Examining the Evidence:
The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses

ABOUT THIS STUDY

This study of the Los Angeles Living Wage Ordinance represents the most definitive analysis to date of a living wage law's impact on workers and employers. It provides important new insights on the effects of living wage policies, which have been adopted by more than 120 local governments around the country.

Passed in 1997, L.A.'s living wage ordinance currently (as of 2004-2005) requires certain firms that do business with the city to pay either $10.03 per hour, or $8.78 with a $1.25 per hour contribution to health benefits. It also requires these businesses to provide 12 paid days and 10 unpaid days off per year.

The study's findings are based on three original random-sample surveys of workers and firms. Random sampling techniques ensure that survey findings are representative of the entire population being studied. The surveys include:

- A survey of 320 workers affected by the Los Angeles Living Wage Ordinance, conducted after the pay increase had taken place. This is the first such survey ever completed.
- A survey of 82 firms affected by the Los Angeles Living Wage Ordinance.
- A control group survey of non-living wage firms in similar industries, which provides a baseline for comparison in order to isolate the impacts of the living wage.

KEY FINDINGS

- **The Los Angeles living wage has increased pay for an estimated 10,000 jobs, with minimal job reductions.** The number of jobs where pay was increased is among the largest in the nation, after New York and San Francisco.
- **Most workers affected by the living wage are from poor or low-income families.** Seventy-one percent of affected workers have a high school education or less, and only four percent are teenagers.
- **The living wage has not prompted firms to set up health benefits plans.** However, some firms have improved their existing plans or extended them to more workers, affecting 2,200 jobs.
- **Employment reductions were minimal, amounting to one percent of all jobs affected by the living wage.** Eighty-one percent of affected firms did not eliminate jobs due to the living wage.
- **Employers have recovered some of the increased costs of the living wage through reductions in employee turnover and absenteeism.** On average, firms recovered 16 percent of the increased cost of the mandatory wage increase through turnover reductions.
- **Employers have adapted to the remaining costs of the living wage in a variety of ways.** Responses include reducing fringe benefits and overtime, hiring more highly trained workers, cutting profits and passing on the costs to the city or to the public.
- **Workers and their families experienced measurable gains from the living wage.** However, 31 percent of affected workers still lack health benefits, and 44 percent rely on either government assistance programs or the Earned Income Tax Credit.