When Mandates Work: Raising Labor Standards at the Local Level

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WHEN MANDATES WORK

RAISING LABOR STANDARDS AT THE LOCAL LEVEL

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“Mandatory reading for anyone interested in smart mandates.” —Robert Reich
1 When Do Mandates Work? Ken Jacobs and Michael Reich

Part I The Pay Mandates

2 Labor Market Impacts of the Minimum Wage Arindrajit Dube, Suresh Naidu and Michael Reich

3 Liftoff: Living Wages at San Francisco Airport Peter Hall, Ken Jacobs and Michael Reich

4 Living Wages and Homecare Workers Candace Howes
Part II  The Benefit Mandates
Part III  Making the Mandates Work

5  Health Spending  Carrie Colla, William Dow and Arindrajit Dube

6  Equal Benefits for Domestic Partners  Christy Mallory and Brad Sears

7  Universal Paid Sick Leave  Vicky Lovell

Part III Making the Mandates Work

8  Enforcement  Miranda Dietz, Donna Levitt and Ellen Love

9  Labor Policy and Local Economic Development  Miriam Wells

10  Community Benefit Agreements  Ken Jacobs

11  Lessons and Future Prospects  Miranda Dietz, Ken Jacobs and Michael Reich
# Timeline of San Francisco mandates

<table>
<thead>
<tr>
<th>Contractor-Only Policies</th>
<th>Date passed</th>
<th>Citywide Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal Benefits for Domestic Partners</td>
<td>November 1996</td>
<td></td>
</tr>
<tr>
<td>Employee Signature Authorization (majority sign up)</td>
<td>December 1997</td>
<td></td>
</tr>
<tr>
<td>Prevailing Wage Revisions</td>
<td>November 1999</td>
<td></td>
</tr>
<tr>
<td>Airport Quality Standards Program</td>
<td>January 2000</td>
<td></td>
</tr>
<tr>
<td>Minimum Compensation Ordinance (living wage)</td>
<td>August 2000</td>
<td>Office of Labor Standards Enforcement created</td>
</tr>
<tr>
<td>Health Care Accountability Ordinance</td>
<td>July 2001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>November 2003</td>
<td>Minimum Wage</td>
</tr>
<tr>
<td></td>
<td>July 2006</td>
<td>Health Care Security Ordinance</td>
</tr>
<tr>
<td></td>
<td>November 2006</td>
<td>Paid Sick Leave</td>
</tr>
<tr>
<td>Hunter’s Point Shipyard Community Benefits Agreement</td>
<td>June 2008</td>
<td></td>
</tr>
</tbody>
</table>
Main questions

- SF’s innovative labor standards policies go much farther than in other cities or states.
- Did their implementation hurt jobs or the local economy?
- What lessons can we draw from this experience?
- Are circumstances that led to adoption and positive effects of these policies unique to SF?
- Or can they be generalized to other areas?
IRLE Research on SF’s policies

- Research, mostly conducted at IRLE, University of California, Berkeley, documents effects of the policies on pay and job creation.

- Opponents of the laws predicted significant negative impacts on jobs and the local economy.

- The research evidence indicates more positive results.

- Our volume brings this evidence together for the first time, reviews it as a whole, and makes it accessible to a broader audience.
In the 1980s the real value of the federal minimum wage declined by 30 percent.

In 2000, 14.9 percent of workers nationally were covered by a union contract, a drop of 42 percent over two decades.

Counter-trend began in 1994--Baltimore enacted the first modern living wage law.

These laws require companies contracting with the city to meet wage standards well above federal minimum wage.

By 2004, more than 130 local jurisdictions passed such laws.
Growth in state minimum wage variation over time
Economic context: SF economy typical for large U.S. cities

- Local economic setting—recovery from hollowing out of industry and a loss of middle-paying jobs.
- Rapid economic growth with increasing economic inequality.
- Structural changes similar to those in most cities.
- SF a bit ahead of other cities, but on same trajectory.
- SF experience thus may carry important lessons for city, state and national policy.
Employment shares, SF and 20 largest central cities, 1990-2010

- **Professional, Scientific, Management Services**
  - Average: $89,500
  - Median: $63,000

- **Financial Activities**
  - Average: $105,000
  - Median: $80,000

- **Information & Communications**
  - Average: $93,800
  - Median: $73,000

- **Retail**
  - Average: $85,100
  - Median: $60,000

- **Manufacturing**
  - Average: $57,400
  - Median: $47,000

- **Health, Education, & Social Services**
  - Average: $57,400
  - Median: $47,000

- **Administrative Support Services**
  - Average: $46,600
  - Median: $30,000

- **Accomodation & Food Services**
  - Average: $45,100
  - Median: $28,900

- **San Francisco, 2010**
  - Annual wage & salary income
  - Average: $105,000
  - Median: $80,000
<table>
<thead>
<tr>
<th>Year</th>
<th>Median household income in San Francisco</th>
<th>SF relative to California</th>
<th>SF relative to U.S.</th>
<th>Mean to median ratio San Francisco</th>
<th>Mean to median ratio California</th>
<th>Mean to median ratio U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>$49,271</td>
<td>0.86</td>
<td>0.94</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1979</td>
<td>$50,327</td>
<td>0.87</td>
<td>0.94</td>
<td>1.3</td>
<td>1.23</td>
<td>1.21</td>
</tr>
<tr>
<td>1989</td>
<td>$59,539</td>
<td>0.93</td>
<td>1.11</td>
<td>1.37</td>
<td>1.29</td>
<td>1.28</td>
</tr>
<tr>
<td>1999</td>
<td>$73,156</td>
<td>1.16</td>
<td>1.31</td>
<td>1.45</td>
<td>1.38</td>
<td>1.35</td>
</tr>
<tr>
<td>2010</td>
<td>$71,745</td>
<td>1.17</td>
<td>1.37</td>
<td>1.43</td>
<td>1.37</td>
<td>1.37</td>
</tr>
</tbody>
</table>

Prior to 1990s, dominant pro-growth business-labor coalition wanted economic development and jobs for union members.

This coalition in conflict with progressive community groups.

Progressives concerned with livable neighborhoods, environmental issues and fairness for displaced groups.

Beginning in 1990s, new coalitions formed between labor and community-based organizations.

The new coalitions support mandates that also encourage inclusive and neighborhood-sensitive economic development.
Possible economic effects of pay and benefit mandates

- Pay mandates: likely to affect employment in competitive model, but not in frictions models, efficiency wage models, or when mandates correct negative externalities (Summers 1989; Krueger 1994)

- Benefit mandates: in competitive model, more likely to be absorbed by lower pay (Summers; Gruber 1994) except at minimum wage, when effects are on employment.
Figure 1.3 San Francisco’s minimum compensation in 2012

Source: Authors’ calculations based on San Francisco Office of Labor Standards Enforcement.
A nexus of mandates

- 80 percent of SF workers in lowest pay quintile (78,000 workers) received pay increases as result of living wage, city-wide minimum wage and home care policies. 59,000 workers gained access to paid sick leave.

- 76 percent of private employers with 20 or more workers made changes to health care spending or coverage

- 1,000 employers paid into city’s health plan, $80 million on behalf of 55,000 participants.

- By 2004, 66,500 people had taken advantage of equal benefits for domestic partners.
In 2012 about 560,000 people worked in SF.

Considering only those who received wage increases and who work in SF, workers who benefit make up 12 percent of the city’s workforce.

The benefit mandates reached workers at higher income levels than did the wage mandates.

Paid sick leave was newly offered to 15 percent of higher-wage employers; 14 percent of health plan participants are above twice the federal poverty line.
10th percentile wage 2003-2012

- SF
- Other Bay Area Counties, weighted average
SF’s employment trends mirror surrounding counties

Indicates recession
SF’s restaurant employment grew relative to surrounding counties

Indicates recession
### Average hourly wage in nominal dollars

<table>
<thead>
<tr>
<th>Average hourly wage in nominal dollars</th>
<th>Before QSP (mid-1999)</th>
<th>After QSP (mid-2001)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $8 per hour</td>
<td>23.1</td>
<td>0.2</td>
</tr>
<tr>
<td>$8 to $9.99 per hour</td>
<td>32.0</td>
<td>4.7</td>
</tr>
<tr>
<td>$10 to $11.99 per hour</td>
<td>26.9</td>
<td>61.5</td>
</tr>
<tr>
<td>$12 to $13.99 per hour</td>
<td>16.0</td>
<td>28.2</td>
</tr>
<tr>
<td>$14 or more per hour</td>
<td>2.0</td>
<td>5.5</td>
</tr>
<tr>
<td>All ground-based non-managerial employees</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: UCB-SFO Employer Survey, 2001, conducted by the authors.

Note: Chi-squared test indicates that the before and after QSP wage distributions are significantly different (p=0.000). Sample size before QSP = 5,497 employees and after QSP = 5,827 employees.
### Living Wage effect on SFO turnover

<table>
<thead>
<tr>
<th></th>
<th>Percent increase</th>
<th>Percent decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entry wage</td>
<td>Average wage</td>
</tr>
<tr>
<td>Customer service</td>
<td>26</td>
<td>17</td>
</tr>
<tr>
<td>Baggage/ Ramp</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>Cabin cleaner</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>Screener</td>
<td>69</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: UCB-SFO Employer Survey, 2001, conducted by the authors.
Note: All figures in percentages. The pre- and post-QSP entry wage, average wage and turnover rates are significantly different at the 99 percent level for all occupations reported here according to the paired sample t-test. Data cover April 2000 to June 2001. Sample size for customer service = 1,621 employees, for baggage/ ramp = 1,484 employees, for cabin cleaner = 553 employees, and for screener = 916 employees.
Homecare (IHSS) compensation
Regression analysis of retention as a function of relative wage, unemployment rate, whether provider is caring for a relative and other variables (Candace Howes).

Model predicts: retention is 76 percent when relative wage is 0.8 and 80 percent when the relative wage is 1.4.
Health spending requirement

- SF the only city with an employer health-spending mandate.
- “Public option” for affordable universal access.
- 76% of employers increased health spending to comply; 61% support the law.
- Substantial employer demand for public option: 18 percent of firms use Healthy SF for at least some employees.
- Firms did not drop existing health insurance offerings.
- Little discernible impact on employment or earnings.
- Part of increased cost passed to consumers through surcharges.
## Effect of health mandate on health benefits: bonus table

<table>
<thead>
<tr>
<th>2008 Health benefit change</th>
<th>Full sample</th>
<th>Low-wage firms</th>
<th>Most affected firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to start offering insurance (of firms currently not offering)</td>
<td>41.72</td>
<td>50.53*</td>
<td>33.25*</td>
</tr>
<tr>
<td></td>
<td>8.46</td>
<td>(17.95)%</td>
<td>(17.95)</td>
</tr>
<tr>
<td>New Health Reimbursement Account (among firms who did not offer an HRA in 2007)</td>
<td>12.77</td>
<td>20.04**</td>
<td>20.64**</td>
</tr>
<tr>
<td></td>
<td>4.90</td>
<td>(4.02)%</td>
<td>(7.00)%</td>
</tr>
<tr>
<td>Reduced some health benefits (includes increasing employee premium, raising deductible,</td>
<td>10.57</td>
<td>-25.98**</td>
<td>3.35%</td>
</tr>
<tr>
<td>dropping coverage, or restricting benefits)</td>
<td>17.48</td>
<td>(3.82)</td>
<td>(9.09)%</td>
</tr>
</tbody>
</table>

Source: 2008 Bay Area Employer Health Benefits Survey.
Table 7.1: Key provisions of the San Francisco Paid Sick Leave Ordinance

- Workers hired after February 5, 2007 begin to accrue leave after being on the job for 90 days.
- Workers earn one hour of paid leave for every 30 hours of paid work, to a maximum of 9 days in firms with more than 10 employees and 5 days in smaller firms.
- Leave may be used for workers’ own illness, injury, health conditions, and medical appointments, and to care for family members or a “designated person.”
- Unused leave carries over from one year to the next.
- It is unlawful for employers to retaliate against workers for requesting or using leave under the PSLO.
- Employers are required to post information about the PSLO and maintain records on hours worked and PSD used.
- The San Francisco Office of Labor Standards Enforcement has authority to investigate worker complaints and levy penalties.
## Access to and use of paid sick leave

<table>
<thead>
<tr>
<th>Worker characteristics (percent)</th>
<th>Needed PSL in last 12 months</th>
<th>Has some PSL</th>
<th>Has full PSL</th>
<th>Workers with some PSL who used PSL in last 12 months</th>
<th>Median days of PSL used in last 12 months</th>
<th>Workers with some PSL who took leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>68.9</td>
<td>84.2</td>
<td>44.1</td>
<td>72.5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 to 24</td>
<td>68.5</td>
<td>69.6</td>
<td>11.7</td>
<td>65.9</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>25 to 54</td>
<td>73.4</td>
<td>85.4</td>
<td>46.4</td>
<td>77.3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>55 and over</td>
<td>51.5</td>
<td>82.9</td>
<td>43.2</td>
<td>60.4</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>74.4</td>
<td>87.1</td>
<td>48.6</td>
<td>74.7</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Men</td>
<td>64.4</td>
<td>81.9</td>
<td>40.4</td>
<td>70.7</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>
**Enforcement**

- Individual complaint triggers investigation for all employees (unlike state and federal enforcement).

### Enforcement of city-wide labor laws

<table>
<thead>
<tr>
<th>San Francisco Ordinance</th>
<th>Year Enacted</th>
<th>Worker Complaints</th>
<th>Wages / Health Care Expenditures</th>
<th>Workers Paid Back Wages / Health Care Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Wage</td>
<td>2003</td>
<td>616</td>
<td>$5,820,000</td>
<td>3,004</td>
</tr>
<tr>
<td>Paid Sick Leave</td>
<td>2006</td>
<td>293</td>
<td>$100,000</td>
<td>434</td>
</tr>
<tr>
<td>Health Care Security</td>
<td>2006</td>
<td>439</td>
<td>$6,915,000</td>
<td>6,251</td>
</tr>
</tbody>
</table>

* Sources: SF Administrative Code and OLSE case records through mid-2012
Lessons for national and urban policy
Presence of San Francisco-type laws in other jurisdictions

- **Equal Benefits for Domestic Partners**
  - 19 other localities including Los Angeles, Minneapolis, Philadelphia and Seattle and State of California

- **Union Majority Sign-up / Card check / Labor peace**
  - A handful of localities including airports, school districts, and cities
  - Employee Free Choice Act proposed nationally 2009

- **Living Wage at airports**
  - Los Angeles, Miami, Oakland, San Jose, Seattle

- **Living Wage**
  - First enacted in Baltimore, living wage laws now exist in over 130 cities, counties and university campuses.

- **Contractor Pay-or-Play Health Policy**
  - Houston
  - New Mexico
### Presence of San Francisco-type laws in other jurisdictions II

<table>
<thead>
<tr>
<th>Minimum Wage</th>
<th><strong>Cities:</strong></th>
<th><strong>States:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Albuquerque ($8.50), San Jose ($10), Santa Fe ($10.29), Washington DC ($8.25).</td>
<td>18 states with minimum wage laws above federal minimum wage and/or indexed to cost of living: Above federal: AK, CA, CT, IL, NM, MA, ME, MI, RI. Above federal and indexed: AZ, CO, FL, MT, NV, OH, OR, VT, WA.</td>
</tr>
</tbody>
</table>

| Paid Sick Leave | **New York City, Portland OR, Seattle, Washington DC** | **Connecticut** |

| Health spending mandates | **Similar elements in HI and MA and in national Affordable Care Act.** |

| Community Benefits Agreements | **Atlanta, Denver, Los Angeles, Milwaukee, New Haven, New York, Oakland, Philadelphia, Pittsburgh, San Jose, San Diego, Seattle, Syracuse, Washington DC, among others** |
Specific crafting of SF’s mandates contributed to success.

An inclusive political process accounted for local economic conditions and community needs.

Attentive to compliance issues.

With careful consideration of local conditions, SF-type standards would work in many other places.

Many SF policies have been adopted or are being seriously considered in other localities and states.