Summary of the Health Impact Assessment of

The Los Angeles City Living Wage Ordinance

Partnership for Prevention/UCLA School of Public Health
Health Impact Assessment Project[1]
March 11, 2003

Summary of the Ordinance

The Los Angeles City Living Wage Ordinance (hereafter the "Ordinance"), approved by the Los Angeles City Council in 1997, sets an annually adjusted minimum wage that city contractors must pay employees who are engaged in work on city service contracts or economic development grants. As of July 2002, the Ordinance mandates employers to:

1. pay workers covered by the Ordinance at least $7.99/hour;
2. contribute at least $1.25 per hour worked toward covered employees' health insurance premiums or pay an additional $1.25/hour if health insurance is not provided;
3. to provide covered workers with at least 12 paid days off each year.

The wage level, but not the health insurance allowance, is subject to annual cost-of-living increases. Approximately 10,000 workers are covered by the Ordinance.

Summary of health impacts

Both the wage and health insurance provisions of the Ordinance would benefit the health of covered workers, although providing health insurance has the potential to bring greater reductions in mortality, in a much more cost-effective manner, than increases in wages. Providing health insurance to all uninsured workers would cost one-tenth the amount needed in the form of wage increases to produce an equivalent reduction in mortality. The potential benefits of health insurance are, however, largely unrealized since the majority of employers elect to give covered employees additional wages instead of health insurance, leaving the proportion of workers with health insurance steady at the pre-Ordinance level of 40%.

Health impacts examined

Increased income and increased likelihood of health insurance are the major factors driving the Ordinance's impacts on health. For this analysis mortality was the primary measure of health impact. Other health impacts, such as disease and injury rates and hospitalizations, are examined qualitatively, but are not measured due to poor data.

The quantitative analysis did not consider impacts related to possible cuts in other public programs, nor macroeconomic effects, such as unemployment, worker displacement or inflation. In the case of program cuts, evidence from other research studies suggests that costs to the City would be passed on in part to contractors. Remaining costs to the City would be balanced by cutbacks in the City's managerial personnel without affecting services. In the case of macroeconomic effects, economic studies of this and similar ordinances suggest that the number of workers covered by the Ordinance is too small relative to the size of the region's economy and working population to have any significant effects.

[1] The Health Impact Assessment Project is based at the UCLA School of Public Health. Project staff include: Jonathan Fielding, M.D., M.P.H., M.B.A., Principal Investigator; Gerald Kominski, Ph.D., Co-principal Investigator; Hal Morgenstern, Ph.D., Co-principal Investigator; Brian Cole, Program Manager; Riti Shimkhada and Sheng Wu, Research Assistants
Supported through funding from the Robert Wood Johnson Foundation

Rationale behind the Ordinance

Reducing poverty and improving the living conditions of workers and their families are primary aims of the Ordinance. Support for Living Wage legislation comes primarily from labor unions and others concerned that the contracting out of municipal services has turned relatively well-paying municipal jobs into low-paying private sector jobs with minimal benefits. An implicit goal of the Ordinance is to curb the privatization of city services. Other municipal governments that have passed Living Wage ordinances include Baltimore, Detroit, Minneapolis, and San Jose. The State of Louisiana passed legislation prohibiting local governments from establishing Living Wage ordinances.

Direct effects

- Coverage of an estimated 10,000 workers in the Los Angeles area.
- Health insurance coverage largely unchanged, remaining steady at 40%.
- Average wage increases of $0.78 per hour for insured workers and $1.90 for uninsured workers *(assuming pre-Ordinance wage levels similar to other low-income workers in the City of Los Angeles)*.
- On average no effects on unemployment, job displacement or inflation.

Health insurance coverage has not increased because:

- The mandated employer contribution of $1.25 per hour for health insurance is not sufficient to cover the cost of health insurance.
- Administrative costs make health insurance relatively more expensive than providing $1.25 per hour in wages, particularly if an employer does not already offer health insurance to any employees.
- Compared to providing health insurance, opting to provide an additional $1.25 per hour gives employers more flexibility to change or eliminate benefits when an employee is not working on projects covered by the Ordinance.

Key findings on health impacts

- **Increased income means reduced mortality.**
  Increased income for workers is estimated to reduce mortality by an average of 1.4 deaths per year over the long-term. Additional reductions in mortality of equal or greater or magnitude would be observed among workers' families.

- **Despite increased income, families of workers covered by the Ordinance would still have difficulty making ends meet.**
  As a result of the Ordinance the gross income of a typical working family would increase from $30,375 to $34,857 per year, leaving them at 193% of the federal poverty level and far below the "basic needs budget" estimated for Los Angeles. After taxes their net gain from the Ordinance would be reduced to $2,947 per year.

- **Health insurance for currently uninsured workers could substantially reduce long-term mortality.**
  Insuring the estimated 60% of Living Wage workers who are uninsured would prevent about 6.4 deaths per year.

- **The aggregate cost-effectiveness of health insurance is far better than for additional wages.**
  Prevention of one death among Living Wage workers would cost $2.5 million in health insurance coverage or $24.6 million in wages. When impacts on the health of family members are factored in the cost-effectiveness of wages is improved but is still less than that of health insurance.

- **Providing health insurance to an uninsured worker can reduce mortality risk more cost-effectively than increased wages.**
  Health insurance for an uninsured worker at a cost of about $1.50 per hour reduces mortality risk by the same amount as an additional $8.84 per hour in wages.

Why examine health impacts?

The Ordinance aims to increase income and lower the number of uninsured, two factors clearly associated with health. Poorer people die sooner and have higher rates of disease. The absence of health insurance is also associated with negative health outcomes. The HIA is intended to give policymakers information about the Ordinance's effects on health, if any, and to inform debate about whether to amend it.

Limitations

This analysis is based on the best available data, but limited data meant that a number of key assumptions had to be made about existing conditions and the effects of health insurance and additional income. Among the most significant of these is the assumption that relatively short-term effects of narrowly circumscribed changes in income or health insurance can be inferred from long-term differences observed among groups with different levels of income and wealth.
It also is noted that although mortality is the primary outcome assessed, improvements in other measures of health such as disease rates and quality of life can also be expected.

For a copy of the complete health impact assessment please contact Brian Cole at (310)206-4253 or by e-mail at blcole@ucla.edu.