outsourcing is not uncommon and is examined further in the following.

A key point, one that will surface throughout this review, is the specific and generally quite narrow nature of the coverage of living wage ordinances. However, a recent trend in the movement is to push for laws closer in spirit to the minimum wage but for substate areas. The only active such policy is in Santa Fe, New Mexico, passed in February 2003: a minimum wage of $8.50 that applies to any establishment with at least twenty-five employees. New Orleans also passed a city-wide minimum wage, but its implementation was prohibited by the state's supreme court, based on jurisdictional issues (more on this issue in the following).

In this review, I choose not to focus on these city-level minimum wage laws. Their coverage, structure, and likely impact are very different than the much more dominant model covering service contracts and subsidized businesses. The evolution of these local minimum wage laws are worth tracking, and I speak to their relevance to the living wage movement in the conclusion of this report, but they are quite a different policy from the one discussed thus far.

3.2.2 Wages and Benefits

The wage levels also differ between contracts, as do the provision and extent of fringe benefits. Also, some ordinances call for indexing of the wage.

The living wage level, as well as the extent of benefits, is derived by the campaign organizers and community activists who introduce and develop the ordinance. The name "living wage" implies a wage level that would enable its recipient to meet their basic consumption needs. However, a comparison of recent work on family budgets—the dollar amount needed by families of a specific type in a given locality—and prevailing living wage levels shows that living wages are pegged below the wage needed to meet a family budget. For example, Bernstein, Brocht, and Spade-Aguilar (2000) show that a single parent with two children living in Baltimore in 1998 would need $30,100 to meet her basic needs. Assuming year-round full-time work, this implies a living wage level of $14.48, significantly higher than the actual living wage in Baltimore of $7.10.

In this sense the living wage is somewhat of a misnomer. In many cases, the level is derived with reference to the U.S. poverty line for a given family size, usually a family of four, which was $18,392 in 2002. This value, divided by full-time, full-year hours of work (usually 2,080) comes to just under $9, and it serves as a basis for the wage level in various ordinances. Living wage levels in Baltimore, Los Angeles, Chicago, Detroit, and many other smaller cities are close to this level, though many are higher. In 1998, for example, the city of San Jose passed an ordinance requiring service contractors (with contracts of at least $20,000) to pay a living wage of $9.50 an hour with health benefits or $10.75 if the company does not provide benefits, and these values were recently raised to $10.10 and $11.35. This last model, with a lower wage tier when fringe benefits (typically health insurance and/or vacation days) are provided, is also quite common.

More than half of current ordinances include cost-of-living adjustments. Milwaukee's ordinance, which is derived from the poverty line for a family of three (divided by 2,080) calls for the level to be updated annually when the government releases the new poverty lines (which are updated by the growth of consumer prices). Other ordinances are explicitly tied to the consumer price index (CPI). Finally, in a departure from the poverty-line derivation, the Harvard ordinance, as noted previously, includes a compensation parity clause for workers subcontracted by the university.

3.2.3 Enforcement and Other Miscellaneous Provisions

Other than coverage and compensation, some ordinances have provisions relating to labor relations, hiring practices, and enforcement.

Owens (1997) points out that labor activists involved in living wage campaigns often try to include provisions that lower barriers to labor organizing and "help to promote a more labor-friendly environment." In San Jose, for example, the ordinance calls for proposed contracts to undergo a so-called "third-tier review," where proposals must be examined by the city with regard to good labor practices. Also, the city department that awards the contract must provide the request for proposals to the local American Federation of Labor-Congress of Industrial Organization (AFL-CIO) labor council, ostensibly for the council's review and input as to whether the employer has a history conducive to maintaining "labor peace." The Minneapolis ordinance states that "other things being equal and to the extent legally possible," it will give preferential treatment to firms that engage in "responsible labor relations," defined as neutrality towards organizing, voluntary recognition based on card checks, and binding arbitration of the first contract.

Other ordinances try to insure that those hired under the covered contact or subsidy will come from the local community. In Minneapolis, recipients of contracts or subsidies of at least $100,000 are required to set a goal that 60 percent of new jobs created will be held by city residents. Other provisions call for retention guarantees and the prohibition of privatization of services currently performed by city employees.

Finally, the issue of enforcement is surfacing as a crucial component to the success of the ordinance. While most ordinances include at least some language regarding enforcement and penalties for noncompliance, some laws include no reporting requirements or staff to monitor compliance (Luce 1998). For ordinances lacking enforcement provisions, violations are only identified through complaints by workers, who may not be aware of the law or be willing to risk filing a complaint. Additionally, preliminary findings suggest that that some of the existing enforcement provisions are inadequate to ensure compliance. For example, although the Baltimore ordinance requires contractors to submit payroll information to the Wage Commission, the limited staff has been unable to monitor all contacts; in fact, there are no central data on contracts nor is staff able to ensure that payroll data are submitted by all contractors (Niedt et al. 1999). Luce (1998) reports that the only violations sited by the Wage Commission to date were uncovered when activists helped workers file a complaint charging that bus companies did not increase wages as scheduled by the ordinance.

The Boston ordinance is unique in that it formalizes activist involvement in enforcement through a "city assistance advisory committee," which includes one AFL-CIO member, one ACORN member, and five mayoral appointees (Spain and Wiley 1998). However, there was also strong opposition by some members of the business community to the degree of these reporting requirements.

What is one to make of this rich array of ordinances? In the sense of a central goal of the movement—to lift the living standards of low-income workers under city contracts or working for firms with business subsidies—such diverse coverage criteria is hard to rationalize. Why should your employer or sector matter? Why should a low-income worker under a small contract be exempt while the same worker on a large contract is covered? Why cover workers on service contracts but not those on manufacturing contracts?

While the rationale for these coverage differences is hard to square with the goals of the movement, they do provide a degree of flexibility that is valued by city councils, community activists, and perhaps even the business community. Pragmatic political concerns often generate compromises regarding coverage. Also, this flexibility avoids the "one-size-fits-all" model of, for example, the federal minimum wage, where regional differences are not taken into account. For example, the San Jose living wage is relatively high compared to other ordinances around the nation, but community organizers there pushed for this level based on the very-high cost of housing in the Silicon Valley area, and the fact, due to the high housing costs, many of the covered workers had to travel long distances to get to work. In other cases, workers in certain occupations, such as those who work in the school system (as in Milwaukee) might be seen as particularly deserving by influential parties and thus might be strategically highlighted in the campaign and ultimately in the ordinance.

Flexibility also carries political risks for all sides. If the organizing environment is fertile for activists, they can push for more progressive ordinances, such as those that include indexing requirements. Conversely, even if an ordinance were to pass in an environment dominated by opposing interests, it may be watered down to the point where it has no bite at all, either in terms of coverage, wage level, or enforcement mechanisms. Another potential downside is that of unintended consequences. Some of the ordinances described previously create obvious "kink points" regarding coverage. For example, depending on the extent to which employers or contractors respond to the increase in the wage floor (an issue discussed in the following), one could imagine the dollar value of contract offers "bunching" right below the eligibility cutoff point. Freeman (2000) suggests a more fluid approach to thresholds, with a graduated schedule of living wage levels as a function of firm revenues or size.

3.3 Living Wage Campaigns

Arguably, social and economic policy over the past few decades have titled toward less intervention in markets.[2] Policies and institutions intending to sway the "invisible hand" have generally been viewed with much suspicion, even by traditional Democratic allies. Why, then, have living wage campaigns been so successful in getting city councils or similar bodies (e.g., university presidents) to pass ordinances? The explanation derives from the logic of the campaigns' core message, the strategy of the organizers, the nature of their coalitions, and the small magnitude of the ordinances.

3.3.1 The Motivations behind the Living Wage Movement

A primary motivation for living wage campaigns is the difficult economic circumstances facing low-income working families. Over the 1980s and mid-1990s, the hourly wages of low-wage workers fell 18 percent in

2. See Kuttner (1997).

real terms. The tight labor market of the latter 1990s reversed this trend (a minimum wage increase in 1996 also helped), but even so, wage levels for most low-wage jobs remain well below the levels needed to meet basic needs, as noted previously.[3]

Another motivation for the movement comes from the trend toward privatization of services formerly provided by public-sector workers. A 1998 survey found that more than half of state governments had increased the number of functions performed under private contracts over the prior five years, and many others said they planned to increase privatization in the following five years (Chiand Jasper 1998). The largest amount of privatization occurred in transportation agencies, followed by administration and general services, corrections, and social services. At the municipal level, waste management is the most likely service to be privatized. One survey of 516 towns in Illinois found that almost every city in the survey contracts for at least one service, and 53 percent contract for at least ten services. Again, the highest levels of privatization were in waste management, with 92.6 percent of municipalities using private commercial solid waste services and 87.7 percent using private residential solid waste services (Moore 1998).

Living wage advocates and public-sector unions have stressed concerns about the effects of privatization on job losses and decreases in wages among public-sector workers. A study by the Chicago Institute on Urban Poverty compared the wages and benefits of Chicago employees to contractual employees for ten job titles representing parking attendants, guards, and custodial workers. They found that privatization led to compensation losses for entry-level workers ranging from 25 percent to 46 percent for the various job titles. For senior-level workers in the same job categories, two job titles experienced moderate increases in wages and benefits of 4 percent to 7 percent, while the other eight categories experienced losses of 9 percent to 46 percent. Because government agencies disproportionately hire (and advance) female minority workers, these changes have meant the loss of relatively high quality jobs for these workers (Jackson 1997).

In a similar spirit, living wage advocates are also motivated by the proliferation of economic development incentives such as tax subsidies, loans, publicly provided services, or goods to private-sector firms to influence their mobility (i.e., to get them or keep them). The motivation for attaching living wage provisions to these incentive agreements is as stated on the ACORN web cite: to ensure that "private businesses that benefit from public money . . . pay their workers a living wage."

3. These statistics, derived from the CPS outgoing rotation groups (ORG) files, are for the 18–64-year-old wage and salary workforce. They can be found in the DataZone section of the Economic Policy Institute (EPI) website available at http://www.epinet.org. For a description of their construction, see Mishel, Bernstein, and Boushey 1999.

Embedded in this quote is an important economic insight into the movement's motivation. Much living wage advocacy literature, either implicitly or explicitly, claims that both contractors and subsidy recipients are receiving some degree of economic rents from the city. The ordinance is designed to reclaim some portion of those rents and redistribute them among low-wage workers. If, in fact, the higher wages are paid out of redistributed rents, we would not expect to observe market inefficiencies, such as employment or price adjustments (i.e., higher contract costs passed through to the city), resulting from the ordinances.

These developments have provided fertile ground for organizers. According to living wage organizers, living wage campaigns provide a channel through which low-wage urban workers and those who sympathize with them can actively pursue social justice. They challenge city councils, who in many cases have recently privatized a public service or granted a sizable subsidy to an entrepreneur, to make sure the local workforce is not economically undermined by these policies. In this regard, campaigns have pressured local governments to require subsidized firms to keep public records of the number and quality of the jobs they create.[4]

3.3.2 The Coalitions

One of the most interesting aspects of the living wage movement is the nature of the coalitions that have organized and supported the campaigns. Community organizers and labor, political, and religious groups have been the at the core of the coalitions, but like the ordinances themselves, the coalitions have been extremely diverse.

The alliance between labor and national community organizing groups, such as ACORN or the Industrial Areas Foundation, has been instrumental in the movement's success (Zabin and Martin 1999). For labor unions, their stated support for the living wage movement is to promote "economic justice" and join forces with low-wage workers in typically unorganized sectors. But as numerous analysts have pointed out (discussed in the review of the impact literature), unions, especially those representing public-sector workers, are also motivated by the desire to reduce competitive pressures engendered by outsourcing their tasks to lower-wage contractors in the private sector. From the perspective of community organizers, labor often brings clout, money, and political strength.

Zabin and Martin (1999) provide a case study of a highly successful activist coalition in Los Angeles, led by the Los Angeles Alliance for a New Economy (LAANE). They note that LAANE, which was created by the Hotel Employees and Restaurant Employees Union (HERE), embraced the living wage as way to raise wages and organizing potential of low-wage workers in their industries. The broad coalition they built included His-

4. LeRoy and Slocum (1999) stress the importance of these reporting requirements.

panic neighborhood groups, Communities for a Better Environment, a tenants' union, and religious organizations (Clergy and Laity for Economic Justice (CLUE) grew out of these efforts).[5]

In their discussion of LAANE's successful Los Angeles campaign, Zabin and Martin (1999) stress another point that is often made is this context—the living wage campaign as a union organizing tool: "LAANE organized workers who would be affected by the ordinance, incorporating them into the campaign in mobilizations and as spokespeople in city council hearing. This was not just a campaign tactic, but rather an integral element of their central objective of building support for union organizing" (13).

To this end, LAANE incorporated some of the language noted by Owens (1997) designed to facilitate organizing. For example, an enforcement provision in the ordinance "allows a third party to inform and educate affected workers about their rights under the living wage law" (15). Organizers from HERE and Service Employees International Union (SEIU) used this clause to gain access to workers at the Los Angeles International Airport (LAX) for a large-scale unionization drive.

That said, it should be noted that beyond this anecdotal evidence, there is as yet little evidence that the living wage movement is having an identifiable impact on strengthening the labor movement, a point I return to in the conclusion.

Most successful campaigns seem to pursue a very similar strategy to that of LAANE, with labor, community, and religious groups working together, often in consultation with sympathetic economists and lawyers offering technical support.[6] Legal support has become more important, as cities and states have begun trying to raise legal objections to living wage ordinances or pass legislation to prohibit them. For example, officials of the city of Alexandria, Virginia argued that under state law (the so-called "Dillon Rule") localities were prohibited from legislating activities, such as a wage mandate, not expressly granted to them in the state constitution, an argument ultimately rejected by the city council.

Those who actively oppose living wage movements generally represent two related camps: affected employers (writ broadly to include contractors and subsidy recipients) and some members of local government (e.g., city councilors) and their "clients": tax payers and other citizens who could potentially face greater tax liabilities or reduced services. In the first case, employers who oppose living wage campaigns typically do so on the grounds

5. Luce (2000) describes a similarly diverse coalition in a successful Cambridge, Massachusetts campaign, including community groups, a carpenters local, and the National Lawyers Guild.

6. Research by Martin (2001) lends statistical support to this combination. He ran city-level logistic regressions on the probability of a successful campaign, finding that the interaction of the presence of ACORN and union density was a significant positive predictor, while direct effects of each variable were not significant.

of labor costs. As in the minimum wage debate, such employers argue (in so many words) that they are currently paying what the market will bear, as determined by supply, demand, and the marginal product of their low-wage workforce. A mandated increase in wages will force them to pay above the market wage, compromising their ability to remain competitive, and they will be forced to cut employment and/or leave the market.

Leaving the market, in this case, means either not bidding for the contract or relocating to a city without a living wage ordinance, and this is one concern of local officials. Those city officials who oppose living wage ordinances typically do so based on the arguments that the ordinance will (1) hurt the city's ability to compete for jobs with other localities and (2) increase the cost of contracts and thus force them to raise taxes or lower services.

The campaigns and their opponents continue to devote considerable resources to making their cases. A particularly notable example of a living wage battle, also involving LAANE, occurred in Santa Monica, California from 2000–2002 in the context of an ordinance designed to introduce a $10.50 living wage ($12.25 without health care benefits) to all firms within the so-called "coastal zone" of the city. This is a beachfront area wherein the city restricts growth, thus reducing competitive pressures for the resident businesses and arguably generating some rents for them. After the ordinance was introduced, the local business community, aided by national groups like the National Restaurant Association, fought back especially hard, spending, according to LAANE, over $1 million to stop the ordinance.[7] They introduced legislation, deceptively entitled "The Living Wage Initiative," which would have prohibited such ordinances in the area. This was defeated and the city council passed the law in 2001. The opposition responded with another million-dollar campaign to repeal the ordinance, and this time they were successful.

In this case, millions were spent on defeating a proposal that a representative from the restaurant industry described as their industry's "bogey man."[8] In their successful efforts to urge voters to repeal the living wage, the industry engaged in election practices that led to a "commission of inquiry." The commission found various fraudulent election practices and called for ballot reforms against such tactics as "dishonest slate mailers."[9] I discuss this case in some detail not simply from prurient interest but to show that even though most of these ordinances are small in an economic sense—the Santa Monica ordinance was projected to reach 2,000 workers

7. This information is from the LAANE website available at http://www.laane.org.

8. See Tanner (2002).

9. See http://www.democracydistorted.com/DemocracyDistorted_ExecutiveSummary.pdf. The inquiry claimed that opposition groups sent out mailers that falsely claimed that the Democratic party, prochoice leaders, and educators opposed the ordinance. The Santa Monica city council agreed to consider the inquiry's recommendations.

and cost less than 5 percent of gross receipts (Pollin and Brenner 2000)—the stakes are high and engender heated debates and actions on both sides.

Much of this debate has occurred in a context lacking solid information about the actual impact of living wage ordinances, largely because such information did not exist. But there is now a growing literature on impacts that has the potential to provide a bit more light to this heated debate. I turn to that work in the next section.

3.4 What's Known about the Impact of Living Wages?

Most of the impact studies of living wages have been prospective. The most thorough of these studies, some of which are reviewed in the following, take the available information on city contracts that would be covered by the ordinance, use input/output assumptions to generate the employment counts based on the dollar value of the contracts, and use microdata on jobs in the relevant occupations and industries to figure out how many workers will be affected and how much the ordinance will cost, a technique pioneered by Pollin and Luce (1998).

There is, however, a small body of work looking at the actual outcomes of ordinances that have been passed and at least partially implemented, including a before/after study using original survey data. In addition, there are now several reports from city agencies that have adopted living wages. While such reports differ from economic analyses in that they tend to ignore counterfactuals, the fact that these officials are "on the ground" where the increases take place renders them useful to gauging living wage impacts.

3.4.1 Prospective Studies

Most of the impact studies of living wages have been prospective. The most thorough of these studies take the available information on city contracts that would be covered by the ordinance, use input/output assumptions to generate the employment counts based on the dollar value of the contracts, and use microdata on jobs in the relevant occupations and industries to figure out how many workers will be affected and how much the ordinance will cost. Some of the studies add indirect costs associated with wage spillovers predicted to occur in affected firms.[10] The most common outcome measures from these studies are the number of workers affected and the potential increase in labor costs to contractors or subsidized businesses.

Given the many possible reactions to the introduction of a living wage, uncertainties about the relevant elasticities, and limited data on what are often small geographical areas, any prospective study is of limited use.

10. See, for example, Pollin and Luce (1998) and Reich, Hall, and Jacobs (2003).

However, this is a relatively young movement, and actual impact studies are only now being produced (they are reviewed next). Still, these studies make a few key points that are worth noting. In addition, the two pre/post actual-impact studies and the administrative impact reports mentioned in the following come up with findings that are broadly similar to those predicted by the highest-quality prospective studies.

As Brenner (2003b) shows in a review of some of the best prospective studies, the predicted numbers of affected workers under contractor/subsidy models is small relative to the city's labor force (never more than 1 percent).[11] Similarly, costs relative to some aggregate for firm or for cities, either revenue or city contract costs, range from 0.3 percent to 4.6 percent. The determinant factors driving these employment and cost results are the level of the living wage relative to the minimum wage in the area, the coverage of the ordinance, and the wage structure in the affected industries. Regarding this latter point, prospective studies on business subsidies to manufacturers tend to yield much lower cost projections (and affect fewer workers) than low-wage service contract ordinances, such as those covering custodial or food service workers. Thus, a key insight from these studies is that the "bite" from the ordinance is partly a function of where it meets the wage structure of affected industries.

Despite the fact that these studies yield estimates of costs and affected numbers of workers that are small relative to some aggregate, the ordinances could still lead to less than optimal outcomes. Even small changes can generate undesirable responses, such as layoffs or less-competitive bidding, especially for firms operating within narrow cost margins. And the fact that an ordinance generates costs that are small relative to the city's budget does not preclude a specific business or contractor from facing a hefty increase, especially in low-wage industries where the living wage is much higher than the prevailing wage. In fact, Brenner (2003b) finds that the average living wage in the eight prospective studies cities he reviews is 76 percent above the prevailing minimum wage.[12] Even a very steep labor demand curve (i.e., a highly inelastic labor demand response to wage changes) could yield significant employment losses when hit with such a large shock to wages.

The question is, do such effects actually occur? The prospective studies by advocates tend to say no; those by opponents predict otherwise. For example, in their debate over the impact of the Santa Monica, California living wage ordinance, supporters of the proposal argued that based on assumptions regarding other absorption mechanisms (higher prices, more

11. Brenner's (2003b) review of these studies (in his table 2) includes Pollin, Luce and Brenner's (1999) study of the New Orleans city-level minimum wage, which was, of course, predicted to cover a much larger share of the workforce—close to 10 percent.

12. This average excludes New Orleans, a city-wide minimum wage (which was pegged at 19 percent above the minimum [Brenner 2003b, table 2]).

efficient production through efficiency wage effects, and lower profits) "it is not likely that the ordinance will induce significant layoffs."[13] The same study argued that most of the benefits from the increase go to low-income families who need the extra income, that is, the policy is at least decently targeted (Pollin and Brenner 2000). Opposing researchers argued that the Santa Monica ordinance would affect far more workers than claimed by the supporters' study and thus be much more costly with greater worker dislocations. This study also argued that the benefits of the higher wage were poorly targeted, with more than half going to families in the top half of the income scale (Sander, Williams, and Doherty 2002).

Such disagreements are inevitable and should by no means undermine interest or support in prospective studies, which are commonly used to forecast policy impacts. Evidence presented in the following suggests that the prospective studies do a fairly good job in two areas: estimating coverage and estimating the characteristics of affected workers. That said, there are very significant uncertainties in assessing the impact of living wage ordinances. Specifically, it is difficult to know how firms will respond. The true employment elasticities are unknown, and while the minimum wage literature suggests they are "small," as noted previously, the magnitude of the wage increases could be large enough to generate significant layoffs. Assumptions about efficiency wage effects are also questionable. It's certainly possible that firms will absorb higher costs through, for example, lower turnover, but whether they actually will do so is wholly an empirical question. With these caveats in mind, we now turn to the precious few studies that examine actual impacts.

3.4.2 Actual Impact Studies

These impact studies can usefully be divided with reference to their methods. I first discuss a set of studies by David Neumark (both alone [2002] and with coauthor Scott Adams [2001a,b] that use secondary data analysis—the Current Population Survey (CPS)—to measure the wage, income, and employment impacts of living wage laws. Next, I examine two studies using primary data sources. These two controlled studies provide particularly useful information on living wage outcomes. Finally, I present information from a set of administrative reports.

3.4.3 Secondary Analysis

The economist David Neumark has done the most econometrically rigorous analysis of the impact of living wages based on secondary data sources, specifically. Neumark's questions focus mainly on the impact of ordinances on jobs and income (along with poverty status), though in one paper he asks whether living wages are in part a tool of public-sector

13. Pollin and Brenner (2000, 5).

unions to reduce wage competition. Some of these papers also make a useful distinction between living wage ordinances that apply solely to contractors and those that apply to firms receiving subsidies.

The results from these papers tend to find significant wage and income gains from living wage laws and, in some models, significant job displacement effects as well. In fact, on the basis of his results suggesting that living wages led to lower urban poverty rates, Neumark, who had earlier been critical of living wage laws based on their inefficiencies as observed in his analysis, told *Business Week* (2000) that "I'm no longer ready to dismiss these policies out of hand." Neumark also finds support for the notion that municipal unions are using living wage ordinances to protect their jobs by raising the costs of contracting out jobs they currently perform.

These authors have quickly amassed a considerable body of literature on the topic of living wage impacts. In every report, their models run off of a cross-sectional time series panel of metropolitan areas derived from the CPS. The identification of a living wage effect—a regression-adjusted difference-in-difference estimator—derives from the variation in wage and employment outcomes between cities that have passed ordinances and those that have not.

There are three central concerns regarding this work: (1) the inappropriate use of CPS data for research on this issue; (2) the magnitude of the results, which appear too high given the size of the interventions; and (3) measurement error, particularly regarding the classification of potentially covered workers and a lack of attention to whether the business-subsidy ordinances actually reached any workers in "treatment" Metropolitan statistical areas (MSAs).

On the first point, because the CPS does not identify living wage workers, Neumark and Adams (2001a,b) are unable to examine the wage and employment outcomes for those directly affected by the policy. Thus, they have to aggregate to the MSA level and hope they can pick up a signal from the ordinances, which they acknowledge affect less than 1 percent of the bottom quartile of the workforce. They also have to assume that workers who live in the city also work there because they are deriving city-level wages from the reports of households who live there but do not necessarily work there.

However, putting aside the residence critique, the lack of a living wage coverage variable in the CPS is not necessarily fatal. If the ordinances raise the market wage for an occupation—if uncovered firms have to raise wages to the living wage level in order to attract and keep workers—this would boost the signal from the intervention. Also, Bartik (2002) notes that the ordinances could cause "large changes in social norms" (27), pressuring noncovered employers to pay "fairer wages." This too could boost the signal-to-noise ratio such that city-level observations could reveal a living wage effect.

The fact that so few workers tend to be covered by existing ordinances, as well as implementation problems discussed in greater detail in the following, works against the notion that uncovered firms would respond to the ordinances and brings into question the magnitude of some of the results. Papers such as that of Neumark and Adams (2001a,b) find wage and (dis)employment elasticities that are far larger than others in the literature on low-wage labor markets.

For example, some of their reported wage elasticities translate into wage gains for all workers in the bottom decile—not simply those directly affected—in an affected MSA of 3–7 percent, employment elasticities that lead to 6 percent employment reductions, along with 8 percent poverty-reduction effects.[14] It is worth reiterating that Adams and Neumark find these effects to reach all workers in the bottom decile, not simply those affected by the ordinance (evidence presented in the following shows much larger wage gains among affected workers).

The extent of these spillovers from a very small number of affected workers to much larger numbers of low-wage workers is a hallmark of this research. While literature on "threat effects" certainly show that intervening forces, such as unions or international trade agreements, can have measurable impacts on jobs and wages that go beyond the directly affected group, the threat needs to be of a magnitude that could plausibly cause the spillovers. This would seem not to be the case regarding living wages, and thus the scope of Neumark's results is hard to believe. Bartik (2002) notes that Neumark and Adam's employment elasticity (the decline in employment with respect to the wage increase) is about twice that in survey literature; their antipoverty elasticity is also about twice what would be expected given literature on the impact of minimum wage increases on poverty. As Bartik writes "This is difficult to believe because the living wage covers far fewer workers" (27).[15]

Brenner, Wicks-Lim, and Pollin (2002) examine Neumark's work on this issue especially carefully and uncover a number of significant problems. Essentially, by rerunning the same models with the same CPS data, they show that results such as those cited previously derive from choices made by Neumark and Adams regarding who is identified as potentially covered by the ordinance, despite that fact that the vast majority of these laws are not covering any workers.

Their critique focuses largely on ordinances tied to business subsidies because laws of this type are more likely to reach statistical significance in the Neumark papers (see, for example, Adams and Neumark [2003] where

14. These effects are derived in Bartik (2002) using the coefficients from various Neumark and Adams's (2001a) regressions and the magnitude of living relative to minimum wages as presented in their 2001 paper.

15. Bartik (2002) also notes that it's hard to square the large disemployment effects with the large poverty-reduction effects.

"contractor only" cases prove to have an insignificant effect on wages and employment). When constructing their coverage variable, Adams and Neumark assume that because any private firm can receive a subsidy from the city, all private-sector workers are potentially covered.[16] This creates an erroneous measure that when corrected leads to insignificant results.

In order to determine who was truly covered by ordinances tied to business subsidies, Brenner, Wicks-Lim, and Pollin (2002) conducted interviews with living wage administrators in the cities classified by Neumark and Adams (2001a) as having business assistance provisions. Based on these interviews, they found that with the exception of San Antonio, none of the 'business assistance' cities Neumark and Adams examine had actually applied this provision of their living wage ordinance to any private-sector businesses over the period covered by the Neumark and Adams paper they examined. Bartik (2002, 27) is also "skeptical" that business subsidies reach enough workers to generate the Neumark and Adams results.

Adams and Neumark (2003) respond to this claim by citing some of their own follow-up calls to city administrators. They agree that "in the initial period there was some uncertainty as administrators worked out procedures for implementing living wage laws," but argue that this "does not imply the laws were ineffective in this period, and city administrators suggested otherwise" (20). However, while Neumark and Adams appear to have been asking whether city agencies were implementing and monitoring the programs (and finding that this was the case in the three cities they checked), Brenner, Wicks-Lim, and Pollin (2002) argue that his team was examining not simply whether the ordinances were up and running but whether there were actually any firms in the city to which the law applied. That is, Brenner, Wicks-Lim, and Pollin asked whether the coverage requirements of the law engendered actual coverage for any firms in the city. Among the cities in Neumark and Adam's (2001a,b) most recent work, they found only one city where this was the case. This approach appears to speak more to the issue of whether Neumark and Adam's coverage variable was too broadly specified.

In sum, and despite their academic rigor, there are reasons to view Neumark and Adam's results as nonrobust. There are serious measurement concerns both regarding the use of CPS data for this analysis and the extent to which they correctly identify coverage on a key identifying variable.[17] The author's argue, however, that these issues are not derailing the

16. In footnote 31 of Adams and Neumark (2003), the authors respond to Brenner, Wicks-Lim, and Pollin (2002) that this coverage variable was merely used this definition as a "specification check." It does, however, appear to be critical to their results.

17. Another econometric concern which has been raised in various critiques (Brenner, Wicks-Lim, and Pollin [2002] and DiNardo, unpublished comments at American Social Science Association [ASSA] presentation by Neumark) regarding the fact that Neumark and Adams (2001a,b), by restricting their sample to the bottom wage decile, are selecting on the

analysis, and their defense is not unreasonable. However, all parties agree that these ordinances affect very small shares of the workforce, and thus the large magnitude of the effects—specifically, the notion that the wage and employment impacts reach workers throughout the bottom decile—in tandem with some of the more controversial aspects of the work, will leave many objective readers unconvinced that such analysis is the best way to learn about the impacts of living wages.

More direct evidence comes from two sources: reports from cities that have implemented living wage ordinances and two pre/post implementation studies based on original survey data.

3.4.4 Primary Analysis

There are two recent high-quality analyses of the impact of living wage ordinances on wages, employment, and contracts that compare outcomes before and after an increase using survey data of covered and uncovered firms: David Fairris's (2003) analysis of the Los Angeles ordinance and Mark Brenner's (2003a) analysis of Boston's ordinance.

The Los Angeles ordinance was passed in 1997, and it has broader coverage than most, if not all, other ordinances in the nation. The threshold level over which service contracts are covered—$25,000—is low relative to most other contract models, and the ordinance also covers companies that receive subsidies of at least $1 million (or $100,000 annually for several years) as well as companies that have a lease or license with the city, such as shops at the airport (see table 3.1). Fairris (2003) notes that at the time of his survey—2002—about 7,000 low-wage workers were covered. The wage is two-tiered; at the time of the study, it was $9.52 without a fringe "benefit credit" and $8.27 with the employer's $1.25 contribution to the workers' health benefits.

In order to examine differences-in-differences, Fairris (2003) needed survey data from covered and uncovered establishments. For the former, he conducts an original survey of living wage employers identified from the city's records, asking establishments about the period before and after the ordinance went into effect. His sampling methodology—a two-stage stratified cluster approach—was designed to capture covered workers in all the relevant occupations. For the control, Fairris uses data from a different survey of Los Angeles establishments. While the use of different data sources is an acknowledged limitation of the study, engendering potential biases based on differences in sampling, subject matter, and timing, Fairris provides some convincing analyses that the extent of this bias is not severe

dependent variable. This, in essence, tends to create an automatic correlation between dependent and independent variables and biases results toward significance. While Brenner, Wicks-Lim, and Pollin (2003) argue that this is a fundamental problem driving the results, Adams and Neumark (2003) disagree.

and does not undermine the results.[18] The surveys enable Fairris to investigate the impact of the introduction of the ordinance and compare results before and after the mandate over affected and unaffected firms.

He finds a significant wage effect from the ordinance, leading to a 35 percent increase among affected low-wage workers in "living wage establishments" compared to an 11 percent increase in the control group, yielding a significant difference-in-difference, which remains intact after controlling for various firm-specific factors, including firm size, union coverage, and industry. A second interesting finding regarding compensation is that there is no effect of living wages on the offering of health coverage. Fairris (2003) suggests this may be due to the fact that firms with city contracts were already (prior to the passage of the ordinance) offering more health coverage than other firms.

Finally, Fairris (2003) usefully examines a set of what he calls "indirect effects of the living wage" differences in turnover, absenteeism, training, and overtime between affected and unaffected firms. These measures are potentially helpful in understanding how firms absorb the increase in labor costs resulting from the wage mandate as living wage advocates frequently raise efficiency wage effects as an absorption mechanism. His difference-in-difference estimates reveal what appear to be very large turnover reduction effects, with affected establishments posting turnover rates that were one-third to one-half that of unaffected establishments.

However, the levels of turnover, data on which were only gathered postincrease, are so much higher in the living wage settings (close to three times that of the control establishments) that one suspects that these firms with city contracts may be operating under a different turnover regime that is not successfully differenced out by Fairris's (2003) method.[19] He does, however, show that the lower turnover rates in affected firms is fully a function of their higher wages relative to the unaffected firms, a result that supports the efficiency wage explanation. The other results suggest the living wages reduce absenteeism but also may reduce the provision of job training compared to non–living wage firms. Fairris argues that this latter result may support the notion that "wage mandates such as living wages prevent workers from striking a deal with employers that reduces wages temporarily in exchange for job training" (21).

Because the survey of unaffected firms did not ask about employment levels, Fairris (2003) is unable to do a controlled analysis of this key variable.

18. Fairris (2003) notes, for example, that as the living wage survey had the official endorsement of the government, it had a much higher response rate than the other survey: 68 percent versus 23 percent. However, in one important verification test, he shows that wage levels paid to low-wage workers are statistically indistinguishable between the two surveys controlling for the presence of the living wage itself (14–15).

19. There are also significant measurement differences in turnover between the two surveys, discussed in detail by Fairris (2003, 16–17).

In his living wage survey, however, he does ask about changes in staffing levels and whether such changes were attributable to the ordinance. These results show that 18 percent of affected employers claimed that the living wage ordinance led them to reduce employment. These job losses amounted to 1.6 percent of the workforce of all firms covered by the ordinance, and 2.6 percent of firms were forced to raise wages. Given the average wage increase among affected workers noted, Fairris derives a disemployment elasticity of –0.1 percent. However, without controls, it is impossible to know if these layoffs were truly a living wage effect or were a function of some broader economic phenomenon. Thankfully, another pre/post study, Mark Brenner's (2003a) investigation of the Boston ordinance, examines the employment question with a controlled design.

The Boston ordinance was also passed in 1997 but was not implemented until the next year. It was expanded considerably in 2001, with broader coverage and higher wage levels implemented in 2002. In mid-2002, it was set at $10.54, 56 percent higher than the Massachusetts minimum wage of $6.75. In 2001, Brenner (2003a) surveyed the universe of firms subject to the living wage law, that is, the 140 firms holding service contracts with the city that met the criteria for coverage by the ordinance. While his response rate was just above half, he shows that the responders do not appear to differ on observables from the nonresponders.

The variation that enables Brenner (2003a) to conduct his study comes from the fact that 25 percent of the contractors he surveyed were forced to raise wages by the law (which turns out to be only around thirteen firms). His control group is not a random group of Boston firms with similar workers that were not subject to the ordinance; it is contractor firms that paid wages above the mandated levels and were thus unaffected. Thus, the research question here is really "among firms that contract with the city, how does the introduction of a living wage affect those contractors who must raise wages (or fringes) to comply compared to contractors who do not have to do so?" In a sense, Brenner examines what happens within a fairly narrow economic group (Boston city contractors) when the playing field (concerning labor costs) is leveled by a wage mandate.

His difference-in-difference results show that while employment increased among both affected and unaffected contractors after the implementation of the living wage, the increase was only slightly greater among unaffected firms (those that did not have to raise wages), and the difference (in difference) was not great enough to reach statistical significance. Affected firms increased employment by an average twenty-one jobs (11 percent) over the period, while unaffected firms grew by an average of twenty-seven jobs (17 percent). Interestingly, the increase in full-time equivalents (FTEs) was the same—twenty-two FTEs—for both groups, so the difference-in-difference in employment growth by this measure was zero. In fact, one of the two statistically significant findings in this comparison is a decrease in the use of part-time workers by firms that had to raise wages compared to those that did not.

Other results show significant wage compression among affected firms relative to the controls, an expected result because the affected firms had to essentially truncate the lower tail of their premandate wage distribution. Unlike Fairris (2003), Brenner's (2003a) statistical results show no significant changes in turnover or absenteeism between the two groups, although he does report that 25 percent of affected firms report "greater employee effort" and "greater employee morale" after the wage increase.

While both the Fairris (2003) and Brenner (2003a) studies have acknowledged limitations, they are well designed and provide much needed direct information on the impact of these two living wage ordinances. Both studies directly survey affected firms and add controls to identify a living wage effect. Both find large wage effects, and Brenner finds insignificant disemployment effects both for raw job counts and for FTE's (he finds a significant decline in the relative use of part-time workers by affected firms). On the other hand, some of the affected employers in the Fairris study report that the living wage led to layoffs, though he is unable to measure this effect relative to unaffected firms. They present mixed evidence for "efficiency wage effects" with Fairris's study showing fairly strong effects and Brenner's showing none relative to unaffected firms despite some claims of greater effort among affected workers by firms that had to raise wages to comply with the ordinance.

Neumark and Adam's studies are of a very different ilk, using a national microdata set to search for living wage effects. Surprisingly, given the known small magnitude of the numbers of workers directly affected by living wages, they find large (relative to the literature on such effects) wage, employment, and poverty-reduction impacts not just for covered workers but also for the whole bottom tail of the MSA wage distribution. I argue that the limitations of secondary data analysis along with measurement error of a key indicator variable cast doubt on these results.

At this stage, it's fair to say that the policy does quite clearly appear to lift the wages of affected workers with somewhat ambiguous results as to the employment effects. Much more work in the spirit of Brenner (2003a) and Fairris (2003) is needed to answer this important question. Additional survey-based studies will also help to determine the impact of different attributes of the ordinances because no two policies are identical. Given the nature of these mandates, there are rich opportunities here for quasi-experimental designs, a relatively rare but highly valuable occurrence in our field.

3.4.5 Administrative Reports

Another useful source of information on living wage impacts comes from reports by city administrators overseeing the implementation and running of the program. Various towns, cities, and counties (though by no means all of those that have adopted the policy) have produced reports that document the status of the policy and in some cases present some evaluation of impacts, particularly on city budgets, contracting costs and activities, and business climate. Many of the reports also give the numbers of affected workers, a valuable administrative check on the reach of these ordinances.

These reports have the advantage of reflecting information by some of the people who are "closest to the ground" regarding the implementation and impact of the laws. They lack, however, the academic rigor of the studies cited previously; in particular, they do not formally consider counterfactuals (though administrators do sometimes discuss impacts with reference to earlier periods, and most consider the impact of the business cycle). Still, these are clearly useful data on actual impacts.

The city/county studies are summarized in a review paper by Andrew Elmore (2003), who writes that these reports "suggest that localities after implementation of a living wage law tend to experience modest contract price increases for a small proportion of contracts" (7), leading to overall increases in contract costs to the city that were usually less than 1 percent. These values confirm the work cited earlier from the prospective studies claiming that the increase in city budgets from living wage ordinances are not expected to be large. Elmore does, however, note a few larger increases in individual contracts due to the ordinances, including a 31 percent increase in a security contract in Hartford (the only contract covered there), a 22 percent increase in a janitorial contract in Warren, Michigan, and increases of 10 percent in about 5 percent of the city contracts in Berkeley, California.

Again, the magnitude of these increases are driven by coverage. Among the reports that give the numbers of directly affected workers are the following:[20]

- 41 workers in Corvallis, Oregon
- 54 workers in Hartford, Connecticut
- 54 workers in Hayward, California
- 338 in Minneapolis, Minnesota
- 106 in Pasadena, California
- 55 in San Jose, California
- 75 in Ventura County, California

The fact that these budgetary increases are small relative to the total budgets of the localities does not, of course, imply that they are trivial or nonproblematic. For example, such costs could be passed along to tax payers in greater tax liabilities or service reductions. While both would pre-

20. These values are taken from the actual reports, not from Elmore's (2003) review.

sumably be marginal, they could still be viewed with displeasure by residents, especially those who opposed the ordinance. Or contractors might decide to no longer bid with the city, thus reducing the competitiveness of the process with negative cost results for the city. The determinant question is the extent to which these increases are absorbed by the contractors or passed through.

As Elmore (2003) reports, contractors appeared to absorb at least some portion (in some cases, all) of the increase, and there was little evidence of any diminution of competitiveness in the bidding process. Regarding pass-through, he followed up with some of the administrators and asked them why they thought this occurred.[21] Some (e.g., Pasadena) reported that the city "negotiated with contractors for a substantial absorption of contract costs," which turned out to amount to about half of the increased labor costs. An Ypsilanti town supervisor found that the cost of the ordinance there was held down by an increase in the numbers of bidders. Her explanation, reported by Elmore (2003, 11), is that "now that the wage standard is equal, the ability to compete is based on factors other than wages, so you've got to be tighter and provide less of a profit margin," a view that gives some support to the "redistribution of rents" argument by living wage advocates. Note that Brenner (2003a) also reports that 38 percent of affected firms in his study report taking lower profits as the primary means by which they have adjusted to the Boston living wage law. Of course, here's where the lack of a counterfactual is evident—there could be other economic reasons why bids increased.

While the above all relates to service contracts, Elmore (2003) also reviews the impact of private-sector subsidy-based living wage ordinances, and here the results are more mixed. He reviews nine cities with subsidy-based living wage ordinances and reports that only one—Oakland—reported a decline in the number and size of economic development projects. However, the example of Oakland may reveal an important impact of this dimension of the policy.

When cities provide subsidies to manufacturing firms and such subsidies include living wage provisions, the wage structure in such firms makes it unlikely that the ordinance will have much bite, a point also made by Bartik (2002). Elmore's study suggests that this explains most of the results from the city surveys and his discussions with administrators. But when the subsidies apply to retailers, as was the case in Oakland, the number of affected workers could potentially be considerably higher. The impact of the ordinance then becomes a greater consideration in the retailer's decision whether to accept the subsidy. He cites two national retailers that abandoned projects in Oakland, in part due to the living wage ordinance.

Elmore (2003) argues that while "a living wage law may deter retailers

21. It would be useful to do so with contractors as well.

from pursuing economic subsidies . . . attracting national retailers through a subsidy program may not be a wise public policy approach" (15). This is perhaps true, but one can easily imagine cases where a locality, say one with very weak employment growth, would benefit considerably from attracting retailers. At any rate, living wage advocates need to be mindful of this potential cost when they attach the wage mandate to retailer subsidies.

Two final impact studies are worth noting. Reynolds and Vortcamp (2000) examine the impact of the Detroit living wage on nonprofits. This group is of special interest because they presumably have no pricing markups and thus cannot absorb the increase through lower profits (I return briefly to this topic under "Emerging Issues" in the following). They can also have low pay scales for some workers and thus face relatively high coverage (though Reynolds and Vortcamp find that only a few hundred Detroit nonprofit workers were directly affected by the ordinance). As seen in table 3.1, these realities have led some cities to exempt nonprofits from the ordinance.

Like the city reports discussed previously, Reynolds and Vortcamp's (2000) study does not involve any counterfactuals. They do, however, present survey results wherein they asked employer respondents in the nonprofit sector how their establishments were affected by the law. While most respondents reported that the impact of the law has been "minor" or "minimal," 32 percent reported an impact of "significant" or "major." Reynolds and Vortcamp report that "at most" 25 percent face "significant financial problems in implementing the living wage requirements" (2). They note that these firms generally absorbed the increase by cutting hours of some staff and "cuts in supplies for client events."[22] At the same time, they report the "several hundred" low-wage non-profit employees experienced wage gains that ranged from 10 to 74 percent.

A final important impact study is Reich, Hall, and Jacobs's (2003) analysis of a particularly broad ordinance (in terms of coverage, wages, and other mandates, such as training standards) implemented at the San Francisco International Airport in 2000. While the authors find the expected increase in wages (they note that the wage of affected entry-level workers rose by an average of 33 percent), what's most notable about their findings are the efficiency wage effects. They report that turnover fell by an average of 34 percent among firms covered by the ordinance and that the decline in turnover rates increase with wages. To cite a particularly relevant occupation in our post-9/11 world, they report that turnover among airport security screeners, whose average wage rose by 55 percent after the living wage went into effect, fell from 94.7 percent per year to 18.7 percent fifteen

22. Reynolds and Vortcamp (2000) report that rather than be exempt from the law, these firms said they would rather the city pass-though the extra resources they need in higher contract levels. Some advocates have suggested that "full pass-through" for nonprofits be part of living wage legislation.

months later.[23] While Fairris (2003) finds a negative relation between living wages and training, Reich, Hall, and Jacobs report increased training as mandated by the ordinance itself. Finally, while they argue that employment levels were not affected by the ordinance, they do not offer the controls that would enable them to test this assertion relative to unaffected firms.

The impact studies thus reveal somewhat of a "mixed bag." As the low-coverage/low-impact arguments suggest, the ordinances have not thus far led to far-reaching disruptions of employment or contract costs. Relative to the size of the low-wage labor market, the wages of a small number of workers have gotten a significant lift. There are over 100 of these ordinances, and as living wage expert Robert Pollin (2002) has quipped, if the enacted ordinances were leading to significant problems, we'd be hearing about it.[24] Yet, while minor, disemployment effects do show up in some of the work, and, perhaps more importantly, Elmore (2003) reports that the Oakland living wage probably played a role in discouraging two national retailers from locating there. This one case does not imply that such firms will invariably make this choice or that localities will necessarily decide that such a tradeoff is unacceptable, but it is a finding of which advocates and policymakers should take note. On the other hand, as reported in a newspaper story about a new ordinance in Lawrence, Kansas, a site-selection consultant stated, "'I don't think that [living wage] knocks you out of the running' in attracting new businesses."[25] Clearly, we need to learn more about the impact of living wages on such incentives.

3.5 Can Living Wage Ordinances Help Raise the Living Standards of Low-Income Working Families?

This key question is by no means a simple one. Its answer depends on the extent of coverage, targeting, the reaction of firms to higher labor costs, the impact of the ordinance of contracting, the interaction of the wage increase with other social programs, the indirect effect of the ordinances (e.g., the extent of wage spillover), and myriad other factors. Two other relevant summary evaluation questions are (1) if ordinances themselves are of limited value, do they have other effects which affected groups might view as desirable, such as reducing private-sector outsourcing of publicly provided services or strengthening union power, both of which have the potential to raise living standards among affect workers but which could have other economic implications as well, such as raising the costs of providing

23. The authors report that Federal Aviation Authority (FAA) data show that lower screener turnover is associated with "higher rates of detection of security breaches" (10).

24. Quoted in *Time Magazine,* April 2002.

25. See "City Approves Living Wage," *Lawrence Journal-World* (Lawrence, Kansas), October 22, 2003.

services in living wage cities relative to those without the policy? and (2) do better policies exist that conflict with the passage of living wage ordinances, that is, policies which are substitutes, not complements?

Regarding targeting, questions have been raised as to whether the beneficiaries of the higher-wage mandate are appropriate targets for such a policy. While they surely earn low wages, this does not necessarily imply low family incomes. Some critics of living wage ordinances have been especially critical of this aspect of the policy (Sander, Williams, and Doherty 2002).

While not much empirical work has been done on this question regarding living wages, a good deal has been done on minimum wages. In my own work with various coauthors, I've consistently found that most of the benefits, about 60 percent, of a minimum wage increase flow to working families in the bottom 40 percent of the income scale, whose average income is about $27,000 in 2002 dollars (Bernstein and Schmitt 1998). Other authors, such as Burkhauser, Couch, and Glenn (1996) get worse targeting results for the minimum wage, but this is largely due to measurement choices, such as including nonworking families and placing greater emphasis on the extent of benefits that flow to families below the poverty line, whereas Bernstein and Schmitt argue that an assessment of targeting need not be limited to the officially poor. At any rate, this research shows some positive correlation between low earnings and low incomes, though one that is not very high.

The most detailed work on living wages and family incomes is in Pollin and Brenner's (2000) prospective study of the Santa Monica ordinance. They use both CPS data and their own survey results from the specific area affected by the proposed ordinance. Their CPS results examine the characteristics and incomes of Los Angeles families with earnings between the California minimum wage of $5.75 and the proposed living wage of $10.75. They find that a large majority of these workers are adults, with median incomes in the $30,000 range and mean incomes of around $44,000 (1999 dollars). Their more localized survey of low-wage workers in the affected area show much lower incomes for low-wage workers, with median income of about $20,000 and mean income of about $31,000. Clearly, all these income values are well above the poverty line, but, as Pollin and Brenner (2000) argue, they are below the amount that family budget experts have estimated are needed to meet basic needs for safe, affordable housing; health and child care; food; taxes; and miscellaneous expenses in California (see California Budget Project 1999; Bernstein, Brocht, and Spade-Aguilar 2000).

Thus, the targeting question is well taken, and the results can be viewed as somewhat ambiguous. For those who believe the policy should reach only the working poor, the policy is poorly targeted by family income. For those who believe this benchmark is too restrictive and that lower-middle-income families should benefit from the policy, targeting concerns will be significantly mitigated. Most of the beneficiaries are likely to reside in families with incomes above the poverty line but below the levels needed to consistently meet their basic needs.

Another potentially important type of "leakage" that relates to the targeting question asks about the extent to which higher mandated wages will displace the lowest-skilled workers who will be replaced by those with higher skill levels. This issue has not been examined directly by the previously mentioned pre/post studies, although anecdotal data in Neidt et al. (1999) reveal that such displacements did not occur in their study of the Baltimore ordinance. Also, the significantly lower turnover levels associated with the Los Angeles ordinance in Fairris's (2003) study may mitigate against this effect if, in fact, workers in place when the ordinance is implemented stay with the firm longer than would otherwise have been the case.

Pollin and Brenner's prospective study (2000) also investigates this issue by looking at the age and education composition of low-wage occupations. They argue that over time, the Santa Monica ordinance could potentially displace 10–20 percent of high school dropouts to be placed by high school graduates and those with some college. They consider this a modest effect, but others may view this as a problem for the policy.

There is also the question as to whether income gains to low-wage workers through mandated wage hikes will be offset by cuts in means-tested benefits such as food stamps or the EITC as well as higher payroll and income taxes. Tolley, Bernstein, and Lesage (1996) originally examined this possibility in their prospective review of the Chicago, Illinois living wage, arguing that these tax and transfer policies would "claw-back" as much as 75 percent of the benefits from the living wage. Later work by Baiman, Persky, and Brunick (2002) estimated the net gain from the wage increase to be closer to 50 percent, but this is still quite significant leakage. Pollin and Brenner (2000) also find this effect to be significant in their Santa Monica analysis, such that for every dollar increase in the living wage, disposable income increases by $0.57, while the rest is transferred back to the federal and state government.[26]

Freeman (2000) notes that such transfers should be distinguished from the usual leaks in such programs wherein resources are essentially wasted. These transfers revert to state and local governments and thus do not generate inefficiencies typically associated with leakages. They do, however, create a potential wedge between the pre- and posttransfer incomes of living wage beneficiaries. More research is needed in the case of actual ordinances to determine the extent of the wedge.

Can the living wage movement help low-wage workers by raising their levels of union coverage? Can it improve the quality of low-wage employment by slowing the rate of privatization or the subsidization of poverty-

26. This figure comes from Freeman's (2000) review of Pollin and Brenner (2000). He averages the results for the two cases presented by the authors.

level jobs? Certainly this is the hope of many organizers, and many who have observed and studied the movement raise this possibility. While there's some evidence in favor of the latter point, as of now, there's little evidence of such spillovers regarding union coverage.

Luce (2000) points out that while central labor councils commonly partner with living wage advocates, their involvement in a living wage campaign is not a guarantee that either they or their affiliated local unions will always support the issue or make political choices favorable to the campaign. She cites a few examples where, for political expediency, unions backed candidates who were on record against the ordinance. Second, simply putting labor-friendly language into ordinances is not enough to generate new membership, particularly when those affected by the ordinance are few and far between. Third, living wage campaigns and union organizing drives typically take place on very different time frames. A living wage campaign can take years, involving much coalition building, community education, frequent meeting with key actors, and so on. Union organizers tend to work on much shorter time frames.

Nissen (2000) essentially agrees, questioning, on the basis of his involvement with the (successful) Miami campaign, whether meaningful complementarities between living wage campaigns and the labor movement can emerge. He argues that the goal of a campaign—an ordinance—is modest relative to social and organizational needs, for example, a revived labor movement. At least in the Miami case, no broad-based coalition emerged with roots into all aspects of the low-income community, and this, Nissen argues, diminishes both the lasting impact of the campaigns and their effectiveness and status as a true social movement.

Reynolds (2001) disagrees somewhat, pointing out that while many campaigns might be characterized this way, others have made lasting contributions, either birthing or significantly strengthening existing coalition-based institutions, such as LAANE, a group very active in various living wage campaigns along with other extensive labor/community organizing.

At this point, it is unknowable whether this relatively new labor market institution can make a significant difference in the economic lives of more than a small number of the low-income workers. One can certainly conclude that the ordinances in their current format do not reach enough workers to the direct effect of lifting the living standards of significant numbers of low-wage workers. In fact, their low coverage rates are the primarily selling point by advocates who support them.

From the perspective of raising living standards, for the movement to morph into an important institution with the potential to reach many more workers, at least one of two things must occur: coverage must expand or indirect effects must become more dominant. Regarding coverage, recent campaigns to introduce policies more in the spirit of minimum wages, such as in Santa Monica, California, New Orleans, and Santa Fe, may signal that the movement is turning in that direction, although only one of these (Santa Fe) is actually on the books. Of course, with greater coverage comes greater potential for economic distortions. Regarding indirect effects, the potential of living wage campaigns to serve as organizing tools for unions remains a goal of the movement, though research suggests it has not of yet made significant inroads here. One area where there may be some indirect benefits to public-sector workers is in discouraging outsourcing of their tasks. Elmore's (2003) study of city administrators' reports (and his follow-up conversations with some of them) suggest that ordinances may be playing this role and thus preserving jobs that could be lost through low-wage outsourcing. Other more recent ordinances, such as that of Harvard University, also have this as an explicit goal, using pay-parity rules to discourage such outsourcing.

Are there other policies which could help low-wage low-income workers more that conflict with the passage of living wage ordinances? Certainly, many make the case that the EITC is a far more efficient way to raise the incomes of low-income families (Turner and Barnow 2003). Given that eligibility for the EITC is based on family income and not wages, there can be no argument that the tax credit is more target efficient. However, living wage advocates argue that the two policies are complementary, not competitors.

In fact, it is difficult to see why the existence of the EITC would, or should, deter any policymaker from considering the living wage. Clearly, the wage mandate is about adding something extra to the incomes of low-income working families, and the fact that a generous and well-targeted federal tax credit exists is not particularly relevant, if not a non sequitur. Advocates correctly note that even considering the leakage from means-tested programs such as the EITC noted above, many living wage families need the extra resources, and combining the two makes sense from their perspective.

However, in at least one case (Montgomery County, Maryland) forces that opposed and ultimately defeated a living wage ordinance supported and passed a local EITC, that is, an add-on to the federal credit for county residents worth 16 percent of the family's federal credit. This alternative, of course, does yield new and better-targeted benefits to low-income working families. Simulations by Turner and Barnow (2003) compare the targeting of an equally costly living wage and local EITC and find that while about 25 percent of poor families reached by the wage mandate are poor, 44 percent of those reached by the local EITC are in poverty. The local tax credit is also almost certain to reach many more workers than the living wage.[27]

27. The Montgomery County add-on went to over 12,000 workers in 2000, far more residents than would have been affected by the living wage (note the affected worker counts from the city reports shown previously or the fact that Fairris reports 7,000 covered by the Los Angeles ordinance). See http://www.montgomerycountymd.gov/mc/news/press/00-33.html for information on the Maryland county EITC.

Still, there are other considerations to be made when comparing the living wage to the local EITC. Regarding efficiency concerns, along with better targeting, supporters of this alternative point out that it is less likely to have a negative impact on jobs, contracts, or the business climate. On the other hand, this alternative represents a direct cost to local tax payers, whereas other sources exist through which the cost of the living wage may be absorbed, specifically lower profits, efficiency wage effects, and higher contract prices (this latter possibility would, like the local EITC, be passed through to tax payers in some form). Bernstein (2002) points out that while the EITC is a fine way to help low-income workers, it does have the potential to lower market wages in low-wage jobs, thus partially serving a subsidy from taxpayers to low-wage employers. Also, the EITC does little for workers without children. Finally, adding a local EITC in place of a living wage does not accomplish the stated goal of advocates noted previously from the ACORN website to ensure that "private businesses that benefit from public money . . . pay their workers a living wage" (http://www.livingwagecampaign.org/).

Given these dual concerns, combining the two policies may be a useful innovation with the potential to better meet both the goals of the movement and address concerns regarding targeting and inefficiencies. In fact, Montgomery County later passed a living wage law and Denver, Colorado also has both a local EITC and a living wage. The local EITC, an innovation favored by some opponents of living wages, adds a smaller amount of income (relative to the living wage) to a broad group of low-income working poor families. The living wage adds more income to a much smaller group of beneficiaries, but it addresses the movements goals of rent redistribution, social justice, and a higher pretax or "market" wage for covered workers.[28]

3.6 Emerging Issues

As the movement matures, a few issues are emerging. First, as noted previously, opponents are mounting legal challenges, either arguing that current law prohibits local governments from enacting such mandates or trying to pass such legislation. Although the validity of these efforts is far

28. The local EITCs are likely to add between $400–$600 to the incomes of recipients in those cities, while the living wage could add closer to $1,500. The former range is based on my estimates given the local EITC percents of the federal credit. The latter takes Fairris's $1.70 estimate of the wage benefit from the Los Angeles ordinance multiplied by 1,800—the number of hours worked by low-wage workers in Los Angeles according to Pollin and Brenner (2000). That yields about $3,000, half of which I assume "leaks" out in taxes and loss of means-tested benefits. While these are, of course, very rough estimates, it is very likely the case that living wage recipients receive considerably more income from the wage mandate than from the local EITC.

from clear at this point, it does appear that language in some state constitutions could be construed to prohibit localities from implementing living wage policies. That is, these states prohibit localities from assuming powers that they are not expressly granted by the state. In other states, localities have the same regulatory power as the state itself.

However, even when state law appears to prohibit local mandates, this is often a matter of interpretation. That is, state constitutions are unlikely to contain language expressly forbidding localities from enacting ordinances. They may, however, disallow any laws that assume more regulatory power than the state intended to grant them or that raise the costs of doing business. In the latter case, campaigns have countered with "efficiency wage" arguments, which point out that efficiency gains resulting from higher wages (e.g., less turnover, fewer vacancies, greater effort) absorb the higher labor costs, implying that contractors will not necessarily have to raise costs to the city as a result of the ordinance.

Numerous states have, however, responded to the living wage movement by adopting preemption language.[29] In some states, the language in these laws are broadly preemptive, prohibiting localities from enacting any wage mandates. For example, Utah's preemption prohibits not living wage requirements for contractors or subsidy recipients but also city-wide minimum wage increases. Others are more narrowly construed to prohibit only city-wide minimum wage increases.

A second emerging issue involves the coverage of nonprofits. It is not uncommon for nonprofits, who may be philosophically disposed to support living wage campaigns, to argue that due to their status they should be exempt. Some campaign organizers view this as a problem, both because it can lead to opposition by traditional supporters and because low-wage employees at nonprofits arguably need the raise as much as other covered workers. These organizers have argued that in cases where this dynamic develops, the ordinance should contain "full pass-through," meaning that any higher labor costs are reflected in an increase in the nonprofit's contract with the city (the economic assumption here is that such firms have no rents to redistribute). Of course, this validates opponents' objection regarding higher costs to the city.

A final emerging issue relates to implementation. It is widely believed that in many cities, living wage ordinances are not appropriately implemented such that not all covered workers are receiving the higher wages mandated by the law. Sander and Lokey (1998) attribute the low numbers of covered workers in Los Angeles to lax implementation. Luce (2000) notes that in most cases the monitoring of the ordinances has been left up to the city. While this does not necessarily imply lax enforcement, it is

29. These include Louisiana, Oregon, Colorado, Missouri, Arizona, and Utah.

certainly worrisome from the perspective of living wage advocates, particularly in cases where the campaign was met with resistance from city officials. Most organizers thus argue that the groups who campaigned for the ordinance should play some role in its implementation, and some ordinances include language and resources to this effect.

3.7 Conclusion

Living wage ordinances face a paradox. By remaining limited in their coverage, their advocates have been able to convince city officials and, by proxy, taxpayers that they will accomplish their stated goals of raising the economic fortunes of affected workers without leading to economic distortions in the form of significant layoffs, tax hikes, or reduced competition for contracts. The evidence presented previously is somewhat mixed on these points—supporters and opponents can both point to studies that support their cause. But while the research remains limited at this point, there is little evidence of very significant problems. The ordinances appear to provide a sizable wage lift to workers, many of whom, while not poor, have income levels that are low enough to warrant concern. And while some employment losses are reported, they appear to be marginal. Similarly, city administrators widely report that major disruptions to the contracting process or to costs have not occurred.

But the marginal coverage of the policy limits its effectiveness to raise the living standards of more than a few thousand workers. While no national total of affected workers (those who have received wage hikes due to the policy) is knowable and is a quickly moving target, a rough count would be unlikely surpass 100,000 and may well be closer to half that level. In a low-wage labor market of roughly 30 million (Mishel, Bernstein, and Boushey 2002), this gives a sense of the limitations of the movement and the nature of the paradox it faces.[30]

With this in mind, there is still a lot to say for the living wage movement. It has been extremely successful in a climate not particularly conducive to interventions intended to guide the "invisible hand." Again, limited coverage surely plays a role here as city councils are surely more willing to take risks with small programs than large ones.[31] But it is also the case that the coalitions are generally very strategic, taking considerable time to build

30. This is the number of persons earning less than the poverty-level-wage in 2000, defined as the poverty line for a family of four divided by full-time full-year work: 2080 hours or $8.46 (data from the CPS earnings files).

31. As an anonymous reviewer of an earlier draft of this paper pointed out, part of the movement's success may stem from the fact that "state governments are soft targets—budget constraints are squishy, there are concentrated beneficiaries, and diffuse claimants [taxpayers]."

broad movements comprising labor, activists, and religious actors. Given the long-term negative trend that has beset low-wage workers in tandem with more privatization and subsidies, the campaigns' message of economic justice is difficult for elected officials to dismiss.

As with any new policy, especially one as diverse as this, important questions remain. Given the nature of the paradox noted previously, two questions stand out. First, to what extent can coverage be expanded without generating unacceptable inefficiencies? Taken together, much—not all—of the literature on minimum and living wages suggests that given the indeterminacy of wages and the myriad other factors that determine employment elasticities, quite modest wage increases with broad coverage (as in minimum wage increases) and much less modest increases with very limited coverage (living wages) can be absorbed without significant displacements or distortions. If, in fact, the next stage of the living wage movement is toward expanding coverage, as in city-level minimum wages, research will be needed to gauge the impact on the relevant outcome variables.

Second, even if coverage remains limited, there is the question of spillovers from the living wage movement to larger existing institutions, specifically the labor movement. There is some evidence that living wages dampen localities' incentives to outsource publicly provided services, and such effects should continue to be monitored. But a larger question is the extent to which living wage campaigns can serve as organizing tools for unions. Thus far, this appears not to be the case, but there is almost no systematic research on this important question.

At this point, the living wage is one of the better-known policies designed to "take wages out of the market" and to address the difficulties faced by low-wage workers in the new economy. And, as I have stressed, the living wage movement is a juggernaut; unless the landscape changes quickly, the number of ordinances is only like to grow, perhaps at an even faster rate. Getting the hard data needed to learn more about the movement's impacts can only help us advance our knowledge about this important new policy.

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