

# Council to consider hiking living wage

## Living wage Looming budget cuts may hinder plan's approval

By **DAN WHITE**

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The City Council today will consider boosting its \$11-an-hour living wage by 50 cents to make up for the rising cost of living.

But the City Council is also in a painful budget situation, with \$1.5 million in cuts looming.

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All significant general fund expenses — including costs associated with implementing a living wage — will be examined closely this year.

Councilman Scott Kennedy continues to support the living wage although he said it has some inevitable consequences, including city layoffs and some reductions in city services.

"If you pay your work force substantially better than you did before, unless you see an increase in revenues, you'll see a decrease in

the work force, or services or both," Kennedy said. This year, the city has seen a dramatic decrease in revenue, including a decrease in hotel tax.

The city passed its living-wage measure in October 2000, out of concern that rents and housing prices had gone through the roof while some Santa Cruz subcontractors and some city employees were living below the poverty line.

Language in that ordinance requires the city to at least consider increasing the living wage annually based on the region's cost of living. The city's living wage is the highest in the nation, city leaders said.

The city has agreed, over the next three years, to incrementally pay its temporary employees the living wage. Paying the living wage is also mandatory for businesses that contract with Santa Cruz's government, if those contracts are worth at least \$10,000.

Those businesses must pay their employees a living wage throughout the duration of the contract.

The living wage is optional — but strongly encouraged — among nonprofits that work for the city. Most of those nonprofits are making good-faith measures toward complying,

Kennedy said.

Councilman Mark Primack predicted the city would take a close look at the living wage expenses because no significant budget item will be spared close scrutiny.

"Everyone has their sacred cows, everyone has their items that can't be touched, but we are going to have to touch everything," Primack said. "My reticence with the living wage is like any pay increase we give. Can we sustain it?"

A four-year study released this month by the San Francisco-based Public Policy Institute of California showed that cities that mandate wage increases, well above federal minimums, tend to increase unemployment but ultimately reduce poverty and help their working poor.

Primack, referring to the same study, said he was concerned the living-wage provision was forcing some companies to lay off some employees while upping the wages for others. "If you eliminate low-paid jobs, you're eliminating people."

It is difficult to quantify exactly how much Santa Cruz spends on living wage-associated costs. Part of the cost comes from paying more to businesses that work for the city.

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The city agreed to increase funding to social service programs by \$250,000 this year, in the hope that these agencies would pay employees the living wage. Nearly \$200,000 went to child-care providers.

The rest was spread out among social service providers that contracted with the city.

Nationally, critics of the living wage say it can drive up general fund expenses by increasing the budgets of both nonprofit and for-profit enterprises that work for cities.

But Connie Robertson, an administrative analyst and the city staff member for the living-wage advisory committee, said there is only one clear example of a city-contracted private enterprise raising its rates because of living wage payments.

Sandy Brown, coordinator for the Coalition For A Living Wage and a member of the city's living wage advisory committee, took issue with the assessment that layoffs are inevitable with a living wage program.

She said that just because private sector companies are paying higher wages doesn't mean they are laying off people.

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