

Orlando Business Journal - September 1, 2003

<http://orlando.bizjournals.com/orlando/stories/2003/09/01/story2.html>

ORLANDO Business Journal

EXCLUSIVE REPORTS

Business in the dark on wage vote

Noelle Haner-Dorr
Staff Writer

ORLANDO -- The living wage policy passed by the city of Orlando might have prompted opposition from small local businesses -- had they known about it.

Information about a pending benchmark policy vote, though, was not provided to city council members in their regular informational packet. It was not originally on the City Hall agenda either. When finally placed on the agenda, less than one working day prior to the vote, it was in the consent agenda, the portion of the agenda which offers few, if any, details.

"We knew Mayor (Buddy) Dyer was working on a living wage policy," says Mark Wylie, executive director of the Central Florida chapter of Associated Builders and Contractors Inc. "We didn't know the council was voting on it Monday. "

Low-visibility living wage

The U.S. government considers a living wage one that allows a family of four to live above the federal poverty line. This translates to about \$8.70 an hour for a full-time employee.

Currently, some 100 cities and counties across the United States have enacted some form of living-wage policies, including Broward, Miami-Dade and Palm Beach counties and the city of Miami Beach.

Now, Orlando is added to that list. The new policy requires all city employees and employees of any business with a city contract to pay its workers a minimum of \$8.50 an hour.

The fact that it was adopted as a policy, rather than an ordinance, meant there were no mandatory public hearings on the matter.

Orlando Mayor Buddy Dyer defends that move, pointing out that all the city's language on contracts is included in policies.

Even so, says Orlando Commissioner Vicki Vargo, one of two commissioners to vote against the measure, "Normally, when we have important changes to policy, there is a workshop, but we got the policy Friday afternoon for a Monday city council agenda item.

"There was going to be no dialogue on this at all."

Orlando Mayor Buddy Dyer says he met with officials from both Universal Orlando and Disney World to discuss the pending matter, as well as Jacob Stuart, executive director of the Orlando Regional Chamber of Commerce.

However, the construction industry -- the business niche most likely to be impacted by the policy -- was not notified of the vote. And general public notice of the policy vote was not added to the city's agenda until late Thursday night or early Friday morning, according to David Dix, Dyer's chief of staff.

As a result, some in the business community did not know about the addition to the agenda or the vote. If they had, there probably would have at least some opposition at the meeting, says Wylie. "I probably would have been there."

"The government shouldn't have a hand in what private employers pay their employees," continues Wylie. "Living wages ...

encourage people to find more experienced people or those with better skills and actually hurts the people it is supposed to help the most."

According to a study by David Neumark of the Public Policy Institute of California -- a think tank sympathetic to business interests -- living wage policies tend to reduce employment.

A 50 percent increase in the living wage can reduce the employment rate for workers in the bottom 10 percent wage bracket by 7 percent, writes Neumark.

And that would be bad news for Orlando, says Chris Jones, president and chief economist for Florida Economic Advisors LLC and a former economist for the city of Orlando.

"In Orlando, you have more than your fair share of low-end jobs," Jones says. "And, low-wage jobs are better than no jobs at all."

Chicken or egg

Even without business opposition, a living wage measure might have met with other sources of opposition.

"This movement of local government into wage structure seems convoluted at best because government has no real knowledge of the small businesses it is affecting," says David Scott, executive director of the University of Central Florida's Dr. Phillips Institute.

"If a company automatically increases laborers' wages and it doesn't fail, its cost structure will be negatively impacted, and over a period of time, the company will increase the prices it charges the city."

The result, Scott says, is "a hidden tax upon the taxpayers in the community."

Orlando Commissioner Phil Diamond, who also voted against the policy measure, adds that the policy could have the unintended consequence of freezing small businesses out of city deals.

"Small businesses are less able to absorb and spread increased costs around," says Diamond. "They may not want to do business with the city in the future."

There is also a question of costs associated with living wage measures. According to Dix, the cost of the new policy to the city will be negligible -- one-half of 1 percent of the city's budget -- because the city and most of its contractors already pay their employees at least \$8.50 an hour. "When we talked to our contractors about the policy, many of them increased their wages voluntarily," explains Dix.

However, calculating costs is not always simple. Take Miami-Dade County's living wage measure. It is broader than Orlando's, mandating a \$9-an-hour wage for those workers who have benefits, while those without benefits earn \$10.30 an hour.

Four years after it passed, that county still has no hard data on the overall costs, largely because of shifts in the number of workers. "We can't analyze it, but it's definitely expensive," says Linda Webber, a compensation analyst for Miami-Dade.

In Orlando, Dyer plans a review of the new policy in a year. City auditors then will look at how city contractors and the community were impacted. "At that point, we'll see how we can make the policy better in the future," notes Dix.

Adds Dyer, "This is just a first step."