



Testimony of Tsedeye Gebreselassie
Staff Attorney
National Employment Law Project

Before the New Haven Board of Alderman
New Haven, Connecticut
August 31, 2010

Good evening Chairman Lemar and members of the Committee. My name is Tsedeye Gebreselassie, and I am a staff attorney at the National Employment Law Project. Thank you for the opportunity to provide testimony regarding the proposed updates to New Haven's living wage ordinance.

NELP is a national policy and advocacy center that works with federal, state and local leaders to promote good jobs in the 21st century economy. We have worked extensively with cities across the United States on living wage legislation.

The proposed amendments to New Haven's existing living wage ordinance that are under consideration tonight would enhance coverage by (1) raising the living wage rate, (2) including an additional hourly supplement for workers who do not receive employer-provided health benefits, and (3) requiring employers to provide paid sick leave. The amendments would also expand coverage to include recipients of city financial assistance. Finally, the amendments would improve job opportunities for underprivileged communities by encouraging employers covered by the ordinance to hire workers from targeted vulnerable populations.

As I will briefly detail tonight, these amendments reflect best practices that cities across the country have enacted to ensure that taxpayer funds create the good jobs that communities need.

I. **Raising the Current Living Wage Rate and Providing an Additional Wage Supplement for Health Benefits**

The proposed amendments to New Haven's living wage law would raise the wage rate to \$14.67 an hour if an employer provides workers with health benefits. This raise is a logical

step. The original living wage ordinance contemplated periodic updating to the wage rate, so that wages would not remain stagnant as the cost of living increased. At \$14.67 an hour, the proposed living wage rate comes much closer to a wage that keeps working families out of poverty.¹

The proposed amendments would also require that covered employers pay an additional wage supplement if they do not provide their employees with health insurance. The vast majority of living wage laws include provisions requiring an additional wage supplement if employers do not provide their workers with health insurance. As just one example, the city of St. Louis requires an additional hourly supplement of \$3.35 an hour.²

Improving New Haven's living wage rate and including an additional health benefits wage supplement will benefit workers and taxpayers alike. Studies of living wage policies have found that when government agencies increase the wages and benefits that contractors must pay their employees, the results include reduced workforce turnover and improvements in service quality. In a leading case study, the San Francisco airport saw annual turnover plummet from 94.7 percent to 18.7 percent when they instituted a living wage policy in 1999 that raised wages more than 40 percent.³ In addition, 35 percent of employers reported improvements in work performance, 47 percent reported better employee morale, and 45 percent reported improvements in customer service.⁴

For cities that are contracting with these employers, the economic benefits of this reduced workforce turnover can be substantial. Recruitment and training costs for replacing employees are typically estimated at about 25 percent of annual salary costs for a position each time it must be filled. In the San Francisco Airport study, the reduced turnover saved employers about \$4,275 per employee in turnover costs – savings that can be passed onto government purchasing agencies.⁵

II. Requiring Covered Employers to Provide Employees with Paid Sick Leave

Local governments have increasingly recognized that employers that provide their employees with paid sick days enjoy more stable and productive workforces. When employers do not provide paid days off when workers are ill, employees must choose between going to work sick or losing a day of pay – something many low-wage workers cannot afford. Many inevitably go to work sick, spreading illness to others and hurting productivity.

Many living wage ordinances, including those in San Diego, Oakland, and Nassau County, New York (to name a few) require city contractors to provide their employees a specified minimum number of paid sick days – often together with paid holidays and vacation days.⁶ Cities such as San Francisco and Washington D.C. have recently gone farther by requiring that most or all employers in those cities provide these protections.⁷

Studies have found that the modest costs of paid sick days are more than compensated for by the savings from increased productivity, reduced turnover, and reduced public health costs. For example, a report by the Institute of Women’s Policy Research estimating the likely costs and savings from the Healthy Families Act, a proposed federal paid sick leave law, projected a net savings of at least \$8 billion to employers and taxpayers as a result of reduced turnover, higher productivity, and cost savings to the public health care system.⁸

III. **Expanding New Haven’s Living Wage Law to Include Recipients of City Financial Assistance**

Since the late 1990’s, cities across the country have begun using living wage standards to ensure that when they grant businesses substantial taxpayer subsidies to create jobs, the jobs that result provide quality wages and benefits. The rationale is the same as for contractor living wages – to ensure that taxpayer funds do not create poverty-wage jobs.

At least 15 cities have enacted living wage laws that extend to businesses benefiting from taxpayer-funded city assistance.⁹ While these laws vary in their breadth and details, all require businesses receiving city subsidies to guarantee that the jobs they create will pay a living wage and provide benefits.

Some of these requirements also extend to service contractors employed by the city assistance recipient, or business tenants that operate at subsidized development sites or on city-owned property such as airports or sports stadiums.

Cities have found that these policies have created quality jobs for communities without slowing growth. A 2003 survey by NYU’s Brennan Center of economic development officials from ten of these cities found only one instance in which they felt that the living wage requirement limited their city’s ability to attract or retain a desired employer.¹⁰ Some local officials reported that wage standards in fact increased public support for their economic development programs by assuring taxpayers that public funds would be spent to attract only good jobs.¹¹

IV. **Targeted Hiring of Economically-Disadvantaged Populations**

Cities across the country are adopting strategies to leverage taxpayer funds to create employment opportunities for job-seekers facing the greatest difficulties in entering the labor market. The goal behind these programs has been to target job opportunities to populations who might not otherwise benefit from contracting or new development.

The proposed changes to New Haven’s living wage ordinance would encourage employers to hire qualified workers from vulnerable populations – such as long-term unemployed workers and low-income workers – by creating a “first-source” hiring referral system. This

system would use referral agencies to help connect these job-seekers with the job opportunities created by city contracts and city financial assistance.

Other cities have used similar approaches. In 1998, San Francisco passed a first source hiring ordinance to connect economically-disadvantaged job-seekers with the job opportunities created by city contracting.¹² Boston's living wage ordinance requires city contractors to sign a first source hiring agreement with community-based referral agencies or one-stop career centers.¹³ In 2000, East Palo Alto passed a first source hiring ordinance¹⁴ covering all redevelopment projects receiving more than \$50,000 in city subsidies. And community benefits agreements across the country have incorporated such referral systems in order to connect economically disadvantaged populations with the job opportunities created by taxpayer subsidies.

A 2008 report by the Partnership for Working Families, which evaluated the experiences of nearly a dozen of these types of targeted hiring programs, found that when implemented correctly, they were able to connect these job-seekers with employment opportunities while providing employers with a streamlined recruitment, screening and hiring process.¹⁵

* * *

To summarize, local experiences with living wage laws across the country highlight the benefits that the proposed amendments to New Haven's living wage ordinance would provide to workers, their communities, and the City.

Thank you for the opportunity to speak to you this evening. I would be happy to answer questions that members of the Board of Alderman may have on my testimony or on other aspects of the proposed changes to New Haven's Living Wage Law.

Tsedeye Gebreselassie
Staff Attorney
National Employment Law Project
75 Maiden Lane, Suite 601
New York, NY 10038

¹ Cities that have comparable living wage rates include Fairfax, CA (\$15.51 an hour if an employer provides health benefits); Richmond, CA (\$15.19 an hour if an employer provides health benefits), and Cambridge,

Massachusetts (\$13.69 an hour). See Fairfax, CA, Annual Living Wage Update, effective July 1, 2010, available at http://www.town-of-fairfax.org/pdfs/council/council_packet/August_2010/Item%207%20%20living%20wage%20reso.pdf; Richmond, CA, Resolution 28-09, available at <http://www.ci.richmond.ca.us/archives/67/28-09%20living%20wage%20for%20calendar%20year%202009%20-%20conformed.pdf>; Cambridge, MA, Living Wage Ordinance Fact Sheet, available at http://www.cambridgema.gov/deptann.cfm?story_id=2043

² St. Louis, MO, Living Wage Adjustment Bulletin, available at <http://www.mwdbe.org/livingwage/LvgWgAdjustment-2010.pdf>

³ Reich, Peter Hall, and Ken Jacobs, *Living Wages and Economic Performance: The San Francisco Airport Model* (Berkeley, CA: Institute of Industrial Relations at the University of California, Berkeley, 2003), available at http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf

⁴ *Id.*

⁵ *Id.*

⁶ See, e.g. SAN DIEGO, CAL. MUN. CODE § 22.4220(c), available at <http://docs.sandiego.gov/municode/MuniCodeChapter02/Ch02Art02Division42.pdf>; OAKLAND, CAL. MUN. CODE ch. 2.28.030B, available at <http://bpc.iserver.net/codes/oakland/>; Nassau County tit. 57 § 3(b), available at http://www.nassaucountyny.gov/agencies/Comptroller/LivingWage/Amended_Living_Wage_Law.pdf; Suffolk County § 347-3(H), available at http://gcp.esub.net/cgi-bin/om_isapi.dll?clientID=92622&depth=3&hitsperheading=on&infobase=suffolk.nfo&record={30052F6}&oftpage=Document42.

⁷ San Francisco Paid Sick Leave Ordinance, SAN FRANCISCO, CAL. ADMIN. CODE ch. 12W., available at http://www.sfgov.org/site/olse_index.asp?id=49389; Washington, D.C. Accrued Sick and Safe Leave Act, D.C. CODE ANN. § 32-131.01 *et seq.*

⁸ Vicky Lovell, *Valuing Good Health: An Estimate of Costs and Savings for the Healthy Families Act* (Washington, D.C.: Institute for Women’s Policy Research, Publication #B248, April 2005), p. 14, available at <http://www.iwpr.org/pdf/B248.pdf>.

⁹ See, e.g. Testimony of Paul K. Sonn Before the Pittsburgh City Council, National Employment Law Project, December 10, 2009, available at <http://www.nelp.org/page/-/Justice/NELPTestimonyPittsburgh%20ServiceWrkrPrevailingWageOrdinance.pdf?nocdn=1>

¹⁰ Andrew J. Elmore, *Living Wage Laws & Communities: Smarter Economic Development, Lower Than Expected Costs* (New York, NY: Brennan Center for Justice at New York University School of Law, November 2003), available at http://nelp.3cdn.net/4fdbdbf70be73ca80f_6tm6b5suw.pdf

¹¹ *Id.*

¹² SAN FRANCISCO, CAL. ADMIN. CODE ch. 83, available at <http://www.municode.com/content/4201/14131/HTML/ch083.html>

¹³ The Boston Jobs and Living Wage Ordinance (1998), available at http://www.cityofboston.gov/Images_Documents/livwageord_tcm3-16537.pdf

¹⁴ East Palo Alto Redevelopment Agency, First Source Hiring and Local Business Enterprise Policy, available at http://www.ci.east-palo-alto.ca.us/economicdev/pdf/FSH_Policy_8-29-01mod.pdf

¹⁵ Kathleen Mulligan-Hansel, *Making Development Work for Local Residents: Local Hire Programs and Implementation Strategies that Serve Low-Income Communities* (Partnership for Working Families, July 2008), available at <http://www.communitybenefits.org/downloads/Making%20Development%20Work%20for%20Local%20Residents%20Exec.%20Summary.pdf>