Frequently Asked Questions
Santa Barbara Living Wage Ordinance

Do Living Wage Ordinances decrease overall poverty?

Economist David Neumark, in a 2002 study for the Public Policy Institute of California concludes that Living Wage ordinances do reduce poverty. Neumark collected data from 36 cities with Living Wage ordinances and compared it to data from citites without Living Wage ordinances. He found that a living wage 50% higher than the minimum wage would raise average wages of workers in bottom 10% of the wage distribution by 3.5%. A small, but significant decrease in the percent (1.8%) of families living in poverty was found.

Will jobs be cut because of a Living Wage Ordinance?

Based on numerous studies of Living Wage ordinances, Greenwich concludes that anywhere from 15 to 25 workers out of 1000 workers affected by an ordinance might lose their jobs. Pollin and Brenner conclude that job loss would be between 1 to 7% for the estimated 2,500 workers covered by the Santa Monica Living Wage ordinance.

How will additional costs affect city budgets?

Government costs will increase, but not by much. Increased worker skills and productivity enable firms and governments to absorb much of the Living Wage cost increases. Pollin and Brenner conclude that savings from increased productivity may offset as much as 30% of the Living Wage increases.

A comprehensive 2002 survey by Andrew Elmore of 18 cities with Living Wage policies found that for most cities, contract costs increased by less than 0.1% of the overall local budget in the years after a living wage law was adopted. A few contracts involving large numbers of low-wage workers (e.g., contracts for janitorial and security guard services) increased substantially in price, but officials found that most contracts increased little, if any, in cost. In many cases, contracting employers were reported to have absorbed much or all of the additional labor costs without demanding increased funds from the cities. Living wage requirements encourage some local governments to institute competitive bidding for contracts that had not been put out for bid in many years, reportedly yielding savings for the cities.

Will non-profit contractors be forced to cut back services in other areas in order to meet the payroll needs of their city contracts?

Most Living Wage ordinances allow for phase-ins for non-profits in order that their development plans can be tailored to new payroll structures. Furthermore, most payroll increases from non-profits are passed on to government.

Economist David Reynolds studied the financial impact of Detroit's Living Wage ordinance on affected non-profit organizations and found that for three-quarters of them impacts were minor. In Detroit 1,739 workers were covered with wage gains from 10-74%. Three out of four non-profits had little difficulty in implementing the law. For those that did, the financial difficulty was not large relative to the funds received through the city.

Andrew Elmore found that in localities that extended living wage requirements to contracts for human services such as home healthcare or child care, cost increases were from 0.3% to 2.79% of local human services budgets. These increased costs reflect the high concentration of low wages among city-contracted caregivers. Cities have sometimes agreed to automatically pay for some or all of the increased wage costs for such contracts because of the vital nature of human services and the budgetary constraints faced by the non-profit agencies that often provide these services.

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What is a living wage ordinance?
A living wage ordinance requires employers to pay wages that are above federal or state minimum wage levels and is based on the cost of living for each community. The rationale behind the ordinance is that city and county governments should not contract with or subsidize employers who pay poverty-level wages in that community. Hard work should be rewarded with adequate pay and benefits, and taxpayer dollars should not support jobs that leave workers and families in poverty. Over 120 communities nation-wide and more than 25 communities in California have passed Living Wage Ordinances.

Why do we need living wage ordinances?
The main reason for enacting a living wage ordinance is to reverse the downward trend in wages for low-wage earners. Nationally, wages for the lowest-paid 10% of workers fell 9.3% between 1979 and 1999. Meanwhile the cost of living, particularly in Santa Barbara, has risen astronomically, the median home price now more than $1 million. The number of poverty-wage jobs also grew between 1979 and 1999. In 1999, 26.8% of the workforce earned poverty-level wages, an increase from 23.7% in 1979.

Living wage ordinances are necessary to prevent city and county governments from encouraging the creation of jobs that pay wages so low that workers live in poverty. Without living wage laws, governments contribute to the creation of poverty-level jobs by hiring low-paying contractors or giving businesses tax breaks or subsidies to create jobs that keep families in poverty. The living wage ordinance also promotes health insurance. Santa Barbara County has the highest rate of uninsured children in all of California.

Who is covered by the living wage ordinance?
The proposed Living Wage Ordinance will affect about 300 City hourly workers who work a minimum of 520 hours per year, and about 500-1,000 workers employed by businesses that have a minimum $10,000 contract with the City or those who receive subsidies and/or grants from the City of Santa Barbara.

Who is supporting the living wage?
In December 2004, PUEBLO (formally the Coalition for a Living Wage) brought together members of several organizations who supported the living wage campaign from 2000-2002 to lead a new living wage campaign. These groups formed Santa Barbara for

a Living Wage(SB4LW), a coalition of organizations that are pushing for a living wage ordinance in Santa Barbara. SB4LW includes the Santa Barbara Women's Political Committee, SEIU Local 620, Democratic Central Committee, Clergy and Laity United for Economic Justice (CLUE), SB CAN, PUEBLO, and many other labor, faith, and community organizations.

How much is a living wage in Santa Barbara?
The living wage proposed by SB4LW is $13.40 an hour. Employers who do not provide health insurance will pay an additional $2 an hour.

The proposed living wage is what it would take for a single person to rent a studio apartment in Santa Barbara County, paying 30% of their salary in rent. The living wage numbers come from the Annual Median Income developed by the Department of Housing and Urban Development (HUD), based on 2000 Census family median income estimates. Fair Market Rents are also developed by HUD from Random Digit Dialing surveys. In Santa Barbara, a worker earning minimum wage ($6.75 per hour) must work 126 hours per week in order to afford a two-bedroom unit. These same HUD numbers were used to calculate the salary increases for City Council members, which was passed as Measure A in November 2004.

Our living wage number is a very conservative number because the HUD region is defined by all of Santa Barbara County including Santa Maria and Lompoc, which have much lower costs of living than Santa Barbara. A "living wage" does also vary based on family type. The living wage we chose is what it takes for a single person to rent a studio apartment. While a single parent with two children would require more to live, the proposal would be a significant improvement for many. Despite the conservativeness of the living wage level, we believe that this wage will provide concrete gains for hundreds of workers in Santa Barbara who are struggling to provide for their families.

How was the $2 an hour health benefit supplemental determined?
According to the Kaiser Foundation and Health Research and Educational Trust Employer Health Benefits 2004 annual survey, the national average annual premium for a single worker for all types of plans is $3,695 a year, or $1.78 an hour. While we have not found regional studies that give local numbers, health care costs are more in Santa Barbara due to the high cost of living, thus we rounded up to $2.00.

How much does a living wage ordinances cost?
In the most comprehensive research on the actual cost of living wage ordinances, researchers interviewed City staff in 14 communities with living wage ordinances. They found that the cost of contract increases ranged from .003% to .079% of a City's budget. Since the City's budget is approximately $193 million, the living wage would cost the City between $57,900 and $152,470. This amount is far less than the cost of raising the salaries of the mayor and six City Council members. The City will also incur direct costs from paying their own workers covered by the ordinance a living wage, estimated to be $200,000-$300,000 out of the general fund. Subsidy recipients and non-profits covered by the living wage law will not cost the City. There may in fact be savings from subsidy

recipients who choose not to pay a living wage, and therefore not receive the subsidy, saving the City money. By comparison, raises given to police officers for next year will cost the City $1.6 million.

How will the City pay for the living wage ordinance?
The living wage costs are expected to cost such a small percentage of the City's budget (.2-.3%) that major shifts in budget priorities will not be needed. The City Council would deal with nominal living wage costs in the same way they will deal with the costs of their own salary increases.

Who pays the cost of the living wage increase?
The evidence from living wage evaluations indicates that contracting businesses through reduced training and recruitment costs or reduced profits primarily absorb the vast majority of costs of living wage ordinances. The evaluations found no evidence of job loss, and the contract costs increased by an insignificant amount.

However, in addition to the cost of wage increases for workers, there are also administrative costs associated with living wage ordinances. One evaluation of the Baltimore living wage ordinance found that administrative costs amounted to $0.17 per taxpayer per year. Even if some costs from a living wage ordinance are passed on to the taxpayers, it is a value judgment on the part of the community as to whether reducing poverty through a living wage ordinance is worth the added expense. While the living wage might increase the amount of money the locality spends on contracts, local governments might also experience savings as families become less reliant on income supports and social services.

What are the costs of NOT paying a living wage?
There are significant costs that the City, taxpayers, working families, and responsible businesses will continue to pay as long as there is not a living wage ordinance in Santa Barbara.
The cost of poverty includes:

Family Costs. Low-wage workers working multiple jobs to make ends meet often have little time for their children, or for taking classes to improve their skills and job opportunities.

Environmental Costs. Due to low-wages and high housing costs, an increasing number of Santa Barbara workers are being forced out of Santa Barbara, increasing traffic congestion and pollution.

Taxpayer costs. Taxpayers are paying twice: once for the contract, and again for the services needed to sustain families at poverty wages (welfare, food stamps, housings subsidies)

Costs to good businesses. Responsible businesses that do pay a living wage are locked out of the contracting process because they can never outbid a large contractor who pays poverty wages.

City Costs. City currently spends a lot of money on recruitment and training costs as a result of high turnover due to low-wages paid by the City to some workers.

Do living wage ordinances cause job loss?
EPI's evaluation of Baltimore's living wage ordinance found no job loss as a result of the ordinance (Niedt et al. 1999). The majority of workers interviewed for the study reported no changes in the number of hours they worked after the ordinance went into effect. Employers interviewed for another study reported that although wages increased, these costs were absorbed by improvements in efficiency; raising wages decreased employee turnover, which decreased recruitment and training costs. The evidence from minimum wage increases also suggests that there should be little or no job loss as a result of living wage ordinances. A recent EPI study failed to find any systematic, significant job loss associated with the 1996-97 minimum wage increase (Bernstein and Schmitt 1998).

Do living wage ordinances have a negative impact on the business climate?
Some living wage opponents argue that the living wage will create a "hostile business climate." But most living wage ordinances cover too small a portion of the labor force to have such a profound effect; most living wage ordinances cover less than 1% of the local workforce. Wages are only one factor in a business' decision to move to a location, and there is no evidence that an existing living wage ordinance has discouraged firms from locating in a city.

In addition, the costs of the living wage ordinance will have a very small impact on the profits of the small number of firms affected by the law. The profit margins for firms affected by the living wage are estimated to range from 10-20% of production costs. In comparison, the wage increases from living wage ordinances are estimated to be 2% of production costs.

Will living wage ordinances reduce poverty?
Some critics argue that living wage ordinances will not reduce poverty because most living wage workers do not live in poor households. Evidence from EPI's evaluation of the Baltimore living wage ordinance shows that this claim is not true. Interviews with a small sample of workers covered by the living wage reveal that the average household income for covered workers was $13,632. The interviews also show how important a living wage worker's wages are to their family's well-being: an overwhelming majority of the workers interviewed were the primary wage earner in their household, bringing home an average of 68% of their family's income.

Another frequent claim is that most living wage workers are teenagers. However, studies of the minimum wage show that 70% of minimum wage workers are adults. The proportion of adults is probably higher among living wage workers, since living wage ordinances cover jobs typically held by adults, like janitors and gardeners. Local governments often have many effective initiatives to address working poverty, while at the same time they create poverty-wage jobs through their contracting policies. Living wage ordinances are designed to make sure governments are not creating poverty through their employment practices. However, it is also important to keep in mind that while the living wage is a crucial tool in the effort to end poverty, it is only one part of a larger anti-poverty strategy, which includes affordable housing, public transportation, and affordable health and child care.

How does the living wage affect non-profits?
Some people have raised concerns that living wage ordinances will cause job loss for non-profits and therefore reduce the level of services non-profits are able to provide. The reason for this concern is that unlike private firms, non-profits are unable to absorb the cost of a living wage ordinance through a reduction in their profits. However, like private businesses, non-profits can absorb some of the costs from a living wage ordinance through a reduction in recruitment and training costs because by paying higher wages there is always less employee turnover. One study--an evaluation of the Detroit living wage ordinance--looked systematically at the effects of living wage ordinance on non-profits (Reynolds, 2000). Of the 64 non-profit organizations affected by the ordinance, there were lay-offs in one organization, where two part-time workers were laid off.

Santa Barbara for a Living Wage has a non-profit living wage committee, which includes non-profit executive directors who understand the challenges that non-profits face. Most non-profits are exempted from the proposed living wage ordinance for three years, and after which they may apply for a hardship waiver. Non-profits where the executive director makes more than four times what the lowest paid employee makes, would fall under the living wage ordinance. Such an organization has four options: 1) pay those affected by the grant a living wage 2) lower the salary of the executive director, 3) increase the salaries of the lowest paid employee to fall under the 4-1 threshold, or 4) do not apply for the City grant (which average $20,000). The living wage ordinance as currently proposed will not harm non-profits. In fact many non-profits that receive City funding already paying a living wage or are taking steps to do so.

Will employers replace less-skilled workers with higher-skilled workers if they are forced to raise wages?
Research on the minimum wage suggests that living wage ordinances will not cause job loss among less-skilled workers. A recent EPI study of the effects of the 1996-97 minimum wage increase, for example, found no evidence of job loss among teenagers and adult workers with less than a high-school education (two groups of workers that typically have lower skill levels) (Bernstein and Schmitt 1998).

In the absence of living and minimum wage laws, firms can choose either the "low road" (low pay, low training, low motivation, high turnover, and high vacancies) or the "high road" (higher pay, more training, greater motivation, lower turnover, and fewer vacancies). Almost every industry includes profitable businesses that follow both paths.

High-road employers, who would rather have a stable workforce and produce a high-quality product, have to compete for contracts with low-road employers, who provide a poorer-quality product at a lower cost. Living wage ordinances encourage businesses to take the high road, leading to higher quality services for the public and a more highly trained stable workforce.

Opponents of living wages have provided no evidence that the transition from low-road to high-road employment will lower employment opportunities for less-skilled workers. The evidence suggests that employers typically make the transition by retaining, training, and motivating their existing workforces.

What is the government's role in setting job quality standards?
Critics of living wage ordinances assert that the government should not intervene in the marketplace. This argument ignores the many ways in which governments intervene in the market to help businesses through subsidies, tax breaks, and other assistance. Living wage laws typically only cover businesses that receive this type of assistance or have contracts with the government.

In addition, employers indirectly benefit from government programs to help the poor. They are able to pay low wages because some government programs exist to help low-income families meet their needs. This means that the burden of providing income supports and services to low-wage workers is passed on to the public, because these programs are paid for through taxes and charitable contributions.

Many critics of the living wage argue that setting wage levels should be the responsibility of businesses alone. But in the United States, the government has long had a role in setting job quality standards that protect workers. Beginning in the 1930s, activists struggled to get federal and state governments to establish job quality standards to prevent abuses of workers. Many of these provisions are still in effect today, including minimum wage laws, overtime requirements, and prohibitions against child labor. More recently, activists advocated for laws such as occupational safety and health standards, family and medical leave, and living wage ordinances.

How is the minimum wage different from a living wage?
The federal minimum wage is the minimum amount that a worker can be paid an hour (currently $5.15 federally, $6.75 in California) and applies to almost all workers. Living wages commonly refer to wages set by local ordinances that cover a specific set of workers, usually government workers or workers hired by businesses that have received a government contract or subsidy. A "living wage" is a also term often used by advocates to point out that the federal and state minimum wage is not high enough to support a family.

What is the difference between a living wage and a "prevailing wage"?
Prevailing wage laws require firms working under a government construction contract to pay the "prevailing" wage for each job, that is, the wage where half of all workers in the

community in the particular job earn more and half earn less. The prevailing wage is different for each occupation and each city or county. Prevailing wage laws ensure that low-wage firms cannot unfairly underbid higher-wage firms when competing for federal or state government contracts. The concepts behind prevailing wage for construction contracts and living wage for service contracts are very similar. All Santa Barbara City projects are currently covered by prevailing wage laws.

Why is Santa Barbara for a Living Wage focusing on Santa Barbara?
Santa Barbara is one of the wealthiest communities in the country. However there is also a lot of poverty. Currently, the City of Santa Barbara perpetuates this poverty through its contracting processes. The City of Santa Barbara has a responsibility to make sure that Santa Barbara is a livable community for all of its residents. Passing a living wage will help hard-working Santa Barbara residents provide for their families and contribute to the community. Santa Barbara is a world-class city and has been the leader in the region on many issues, such as affordable housing and the environment. By passing a living wage ordinance, Santa Barbara can follow the lead of other communities in the region that have done so, such as Ventura County, Oxnard, and Port Hueneme.

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Source on Health Insurance:
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