

**75 Years of the Fair Labor Standards Act  
U.S. Department of Labor, Washington, D.C.  
November 15, 2013**

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FDR fireside speech, June 24, 1938

**“Do not let any calamity-howling executive with an income of \$1,000.00 a day, who has been turning his employees over to the Government relief rolls in order to preserve his company's undistributed reserves, tell you -- using his stockholders' money to pay the postage for his personal opinions -- tell you that a wage of \$11.00 a week is going to have a disastrous effect on all American industry.”**

# Four stages in the history of MW

- Initial years: helped to stabilize what had been falling money and real wages, thereby helping stabilize the economy; and kick-started modernization of the South's economy.
- 1950s to 1970s: helped create shared prosperity era.
- 1980s to 2007: declining national MW contributes to rising wage inequality; offsets in some states
- 2007- present: MW relevant not only to lowest pay decile, but also to much of an increasingly insecure middle class.

# My main point today

- In a period of less frequent federal action, states and cities have increasingly set labor standards above the federal level.
- This dynamic is most advanced in San Francisco, but not unique to San Francisco.
- San Francisco experience offers positive lessons for other areas and for federal policy.

# WHEN MANDATES WORK

**RAISING LABOR STANDARDS AT THE LOCAL LEVEL**

**EDITED BY MICHAEL REICH, KEN JACOBS, AND MIRANDA DIETZ**

"Mandatory reading for anyone interested in smart mandates." —Robert Reich



# When Mandates Work: Raising Living Standards at the Local Level

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**11 Lessons Learned and Future Prospects**

*Miranda Dietz, Ken Jacobs and Michael Reich*

# Types of employer mandates

- **Contractor only: domestic partner benefits, living wage**
- **Citywide: minimum wage, employer health spending, paid sick leave**
- **Pay mandates vs. benefits mandates**

# Main questions

- SF's labor standards policies go much farther than in other cities or states.
- Did their implementation hurt jobs or the local economy?
- Are the circumstances that led to adoption and to the positive effects of these policies unique to SF?
- What lessons for other areas and for national policy can we draw from this experience?

# SF minimum compensation timeline

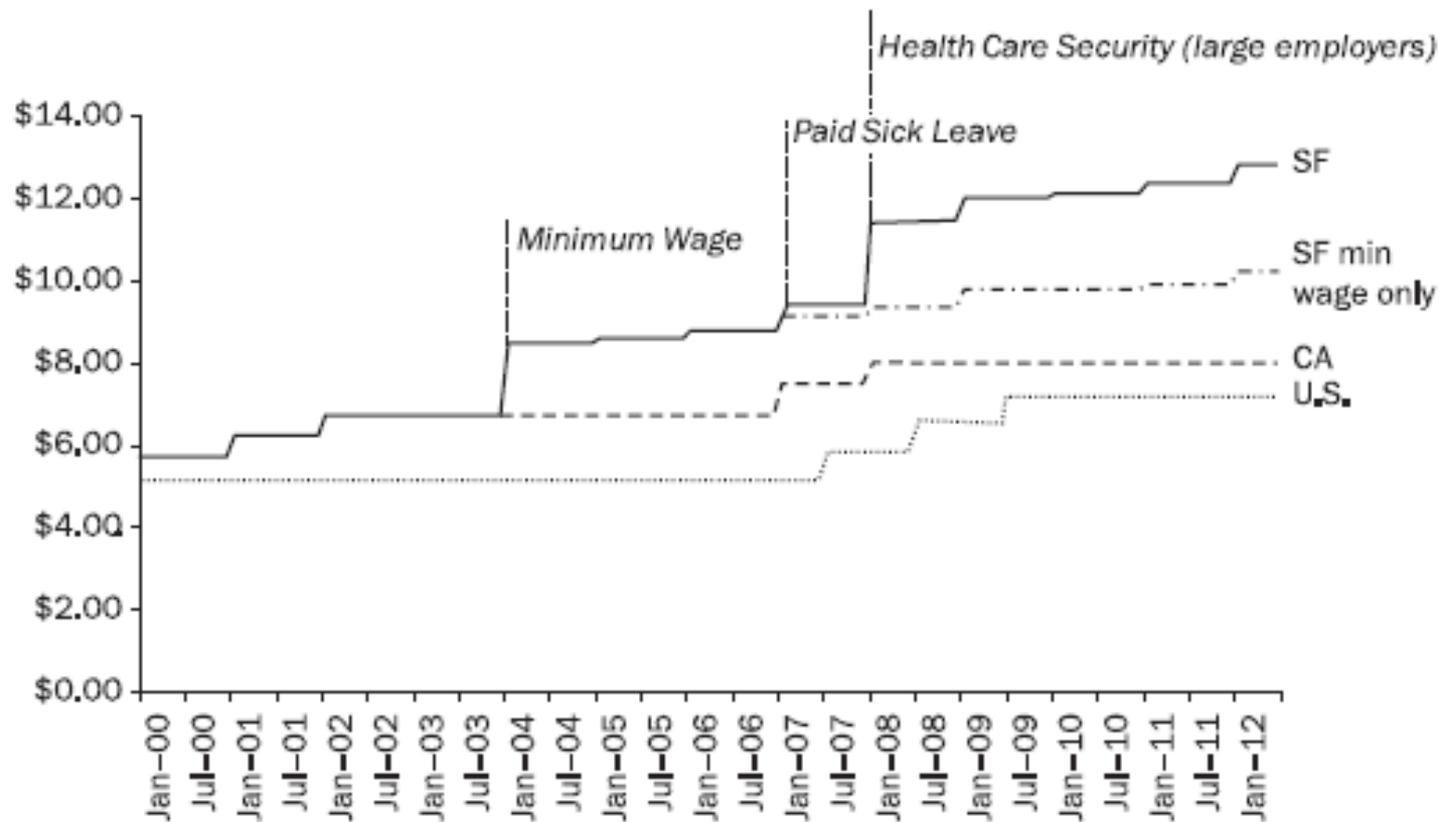
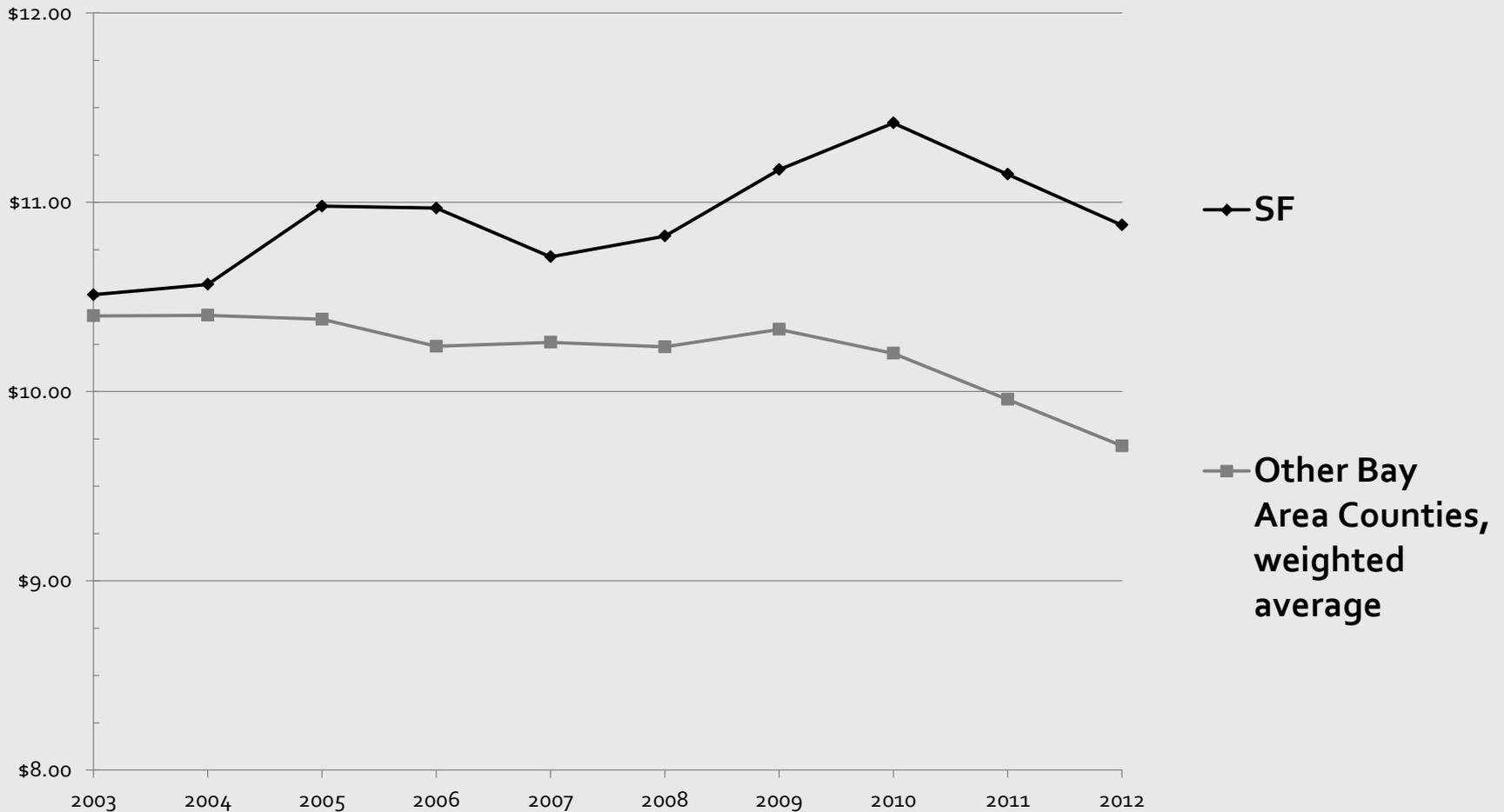


Figure 1.3 San Francisco's minimum compensation in 2012.

SOURCE: Authors' calculations based on San Francisco Office of Labor Standards Enforcement.

# 10<sup>th</sup> percentile wage 2003-2012



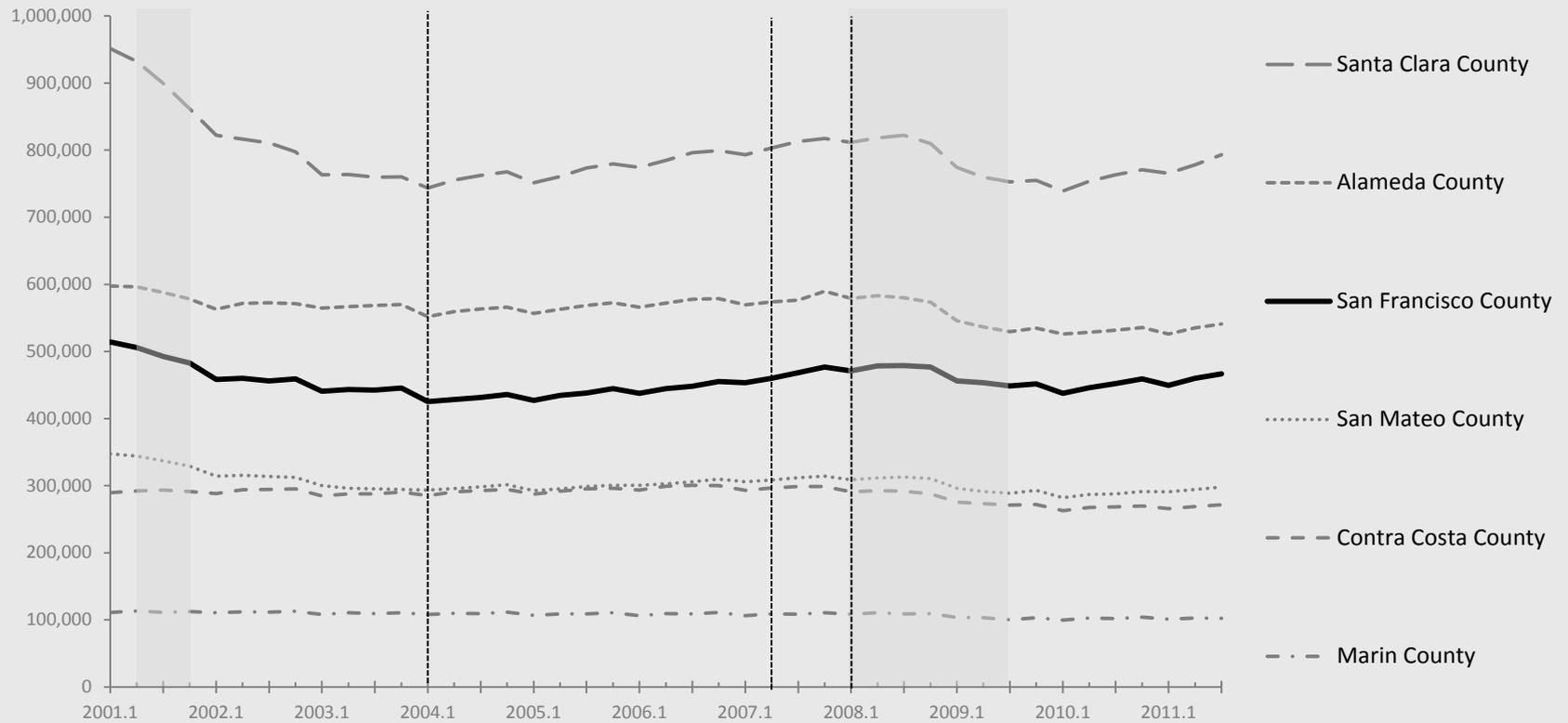
# A nexus of mandates

- **77,500 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.**

# A nexus of mandates II

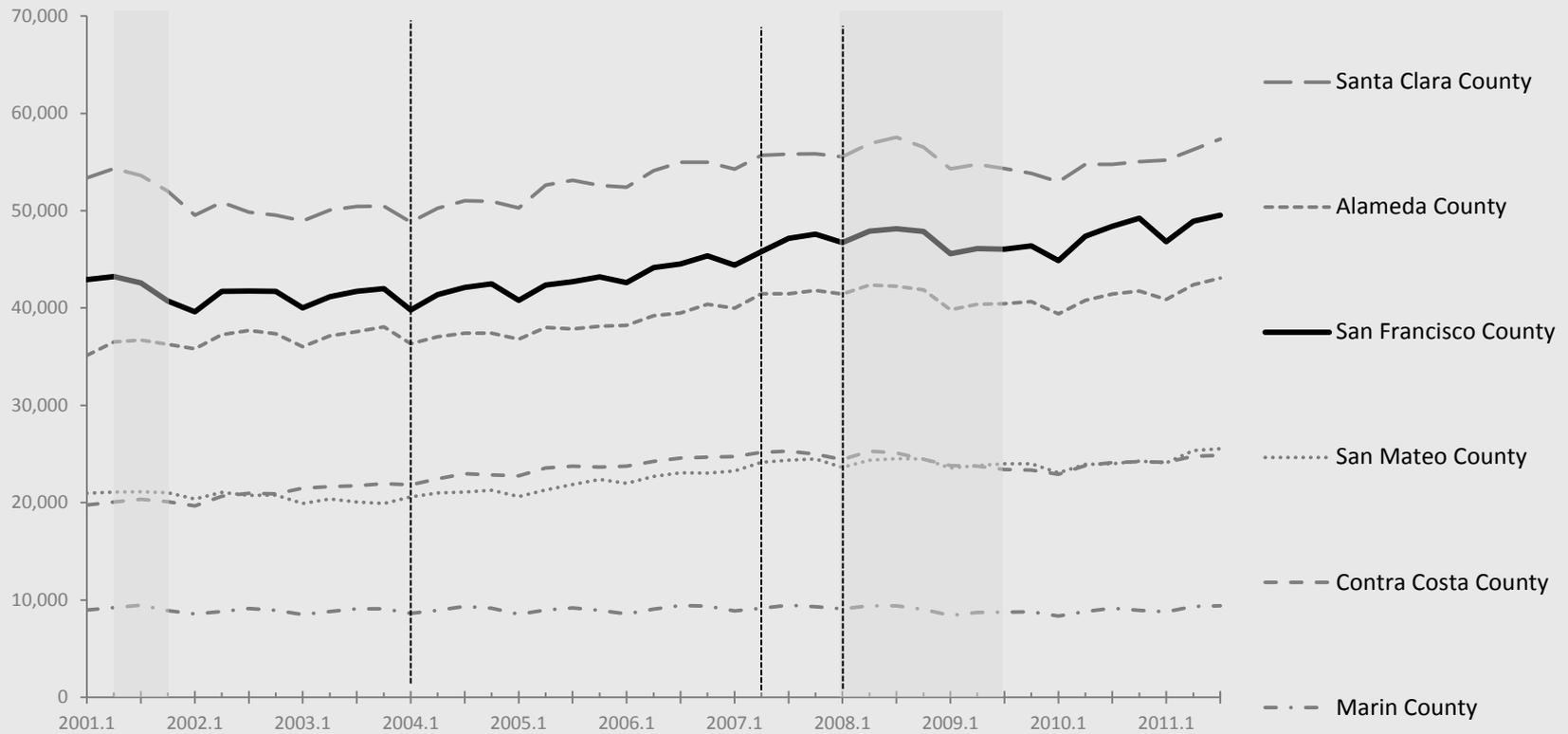
- In 2012 about 560,000 people worked in SF.
- Considering only those who received wage increases and who work in SF, workers who benefit from the mandates make up 12 percent of the city's workforce.
- The benefit mandates reached workers at higher income levels than did the wage mandates.
- Paid sick leave was newly offered to 15 percent of higher-wage employers; 14 percent of health plan participants are above twice the federal poverty line.

# SF's employment trends mirror surrounding counties



Indicates recession

# SF's restaurant employment grew relative to surrounding counties



Indicates recession

# Living Wage effect on SFO turnover

	Percent increase		Percent decrease
	Entry wage	Average wage	Turnover
Customer service	26	17	5
Baggage/ Ramp	27	18	25
Cabin cleaner	32	15	44
Screener	69	55	80

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.

# Health spending requirement

- 76 % of employers increased health spending to comply; 61 % supported the law.
- Firms did not drop existing health insurance offerings.
- Little discernible impact on employment or earnings.
- Part of increased cost passed to consumers through surcharges.

# Enforcement

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

## 1 Enforcement of city-wide labor laws

San Francisco Ordinance	Year Enacted	Worker Complaints	Wages / Health Care Expenditures Recovered	Workers Paid Back Wages / Health Care Expenditures
Minimum Wage	2003	616	\$5,820,000	3,004
Paid Sick Leave	2006	293	\$100,000	434
Health Care Security	2006	439	\$6,915,000	6,251

\* 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 I

- **Equal Benefits for Domestic Partners**  
19 other localities including Los Angeles, Minneapolis, Philadelphia and Seattle and State of California
- **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.
- **Minimum wage:** Washington, D.C. Santa Fe and Albuquerque, NM, San Jose, CA
- **Contractor Pay-or-Play Health Policy**  
Houston, New Mexico

# Conclusion

- My paraphrase of Alan Krueger at the White House, June 25, 2013
- Based on the San Francisco experience:
- “Don’t let any calamity-howling *economist* tell you that a \$12 minimum wage is going to have a disastrous effect on the nation’s economy.”