Click Here To Close This Window

Economy & Efficiency Commission
Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

PRESENTATION BY
Mr. David Michaelson, Office of County Counsel
and
Mr. Tyler McCauley, Assistant Auditor-Controller

Topic: Background and Implementation of County Living Wage Guidelines for Los Angeles County
October 7, 1999

Chairman Abel introduced the first presentation by suggesting that this topic and its implications are of significant interest to the Commission.

Mr. Michaelson explained that in his position with County Counsel he represents various County departments and the Board of Supervisors on civil matters. In his current assignment he is working with several County departments to implement the Living Wage Program. Mr. Michaelson then requested Mr. McCauley to explain his involvement with the Program. Mr. McCauley said that in April of 1998 the Board of Supervisors assigned his office the responsibility for determining an appropriate Living Wage level.

Mr. Michaelson continued by distributing four sets of documents to the Commission. One of these documents was a recent article from the Los Angeles Times discussing the Los Angeles County Living Wage Program and similar programs enacted by other municipalities in California. The second document presented the implementation plan for the Living Wage Program, recently approved by the Board of Supervisors. The third document was the Ordinance in County Code which established the Living Wage Program. The final document was the model language that will be placed in contracts to implement the Living Wage Program.

Mr. Michaelson told the Commission that the Living Wage Program does not apply to every county contract. The Living Wage Program applies to only a discrete set of county contracts. One applicable set of contracts is in cafeteria services, for which Los Angeles County has entered into approximately fifteen contracts.

The other contracting area which is subject to the Living Wage Program is Proposition A contracts. County Code Chapter 2.121 (Contracting With Private Businesses) addresses provisions of Proposition A contracts.

Chairman Abel asked if the presenters could discuss the likely impact of this new public policy. Mr. McCauley said the impact would be in two areas: wages paid to County employees and amounts paid to contractors performing services for the County. In response to the first area, the Auditor-Controller's Office did a study in January to determine how many County employees were not being paid in accordance with the standards of the Living Wage Program. It was found that approximately 600 permanent County employees were not being paid enough to meet the standard. The cost to bring them in line with these standards was nominal, relatively speaking. If this program was extended to the approximately 2000 temporary employees, it would become considerably more expensive. Further expanding upon Chairman Abel's question, Mr. McCauley said that the full extent of the future impact on contracting costs for the County is not known. The County has decided that, the Living Wage Program is to be made mandatory to all applicable contracts beginning October 22, 1999. As a result of the implementation of this Program, a comparison study will have to be undertaken at a later date to determine whether requiring contractors to pay the living wage increases overall contracting costs. The Auditor-Controller's Office has already received and verified complaints regarding contract employers circumventing the Program's requirements.

Mr. McCauley went on to say that the living wage amount was based upon the hourly rate needed to make a person ineligible for CalWorks. After extensive study and investigation, using weighted averages and insurance rates, it was determined that a wage rate of $8.32 per hour was required, assuming that the employer paid for health care. If the employer did not pay for health care, $9.46 per hour would be required to meet the standard.

Commissioner Balderrama asked whether "health care" meant 100% health care or a split of health care costs between the employer and the employee. Mr. McCauley answered that many cost sharing variations were possible. However, the employer must contribute $1.14 per hour toward a health plan if he/she provides it, or he/she must pay that amount to the employee. The employee can then use this amount to purchase his/her own policy. The Ordinance states that health care be provided. Mr. Michaelson added that the only insight that is provided by the Ordinance, with respect to health care, is the phrase "Bonafide health care benefits".

Commissioner Tortorice wanted to know if all the employees of an organization that contracts with the County were covered by the Ordinance, or only those employees that are part of the contract. Mr. Michaelson replied that it would apply to those employees that worked on the County contract.

Commissioner Kennedy asked who would be responsible for the enforcement of these contracts. Mr. McCauley replied that the Affirmative Action Compliance Office has been designated to enforce the provisions of the Ordinance, since they are already responsible for the Prevailing Wage Program. Mr. Michaelson added that the contractors will be required to submit certified documents monthly which indicate, the names of the employees on the contract, their wages, and whether they receive health care benefits. The Affirmative Action Compliance Office will review these documents. If violations are found, the County will have the ability to take the necessary corrective action.

Commissioner Philibosian asked if the living wage included a formula or escalation clause. He also asked if a personal services contract was based on the assumption that this is a cheaper means of doing the work, what will be the impact on County employee levels. Mr. Michaelson answered that certain contracts may no longer be cost effective and the work might have to be performed by County employees. Mr. McCauley added that when some of these contracts were initially determined to be cost effective it was costing the County approximately half of the cost of hiring permanent employees. This was because the wage rate paid per hour was minimum wage and no benefits were provided.

Chairman Abel thanked both men for their presentation and recognized the value of this information to future Commission activities.

Return to Top of Presentation

Return to Agenda

Kenneth Hahn Hall of Administration, Room 163, 500 West Temple St.,
Los Angeles, CA 90012
Phone (213) 974-1491 FAX (213) 620-1437 EMail eecomm@co.la.ca.us
WEB eec.co.la.ca.us