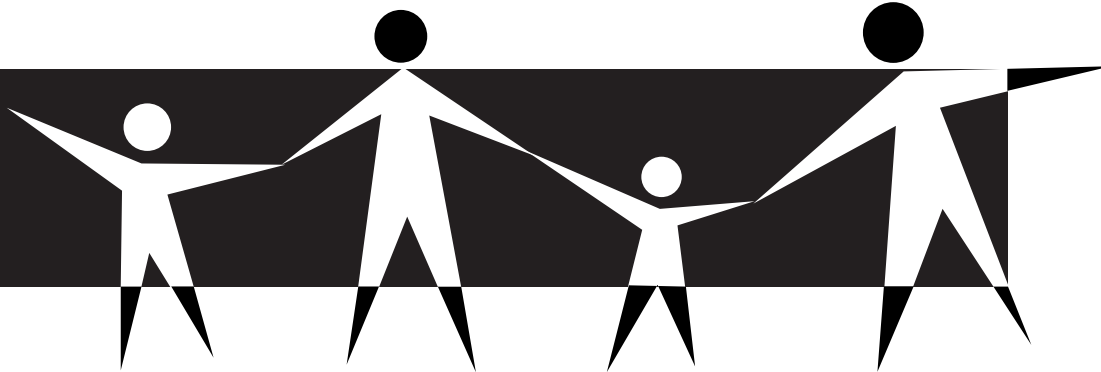


# A **Living Wage**



## **for Santa Cruz and Watsonville**

**A report on the benefits and impact of a Living Wage Ordinance on the Cities of Santa Cruz and Watsonville**

**March 2000**

**Leslie Nichols, Research Intern**

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2102 ALMADEN ROAD • SUITE 107 • SAN JOSE • CALIFORNIA • 95125 • PHONE: [408] 269.7872 • FAX: [408] 266.2653 • EMAIL: [wpsusa@atwork.org](mailto:wpsusa@atwork.org)



A L I V I N G W A G E F O R  
S A N T A C R U Z A N D W A T S O N V I L L E

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*“The philosophy behind a Living Wage Campaign is that we are all better off if the costs of meeting a family’s needs are met up front through an adequate paycheck. . .”*

## Foreword

American political leaders can usually be counted on to extol the virtues of the work ethic. Many of them will speak sincerely of the dignity of labor, of the fulfillment that comes with productive effort. More conservative leaders may emphasize the moral obligation of able bodied people to find a job rather than depend on government largesse.

In this document, we focus on another, equally vital feature of any legitimate work ethic – the simple notion that those who work should earn at least enough to live on - that is, a living wage.

This concept is neither new nor unreasonable. The existence of federal and state minimum wages are testimony to our recognition as a society that there are both moral and functional reasons to discourage outrageously low pay. Work cannot be said to have dignity if, after eight hours of toil, a person must still live in a homeless shelter and beg for food at the end of the week. Similarly, we also recognize that workers who do not earn enough to meet their families’ needs will continue to struggle to survive in our midst, and their desperate efforts may have significant impacts on other more fortunate residents.

Those of us who live in cities are particularly aware of the high costs that the whole urban community must absorb when employers fail to pay their workers adequately. Those who cannot afford to pay the rent must cram several families into a single dwelling or crowd into shelters or sleep in creekbeds. If parents must hold down two or three jobs, their ability to supervise and support their children is drastically reduced. Without health insurance on the job, families must depend on public facilities, thereby stressing overburdened local government budgets.

The philosophy behind a Living Wage Campaign is that we are all better off if the costs of meeting a family’s needs are met up front through an adequate paycheck – rather than through responding to the distress caused by a unacceptably low wages.

In an ideal world, a Living Wage campaign would not be necessary. If the federal minimum wage maintained the same relationship to worker productivity today that it had in 1950, the standard would be \$12.30 an hour. If government devoted the same resources for affordable housing that it provides for “tax expenditures” for corporations and the affluent, then lower paid workers could maintain a decent standard of living.

But this is not an ideal world. The plight of the working poor in Santa Cruz and in numerous other cities is urgent. A Living Wage ordinance will not eliminate this problem. But that is a standard we do not apply to any other public policy – whether it be law enforcement, transportation, or health care. What we do require is that public policies move our society in the right direction. A Living Wage policy satisfies that goal, and it does so on behalf of those who have been ignored too long.

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*“The plight of the working poor in Santa Cruz and in numerous other cities is urgent.”*



**Amy B. Dean**  
Working Partnerships

**Nora Hochman**  
Santa Cruz Living Wage Coalition

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## I. INTRODUCTION

**In recent years, a growing number of cities and counties across the country have passed “living wage” ordinances.**

These policies are intended to raise the wages of very low-income working families by mandating higher minimum wage standards for municipal contractors, recipients of certain public subsidies or other private businesses benefiting from public funds. A total of more than 40 jurisdictions (including Baltimore, Los Angeles, San Jose, Oakland, Portland, St. Paul and Chicago) have enacted Living Wage ordinances, and there are over sixty more where ordinances are pending.

The growing popularity of Living Wage laws at the local level is the result of recent trends, including the widening gap between rich and poor; declines in real wages at the bottom; an increase in the privatization of public-sector employment; the loss of manufacturing jobs and growth of the minimum wage service sector, and the failure of the federal minimum wage to keep up with increases in the cost of living, particularly in high-cost regions of the country.

Living Wage ordinances have emerged as one policy prescription to counter the increasing inequality of income and to raise the standard of living of low-wage workers. The guiding principle behind the Living Wage policy is that city government, as a major service provider and purveyor of public dollars, should play a leadership role in modeling the terms and conditions of fair employment.

*“Living Wage ordinances have emerged as one policy prescription to counter the increasing inequality of income and to raise the standard of living of low-wage workers.”*

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*“Many Santa Cruz County families with at least one working parent still must rely on public assistance.”*

## II. POVERTY AND THE COST OF LIVING IN SANTA CRUZ COUNTY

While the economy in Santa Cruz County in recent years appears to be thriving, 75% of the occupations with the greatest growth are in the minimum wage sector, and the rising cost of living is leaving many working families destitute.<sup>1</sup> The growing phenomenon of low wage poverty is reflected in the fact that 63% of children living in poverty have at least one parent working.<sup>2</sup> Many Santa Cruz County families with at least one working parent still must rely on public assistance. In January 2000, 34% of families receiving CalWORKS assistance and 48% of families receiving food stamps had at least one working parent but did not earn enough to move off of public assistance.<sup>3</sup> Working poor families are also less likely to have health insurance. In California in the mid-1990's, 40.5% of working parents earning 200% of poverty or less were uninsured.<sup>4</sup>

Any discussion of the cost of living in Santa Cruz County must highlight the special impact of housing costs. In 1999, the National Association of Home Builders ranked the Santa Cruz-Watsonville area as the second least affordable market in the country for purchasing a home based on the ratio of average price to median income.<sup>5</sup> Renters are no better off. Based on Housing Authority calculations of average rents in the county, a worker earning California's minimum wage would have to work over 128 hours per week in order to afford a two bedroom unit.<sup>6</sup>

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(1) Employment Development Department, Labor Market Division, <http://www.calmis.cahwnet.gov>

(2) The Hunger Study, Second Harvest Food Bank of Santa Cruz & San Benito Counties, 1998.

(3) Human Resources Agency, January 2000 caseload figures (665 of 1934 CalWORKs families and 933 of 1947 food stamp cases).

(4) Employed But Not Insured, Center on Budget and Policy Priorities, February 1999.

(5) National Association of Homebuilders, Housing Opportunity Index, 3rd quarter 1999. Note: The Housing Opportunity Index is based on the median family income, interest rates, and the price distributions of homes sold in each market in a particular quarter of a year. The price of homes sold is collected from actual court records by First American Real Estate Solutions, a marketing company. The median family income for each market is calculated by the Department of Housing and Urban Development.

(6) Schedule of Fair Market Rents, Santa Cruz County Housing Authority and Out of Reach, National Low Income Housing Coalition, September 1999.

To estimate the amount needed to live decently without public assistance, the benchmark for determining the “Living Wage” in the County of Santa Cruz, we used the minimum self-sufficiency standard calculated in *Wider Opportunities for Women*, published in 1996, widely recognized as an authority on the subject. The County of Santa Cruz Human Resources Agency and the United Way of Santa Cruz County both utilize the Self-Sufficiency Standard as a more realistic assessment of the cost of living in Santa Cruz County. The actual amount of a Living Wage varies with the size of the family, the number of income earners, and the number of children they are supporting. Based on the data in the table below, to support a family of three, a parent working full-time would need to earn \$18.31 per hour while a single parent supporting one school-age child would require a full-time job paying \$14.01 per hour.<sup>7</sup>

Since it is not practical to adjust wage standards based on family size, for the purposes of this report we suggest a Living Wage for Santa Cruz and Watsonville of \$14 per hour. Though this would still be inadequate to fully support a family of four, it would be enough for a single parent with one child to stay out of poverty and would contribute substantial resources to support a family of four over what is currently attainable at the state minimum wage.

*“Any discussion of the cost of living in Santa Cruz County must highlight the special impact of housing costs.”*

**Table 1:** Self-Sufficiency Income in Santa Cruz (1996)

	Adult & infant	Adult, infant & school age child	Two adults, infant & school age child
<b>Monthly Expense</b>			
Housing	\$948.00	\$948.00	\$948.00
Child Care	\$450.00	\$1012.00	\$1012.00
Food	\$206.50	\$281.40	\$423.50
Transportation	\$117.81	\$117.81	\$231.97
Medical Care	\$139.03	\$176.79	\$225.45
Taxes	\$186.13	\$253.69	\$284.18
Miscellaneous	\$458.06	\$684.25	\$782.10
Less Child Care Tax Credit	\$40.00	\$80.00	\$0
<b>Monthly Self-Sufficiency Income</b>	<b>\$2465.52</b>	<b>\$3222.69</b>	<b>\$3908.10</b>
<b>Hourly Self-Sufficiency Income</b>	<b>\$14.01</b>	<b>\$18.31</b>	<b>\$11.10</b>
(based on 40 hour work week)			per adult

Source: Wider Opportunities for Women, 1996

The suggested Living Wage of \$14 per hour is in line with the Living Wages set by other cities after adjusting for differences in cost of living as shown in the next table.

(7) Self-Sufficiency Standard, Wider Opportunities for Women, 1996.

*“... over half of Santa Cruz County occupations pay less than the \$14 per hour”*

**Table 2: Living Wages in Other Jurisdictions**

Jurisdiction	Living Wage	Living Wage adjusted to Santa Cruz cost of living	Date Enacted
Cambridge, MA	\$10.00	\$13.50	May 1999
San Jose, CA	\$9.50	\$9.50	November 1998
Dade County, FL	\$8.56	\$14.04	May 1999
St. Paul, MN	\$8.47	\$14.96	January 1997
Portland, OR	\$8.00	\$13.21	May 1996
Dane County, WI	\$7.91	\$14.03	March 1999
Baltimore, MD	\$7.90	\$13.77	December 1994
Chicago, IL	\$7.60	\$12.69	September 1998

Source: ACCRA Cost of Living Index, 3rd Quarter, 1995, Statistical Abstract of the United States, 1996 (model taken from the San Francisco Living Wage Report, Michael Reich)<sup>8</sup>; San Jose Living Wage Ordinance (living wage set at \$10.75 if employer does not pay benefits)

**In 1995, the Employment Development Department found that over half of Santa Cruz County occupations pay less than the \$14 per hour needed to support a parent and one child.<sup>9</sup> The prospect for the future is no better. The Labor Market Information Division of the Employment Development Department projected a growth rate of 13.1% for non-agricultural employment in Santa Cruz County from 1995-2002, with the fastest growing occupations paying entry level wages of \$10.97 or less.<sup>10</sup> The two largest industries in Santa Cruz County—agriculture and tourism—offer wages between \$6.00 and \$10.00 per hour.<sup>11</sup>**

**Table 3: Occupations with the Greatest Number of Job Openings: 1995-2002**

Occupation	Number of Job Openings	Average Hourly Wage	Average Annual Wage
Cashiers	1400	\$8.34	\$17,360
Salespersons	1150	\$8.08	\$16,800
Waiters	840	\$5.55	\$11,540
General Managers	740	\$29.32	\$60,990
Office Clerks	640	\$10.24	\$21,290
Counter Attendants	630	\$6.68	\$13,890
Secretaries	340	\$12.94	\$26,910
Computer Engineers	270	\$31.71	\$65,950
Clerical	260	\$9.96	\$20,710

Source: Employment Development Department, Labor Market Information

(8) See Appendix A for methodology

(9) State of California Employment Development Department, 1995, <http://www.calmis.cahwnet.gov>

(10) *ibid*

(11) County of Santa Cruz Economic Profile, <http://www.co.santa-cruz.ca.us/>

**III. RECOMMENDED ELEMENTS OF A LIVING WAGE ORDINANCE FOR SANTA CRUZ AND WATSONVILLE**

The Santa Cruz Living Wage Coalition has developed the following proposals for a Living Wage Ordinance based on the needs of working families in the county and review of Living Wage Ordinances from around the country.

**Employers Covered:**

1. The city should require businesses (for-profit and non-profit) contracting with the city for more than \$5,000, and their subcontractors, to abide by the Living Wage Ordinance for all workers employed on the contract work.
2. The Ordinance would cover all workers employed at Redevelopment projects during construction and after permanent occupancy.
3. Companies receiving tax breaks or any other direct or indirect form of economic development assistance (including subsidies, loans, fee waivers, infrastructure development and grants) valued at more than \$25,000 should be covered by the Living Wage applied to their own employees and those of their ultimate lessees or purchasers.
4. The provisions of the Living Wage Ordinance would apply to workers employed on a temporary or contingent basis by the Cities of Santa Cruz and Watsonville who perform duties that are regular and/or ongoing. This includes a number of job classifications which are seasonal, but which are consistently staffed, often by the same workforce.

**Wages and Benefits:**

1. The recommended Living Wage for Santa Cruz and Watsonville is \$13/hour with employer-provided medical benefits for the employee (based on a 1996 self sufficiency study for a family of two).
2. If the employer does not provide medical benefits, the hourly wage would be increased by a minimum of \$1/hour.

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3. Both the base wage and the additional wage would be indexed annually to increases in the cost of living in the region as measured by the San Francisco Bay Area Consumer Price Index.<sup>12</sup>
  4. The Ordinance should require at least ten compensated days off annually for sick leave, vacation, or personal necessity at the employee's request, excluding federal holidays.

**Exemptions:**

Employers who meet any of the following criteria may apply for an exemption from the provisions of the Living Wage Ordinance:

1. First year businesses with fewer than five employees.
2. Employment situations where prevailing wage applies and is more than the Living Wage.
3. There is a collective bargaining agreement with a union, which stipulates that its provisions supersede the Ordinance.

**Worker Retention:**

When the city changes vendors or contracts out work formerly performed by city employees, the new contractor should retain the workers unless there is cause for termination of particular workers.

**Maximizing Efficiency in Contracting through Harmonious Labor Relations:**

As a multi-million dollar enterprise, the city has a vested interest in securing the continuous and efficient delivery of services. To this end, the city should review its contracts to identify those areas in which it has maximum interest in avoiding labor and employment disturbances that could result in service disruption. The city should seek ways to avoid this type of risk through careful review of the record of potential contractors.

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(12) Bureau of Labor Statistics, Consumer Price Index for Urban Consumers, <http://stats.bls.gov/>

**Enforcement and Monitoring:**

A specific plan for enforcement should be laid out in the ordinance, as well as specifications for evaluating the ordinance’s operation and effects.

1. The ordinance should specify that, in the event of non-compliance with the terms of the Living Wage policy, the contractor, subcontractor, or recipient would be required to return the funds agreed upon in the contract until compliance requirements are met to the satisfaction of the city.
2. The Living Wage ordinance should be enforced by the City Department responsible for the screening of contract applicants and contract enforcement.
3. A citizen oversight committee should be established to oversee the implementation and operation of the Ordinance, hear grievances related to its provisions and make recommendations for final City Council approval on all contracts covered by the Ordinance.

**IV. WORKERS IMPACTED**

**A. Santa Cruz**

*“During 1999, the City of Santa Cruz employed 628 workers in 650 temporary positions, more than half of the city’s total employees”*

*Service Contract Workers:* Santa Cruz has few ongoing service contracts, most of which are for janitorial and security services and pay \$8.00 per hour or less. Without access to company payroll statistics, we do not know exactly how many workers employed by service contractors would be affected by a living wage ordinance. However, by looking at typical wage patterns for the types of businesses that have city contracts, we can extrapolate the number of workers who probably earn less than the proposed Living Wage.

Excluding professional services, such as investigative and social service contracts, the City of Santa Cruz currently contracts with 15 firms that provide ongoing service to the city, employing roughly 140 people. Table 4 shows the calculation of the number of employees of these contractors who likely are paid below \$14.00 per hour.

**Table 4:** City of Santa Cruz Service Contracts

Contract Type	Number of Companies	Average Number of Employees	Total Number of Employees	% Paid less than \$14/hour	Total employees paid less than \$14/hour
Business Services	2	11	22	45.5%	10
Personal Services	4	4.1	16.4	87.0%	14
Utility Services	3	13.8	41.4	34.7%	14
Other Services	6	10	60	57.2%	34
<b>Total</b>	15		140		72

Source: City of Santa Cruz, Finance Department<sup>13</sup>

(13) County Business Patterns, County of Santa Cruz, <http://www.census.gov/epcd/cbp/view/cbpview.html> ; payroll records, City of Santa Cruz.

*Non-Profit Service Contracts:* Santa Cruz contracts with non-profit social service agencies to provide essential community services best delivered by these organizations. Of the 107 workers employed by non-profits on city contracts in 1999-2000, 68% are estimated to earn less than \$14.00 per hour. Among those workers who are paid less than the proposed Living Wage, nearly half earn less than \$11.00.<sup>14</sup>

*City Temporary Workers:* The city directly employs temporary workers for seasonal work and even for some work that is permanent in nature. While the average wage for all workers in Santa Cruz is \$12.96/hour, the average wage of the city “temps” — who receive no benefits — is \$8.68/hour. During 1999, the City of Santa Cruz employed 628 workers in 650 temporary positions, more than half of the city’s total employees. Of the total number of positions, 403 perform regular and ongoing work for the city. For 388 positions, the Step A, or entry level, hourly wage rate is below the proposed Living Wage. While many of these positions are seasonal, the city fills them year after year, often with the same workforce.<sup>15</sup>

*Redevelopment/Economic Development Projects:* Santa Cruz, like most cities in California, offers financial benefits to businesses that are expected to generate jobs and sales tax revenue as an incentive for locating in the city. The assistance takes a number of forms, including:

- Reductions or waivers of affordable housing, traffic impact, parking deficiency and other fees.
- Relief from taxes or rebates of portions of the sales tax generated.
- Low or no interest loans or bond financing.
- Subsidies for costs of property acquisition or consolidation.
- Payment of relocation costs, street and infrastructure improvements.

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*“While the average wage for all workers in Santa Cruz is \$12.96/hour, the average wage of the city “temps” — who receive no benefits — is \$8.68/hour.”*

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(14) Analysis, 1999-2000 Social Service Funding Applications

(15) City of Santa Cruz Compensation Plans (Payroll Dept.), Summary of City Temporary Workers, SEIU Local 415

*“... for a total cost to the city of close to one million dollars, the community got (a maximum of) 160 part time and 80 full time jobs with an average wage of less than \$7/hour.”*

The Gateway Center, for example, enjoyed a total of \$675,000 in direct financial assistance from the city plus street and infrastructure improvements essential for the project’s success. In return, the community was expected to get 240 permanent jobs of unspecified quality and \$250,000 in sales tax revenue.<sup>16</sup> The next table shows the actual breakdown of jobs among the four largest employers at the Center.

**Table 5: Gateway Center Jobs Created**

	Full-Time Jobs	Part-Time Jobs	Entry-level Wage
<b>Store</b>			
Cost Plus	6	30	\$7.30
Pet Smart	8	15	\$6.25
Ross Dress for Less	8	27	\$6.25
Office Max	18	8	\$8.00
<b>Total</b>	<b>40</b>	<b>80</b>	<b>\$6.95</b>

Source: Interviews with store managers 1999<sup>17</sup>

It is likely that wages at the smaller stores are about the same as or lower than the average \$6.95/hour of the four anchor tenants. Thus, for a total cost to the city of close to one million dollars, the community got (a maximum of) 160 part time and 80 full time jobs with an average wage of less than \$7/hour.

*Summary:* Workers employed by city contractors and in city subsidized projects, along with temporary city employees, are a small subset of a much larger pool of low-wage workers facing the pronounced difficulties of living in this high-cost region. Statistically, they are likely to fall into the 14% of adults countywide who lack health insurance (for Latinos, the figure rises to 25%). They are also likely to be predominantly women and people of color.<sup>18</sup>

The majority of workers covered by the ordinance would fall into the broad category of service sector workers. Service sector jobs — see Table 3 — are the fastest growing in the region and in the nation overall, and they are characterized by low wages and lack of paid medical benefits.

(16) Owner Participation Agreement, Cypress Properties & Redevelopment Agency of the City of Santa Cruz

(17) See Appendix B for questionnaire

(18) State of California, Employment Development Department, Labor Market Information Division, Information Services Group, <http://www.calmis.cahwnet.gov>

The proposed Living Wage Ordinance could affect approximately 600 low-wage workers currently employed on City contracts or directly by the City. Because provisions related to economic development assistance would apply to future subsidies, it is difficult to assess the potential impact of the proposed Living Wage Ordinance. While a Living Wage Ordinance would affect only a small percentage of the low-wage workers in the city of Santa Cruz, it would set a positive example for employers concerned about the quality of life for all the city’s workers and their families.

*“The proposed Living Wage Ordinance could affect approximately 600 low-wage workers currently employed on City contracts or directly by the City.”*

**B. Watsonville**

*Service Contract Workers:* Like Santa Cruz, without access to company payroll statistics, we do not know exactly how many workers employed by service contractors would be affected by a living wage ordinance. However, by looking at typical wage patterns for the types of businesses that have city contracts, we can extrapolate the number of workers who probably earn less than the proposed Living Wage.

In Watsonville, the city’s 23 ongoing service contractors employ about 181 workers of whom we estimate 93 are paid less than \$14.00 per hour.

**Table 6:** City of Watsonville Service Contracts

Contract Type	Number of Companies	Average Number of Employees	Total Number of Employees	% Paid less than \$14/hour	Total employees paid less than \$14/hour
Construction	8	4.5	36	34.4%	12
Personal Services	2	4.1	8.2	87.7%	7
Business Services	4	11	44	45.5%	20
Other Services	8	10	80	57.2%	46
Retail	1	12.4	12.4	68.3%	8
<b>Total</b>	15		181		93

Source: City of Watsonville, Finance Department<sup>19</sup>

(19) County Business Patterns, County of Santa Cruz, <http://www.census.gov/epcd/cbp/view/cbpview.html> ; payroll records, City of Watsonville

*“While the average wage for all workers in Watsonville is \$13.53/hour, the average wage of the city “temps” — who receive no benefits — is \$9.60/hour.”*

*Non-Profit Service Contractors:* In 1999-2000, Watsonville social service contractors employed 46 workers at least some hours on city work, of whom 26 earned less than the recommended Living Wage and 16 less than \$11.00 per hour.<sup>20</sup>

*City Temporary Workers:* The city directly employs temporary workers for seasonal work and even for some work that is permanent in nature. While the average wage for all workers in Watsonville is \$13.53/hour, the average wage of the city “temps” — who receive no benefits — is \$9.60/hour. During 1999, the City of Watsonville employed 387 temporary workers. Of the total number of positions, 303 perform regular and ongoing work for the city. For 225 positions, the Step A, or entry level, hourly wage rate is below the proposed Living Wage. While many of these positions are seasonal, the city fills them year after year, often with the same workforce.<sup>21</sup>

*Redevelopment/Economic Development Projects:* The Watsonville Overlook Center, initiated in 1996, is a case study of the applicability of the Living Wage to city-subsidized development projects. As an incentive to the developer, who promised to provide 8.2 acres of open space, increased sales and property taxes, and creation of 800 new jobs, the city waived affordable housing fees, traffic impact and storm drainage fees totaling over \$700,000.<sup>22</sup> The city also agreed to cover the cost of street improvements beneficial to the project.

The three largest stores in the completed center employ 122 workers, 65% of whom are part-time with an average starting wage of \$6.58 per hour. The total number of jobs created in the Center fell far short of the 800 stipulated in the Agreement between the city and the developer. Sales tax revenues in the first year of operation amounted to less than 25% of the projected amount.<sup>23</sup>

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(20) Social service program funding applications, 1999-2000, Cities of Santa Cruz and Watsonville

(21) City of Watsonville Payroll Statistics

(22) Owner Participation Agreement, DBO and City of Watsonville

(23) Department of Finance Sales Tax Revenue figures, City of Watsonville

**Table 7: Overlook Center Jobs Created**

Store	Full-Time Jobs	Part-Time Jobs	Entry-level Wage
Target	55	65	\$6.25
Staples	4	27	\$6.50
Lucky/Albertsons	20	30	\$7.00
<b>Total</b>	79	122	\$6.58

Source: Interviews with store managers 1999<sup>24</sup>

**Summary:** The proposed Living Wage Ordinance could affect approximately 345 low-wage workers currently employed on City contracts or directly by the City. Because provisions related to economic development assistance would apply to future subsidies, it is difficult to assess the potential impact of the proposed Living Wage Ordinance.

*“The total number of jobs created in the Center fell far short of the 800 stipulated in the Agreement between the city and the developer.”*

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(24) See Appendix B for questionnaire

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*“There is precedent in both Santa Cruz and Watsonville for placing requirements on contractors and beneficiaries of public subsidies.”*

## V. PRECEDENTS FOR LIVING WAGE POLICY

There is precedent in both Santa Cruz and Watsonville for placing requirements on contractors and beneficiaries of public subsidies. Both cities have adopted a Responsible Contractor Ordinance. The policies are not as comprehensive as we recommend, essentially requiring that the contractor comply with all applicable laws and agreements and providing for punitive measures if the contractor submits false information. These policies have been relied on by labor organizations to file objections to particular contractors with irresponsible records.

A clearer precedent exists in the Santa Cruz Tax Rebate Program which was implemented under the authority of the State Tax Code to allow Redevelopment Agencies to offer property tax rebates for new or expanding manufacturing businesses for a period of five years provided that the beneficiaries generate a net increase of at least ten jobs paying at least \$10 per hour for at least five years.

Santa Cruz utilized this provision in offering Silicon Systems, the city’s largest taxpayer, a 50% tax abatement for five years in exchange for creating 20 new jobs paying \$10 per hour.<sup>25</sup> On its own, the City Redevelopment Agency gave Harmony Foods a loan of \$35,000 per year for five years (totaling \$175,000). In exchange for remaining at its location until September 30, 2002 and filling 50% of positions with city residents, the loan will be forgiven.<sup>26</sup>

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(25) Agreement Between the Redevelopment Agency of the City of Santa Cruz and Silicon Systems, Inc., Sept. 13, 1995

(26) Agreement Between the Redevelopment Agency of the City of Santa Cruz and Harmony Foods, Sept. 9, 1997

**VI. POTENTIAL EFFECTS OF A LIVING WAGE ORDINANCE ON BUSINESS AND/OR THE CITY**

Obviously, requiring wages that are higher than those currently being paid involves certain direct costs. These costs could be absorbed by either the city, the covered employer or some combination of the two.

Firms affected by the Living Wage Ordinance could absorb the costs of increased wages through productivity increases and/or decreased costs in other areas of the firms' activities. Such gains are highly likely, since it is well documented that firms paying living wages are likely to see significant improvements in their efficiency and productivity through decreased labor turnover, lower training costs and a more motivated and higher quality workforce. Furthermore, the competitive bidding process will ensure that firms that are able to make the most improvements in these areas will be rewarded with city business.

This scenario offers a win-win situation for all parties involved. Low-wage workers benefit from higher wages. Living Wage firms benefit from productivity increases and by gaining business with the city.

Non-profit organizations providing services to the city are less likely to be able to absorb the increased cost of a Living Wage. In these cases, the city might well bear the burden of an increased contract expense. For Santa Cruz, this would require an increase of \$241,000, or just over .6% in General Fund spending. Watsonville would see an increase of \$42,500 in General Fund spending, or about .2%.<sup>27</sup>

Even if the city were to absorb the increased wage costs of a Living Wage policy by paying more for services, there would still be public benefit since the higher wages paid to workers would result in reduced public sector expenditures in other areas such as health care. In addition, the city may benefit in other ways,

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*“... firms paying living wages are likely to see significant improvements in their efficiency and productivity through decreased labor turnover, lower training costs and a more motivated and higher quality workforce.”*

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(27) Social service program funding applications, 1999-2000, Cities of Santa Cruz and Watsonville. These figures assume that most employees of non-profits have health insurance and therefore the calculation is made at \$13/hour.

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*“... higher wages paid to workers would result in reduced public sector expenditures in other areas such as health care.”*

through increased sales tax and other revenue resulting from higher incomes, as well as decreased public safety expenditures to address social problems linked to poverty.

In order to determine the costs of the Ordinance on business a calculation of the estimated increase in payroll costs as a percentage of the firms' total overall revenue was conducted. This is the best measure, since firms facing increased payroll costs can seek to meet those increased costs by reducing expenditures in other areas and by increasing their productivity, thus generating more revenue per employee. Increased payroll costs as a percentage of total revenue give a more accurate measure of the percentage of cost savings that firms would have to meet in their total operations in order to absorb increased labor costs without increasing the costs of city contracts. In the City of Santa Cruz, this estimated increase of payroll costs as a percentage of total revenue is only 6% and in the City of Watsonville it is under 4%. (See Appendix C)

Given these low costs, it is reasonable to conclude that most, if not all, of the increased labor costs can be absorbed by the firms themselves, without passing on the costs to the city. This conclusion is supported by both of two studies available on the impact of the Living Wage in Baltimore, the city with the longest experience with a Living Wage ordinance. The separate studies — conducted by the Preamble Center for Public Policy and the Economic Policy Institute three years apart — concluded that the city actually witnessed a decline in the costs of service contracts covered under their ordinance measured by inflation-adjusted dollars.

It is important to note that the studies of the Baltimore Living Wage ordinance found no significant decline in the number of bidders competing for city contracts following the enactment of the ordinance. The competitive bidding process rewarded firms that were able to improve their productivity by investing in the skills and quality of their workforce, resulting in a decline in the cost of these contracts to the city. Interviews with individual contracting firms confirmed that raising wages helped reduce their recruiting and training costs, while improving productivity.

**VII. POTENTIAL INDIRECT EFFECTS ON UNEMPLOYMENT LEVELS**

In addition to the direct costs to firms doing business with the city, opponents of the policy argue that the Living Wage ordinance could impact employment levels and overall business climate.

There is little evidence to suggest that a Living Wage ordinance would have any significant impact on employment levels among firms doing business with the city or in the city more generally. The wage standard is a narrowly targeted to city contractors, lessees and recipients of public economic development subsidies. Researchers studying the impact of the Living Wage ordinance in Baltimore and Los Angeles have found that none of the city contractors experienced reduced staffing levels as a result of the higher wage standards.

It is equally unlikely that the Living Wage ordinance would increase overall unemployment since it will affect such a small proportion of the workforce. In the three large cities with the longest experience of a Living Wage ordinance — Baltimore, Portland and Milwaukee — there is no apparent relationship between the Living Wage ordinance and overall employment levels.

In a prospective study of the likely impact of the Living Wage Ordinance in the city of Los Angeles, U.C. Riverside Professor Robert Pollin and economist Stephanie Luce looked at state and federal minimum wage laws as a model. They concluded, as do most students of the subject, that such policies do not lead to increased unemployment or costs to the taxpayer. In fact, they modeled potential benefits of living wage laws in the form of reduced need for government assistance among the working poor, increased worker productivity and decreased employee turnover.<sup>28</sup> Another case study concluded:

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*“There is little evidence to suggest that a Living Wage ordinance would have any significant impact on employment levels . . .”*

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(28) The Living Wage, Building a Fair Economy, Robert Pollin and Stephanie Luce, 1998

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*“They concluded . . .  
that such policies do  
not lead to increased  
unemployment or costs  
to the taxpayer.”*

These empirical results . . . are at odds with traditional economic theory, which argues that a rise in the minimum wage must cost jobs. Over the last decade, however, new economic models designed to reconsider low-wage labor markets may help explain the increasingly weak link between the minimum wage and low-wage employment opportunities. These more recent models, often referred to as ‘dynamic monopsony’ models, incorporate the costs of recruiting, training, and motivating low-wage workers, variables neglected by more traditional models. Not only do these new models more realistically reflect the character of the low-wage labor market, but they also offer a better explanation of our central finding: the 1996-97 increase in the minimum wage has proven to be an effective tool for raising the earnings of low-wage workers without lowering their employment opportunities.<sup>29</sup>

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(29) Bernstein, Jared, and John Schmitt. (1997) Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase (Economic Policy Institute, Washington, DC).

## VIII. POTENTIAL EFFECTS ON THE “BUSINESS CLIMATE”

While overall business climate is a difficult factor to measure, opponents of Living Wage ordinances in other cities have cited it as a concern. Their fear is that the passage of a Living Wage ordinance would create an unfriendly, high-cost environment for businesses operating in the city. Again, however, there is little evidence to suggest this would be the case, and strong arguments suggest the opposite.

Researchers studying the impact of the Living Wage in Baltimore, where the Living Wage has been in place since 1994 attempted to gauge this by tracking the assessable base of personal property for businesses and corporations in the city for the years 1990-95. This measure indicates the value of local businesses’ assets, other than real estate, for tax purposes. While the value of business property declined in real terms in the four years prior to the passage of Baltimore’s Living Wage ordinance, it increased sharply following the ordinance’s enactment.<sup>30</sup>

In other cities, many businesses have publicly applauded the positive impacts a Living Wage ordinance can have on the business climate. In Los Angeles, a coalition called “Businesses for a Living Wage” played an active role in supporting the eventual passage of a Living Wage ordinance. In a January, 1997 letter to the Los Angeles City Council, coalition members stated,

Our experiences and research bears out that firms with human resource policies such as those contained in the L.A. Living Wage Ordinance reap a range of benefits that actually reduce costs and enhance product quality. Turnover is reduced, worker morale and productivity increase, and a larger pool of residents can afford to buy our products. Far from detracting from successful business enterprise in Los Angeles, the Living Wage Ordinance, properly implemented and monitored, can be a huge benefit to the business community. The safety and stability of a healthy community is not the least of these benefits.

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*“In other cities, many businesses have publicly applauded the positive impacts a Living Wage ordinance can have on the business climate.”*

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(30) Preamble Center for Public Policy

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*“... in Portland, Oregon, a contractor (testified) . . . that the ordinance enabled him to compete with contractors who consistently had underbid him on city contracts by paying low wages.”*

In recent testimony at a hearing to review the impacts of the Living Wage ordinance in Portland, Oregon, a contractor praised the policy, testifying that it leveled the playing field for responsible employers already providing higher wages and health benefits to their employees. He stated that the ordinance enabled him to compete with contractors who consistently had underbid him on city contracts by paying low wages.<sup>31</sup>

With regard to economic development projects, the argument is made that the increase in sales tax revenue generated by subsidized development would be lost if onerous wage requirements were placed on developers and ultimate users. There is little evidence, however, that sales tax revenues even compensate for the subsidy, no less provide real increment. This is because, typically, the gain in sales tax in the new development is offset by loss of sales tax from older venues.

The Gateway Center, for example, generated sales tax revenue of \$47,089 in the last quarter of 1998 — its first quarter of occupancy and the most profitable time of year for retail business — contributing to a \$3,301 increase in total city sales tax revenue as compared to the same quarter in 1997 before it was built. Moreover, at that rate, the Center was a long way from the projected annual sales tax revenue of \$250,000 which was the supposed benefit of the deal.

Similarly, after the opening of the Overlook Center — subsidized in the expectation of sales tax revenue of \$550,000 annually — Watsonville saw sales tax income increase by less than \$46,000 in the first six months of occupancy as compared with the same period in the prior year.

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(31) City of Portland contractor comments at City Council meeting. (July 1998).

**IX. POTENTIAL EFFECTS OF THE LIVING WAGE ORDINANCE ON TAXPAYERS**

Given all the evidence and the conclusion that most of the direct increased wage costs can be absorbed through improvements in productivity at firms contracting with the cities. Even if the city faced some increased costs as a result of enacting a Living Wage ordinance, it is unlikely that increased taxes would also result. Indeed, with the 1996 passage of Prop. 218, a two-thirds vote is required for California cities to raise taxes. City expenses in such areas as personnel, leasing, materials purchases and facility maintenance are always in flux, requiring the city to make constant adjustments to its expenditures without directly affecting revenue sources or amounts.

Substantial tax-savings and increased overall tax revenue are a far more likely consequence of a Living Wage ordinance. Workers earning less than a living wage are currently dependent on a variety of public assistance programs including food stamps and health services. In addition, they are typically eligible for the Earned Income Tax Credit, which reduces the amount of federal income tax they pay. Raising their wages to a livable level would reduce or eliminate the cost to the taxpayer of low wages.

The potential tax savings from this are substantial. For instance, MediCal data indicates that on average state taxpayers spend \$6,624 per year to provide health care for a four-person family dependent on public health services. Similarly, taxpayers on average spend \$283.20 a month on food stamps to support a family of four with one full-time working earning \$10.86/hour.

In addition, workers covered by the Living Wage ordinance would actually increase overall tax revenue as the increase in workers' disposable income would be spent primarily in the local economy, increasing sales tax revenue of the city.

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*“Workers earning less than a living wage are currently dependent on a variety of public assistance programs including food stamps and health services.”*

**X. POTENTIAL IMPACTS OF THE LIVING WAGE ORDINANCE ON COMMUNITIES AND WORKING FAMILIES**

*“... the experience of other cities and economic analysis suggest that the impacts would be overwhelmingly positive for the entire community.”*

As has been stated, the direct beneficiaries of the proposed Living Wage ordinance would be the workers covered by the ordinance and their families. But the Living Wage ordinance would hold symbolic significance for the entire city. In adopting a Living Wage ordinance, the city would set a standard for employment practices which—when implemented on a larger scale—have the following positive effects:

- When low- and middle-wage workers have disposable income, they are likely to spend it in the communities where they live. This has a positive impact on local businesses. Workers who use increased income to improve their property also enhance the quality of low-and middle-income neighborhoods.
- To the extent that poverty is linked to crime, neighborhood blight, educational failure and other social problems, the community as a whole benefits when working families are better able to make ends meet and lead a decent life.
- Numerous studies have found that the principal barrier to parental involvement in the educational and recreational lives of their children is the number of hours they work. Workers who are paid a living wage and receive health benefits are less likely to have to work multiple jobs to make ends meet. This leaves more time for parents to be with their families.

Overall, while opponents of Living Wage ordinances may raise concerns about possible negative effects, the experience of other cities and economic analysis suggest that the impacts would be overwhelmingly positive for the entire community.

**XI. BENEFITS OF NON-ECONOMIC ASPECTS OF POLICY**

In addition to basic wage and benefit standards, various ordinances around the country have included provisions to promote fair employment practices and/or harmonious labor relations for contractors and subsidy recipients. While it is impossible to quantify the exact impact of these provisions, they clearly promote a healthier working environment in the community.

*Worker Retention Policy:*

Workers who are employed by firms that rely on government service contracts are vulnerable to displacement, regardless of their job performance, whenever a contract changes hands. Low-wage contracted workers typically do not have the resources to withstand these job losses and must turn to public assistance.

Several Living Wage ordinances enacted around the country have addressed this issue by including worker retention provisions. The principle behind worker retention is that contracted employees who are hired to provide an ongoing city service should not be subject to the vagaries of the contracting process but should be allowed to retain their positions when contractors shift. Worker retention provisions do not restrict an employer's ability to terminate a worker for poor job performance. In the cities where worker retention policies have been adopted, Worker retention provisions do not restrict an employer's ability to terminate a worker for poor job performance. In the cities where worker retention policies have been adopted, there have been many positive outcomes, including a more stable, better trained and more productive contracted workforce.

*Harmonious Labor Relations:*

Responsible contractor provisions are designed to insulate the city from disruptions to service occasioned by an employer's inability to deal constructively with labor and employment disputes. The provisions allow the city to acknowledge that companies with higher standards of worker treatment often provide superior contract performance and reward contractors that have a good record of complying with labor statutes.

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*“The principle behind worker retention is that contracted employees who . . . provide an ongoing city service should not be subject to the vagaries of the contracting process.”*

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*“... enactment of the proposed modest Living Wage policies in the county’s largest cities will be the first step in building what must ultimately be a Living Wage ordinance for Santa Cruz County.”*

## **XII. CONCLUSION**

This report illustrates the benefits of following the example of those cities and counties across the country that have enacted a Living Wage ordinance. The proposed ordinance would require certain employers with contracts or subsidies from the city to pay \$13/hour (or a higher amount without health benefits), and adopt measures to promote basic job security and fair labor practices. The ordinance would ensure that workers employed by companies providing services to the city or receiving subsidies from the city, and contingent workers employed directly by the city, are paid enough to not only exceed the poverty threshold, but to live at a self-sustaining level in this high-cost region. It would be an important and meaningful facet of Santa Cruz’s overall strategy for economic development.

Implementing a Living Wage ordinance would have positive effects on taxpayers. Full-time workers who rely on public assistance such as food stamps and MediCal would be able to decrease their dependence on these programs. Increased purchasing power and higher earnings would increase the contributions of these workers to the local tax base via sales taxes.

Recognizing that low wage poverty and high cost of living is a county-wide issue, enactment of the proposed modest Living Wage policies in the county’s largest cities will be the first step in building what must ultimately be a Living Wage ordinance for Santa Cruz County.

A LIVING WAGE FOR SANTA CRUZ AND WATSONVILLE

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**Appendix A: Calculating Living Wage Cities' Wage Adjusted with Santa Cruz Cost of Living**

Sources: ACCRA Cost of Living Index, Third Quarter 1995, in Statistical Abstract of the United States (<http://www.census.gov/prod/2/gen/96statab/96statab.html>). Living Wages and the San Francisco Economy (SF Living Wage Report, Michael Reich, June 1999, <http://socrates.berkeley.edu/~iir/iirpub/iirpub.html>).

Methodology: For the purposes of adjusting the wage rates, we use the San Francisco Metropolitan Statistical Area Cost of Living (CofL) figures.

The Cost of living index measures the relative price levels for consumer goods and services in participating areas for mid-management standard of living. The nationwide average = 100, and each index is read as a percent of the national average.

**Formula:** (Unadjusted Living Wage Figure X % difference in CofL) + Unadjusted Living Wage Figure = Adjusted Wage Figure

Example: Unadjusted Living Wage Figure (Baltimore) = \$7.90/hour

Baltimore CofL = 100.2  
 Santa Cruz (SF) CofL = 174.2  
 % Difference in CofL = 74%

Adjusted Wage Figure = (7.90 X .74) + 7.90 = \$13.75/hour

Table (CofL) for cities evaluated:

Metropolitan Area	Composite Index (100%)
Santa Cruz	174.2
Cambridge	139.2
Dade County, FL	110.2
St. Paul, MN	98.6
Portland, OR	109.1
Dane County, WI	**
Baltimore	100.2
Chicago	107.2
Des Moines	93.0

\*\* Dane County's could not be found, but for Milwaukee the CofL is 104.3, which is located in Dane County.

**Appendix B: Economic Development Survey**

The following questionnaire was used to conduct interviews with store managers at retail businesses in the Cities of Santa Cruz and Watsonville. The businesses are located in projects that received economic development assistance from the cities. Thank you to David Runsten and the UCLA Center for Labor Research and Education, School of Public Policy and Social Research for survey format.

Economic Development Survey

We are conducting research on economic development strategies in the County of Santa Cruz. As part of this research we are conducting a survey of businesses in this area that have received assistance from or that occupy sites that have been developed with the assistance of local government. Thank you for taking the time to talk with us.

1. What is your position in this business?
  - a) Owner
  - b) Supervisor
  - c) Manager
  - d) Other (specify)
2. How long has this business been at this location?
  - a) <12 months
  - b) 1-2 years
  - c) more than 2 years
  - d) don't know
3. What is the ownership structure of this business?
  - a) Owner-occupied
  - b) Franchise
  - c) Part of a regional chain
  - d) Part of a national chain
  - e) Other (specify)
4. What is the ethnicity and gender of the owner?
5. Approximately how much is the monthly lease rate? How large is the space?
 

(in square feet)
6. How is business doing in general?
7. What is the primary advantage of doing business at this location?
  - a) pedestrian traffic
  - b) visibility to auto traffic
  - c) affordable rent
  - d) close to residences
  - e) number of available customers
  - f) adequacy of parking
  - g) don't know
  - h) other (specify)

*continued next page*

# A LIVING WAGE FOR SANTA CRUZ AND WATSONVILLE

8. What are the disadvantages of doing business at this location?

- a) rent is too expensive
- b) high insurance rates
- c) not enough pedestrian traffic
- d) lack of visibility for auto traffic
- e) not enough parking
- f) don't know
- g) other (specify)

9. Do you have plans to move from this location?

- a) yes
- b) no
- c) don't know

10. How many full time employees work here?

11. How many part time employees work here?

12. Could you estimate the number of full time and part time employees that live in the local neighborhood (1-3 miles)?

- |   |   |
|---|---|
| <p>Full Time</p> <ul style="list-style-type: none"> <li>a) none</li> <li>b) 1-5</li> <li>c) 6-10</li> <li>d) &gt;10</li> <li>e) don't know</li> </ul> | <p>Part Time</p> <ul style="list-style-type: none"> <li>a) none</li> <li>b) 1-5</li> <li>c) 6-10</li> <li>d) &gt;10</li> <li>e) don't know</li> </ul> |
|---|---|

13. Could you estimate your annual employee turnover rate for entry-level positions? (Turnover rate is the number of entry-level jobs divided by the total number of people employed in those jobs in the last year, or since the business has been open if less than a year).

14. What experience and/or educational requirements do you have for employees?

- a) high school diploma
- b) some college
- c) college degree
- d) prior work experience plus educational experience
- e) prior work experience only
- f) don't know
- g) other (specify)

15. Can you estimate the number of employees who are

- a) under 18 \_\_\_\_\_
- b) 18-24 \_\_\_\_\_
- c) 25-40 \_\_\_\_\_
- d) 41-55 \_\_\_\_\_
- e) over 55 \_\_\_\_\_

16. How many of the following types of employees work here? What is the average wage for each position?

- a) manager/supervisor \_\_\_\_\_
- b) general office \_\_\_\_\_
- c) sales personnel \_\_\_\_\_
- d) maintenance/janitorial \_\_\_\_\_
- e) other (specify) \_\_\_\_\_

17) Do employees receive health benefits?

- Is there a co-payment?
- After how long do employees receive benefits?

18) What were the annual gross receipts of this business (at this location) last year?

If this business has been open less than 1 year, is there a projection of how much the business will take in its first year of operation?

- a) \$1,000-\$10,000
- b) \$10,000-\$25,000
- c) \$25,000-\$50,000
- d) \$50,000-\$100,000
- e) \$100,000-\$500,000
- f) \$500,00-\$1,000,000
- g) \$1,000,000+
- h) don't know
- g) refused

19) To your knowledge, has local government provided any assistance in getting this business started, or keeping it operating?

- a) yes
- b) no
- c) don't know

That concludes our survey. Thank you very much for your time and assistance in this matter. We appreciate your cooperation.

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## Appendix C: Methodology and Analysis

Without access to company payroll statistics, it is impossible to know exactly the number of workers employed by City contractors or the number of those workers who are paid less than a livable wage. Therefore, in order to estimate the total number of workers who would be affected by a Living Wage ordinance, we first had to identify all of the service contracts that would be covered under a Living Wage ordinance. We began with a complete list of all purchase orders and service agreements provided to us by the Finance Department in Santa Cruz and Watsonville. In Santa Cruz, we identified with City staff what contract were ongoing and what we purchase orders. In Watsonville we reviewed all the purchase orders and determined which contracts were ongoing.

From this comprehensive list, we

- eliminated all contracts for purchase orders;
- eliminated all contracts that did not appear to be ongoing service contracts;
- eliminated all contracts under \$5,000.

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**Appendix C: Methodology and Analysis** *(continued)*

The result was a total of 16 companies in Santa Cruz and 23 companies in Watsonville with service contracts of over \$5,000. These contractors were then categorized according to the Standard Industrial Classification (SIC) code. The SIC is a widely used standard that classifies companies according to the type of industry. We then estimated the size of the contracting firms, using data from the Santa Cruz County Business Patterns (1997), which measures the average number of workers per firm for Santa Cruz County by SIC. This allows us to estimate the total number of workers employed by those contractors by multiplying the average firm size by the number of contracts.

In order to estimate the number of workers in these companies earning less than a given hourly wage, we used the 1997 Current Population Survey of the San Francisco Metropolitan Service Area. In this data source, workers report their hourly wages and hours worked each week; this allows us to calculate their equivalent hourly wage rate. Workers also report their industry of employment. We were therefore able to calculate the percentage of workers within any 2-digit SIC category who earned above or below any particular dollar amount. The figures were multiplied by the total number of workers by SIC.

To estimate the percentage increase in payroll costs resulting from a living wage ordinance, we again used the 1997 Current Population Survey of the San Francisco Metropolitan Service Area. We calculated the number of people earning less than \$14.00 an hour, and their average wage, by 2-digit SIC code. The dollar amount per hour needed to raise their wage to \$14.00 an hour is the difference between \$14.00 and the average wage, multiplied by the number of people earning less than \$14.00 an hour. The percentage increase in payroll costs is simply this figure divided by the total hourly payroll.

X= Number of people earning less than \$14.00 an hour

Y= Average wage of people earning less than \$14.00 an hour

Z= Total number of workers

W= Average wage of all workers

Z\*W= Total current hourly payroll

X\*Y= Total current hourly payroll for workers earning less than \$14.00 an hour

$$\text{Percentage Increase in Payroll Costs} = \frac{(X * \$14.00) - (X * Y)}{Z * W}$$

To estimate the total payroll increase as a percentage of total revenue, we used the U.S. Department of Commerce Economic Census for 1992, as well as the percentage increase in payroll costs calculated as described above. The increased payroll costs as a percentage of total revenue were calculated using the following formula for each 2 digit SIC code:

X=Percentage Increase in Payroll Costs

Y=Total Payroll

Z=Total Revenue

$$\text{Payroll increase as percentage of Total Revenue} = \frac{(X * Y)}{Z}$$

## Appendix D: Working Partnerships USA

### Organizational Mission

Working Partnerships USA was formed in 1995 to develop institutional and public policy responses to the impacts of the New Economy on working families. Founded as a collaboration between community-based organizations, Working Partnerships is providing the analytical information and organizing expertise to develop systemic reforms to the economic problems confronting working families, and advancing viable strategies for addressing the concerns about the health of communities. Working Partnerships endeavors to accomplish its mission by bringing a much wider range of voices to the table in discussions of economic development strategies, workforce development and employment policy and by designing programs to improve the security and standard of living of working families. Specifically, Working Partnerships is developing a set of institutional responses to the changing nature of the economy through a three-part strategy of developing new economic research and policy, new partnerships across constituencies and new models of workforce development.

### Projects and Programs

#### *Integrating Research and Policy Initiatives*

Working Partnerships focuses on evaluating public policy and, where necessary, proposing significant changes in the practices of both the private and public sectors in order to benefit working families within the context of a broadly productive economy. In 1999, Working Partnerships published *Walking The Lifelong Tightrope*, a report that details fundamental changes in the engines driving the California (and the nation's) economy. The analysis describes how new forms of business organization and corresponding modifications in work relationships are having significant damaging effects on working families in the state. The *Tightrope* report framed its policy proposals to explicitly identify approaches which can help shape a new Social Contract, that is, a long term, balanced set of institutions and practices which meet the basic

requirements of businesses, the public sector and working families. Released at a conference with state legislators in May, the report has received strong support from elected officials and widespread media coverage from the state and national press.

Reflecting a similar link between research and policy development, our 1998 report, *Growing Together or Drifting Apart? Working Families and Business in the New Economy*, set the stage for the successful organizing drive which produced the San Jose Living Wage policy. At the time San Jose's initiative constituted the highest living wage in the nation and included unprecedented labor peace provisions which can serve as model for other cities throughout the nation.

Working Partnerships has also published *Shock Absorbers in the Flexible Economy; the Rise of Contingent Employment in Silicon Valley*, sparking a national dialogue on employment relationships and providing a catalyst for policy development to mitigate the adverse consequences of temporary employment. This study gave decision-makers and the community new tools to understand some of the major flaws in our current labor market, particularly the economic insecurity of 50,000 workers. It's findings are being used in preparation of a Code of Conduct for temporary employment agencies, which will soon be proposed for adoption in Silicon Valley.

#### *Creating New Coalitions for Economic Justice*

Working Partnerships' goals reflect a strategic long-term vision for helping local and regional organizations both define how issues are debated and build an agenda containing proactive solutions to socio-economic problems. In its early years, the organization directed its efforts towards individual objectives that promised the potential of achieving new coalition formations and positive outcomes. These included the Living

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**Appendix D: WORKING PARTNERSHIPS USA**

*(continued)*

Wage project described earlier as well as a community campaign insisting that the County Board of Supervisors limit business tax assistance to firms committed to creating quality jobs.

As a next step in this strategic effort, Working Partnerships is developing a multi-issue Community Blueprint which will include analyses of socio-economic problems and policy recommendations in the areas of housing, education, economic development, neighborhood revitalization, health care, and the environment. To design proposals which reflect community values and priorities, Working Partnerships has convened roundtable discussions with over 300 organizers, planners, environmentalists, union members, neighborhood leaders, and social service providers. Practical solutions appropriate for local and regional action are being developed based on input from these leaders for inclusion into the Blueprint document. The Blueprint will engage decision-makers on behalf of community organizations throughout Silicon Valley and guide the direction of public policy for years to come. The Blueprint will also serve as a model for determining community needs and addressing policy challenges as part of developing a new social contract for working families.

To help achieve the relationships essential to new coalitions, Working Partnerships initiated the Labor/Community Leadership Institute in 1997. Based on a cooperative agreement with San Jose State University, the Labor/Community Leadership Institute is an eight-week course that trains activists in the tools of economic analysis and the leadership skills needed to put them to use. Leaders from neighborhood groups, unions, clergy and elected officials and/or their staffs are recruited to experience a curriculum that empowers participants to implement a community-centered economic development agenda.

**Developing New Institutional Forms**

In an effort to restructure the fastest growing sector of workplace change, Working Partnerships has launched the Temporary Worker Employment Project. To respond to the increasing use of temporary workers in all facets of work relationships, we have created a new model of workforce development that promotes both a successful business with a social bottom line. The Project is made up of Working Partnerships Member Services, a membership organization that provides portable benefits and lifelong training for temporary workers, and Working Partnerships Staffing Services, a staffing agency that adheres to a socially responsible code of conduct and provides living wage jobs for temporary employees in the clerical field. These efforts are being supported by an advocacy campaign designed to change the hiring practices within the entire regional temporary help industry. The core of the advocacy campaign is a formal Code of Conduct for temporary employment agencies. A community coalition is being formed to urge both private and public sector institutions to direct their hiring requests preferentially to those agencies which have signed the Code. Through its collaboration on a regional, state and national level with other organizations representing the interests of temporary workers, Working Partnerships is providing both leadership in the debate over the changing nature of work and critical support for hard pressed working families.

To find out more about these efforts visit our web site at <http://www.atwork.org/wp>.

A LIVING WAGE FOR SANTA CRUZ AND WATSONVILLE

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