

Cost of a Living Wage Ordinance to Coral Gables

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November 2007

This report analyzes what would the cost to the city of Coral Gables if it were to pass a living wage ordinance similar to the one governing Miami-Dade County. Thus, for the purposes of this study, we assume that a Coral Gables ordinance would require that its own employees and the employees of its service contractors be paid either \$10.69 per hour with healthcare benefits, or else \$12.24 without healthcare benefits. (These are the rates currently required by the Miami-Dade County ordinance.) We also assume that part time workers and seasonal workers would not be covered by the ordinance.

The report is based on payroll information supplied to the author by the city of Coral Gables. Cost estimates are broken down into two categories: compensation costs for city contractors and compensation costs to the city itself. Each is considered in the following two sections.

City Contractors

The city only has six contracts potentially covered by a living wage ordinance. Of these, five contractors provide wages, or wages + healthcare benefits, that exceed the requirements of a living wage ordinance. Thus, only one contract, with Trees, Inc. would be affected by the ordinance.

Trees Inc. has four forepersons working on a Coral Gables contract at pay rates of “\$11.50 - \$13.50 depending on experience,” with no provision for healthcare (email from Trees Inc. spokesperson). Since \$12.24 per hour is required for those not being provided healthcare, one or more of these workers may be covered. The average pay would be \$12.50 per hour, which would require no modification of pay or benefit coverage. However, to estimate conservatively and to overstate rather than understate any potential costs, this study assumes that one of the forepersons is an entry-level hire and is making only \$11.50 per hour. The pay increase to \$12.24 per hour for this one worker, including extra FICA (social security and Medicare) contributions, would cost **\$1,656.95**.

Trees Inc. also has four groundpersons earning “\$8.00 - \$10.00 depending on experience,” with no provision for healthcare (email from Trees Inc. spokesperson). This study assumes that they average \$9.00 per hour. The cost of bringing all these workers up to \$12.24 per hour (including FICA) would be **\$29,029.00**.

Therefore, the total cost of bringing all contractors up to living wage standards would be \$29,029.00 + \$1,656.95, or **\$30,685.95**.

City of Coral Gables Payroll

Data on the payroll of Coral Gables that is now a year and a half old indicates that at that time it employed 59 full time non-seasonal workers earning less than the \$10.69 per hour required by a living wage ordinance. Table 1 shows the numbers at different wage levels, and the cost to bring these employees up to \$10.69 per hour.

Table 1
Coral Gables Full Time Non-seasonal employees earning less than \$10.69/hour

Hourly Pay Rate	Number	Cost of raising pay to \$10.69/hour*
\$8.27	1	\$5,418.67
\$8.35	16	\$83,832.65
\$8.41	1	\$5,105.19
\$8.50	1	\$4,903.67
\$8.52	1	\$4,858.89
\$8.57	2	\$9,493.87
\$8.74	1	\$4,366.28
\$8.76	1	\$4,321.50
\$8.78	1	\$4,276.72
\$8.83	1	\$4,164.76
\$9.00	2	\$7,568.23
\$9.27	1	\$3,179.55
\$9.5481	2	\$5,149.98
\$9.55	28	\$71,472.71

*Includes additional contributions to FICA (.0765 of payroll).

If we add the figures in the final column of Table 1, we arrive at increased payroll compensation costs of \$218,112.67. The weighted average of the pay of the 59 workers listed in Table 1 is \$9.04 per hour. If we can assume that these workers have received pay increases of 5% in the past year and a half, their present average pay is \$9.49 per hour. Raising their pay to \$10.69 per hour then only costs **\$158,368.52**. This should be the approximate cost to the city.

Total Additional Payroll Costs

Adding the added payroll compensation costs of contractors and the city, we arrive at a grand total cost of \$158,368.52 + \$30,685.95, or **\$189,054.47**. This is an “upper limit” of what actual costs would likely be, because “efficiency wage” effects of the higher wage levels will likely increase efficiency through a variety of mechanisms. (For more on “efficiency wage impacts, see the author’s previous report on potential costs of a Coral Gables living wage ordinance: Bruce Nissen, *The Impact of a Living Wage Ordinance on the City of Coral Gables*, available on the worldwide web at: <http://www.risep-fiu.org/reports/CoralGablesLivingWage.pdf> .