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Supervisors OK county's first living-wage plan

Companies and nonprofits contracting with Santa Clara County must pay employees up to \$19 an hour

The Santa Clara County Board of Supervisors today approved its first-ever resolution to require companies and nonprofits with county contracts to pay a living wage as of July 1.

The supervisors voted for the combined ordinance and policy direction to create an hourly wage of \$19.06 for employers with county contracts who provide no worker health and retirement benefits and \$17.06 for those who do, according to its co-sponsor Supervisor Ken Yeager.

Supervisor Dave Cortese, also a co-sponsor, said at today's meeting that the county's plan would mirror San Jose's living wage policy, with hourly rates reviewed each year and annual cost of living adjustments.

The living wage is needed to help working families meet the high cost of living in the county, where many low-wage earners have to seek county services to meet their basic needs, Yeager and Cortese stated in a joint memo to the board.

Both hourly and salaried employees working for contracted commercial firms and nonprofit groups would receive at least one hour of sick leave per 20 hours worked to a maximum of 12 days earned per year to cover employee sick days or caring for an ill family member.

The living wage would apply to county contracts worth at least \$100,000, contractors employing 20 workers or more and individual employees who work at least five hours a week in the contract.

The new rules would take effect on July 1 and during the interim, county staff is directed to study and report on the costs of the higher wages to contractors, specifically how it would impact smaller-budget nonprofit groups that provide county services, according to Yeager.

Cortese said the board has the right to get rid of parts or all of the ordinance should it turn out its costs are too high.

The discussion among board members before the vote was contentious at times, as city officials could not provide an estimate on how much the living wage would actually cost versus the current state minimum wage of \$9 per hour.

County Executive Jeffrey Smith said the cost increase based on the higher living wage for the county's for-profit and nonprofit contractors could amount to "the many tens of millions."

Smith said the county has about 2,000 service contracts worth \$2.2 billion and if labor costs for just 1,000 of those contracts were to increase by \$40,000 due to the higher wage, it would amount to \$40 million more for contractors.

The county should not be expected to cover the increased labor costs from the new wage borne by for-profit contractors and will work with the nonprofits until June 30 to help them prepare it, according to Smith.

The new wage rate, based on the experiences of 12 other jurisdictions with a living wage such as San Jose, San Francisco, Oakland and Hayward, would increase the county's contracting costs by just 0.035 percent

of its total budget, Smith said.

For Santa Clara County, with a budget of \$4.9 billion, that cost would be \$1.7 million, he said.

San Jose enacted its living wage policy in 1998 and has not reported any significant negative impacts since, he said.

Supervisor Joe Simitian said he supported a living wage as a concept but that it did not make sense for the board to approve one without first knowing how much it would cost.

The county should at least set a cap to limit future costs should there be unintended consequences for the county down the road, Simitian said

"I'm worried our board will do the right thing in a wrong way," he said.

The vote for the living wage plan was close, with supervisors Yeager, Cortese and Cindy Chavez for, Supervisor Mike Wasserman against and

Simitian abstaining.

Wasserman said he was concerned that the proposed ordinance had "significant unknowns" as the county prepares to face \$120 million in payroll costs next year.

Simitian offered two amendments for the ordinance, one to delay passing it until May to give county staff time to report on how much the higher wages would cost and another to cap the cost of implementing it at \$5 million, but both failed by votes of 4 to 1.