AGENDA ITEM NUMBER: 6

Agenda Report Reviewed by:
City Manager

CITY OF SEBASTOPOL
CITY COUNCIL
STAFF REPORT

Meeting Date:	November 13, 2018
To:	Honorable City Councilmembers
From:	Mayor Slayter
Subject:	Study Session on Minimum Wage (Introduce $15 minimum wage by 2020) – Marty Bennett, Co-Chair, North Bay Jobs with Justice
Recommendation:	That the City Council Receive the Report and the Presentation and Provide Direction
Funding:	None
	Currently Budgeted: _____ Yes _____ No _X_ N/A
	Net General Fund Cost:
	If Cost to Other Fund(s), Fund:

INTRODUCTION:

Receive a presentation from:

1. Marty Bennett, Co-Chair, North Bay Jobs with Justice
2. Mara Ventura, Executive Director, North Bay Jobs with Justice
3. Jack Buckhorn, Executive Director, North Bay Labor Council
4. Ian Perry, Research and Policy Associate UCB Labor Center

On the "Estimated Impact of a Proposed Minimum Wage Law for the North Bay" October 2018 Report and the recommendation to Establish a City-Wide Minimum Wage by 2020 – Three (3) years earlier than the State of California minimum that reaches $15 an hour in 2023.

BACKGROUND:

On April 4, 2016, Governor Jerry Brown signed legislation (SB 3, Leno) which will raise California's minimum wage to $15 per hour by 2022 starting in 2017. After January 1, 2023, future wage increases are tied to inflation. Under the new state law, the wage increase schedule may be temporarily suspended by the Governor during economic downturns. The law also maintains existing exemptions in the state's minimum wage law. The law also maintains existing exemptions in the state minimum wage law." Insert: "In addition, after 2023 the law provides for an automatic adjustment for inflation based upon the Consumer Price Index.

DISCUSSION:

In 2016, a study was conducted by UC Berkeley's Institute for Research on Labor and Employment (IRLE) which analyzed the impacts of a potential increase in the minimum wage in Santa Clara County. Since that study, the state passed SB 3 and Twenty-Five (25) cities in coastal California have approved citywide minimum wages being phased in more quickly than the state. San Francisco is $15 by 2018, San Jose and six other cities in Santa Clara County are $15 by 2019,

and Los Angeles, Long Beach, Pasadena, Malibu, and Santa Monica are $15 by 2020. In San Mateo County San Mateo, Redwood City and Belmont are $15 by 2019.

Cities in Santa Clara County used the economic impact report above by the UCB Center for Labor Research and Education (also known as the UCB Labor Center) during their consideration process. The IRLE published separate reports that were used in San Francisco (2007 and 2014) and Los Angeles (2014).

Similar to the 2016 Santa Clara County study, the UC Berkeley's Institute for Research on Labor and Employment (IRLE) has completed a study about the economic impacts of $15 minimum for the entire North Bay—including Marin, Sonoma, Napa, and Solano — and for all cities within these four counties.

North Bay Jobs with Justice, the North Bay Labor Council and other labor, environmental, and community organizations are proposing a $15-an-hour citywide minimum wage by 2020 to the cities of Novato, Petaluma, Sonoma, Sebastopol, and Santa Rosa. This study analyzes the prospective impact of that proposal in the four North Bay counties—Marin, Sonoma, Napa and Solano. The proposal would raise the minimum wage in these cities on a faster timetable than the state as a whole. Under the proposal, the minimum wage would be raised to $12.75 on July 1, 2019, and to $15.00 on July 1, 2020.

The report estimates the effects of the wage increase on workers and businesses, and places the proposal in context with other local minimum wage laws. The report also reviews the economic research literature on the effects of minimum wage increases on workers, employment, and business operations.

Jobs with Justice has provided the following information for this presentation:

- Estimated Impact of a Proposed Minimum Wage Law for the North Bay" October 2018
- Summary of proposed Citywide Minimum Wage Ordinance language for Novato, Petaluma, Santa Rosa, Sebastopol, and Sonoma
- Paper on the Impact of CA's $5 Minimum Wage on Sonoma County Workers: Sebastopol – a one-page calculation that Jobs with Justice completed based upon UCB Labor Center data about the number of low wage workers in the City of Sebastopol who will be covered by their proposed legislation
- 2016 report by the California League of Cities which summarizes key issues concerning citywide minimum based upon the experience in numerous cities in coastal California
- Santa Rosa Press Democrat Article, December 31, 2017, What Is A Living Wage for Sonoma County?
- January/February 2016 – Dollars and Sense - Is a $15 Minimum Wage Economically Feasible?

Jobs with Justice is requesting that the City Councils in Sonoma County consider and approve comparable $15 minimum wage legislation early next year in order to establish a uniform $15 minimum wage in the county.

RECOMMENDATION:
That the City Council receive a presentation from:

1. Marty Bennett, Co-Chair, North Bay Jobs with Justice
2. Mara Ventura, Executive Director, North Bay Jobs with Justice
3. Jack Buckhorn, Executive Director, North Bay Labor Council
4. Ian Perry, Research and Policy Associate UCB Labor Center

On the "Estimated Impact of a Proposed Minimum Wage Law for the North Bay" October 2018 Report and the recommendation to Establish a City-Wide Minimum Wage by 2020 – Three (3) years earlier than the State of California minimum that reaches $15 an hour in 2023.

Attachments:

1. Estimated Impact of a Proposed Minimum Wage Law for the North Bay" October 2018
2. Summary of proposed Citywide Minimum Wage Ordinance language for Novato, Petaluma, Santa Rosa, Sebastopol, and Sonoma
3. Paper on the Impact of CA's $5 Minimum Wage on Sonoma County Workers: Sebastopol – a one-page calculation that Jobs with Justice completed based upon UCB Labor Center data about the number of low wage workers in the City of Sebastopol who will be covered by their proposed legislation
4. 2016 report by the California League of Cities which summarizes key issues concerning citywide minimum based upon the experience in numerous cities in coastal California
5. Santa Rosa Press Democrat Article, December 31, 2017, What Is A Living Wage for Sonoma County?
6. January/February 2016 – Dollars and Sense - Is a $15 Minimum Wage Economically Feasible?
7. Estimated Impact of a Proposed Minimum Wage Law for Sacramento
8. Miscellaneous Ordinances (Cupertino/Milpitas/Emeryville)

Estimated Impact of a Proposed Minimum Wage Law for the North Bay

OCTOBER 2018

Ian Perry, Garrett Strain and Ken Jacobs

UC BERKELEY LABOR CENTER

Center for Labor Research and Education
Institute for Research on Labor and Employment
University of California, Berkeley

ATTACHMENT #1

Contents

Overview 3

Section 1: Impact Estimates 4

- Data and Methods 4
- Impact Estimates 4

Section 2: Review of Economic Research Literature 9

- Introduction 9
  - The Research Literature on Minimum Wage Effects 9
- The Effects of Minimum Wage Laws on Workers and Families 10
  - Impact on Low-Wage Workers' Earnings 10
    - *Evidence from local minimum wage laws 10*
    - *Evidence from state and federal wage laws 11*
  - Demographics of Affected Workers 11
  - Effects on Poverty and Use of Public Assistance Programs 12
    - *Impact on poverty and income inequality 12*
    - *Impact on use of public assistance programs 13*
  - Societal Effects of Minimum Wage Increases 13
- The Effects of Minimum Wage Laws on Businesses 14
  - Impact on Employment and Hours 15
    - *Evidence from local minimum wage laws 15*
    - *Evidence from state and federal minimum wage laws 17*
    - *Impact on which workers are hired 19*
    - *Automation and substitution away from unskilled labor 19*
    - *Reductions in paid hours relative to working hours 20*
    - *Impact on retail businesses 20*
  - Impact on Firms' Costs 21
  - Impact on Prices 22
  - Impact on Profits 23
  - Impact on Employee Turnover 24
  - Impacts on Firms' Operations and Productivity 25
  - Impact on Health Benefits and Pensions 25
- The Effects of Minimum Wage Laws on the Local Economy 26
  - Border Effects 26
- The UC Berkeley IRLE Minimum Wage Model 27
  - Model Structure 28
  - Model Calibration and Dynamics 29
- Conclusion 30

References 32

Overview

North Bay Jobs with Justice, the North Bay Labor Council and other labor, environmental, and community organizations will propose a $15-an-hour citywide minimum wage by 2020 to the cities of Novato, Petaluma, Sonoma, Sebastopol, and Santa Rosa. This paper analyzes the prospective impact of that proposal in the four North Bay counties—Marin, Sonoma, Napa and Solano. The proposal would raise the minimum wage in these cities on a faster timetable than the state as a whole (see Table 1). Under the proposal, the minimum wage would be raised to $12.75 on July 1, 2019, and to $15.00 on July 1, 2020. In Section 1 of this report, we estimate the effects of the wage increase on workers and businesses, and place the proposal in context with other local minimum wage laws. In Section 2, we review the economic research literature on the effects of minimum wage increases on workers, employment, and business operations.

Table 1. Wage Schedule for the Proposed Minimum Wage Policy

Year	Nominal Dollars	Percentage Increase from Previous Year	Constant 2018 Dollars	Percentage Increase from Previous Year
2018	$10.50	—	$10.50	—
2019	$12.75	21.4	$12.53	19.3
2020	$15.00	17.6	$14.48	15.6

Source: Authors' analysis of OES data.

Note: Constant dollar values are calculated using the average annual change for the past ten years of the West Urban Regional Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Section 1: Impact Estimates

Data and Methods

In the tables below we present estimates of the number of workers affected by the proposed law, the size of the wage gains for affected workers, and the demographic and job characteristics of affected workers. We use the current state minimum wage schedule (reaching $15 by 2023) as the baseline, and estimate the effects of this proposal (reaching $15 by 2020) over and above the current state policy. Our estimation method accounts for projected wage growth at the bottom of the wage distribution, interim increases in the state minimum wage, and projected employment growth. We use the 2015-2016 American Community Survey (ACS) to estimate the wage distribution and characteristics of covered individuals working in the counties of Marin, Napa, Solano, and Sonoma (the proposed minimum wage policy will not cover self-employed, state and federal workers). See our technical report for more detail on data and methods (Perry, Thomason, and Bernhardt 2016).

Impact Estimates

We estimate that about 192,000 workers—or about 36 percent of the North Bay's workforce—would receive a pay raise by 2020 under the proposal (see Table 2). This estimate includes 152,000 workers who earn below the new minimum wage and would be directly affected by the increase, and another 40,000 who earn just above the new minimum wage and would receive wage increases due to a ripple effect.

Table 2. Cumulative Number of Workers Affected by the Proposed Minimum Wage Policy

Year	Number of Affected Workers (cumulative)	Number of Directly-Affected Workers (cumulative)	Number of Indirectly-Affected Workers (cumulative)	Percent of Covered Workforce (cumulative)
2019	149,000	117,000	32,000	28.2%
2020	192,000	152,000	40,000	35.7%

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: The proposed minimum wage policy will not cover self-employed, state, and federal workers. Directly-affected workers are those with wages below the proposed new minimum wage in each year. Indirectly-affected workers are those with wages slightly above the proposed new minimum wage, who will receive an increase via the ripple effect. The number of directly-affected workers and indirectly-affected workers may not sum to the total number of affected workers due to rounding.

Workers' hourly wages and annual income would rise under the proposed law, resulting in a total increase in aggregate earnings of $565 million (in 2018 dollars) by 2020. Wages of affected workers would rise by an average of $1.74 per hour. Average annual earnings would increase by about $2,900 per year (see Table 3). It is important to note that these pay increases would be in addition to the raises workers would receive under the current state minimum wage policy, which is set at $11.00 in 2019, and $12.00 in 2020.

Table 3. Cumulative Pay Increases for Workers Affected by the Proposed Minimum Wage Policy (in 2018 dollars)

	2019	2020
Average Cumulative Hourly Wage Increase	$0.98	$1.74
Average Cumulative Annual Earnings Increase	$1,600	$2,900
Average Cumulative Percent Annual Earnings Increase	10.1%	15.8%
Total Aggregate Cumulative Increase In Earnings (millions)	$244	$565

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: Results are cumulative across the phase-in years

Contrary to common belief, only 6.4 percent of affected workers are teenagers, and more than half are in their thirties or older (see Table 4). Workers of color (Black, Latinx, Asian, and Other) constitute approximately 60 percent of the workers receiving raises. Affected workers have a wide range of educational backgrounds, with half having at least some college experience and 15 percent holding a bachelor's degree or higher. Median annual earnings of affected workers are only half of those of the overall North Bay workforce, yet affected workers bring home about half of their family's income.

Table 4. Demographic and Job Characteristics of Workers Affected by the Proposed Minimum Wage Policy by 2020 (all figures are percentages unless otherwise noted)

	Percent of Covered Workers	Percent of Covered Workers Getting a Raise	Percent of Group Getting a Raise
Gender			
Male	51.3	49.9	34.7
Female	48.7	50.1	36.7
Median Age	40	33	
Age			
16-19	3.1	6.4	
20-29	22.9	36.5	57.0
30-39	23.1	21.4	33.1
40-54	33.6	23.5	24.9
55-64	17.3	12.2	25.3
Race/Ethnicity			
White	53.1	40.2	27.1
Black	4.3	4.5	
Latinx	28.5	41.4	51.9
Asian	9.8	9.4	34.0
Other	4.2	4.5	37.5

table 4 continued

continued

Table 4. Demographic and Job Characteristics of Workers Affected by the Proposed Minimum Wage Policy by 2020 (all figures are percentages unless otherwise noted)

	Percent of Covered Workers	Percent of Covered Workers Getting a Raise	Percent of Group Getting a Raise
Education			
Less than High School	w12.0	20.8	61.7
High School or G.E.D.	19.5	28.8	52.7
Some College	26.6	27.6	37.1
Associate's Degree	9.3	8.2	31.5
Bachelor's Degree or Higher	32.6	14.6	16.0
Country of Birth			
U.S. Born	71.8	63.6	31.6
Foreign Born	28.2	36.4	46.2
Family Structure			
Married	48.6	34.7	25.5
Have Children	41.7	34.5	29.5
Family Income Relative to Poverty Level			
Less than 100% of Poverty Level	7.3	12.1	59.1
100% to 150% of Poverty Level	5.2	11.8	81.5
150% to 200% of Poverty Level	6.5	13.2	72.0
More than 200% of Poverty Level	81.0	63.0	27.7
Average Worker Share of Family Income	60.2	49.0	
Median Individual Annual Earnings (2017 Dollars)	$39,400	$19,900	
Full-Time / Part-Time Worker			
Full-Time (35 or More Hours per Week)	76.8	65.2	30.3
Part-Time (Fewer than 35 Hours per Week)	23.2	34.8	53.6
Full-Year / Part-Year Worker			
Full-Year (50-52 Weeks per Year)	82.1	76.7	33.3
Part-Year (Fewer than 50 Weeks per Year)	17.9	23.3	46.5
Health Insurance Provided by Employer			
Yes	72.9	56.5	27.7
No	27.1	43.5	57.4

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: Only workers covered by the proposed minimum wage law are included in this table. See note for Table 2.

The industries where the most affected workers hold jobs are: retail trade (17.1 percent), food services (12.9 percent), and health services (8.4 percent). Most affected workers are employed in the private, for-profit sector; non-profit and public employees are less likely to be affected than the overall workforce (see Table 5).

Table 5. Impact Estimates for Major Industries by 2019

	Percent of Covered Workers	Percent of Covered Workers Getting a Raise	Percent of Industry Getting a Raise
All Sectors			
Agriculture, Forestry, Fishing, Hunting, and Mining	3.1	5.3	
Construction	6.2	4.6	26.4
Non-Durable Manufacturing	4.8	3.1	22.5
Durable Manufacturing	5.6	5.3	33.6
Wholesale Trade	3.1	2.6	
Retail Trade	12.0	17.1	51.1
Transportation, Warehousing, and Utilities	3.8	3.6	
Information	1.9	1.0	
Finance, Insurance, Real Estate, and Rental and Leasing	5.7	3.3	20.8
Professional, Scientific, and Management	4.9	2.5	18.3
Administrative and Waste Management Services	4.5	7.0	55.8
Educational Services	8.2	5.5	24.1
Health Services	12.3	8.4	24.4
Social Awssistance	2.9	3.9	
Arts, Entertainment, Recreation, and Accommodation	4.3	5.9	48.7
Food Services	7.5	12.9	61.5
Other Services (except Public Administration)	4.4	6.0	47.9
Public Administration	4.8	2.1	15.3
Sector			
Private, For-Profit	76.8	85.5	39.7
Private, Non-Profit	8.8	6.9	27.8
Public	14.3	7.6	19.0

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: Blank value for "Percent of Industry That is Getting a Raise" indicates insufficient sample size for that category. Only workers covered by the proposed minimum wage law are included in this table. See note for Table 2.

Table 6 shows an analysis of the proposed minimum wage policy's impact on business costs. For example, we estimate that payroll costs in the restaurant industry would rise by 6.7 percent by 2020. Since payroll costs constitute 31 percent of operating costs in the restaurant industry, operating costs would increase by 2.1 percent (compared to 0.4 percent for the retail industry and the overall economy by 2020). This would lead to a cumulative price increase of 1.8 percent in restaurants by 2020—but this increase would be spread over two years, a 0.9 percent increase in 2019, and a 1.0 percent increase in 2020. Price increases would be negligible for the retail industry and the rest of the economy. Once again, it is important to note that these increases would be in addition to the increases due to the current state minimum wage policy scheduled to reach $11.00 per hour by 2019 and $12.00 per hour by 2020.

Table 6. Cumulative Impact of the Proposed Minimum Wage Policy on Business Operating Costs and Prices for Select Industries and the Overall Economy

	2019	2020
Food Services		
% Change in Payroll Costs*	3.2	6.7
Labor Costs as % of Operating Costs	30.7	31.4
% Change in Operating Costs	1.0	2.1
Year over Year Price Change	0.9	1.0
Cumulative % Change in Prices	0.9	1.8
Retail Trade		
% Change in Payroll Costs*	1.5	3.4
Labor Costs as % of Operating Costs	10.8	10.9
% Change in Operating Costs	0.2	0.4
Year over Year Price Change	0.1	0.2
Cumulative % Change in Prices	0.1	0.3
Overall Economy		
% Change in Payroll Costs*	0.8	1.8
Labor Costs as % of Operating Costs	22.1	22.2
% Change in Operating Costs	0.2	0.4
Year over Year Price Change	0.2	0.2
Cumulative % Change in Prices	0.2	0.3

Source: Authors' analysis of ACS, OES, QCEW, Economic Census, U.S. Census Annual Retail Trade, Wholesale Trade, and Services Reports, and BEA data.

** "% Change in Payroll Costs" is net of savings from reduced turnover expenses, and includes additional payroll tax and workers' compensation expenses.*

Section 2: Review of Economic Research Literature

Introduction

As cities and counties across the country increasingly debate whether to establish their own minimum wage laws, policymakers are understandably asking a host of questions. What do we know about the impact on workers and their families? What does research tell us about the effect of local wage mandates on employment? Do businesses move outside city or county borders in response to minimum wage increases?

In this section, we address these and related questions.[1] Economists agree that minimum wage laws have large positive effects on workers' pay and their families' living standards. Raising the minimum wage increases earnings for workers at the low end of the labor market, the majority of whom are adults. Women and workers of color benefit disproportionately. In addition, new research on the effect of minimum wage increases documents important reductions in family poverty rates. Moreover, low-wage workers and their families are often forced to rely on public assistance programs to meet their basic needs; new research on food stamps finds that raising the minimum wage reduces their reliance on this program.

We also review the economic research on the impact of minimum wage laws on businesses. The weight of the evidence suggests that moderate minimum wage increases have insignificant to non-existent negative effects on employment and work hours, reduce worker turnover and increase worker retention, and result in small, one-time price increases in heavily-affected industries, such as restaurants. We also explain how conflicting findings on the employment impact of the minimum wage can be traced to differences in the rigor of the research methods.

The Research Literature on Minimum Wage Effects

Below we summarize the empirical evidence on the effects of minimum wage laws on workers, families, and businesses. Where possible, we highlight research on local minimum wage laws. However, since most of the existing local laws have been in place a short time, the data that are needed for rigorous research on the recent laws are only now becoming available. Several new papers examine the effects of recent city minimum wage laws, though none have yet gone through a peer review process. Earlier economic impact studies on San Francisco and Santa Fe are also instructive.

We also draw upon the much larger body of research on the impacts of state and federal minimum wage increases. Recent studies that compare adjacent counties from different states with different minimum wages and studies that measure changes in the distribution of wage-earners before and after minimum wage increases are especially relevant. The findings from these studies speak directly to policymakers' concerns that businesses might reduce employment or relocate outside their city's borders in response to a local minimum wage law.

1 This section draws on material presented in Reich, Jacobs and Bernhardt (2014) and Reich et al. (2015).

The Effects of Minimum Wage Laws on Workers and Families

The primary goal of raising the minimum wage is, of course, to raise the pay of low-wage workers. A broad consensus in the economic research literature agrees that minimum wage laws raise pay for workers on the bottom rungs of the labor market (for an extensive review, see Belman and Wolfson 2014). Researchers also consistently find that the affected workers are largely adults and disproportionately women and people of color. In addition, new research on the effect of minimum wage increases shows important reductions in family poverty rates. Finally, we review what is known about reliance on public assistance programs by low-wage workers and their families.

Impact on Low-Wage Workers' Earnings

In assessing the impact of a minimum wage increase on low-wage workers' earnings, it is important to keep two facts in mind. First, many low-paid workers earn wages somewhere above the old minimum wage level but below the new level. Consequently, not all workers who are directly affected by an increase will receive the full amount of that increase. Second, researchers have also documented a "ripple effect" from minimum wage increases in which employers give raises to workers who are earning above, but near, the new minimum wage (Wicks-Lim 2006; Autor, Manning and Smith 2016; Cengiz, Dube, Lindner, and Zipperer 2018). As a result, it is not completely straightforward to estimate either how many workers benefit from minimum wage increases or the policy's impact on their earnings.

Evidence from local minimum wage laws

Dube, Naidu and Reich (2007) assessed San Francisco's minimum wage law when it was first implemented in 2004, using a before-and-after survey of restaurant employers in San Francisco and in nearby parts of neighboring Alameda County. They found that the average wage of workers at surveyed restaurants rose from $10.22 before to $11.01 after the increase, with pay rising twice as much among fast-food restaurants compared to table-service restaurants. They also found evidence that the increase compressed the wage distribution among restaurant workers by raising the bottom of the distribution (not by hurting pay for higher-wage workers). Before the policy, 49.7 percent of restaurant workers earned less than $8.50; afterward, only 5 percent did. The authors also tested whether compliance with minimum wage laws decreased after the law passed; they found no evidence of decreased compliance.

Jacobs and Reich (2014) recently conducted a longer-term assessment of San Francisco's minimum wage law. They estimate that 55,000 workers in the city (or about 14 percent of the private sector workforce) receive higher pay because of the ordinance, amounting to a cumulative increase of $1.2 billion in wages in the ten years since the laws' inception. They also found additional evidence that the law had a significant impact on workers' earnings over time. The wages of San Francisco workers earning at the bottom of the distribution (the 10th percentile) jumped in 2004, when the law was implemented. This wage, when measured to take account of inflation, did not change even during the recession that began in December 2007 because the city's minimum wage standard is indexed

to inflation. By contrast, the 10th percentile wage in the surrounding counties, without an indexed minimum wage, declined over that same time period.

Schmitt and Rosnick (2011) studied the wage impacts of both the San Francisco and Santa Fe laws. These authors found that wages increased in a range of low-wage industries in both cities.[2] In San Francisco, for example, the average wage of fast-food workers increased 9 to 11 percent by the third year of the ordinance, and as much as 12 percent in low-wage industries overall. Pay for fast-food workers in Santa Fe increased by similar amounts, together with wage increases of 2 to 9 percent in the retail industry and 5 to 15 percent for low-wage industries overall. (See also Reynis, Segal and Bleeker (2005) for similar findings.)

Allegretto et al. (2018) examined the earnings effects of recent minimum wage laws in Chicago, Oakland, San Francisco, San Jose, Seattle, and the District of Columbia. The authors find that a 10 percent increase in the minimum wage increases earnings in the food services industry between 1.3 and 2.5 percent, depending on the model used. This study is the most comprehensive assessment to date of the earnings effects of city-level minimum wage increases.

Evidence from state and federal wage laws

Finally, a broader literature has looked at state and federal minimum wage increases and estimated their impact on workers' earnings. In their comprehensive review of existing research, Belman and Wolfson (2014) estimate that changes in the minimum wage typically affect about 10 to 20 percent of the labor force (and sometimes as much as 30 percent), counting both direct and indirect effects. Allegretto et al.'s (2017) review of 17 estimates from five recent studies of the minimum wage indicates that a one percent increase in the minimum wage increases average earnings between 0.19 and 0.21 percent. Research consistently finds that the pay of both adults and teens is affected by minimum wage increases (Allegretto, Dube and Reich 2011; Giuliano 2013).

We also note broad agreement among economists that raising the minimum wage reduces income inequality by pushing up the wage floor relative to the median wage (Lee 1999; Autor, Manning and Smith 2016).

Demographics of Affected Workers

Evidence on who benefits from minimum wage increases comes mainly from prospective studies (conducted when a minimum wage law is first being considered). In these studies, researchers analyze government survey data and estimate the number and characteristics of workers likely to be affected, given wage thresholds being considered by law makers.

Reich, Allegretto, and Montialoux (2017) evaluated the projected impact of California's statewide minimum wage increase from $9 to $15 an hour by 2023. They find that the minimum wage increase will affect 38 percent of California's labor force, resulting in a 25.4 percent increase in annual pay

2 The authors also examined the impact of the 1993 minimum wage law in Washington DC, but found that the size of the increase was too small to raise wages in those industries (too few workers were affected). They conclude that the law therefore did not constitute a meaningful policy experiment.

increase for the average affected worker. Contrary to the common perception that minimum wage workers are mainly teens, 96 percent of affected workers in California are in their twenties or older and 58.2 percent are in their thirties or older. Workers of all education levels will benefit, with less educated workers benefiting the most (52.7 of affected workers have no college education). Over a third of affected workers have children (36.4 percent) and, on average, affected workers in California bring home 50.4 percent of their family's income, suggesting that they are primary breadwinners in their families and are not providing supplementary income. Finally, workers of color disproportionately benefit: 54.8 of eligible Latino/a workers and 36.2 percent of Black workers will get a raise under the California law. These findings on the demographics of affected workers are corroborated by prospective studies on the impact of proposed city minimum wage laws. Reich, Jacobs, Bernhardt and Perry (2014a-c, 2015) have consistently found that minimum wage increases mostly affect adult workers and disproportionately benefit workers of color.

At the national level, Cooper (2017) analyzed the likely effects of the Raise the Wage Act of 2017, a bill that would raise the federal minimum wage from $7.25 to $15 per hour by 2024. He found that the proposal would raise wages for 41.5 million workers (22.5 million directly, the remainder indirectly), or 29.2 percent of the U.S. workforce, generating $144 billion in additional wages over the phase-in period. Cooper (2017) projects that 90 percent of workers who would receive a wage increase are 20 years old or older (the average age of affected workers is 36) and 63 percent work full-time (63 percent). The majority are women (55.6 percent), nearly half (46.6 percent) have some college experience, and more than a quarter (28 percent) have children. Of those workers who have children, the majority are the primary breadwinners, earning on average 63.8 percent of their family's total income. As in prospective studies of California, a federal minimum increase would disproportionately affect workers of color: 40.1 percent of black workers and 33.5 percent of Hispanic workers would receive an increase directly or indirectly.

Effects on Poverty and Use of Public Assistance Programs

Impact on poverty and income inequality

Compared to the large volume of research on the employment effects of minimum wage laws, few studies have examined the impact on poverty and income inequality.

Dube (2017) finds that higher minimum wages increase incomes at the bottom of the family income distribution, reduce the percent of individuals living below the poverty line, and, in particular, reduce extreme poverty (families with incomes less than one-half the poverty line). The reductions in poverty are somewhat larger for black and Latino individuals, for those with less education, and for children under 18.

Rinz and Voorheis (2018) use a unique dataset combining survey and administrative data to show that minimum wage increases generate long-term earnings growth for low-wage workers. They find that, for workers at the bottom of the income distribution, a ten percent increase in the minimum wage raises earnings growth by seven to eight percent, on average, over five years relative to workers who did not receive an increase. These results demonstrate that raising the minimum wage has durable, lasting effects for low-wage workers.

Impact on use of public assistance programs

Given that real wages have stagnated in recent decades, many low-wage workers depend on public assistance programs for basic survival. Jacobs, Perry and MacGillvary (2015) found that 56 percent of spending on food stamps, TANF cash assistance, Medicaid and CHIP, and the federal EITC is provided to members of working families, at an average cost of $153 billion a year between 2009-2011 (Jacobs, Perry and MacGillvary 2015). Researchers further found that more than half (52 percent) of families of fast-food workers are enrolled in one or more public programs, at an annual cost of nearly $7 billion. Again, low wages were the main predictor of public program enrollment (Allegretto, Doussard, Graham-Squire, et al. 2013).

Does raising the minimum wage reduce reliance on means-tested public assistance programs? The answer may seem obvious, but West and Reich (2014) point out that the research question is more complex. If, for example, raising the minimum wage causes increased unemployment, more workers and families would have to rely on programs such as food stamps. The authors analyze state and federal minimum wage increases from 1990-2012 and find that, on average, a 10 percent increase in the minimum wage reduces food stamp program enrollment by between 2.4 and 3.2 percent, and reduces program expenditures by 1.9 percent.[3] They predict that an increase of the federal minimum wage to $10.10 would reduce enrollment in the food stamp program by about 3.5 million people and reduce federal expenditures on food stamps by about $4.2 billion per year. West and Reich (2014b) conducted a comparable study on the causal effects of minimum wage increases on Medicaid, with similar findings. Allegretto, Reich and West (2014) estimate that California would save $1.5 billion if the state minimum wage were increased to $13. Zipperer (2014) also examined the effects of minimum wages on these public programs and obtained similar results.

More generally, since eligibility for programs such as SNAP and Medicaid are tied to the federal poverty level, Dube's (2017) finding that higher minimum wages reduce the poverty rate suggests that we should also expect reductions in enrollments in public assistance programs.

Societal Effects of Minimum Wage Increases

A growing body of research suggests that minimum wage increases have significant downstream effects on social outcomes. Recent studies indicate that family income is a significant determinant of health outcomes (Hoynes, Miller, and Simon 2015) and school achievement for children (Dahl and Lochner 2012). Low wages are directly correlated with increased hypertension and obesity (Leigh and Du, 2012). Recent research finds direct positive effects of improving wages and incomes on

3 Several studies have examined the relationship between the minimum wage and the Earned Income Tax Credit, or EITC. Neumark and Wascher (2011) find that a higher minimum wage increases EITC benefits for families in deep poverty, while reducing EITC benefits for some subgroups. Lee and Saez (2012) argue that the minimum wage and EITC are complementary policies, not substitutes. The Congressional Budget Office (2014) argues that a minimum wage increase will not have a substantial effect on EITC spending, while Rothstein (2010) examines whether the positive effect of the EITC on female labor supply has lowered wages. While these studies are of interest, the EITC is quite different from programs such as food stamps. The EITC has a substantial phase-in period during which benefits increase and a long phase-out period, with eligibility ending completely at an annual income of about $48,000 for a family of four—quite a bit above the reach of the minimum wage.

psychological well-being (Reeves, et al. 2017), children's birthweights and infant mortality (Wehby, Dave, and Kaestner 2016; Komro et al. 2016) parental neglect (Raissan and Bullinger 2017), and crime (Akee et al. 2010; Agan and Makowsky 2018).

While this research program is in its initial stages, existing evidence suggests multiple causal pathways from income to social outcomes. Income affects access to safe housing, a healthy environment, healthy food, and health care services (American Public Health Association 2016). There is a growing body of research on the effects of stress on health and children's development (Cooper and Stewart 2013). More research is needed to confirm the causal effects of minimum wage increases on social outcomes. Nevertheless, it is important to consider these long-term effects on families and communities when evaluating the impact of a minimum wage increase.

The Effects of Minimum Wage Laws on Businesses

The impact of the minimum wage on businesses—how many workers they hire, whom they hire, the prices they charge for their goods and services, their location decisions—is one of the most researched topics in economics, with hundreds of studies published over the decades. We do not attempt to summarize the full literature in this report; for recent reviews see Brown (1999), Neumark and Wascher (2006), Schmitt (2013), and Belman and Wolfson (2014).

Economists' understanding of minimum wage effects has undergone significant changes over the past 20 years. This shift began with the groundbreaking work of Card and Krueger (1994), who analyzed employment in fast-food restaurants near the New Jersey and Pennsylvania border after New Jersey increased its state minimum wage. Card and Krueger found no measurable negative impact on employment.

Since then, economists have increasingly recognized that raising the minimum wage does not automatically mean that employment will fall. Increased labor costs can be absorbed through a variety of other channels. For example, if turnover declines, employers save on recruiting and training costs at the same time that they reap the benefits of more experienced workers who are more productive. When a cost increase affects all firms in an industry, firms can also raise their prices rather than reduce the number of employees. They may also experience lower profits. Modern economics therefore regards the employment effect of a minimum wage increase as a question that is not decided by theory, but by empirical testing.

In what follows we summarize the research that in our opinion is best suited to assessing the effects of minimum wage increases on businesses. We also give an intuitive explanation of the nature of the disagreements in the research literature about those effects.

Before proceeding, it is important to mention that existing research has only studied moderate increases in the minimum wage, of the size discussed in previous sections. These studies can only be suggestive of what might occur when minimum wages are increased significantly beyond past local, state, or federal mandates.

Impact on Employment and Hours

Evidence from local minimum wage laws

In this section, we review rigorous studies on the employment and hours impacts of existing city minimum wage laws.[4] We highlight the findings of a comprehensive assessment of recent minimum wage increases in Chicago, Oakland, San Francisco, San Jose, Seattle, and the District of Columbia (Allegretto et al., 2018). Lastly, we shed light on serious methodological flaws contained in a recent study purporting to demonstrate significant employment losses due to Seattle minimum wage law.

Dube, Naidu and Reich (2007) studied the impact of San Francisco's minimum wage law after it increased from $6.75 to $8.50 an hour in 2004, using a unique quasi-experimental research design. They surveyed a sample of restaurants before the wage increase, and then re-surveyed the same businesses nine to ten months after. The sample included restaurants from San Francisco as well as neighboring East Bay cities that were not covered by the policy, allowing the researchers to compare outcomes at restaurants affected by the minimum wage mandate with those that were not. The study also was able to compare outcomes at fast-food restaurants with outcomes at full-service restaurants.

After controlling for a variety of potential confounding factors, the authors found no statistically significant negative effects on either employment or the proportion of full-time jobs as a result of the San Francisco law. This finding holds for both full-service and fast-food restaurants (one might expect more sensitivity to a higher minimum wage in the latter). A follow-up study (Dube, Naidu and Reich 2014) found that restaurant employment in San Francisco rose slightly faster than in surrounding counties after the minimum wage increase, and again after San Francisco implemented two additional policies (paid sick leave and a health spending requirement). Trends in overall employment in San Francisco closely matched those in the surrounding counties during the same time period, indicating that the differential trends in restaurant employment were not caused by differences in economic growth between the two areas. Restaurants closed in San Francisco at a 2.8 percent lower rate than in nearby areas not covered by the law. This difference, however, was not statistically significant.

Schmitt and Rosnick (2011) studied the impact of minimum wage increases in San Francisco and Santa Fe, comparing employment trends in these cities before and after their minimum wage increases

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4 A few earlier studies are worth noting briefly. Potter (2006) studied the impact of Santa Fe's minimum wage law after it increased from $5.15 to $8.50 in 2004 using quasi-experimental methods. He found no statistically significant negative impact of Santa Fe's minimum wage increase on Santa Fe employment, both at an absolute level and relative to Albuquerque. Several additional studies of Santa Fe and San Francisco have been produced by the restaurant industry-backed Employment Policies Institute. In a study of Santa Fe, Yelowitz (2005a, 2005b) found an increase in the probability of unemployment for low-skilled workers and evidence of replacement of low-skilled adults by teens. In his study of San Francisco, Yelowitz (2012) found the opposite result: a decrease in teen work hours and no discernible effect on overall employment. Unfortunately, both Yelowitz studies suffer from serious methodological problems that make the results unreliable. Since higher wages are likely to increase the labor supply, unemployment *rates* can increase even as the number of people who are employed also increases. Pollin and Wicks-Lim (2005) replicate Yelowitz's (2005a) study but look at employment, rather than unemployment. They find no negative impact on employment. Furthermore, even if the reported results for each of the studies held, total compensation for teens and low-skilled workers would still have increased. Any employment or hours reductions would be more than offset by the increase in hourly earnings (Pollin and Wicks-Lim 2005; National Employment Law Project 2012).

to control groups of surrounding suburbs and nearby metropolitan areas.[5] The authors found no discernible negative effects on employment, even three years after the respective ordinances were implemented. The authors focused on fast-food restaurants, food services, retail trade, and other low-wage industries.

Allegretto et al. (2018) examine the effects of recent minimum wage laws in Chicago, Oakland, San Francisco, San Jose, Seattle, and the District of Columbia, finding insignificant employment changes in the food service industry (an industry with high concentrations of low-wage workers). The authors derived these results using state-of-the-art econometric techniques (event studies and synthetic controls), providing the most comprehensive and rigorous assessment to date of the effects of local minimum wage laws. Many minimum wage studies lack credibility because they fail to identify a valid control group. The authors avoided this pitfall by running "falsification tests" to ensure selection of a valid comparison area for measuring the causal effects of the minimum wage policies. In particular, the authors tested whether employment and pay in the treated and comparison areas exhibited parallel trends during the years *before* the policy was implemented, and whether the outcomes of interest in the treated and comparison areas would have trended in parallel *if the policy had never been enacted*. These tests increased the likelihood that the estimated effects are indeed causal.

Using these techniques, Allegretto et al. (2018) estimated employment effects of a 10 percent increase in the minimum wage that range from a 0.3 percent decrease to a 1.1 percent increase, on average, resulting in no significant negative effect on employment. These results are supported by a variety of robustness checks, including a test of whether the authors' methods detect earnings or employment effects in professional services, a high wage industry that should not be affected by the minimum wage.

While the above studies provide rigorous evidence that local minimum wage laws have little to no effect on employment, a recent study by researchers at the University of Washington, Jardim et al. (2017), received widespread news coverage for finding that Seattle's minimum wage increases resulted in significant employment losses.[6] Several methodological flaws cast doubt on the credibility of these findings. These flaws are outlined in a letter to the Seattle Mayor's Office by Michael Reich (2017), who, together with other UC-Berkeley researchers, also analyzed the impact of Seattle's minimum wage and found no negative effects on employment (Reich, Allegretto, and Godoey 2017). Two of the study's primary flaws are described in detail below.

First, Jardim et al.'s statistical techniques do not control for the effects of Seattle's booming economy during the years of the minimum wage increases. Instead, Jardim et al.'s results incorrectly imply that increasing Seattle's minimum wage to $13 an hour boosted employment in jobs paying $19 an hour or more (Zipperer and Schmitt 2017). This finding is implausible on its face, which is why other empirical research on minimum wages rejects statistical techniques that find wage and employment effects far

5 The authors also examined the impact of the 1993 minimum wage law in Washington DC, but found that the size of the increase was too small to raise wages in those industries (too few workers were impacted). They conclude that the law therefore does not constitute a meaningful policy experiment.

6 Jardim et al. (2017) found that a 1 percent increase in the minimum wage resulted in a nearly 3 percent reduction in Seattle employment. This finding is far outside the bounds of most existing minimum wage research, which generally finds no negative effect on employment (Dube, Lester, and Reich 2016; Allegretto et al. 2017).

above the level of the minimum wage increase (Autor, Manning, and Smith 2016; Cengiz et al. 2017; Allegretto et al. Forthcoming). Jardim et al. mistakenly attributed losses in low-wage employment to increases in the minimum wage, when these losses are more likely due to the shifts in the Seattle labor market from low to higher wage jobs stemming from the city's economic boom (Zipperer and Schmitt 2017). Second, Jardim et al. exclude all employers with multiple locations in Washington state – accounting for nearly 40 percent of Seattle employment – from their analysis. Consequently, Jardim et al.'s methodology incorrectly codes as disemployed workers who moved from single-site employers to a multi-site employers (e.g. a chain restaurant or chain store) during the first two years of minimum wage increases. Both these flaws lead Jardim et al. to overestimate the negative employment effects of Seattle's minimum wage increases.

Evidence from state and federal minimum wage laws

If the findings of the small number of case studies discussed above are taken on their own, it would be difficult to draw broad conclusions about the impact of minimum wage laws. However, the results from studies of city and county minimum wage laws are corroborated by detailed research on state and federal minimum wage laws that provide a much larger sample of events to study.

Two innovative studies conducted by researchers from UC Berkeley, University of Massachusetts-Amherst, and UNC-Chapel Hill are especially relevant (Dube, Lester and Reich 2010, 2016; Allegretto, Dube, Reich and Zipperer 2017). The researchers looked at every state and federal minimum wage increase in the U.S. over several decades and identified several hundred pairs of adjacent counties that were located on different sides of a state border with a minimum wage difference.

This research design compares the employment trends of the most affected groups—teens and restaurant employees—across adjacent counties that were exposed to different minimum wage levels. It is therefore an excellent test of whether businesses relocate employment outside county borders to avoid being subject to a higher minimum wage. Using this research design, Dube, Lester and Reich (2010, 2016) and Allegretto, Dube, Reich and Zipperer (2017) find no statistically significant effects of minimum wage increases on either employment or hours in restaurants and other low-wage industries, controlling for a range of regional and local differences that previous research did not include.

Allegretto (2013) uses the same dataset to examine the effects of the subminimum wage for tipped workers (which has remained at $2.13 an hour at the federal level for more than two decades, but varies significantly across states). Focusing on restaurants, she finds no statistically significant evidence of negative employment effects in states with higher (or no) subminimum wages for tipped workers.

Most recently, Cengiz, Dube, Lindner, and Zipperer (2018) pioneered a novel method – the "bunching estimator"—to measure the employment effects of minimum wage increases. The idea behind the method is to track over time how the minimum wage affects the distribution of workers at the bottom of the labor market. Following a minimum wage increase, the employment effect can be measured by taking the number of excess jobs at or above the new minimum wage and subtracting the number of missing jobs below that new minimum, controlling for other factors affecting the wage distribution. Cengiz et al. use this method to analyze the effects of 138 minimum wage increases between 1979

and 2016 and find no statistically significant effect on employment. They also find positive spillover effects for workers making above the minimum wage. About 40 percent of the overall wage gains from minimum wage increases went to workers making up to $3 more than the minimum wage.

We highlight these studies because they combine state-of-the-art econometric methods with the most detailed datasets available, allowing researchers to control accurately for differences in local economic conditions that could confound the analysis. These studies also reflect a growing consensus among economists and policymakers: the employment effects of minimum wage increases range between very small and zero. Belman and Wolfson (2014) provide the most extensive summary of the minimum wage research since Card and Krueger (1995). They conclude that the employment effects of the minimum wage in the United States are "both vanishingly small and not statistically significant in even the most generous test" (p. 168). A separate review of minimum wage research by Schmitt (2013) similarly finds "the minimum wage has little or no discernible effect on the employment prospects of low-wage workers."

Most of the broader studies that find negative effects, as reviewed in Neumark and Wascher (2008), fail a fundamental necessary condition for identifying statistically unbiased estimates of minimum wage effects. The key issue is that their research design assumes that states that increase minimum wages are otherwise not different from those that do not increase minimum wages. Dube, Lester and Reich (2010, 2016) and Allegretto, Dube, Reich and Zipperer (2017) have shown in detail that this assumption is incorrect. In the states that increased their minimum wages, employment among low-wage workers was already growing more slowly two years before the implementation of the minimum wage increases, compared to states that did not increase minimum wages. Existing differences in regional employment trends that are unrelated to minimum wage policy can explain the differences in outcomes after the increases. As Allegretto, Dube, Reich and Zipperer (2017) document, local comparisons make sense because nearby areas are much more similar than areas that are farther away. And when minimum wage effects are estimated using local comparisons—such as across adjacent counties on a state border—the negative effect on employment disappears.[7] Totty (2017) corroborates this methodology by examining minimum wage effects without prior decisions on what control groups should be included. He finds that local controls should be included and that the minimum wage does not have significant effects on employment.

Other studies that find negative effects on employment fail to adequately control for macroeconomic changes affecting employment. For example, Clemens and Wither (2016) found that a federal minimum wage increase from $5.15 to $7.25 per hour occurring from 2007 to 2009 reduced the national employment-to-population ratio by 0.6 percentage points. However, Clemens and Wither fail to control for the effects of the Great Recession (Zipperer 2016). Once proper controls are included for regional and industry differences in the effects of the Great Recession, there is no evidence of job loss due to the federal minimum wage increase (Zipperer 2016).

7 A recent report by the Congressional Budget Office (2014) projects that a $10.10 national minimum wage would raise wages for 16 million Americans, lift 900,000 out of poverty, and result in a reduction in jobs of 500,000. The report claims to synthesize recent research on teen employment, but it does so without making adjustments for research quality. The CBO's estimated elasticity for adult employment is unsupported by the recent empirical research, including that of Neumark and Wascher (2008), which found no measurable employment impact for adults.

Some studies suggest that the employment effects of minimum wage increases are concentrated in reduced hours, rather than reduced jobs. For example, Jardim et al. (2017) report that Seattle's minimum wage increase to $13 resulted in a 6.9% decline in hours worked by low-skilled workers. However, this study suffers from several methodological flaws described in the previous section. Cengiz et al. (2018) provide definitive findings with respect to hours worked. After analyzing the effects of 138 minimum wage increases between 1979 and 2016, Cengiz et al. find no statistically significant decline in the number of hours worked.

Lastly, Sorkin (2015) and Meer and West (2016) suggest that there are long-run employment effects of minimum wage increases, which have gotten undetected in previous short-run analyses. This claim lacks rigorous supporting evidence. Allegretto et al. (2017) do not find employment effects four years after various minimum wage increases. Cengiz et al. (2018) use administrative data on hours from Washington State which increased its minimum wage by 22 percent between 1999 and 2000 and indexed the wage rate to inflation starting in 2001.The authors find no measurable effect from Washington state's minimum wage increases on net employment in the state. While this is only a single case study, the results are consistent with their larger analysis of state-level minimum wage increases.

Impact on which workers are hired

In his review of minimum wage research, Schmitt (2013) considers several channels through which employers might adjust to increases in the minimum wage. One possible scenario is that employers will simply switch to hiring more skilled workers, thereby hurting the employment prospects of less educated workers and, in particular, black and Latino teens. Schmitt reviews several studies that have explicitly researched this question, some of which yield conflicting findings. Again, research design matters greatly here, and studies that thoroughly control for regional or local differences do not find evidence of labor substitution. For example, Allegretto, Dube and Reich (2011) examine the impact of the minimum wage on the employment of white, black, and Hispanic teens, covering the period from 1990 to 2009. After improving on previous research by controlling for regional differences, they find no statistically significant negative effects on employment or hours for teens, regardless of race or gender. In their contiguous counties dataset, Dube, Lester and Reich (2014) similarly find no evidence of such substitution by either age or gender.

Automation and substitution away from unskilled labor

It is often argued that a higher minimum wage will lead firms to reduce their use of workers. This reduction in labor demand can occur through two different channels: one involves substituting capital for labor, i.e., automation of jobs while keeping sales at the same level; the other involves needing fewer workers when sales fall as prices increase. We discuss here the automation channel and consider the effect on sales later in this section.

Mechanization does not necessarily lead to a net loss of jobs. As David Autor (2014a-b) points out, machines (including smart robots) do not just substitute for labor; they are also complements to existing jobs or lead to the creation of new jobs and industries. Indeed, previous rounds of automation and computerization have created more jobs than they destroyed. Moreover, automation does not

only involve the replacement of labor by machines. It also involves the replacement of old machines (think manual cash registers) with newer ones (think electronic cash registers and now iPads).

Aaronson and Phelan (2017) recently studied the short-run impact of minimum wages on the automation of different kinds of jobs in the restaurant industry. Just as Autor's job mechanization hypothesis predicts, Aaronson and Phelan find that minimum wage increases reduce cognitively routine jobs (such as cashiers) while increasing the number of manually-routine and non-routine jobs (such as food preparation). As it turns out, these changes offset each other almost equally, resulting in no net change in employment. Similarly, Autor, Dorn, and Hanson's (2015) detailed empirical analysis of the effects of computerization on local labor markets found no net decline in employment.

A recent study by Lordan and Neumark (2018) argues that increasing the minimum wage leads to a modest decrease in the share of automatable jobs held by low-skilled workers and an increase in higher skilled jobs. Unlike Aaronson and Phelan (2017), however, the authors do not report the effects of automation on net employment in low-wage industries. While minimum wage increases do lead to automation of some cognitively-routine, low-wage jobs, industries also experience concurrent increases in manually-routine and non-routine jobs. Based on the preponderance of evidence from existing studies, we conclude that the short-run effects of automation on net employment due to minimum wage increases are not significant.[8]

Reductions in paid hours relative to working hours

Some commentators assert that a higher minimum wage will lead employers to cheat them of a portion of their wages. It is important to recognize that such practices already exist; the question at hand is how much the minimum wage increase will increase their intensity and prevalence. Although it is difficult to measure changes in wage theft, we know that employee-reported increases in pay (to a census surveyor) after a minimum wage increase match up well to employer-reported increases in pay on administrative reports that determine payroll taxes (Dube, Lester and Reich 2010). These results suggest that most employers comply about as much after the increase as before.

Impact on retail businesses

Most of the studies cited above focused on employment in the restaurant industry. The retail industry is the second most intensive user of minimum wage and near-minimum wage workers. A few studies have examined the effects of minimum wages on the retail sector. In her research on the retail industry, Zeynep Ton (2012) finds that highly successful retail chains "not only invest heavily in store employees but also have the lowest prices in their industries, solid financial performance and better customer service than their competitors." Using *County Business Patterns* data and their border-county pair research design, Dube, Lester and Reich (2010) found no negative effects of minimum wages on retail employment. In a related study, Dube et al. (2006) compared the number of national retailers operating in San Francisco before and after the city minimum wage policy was implemented. They found that the number of top retailers grew, as did the number of stores. Overall retail employment

8 Long-run effects might be different. However, Dube, Lester and Reich (2010) do not detect any negative employments effects as long as four years after a minimum wage is implemented.

did not decline in San Francisco or Santa Fe, nor did employment in individual retail sectors, such as grocery stores, general merchandise stores, or clothing and accessories.[9]

Impact on Firms' Costs

The impact of minimum wages on the overall cost structure of a business varies significantly by industry. The impact of the minimum wage on a firm's operating costs will depend on the share of the workforce at or below the new minimum wage rate, their average wage before the increase, and the share of labor costs in total operating costs. Operating costs include not only labor, but also materials, rent, maintenance, supplies, taxes, utilities, and energy costs. An industry may have large numbers of low-wage workers, but if labor is a relatively small share of the total costs of the firm, the wage increase will have a correspondingly small impact on the overall cost structure of the firm.

In a prospective study of the San Francisco minimum wage, Reich and Laitinen (2003) carried out a representative survey of establishments. They estimated that a 25.9 percent increase in the minimum wage from $6.75 to $8.50 would result in a 1.1 percent increase in the overall wage bill. When viewed from the perspective of operating costs, a 26 percent increase would result in 82.0 percent of establishments experiencing an increase in operating costs of less than 1 percent or more, and 95.2 percent experiencing an increase in operating costs of less than 5 percent. Breaking down results by industry, they estimated that 17.9 percent of restaurants would experience an increase in operating costs of 5 percent or more, as would 8.6 percent of retail establishments. For manufacturing, entertainment, hotel, and personal service firms, the estimated increase in operating costs was close to zero.

Pollin (2004) similarly estimated that the average increase in firms' costs relative to sales under Santa Fe's 2003 minimum wage ordinance would be 1 percent; the average cost increase for hotels relative to sales would be 3 percent.

Benner and Jayaraman (2012) analyzed the impact of a proposed increase in the federal minimum wage from $7.25 to $10.10 (a 39 percent increase, not accounting for inflation during the phase-in) on the food industry. They estimated a maximum increase in operating costs for the food service and drinking establishment industry of 2.25 percent over three years, and 1 percent in the retail food industry.

Reich, Jacobs, Bernhardt and Perry (2015) estimated that increasing the minimum wage in Los Angeles to $13.25 by 2017 would result in a 0.5 percent increase in operating costs across the economy by 2017. In the food services industry, they found that operating costs would rise by 3.9 percent by 2019, and in the retail industry costs would rise by 0.5 percent.

To put these results in context, consider the following hypothetical example of how a 10 percent increase in the minimum wage might affect costs in the restaurant industry. If one-third of restaurant workers were paid exactly the minimum wage or up to no more than 10 percent above the minimum wage (and if wages were evenly distributed), then these workers would receive a pay increase that would average half of the 10 percent increase in the statutory minimum. The increase in the wage bill would thus be one-third of 5 percent, or 1.67 percent.

9 However, data were not available for comparisons to areas not covered by the minimum wage policy.

Moreover, labor costs comprise about one-third of operating costs in the restaurant industry. A 10 percent increase in the minimum wage would therefore increase operating costs by one- third of 1.67 percent, or 0.56 percent. A larger minimum wage increase would imply a greater increase in costs. In the retail industry, the proportion of low-wage workers is lower than in restaurants; the proportion making exactly the minimum wage is also lower; and labor costs are only about 10 percent of operating costs. So the effect on costs in the retail industry would be even smaller than it is in the restaurant industry. The research results we summarized above are consistent with these hypothetical examples.

Impact on Prices

Since a higher minimum wage applies to all employers in the geographic region affected by the policy, a firm that serves the local market, like a restaurant, will be able to pass through a share of the higher costs without suffering a disadvantage relative to its competitors. Belman and Wolfson (2014) survey seven studies of price effects of the minimum wage, all of which found some impacts on prices in industries highly affected by the minimum wage, namely restaurants. Dube, Naidu and Reich (2007) found that restaurant prices in San Francisco rose 2.8 percent more than those in neighboring Alameda County, following the implementation of a 26 percent increase in the city's minimum wage law. Using a very small sample, Hirsch, Kaufman and Zelenska (2011) found that two-thirds of the cost increase for quick-serve restaurants in Georgia and Alabama were offset by increases in price. Aaronson (2001) found that a 10 percent increase in the minimum wage results in a 0.7 percent increase in restaurant prices. In a novel study analyzing prices from 884 Internet-based restaurant menus before and after San Jose implemented a 2013 minimum wage increase, Allegretto and Reich (2018) found that restaurants increased their prices by 1.45 percent, on average, in response to a 25 percent increase in the city's minimum wage.[10] These results suggest that restaurants can absorb the costs of minimum wage increases through modest price increases and cost savings from reduced worker turnover (see Section E).

Recent research by Cooper, Luengo-Prado, and Parker (2017) examines aggregate effects on prices and consumption in localities. They find that a 10 percent increase in the minimum wage results in a modest 0.3 percentage point increase in aggregate city-level prices over time and a slightly higher 0.4 percentage point increase in the price of food away from home. Policymakers may be concerned that these price increases, though small, could result in lower consumption by low-wage workers, making them worse off. However, Cooper, Luengo-Prado, and Parker (2017) find that households *increased* the quantity of food they consumed at home and away from home following minimum wage increases (meaning that the income effect of higher wages outweighed the substitution effect from higher prices).

When these small price increases are considered in the context of who receives the wage increases, research shows a redistribution effect toward lower income families. Jacobs, Graham-Squire and Luce (2011) estimated the impact of a $12 minimum wage for large retailers on employees and consumers.

10 Responding to concerns that competition outside the city would prevent restaurants in San Jose from raising prices to offset labor cost increases, Allegretto and Reich (2018) found that restaurants less than a mile apart near the city's border had different prices for similar items.

They found that if the entire cost were passed through to consumers, Walmart would increase prices 1.1 percent. The increased costs would be shared by consumers across the income spectrum, with 28.1 percent borne by shoppers in lower income households. By contrast, they found that the increase in workers' earnings would be large and concentrated, with 41.4 percent going to workers in families with incomes below 200 percent of the federal poverty line.

Impact on Profits

Previous prospective studies have made different assumptions on how much costs will affect prices—and therefore also profits. Card and Krueger (1995, ch. 10) provide an extensive discussion of this issue. As they point out, from the point of view of an individual employer in a perfectly competitive industry, profits would be unaffected only in the extreme case in which firms can costlessly replace low-wage labor with high-skill labor and/or capital, and without cutting output. Since such substitutions are costly, from this perspective a minimum wage increase would have to reduce profits. Firms do not envision a price increase as a solution, as they fear losing sales to their competitors.

A different result emerges when Card and Krueger consider the point of view of an industry as a whole. This perspective is necessary since the minimum wage increase applies to all the firms in an industry. Now, when individual firms respond to the prospect of reduced profits by raising their prices, they find that other firms are doing the same. Some of the price increases will stick and the industry will recapture some of the reduced profits. However, since demand for the industry's product is not fixed, this increase in price entails some reduction in product demand, implying that industry output (and therefore employment) will fall. In other words, the price increase will permit employers to recover only a portion of their reduced profits.

The above reasoning contains a key assumption: that firms' labor costs consist only of the wages they pay. As Card and Krueger and many other economists (such as Manning 2003, and Ashenfelter, Farber and Ransom 2010) emphasized, the presence of nonwage labor costs—such as the cost of replacing workers who leave—leads to different conclusions. In particular, minimum wage increases may reduce employee turnover costs. As a result, employment declines, price increases, and profit declines will all be moderated. Considerable evidence, moreover, suggests that turnover costs are an important feature of low-wage labor markets.

Aaronson (2001) and Aaronson, French and MacDonald (2008) both find complete pass-through of costs in the restaurant industry. However, their data come from a period of much higher inflation, are based on a handful of observations per metro area, and they do not correct their standard errors for clustering. In contrast, Allegretto and Reich (2014) collected a large sample of restaurant price data in and near San Jose, before and after a 25 percent minimum wage increase in 2013 (from $8.00 to $10.00). Their preliminary results indicate that most, but not all, of the costs are passed through to consumers in higher prices. Note that since sales fall, it is possible that profits will fall as well.

The evidence on whether profits do fall is extremely scant. The most important study remains Card and Krueger (1995), who obtain mixed results when examining the effects of minimum wage changes on shareholder returns for fast-food restaurant chains. Using British data, Draca et al. (2011) find a small negative effect on profits. However, one segment of this study uses data for firms in the British residential care industry. Firms in this industry were not permitted to increase prices, making the

results not very useful for other sectors. Harasztosi and Lindner (2015) examine a large (60 percent) increase in the Hungarian minimum wage, much of which was felt in manufacturing. These authors find that cost increases were entirely passed through, but employment did not change and profits did not fall. However, the relevance of the British and Hungarian studies for the U.S. is highly uncertain.

Impact on Employee Turnover

The correlation between low wages and high employee turnover is well documented (Cotton and Tuttle 1986). In 2011, 37 percent of food service workers and workers in hotels and accommodations voluntarily quit their jobs (Boushey and Glynn 2012). In an extensive study of minimum wage impacts on employment flows, Dube, Lester and Reich (2016) found that a 10 percent increase in the minimum wage results in a 2.1 percent reduction in turnover for restaurant workers and a 2.0 percent reduction in turnover for teens. Dube, Naidu and Reich (2007) found an increase in the average tenure of workers in limited-service restaurants of three and a half months. Brochu and Green (2011) obtained similar results with Canadian data.

Three studies analyzed the impact of living wage laws on employee turnover. A study of the Los Angeles Living Wage Ordinance (Fairris 2005) found a 35 percent reduction in turnover in firms that increased wages as a result of the law, with an average increase of 23 percent. Reich, Hall and Jacobs (2005) found an overall decrease in turnover at the San Francisco International Airport of 60 percent for firms that were highly impacted by mandated pay increases. Turnover of airport screeners fell by 80 percent following a 55 percent wage increase, from $5.75 to $10 per hour. Howes (2005) found a 17 percent decrease in turnover following a 13 percent wage increase for homecare workers in San Francisco. Putting the living wage studies together, Jacobs and Graham-Squire (2010) estimate that for every 1 percent increase in wages in low-wage service positions, turnover declines by an average of 1.45 percent. The impact may be smaller for broad minimum wage laws where all employers in a market increase their wages at the same time and the wage difference between firms remains the same (Manning 2011).

Employers incur significant costs from employee turnover. This includes both direct costs for recruitment, selection, and training of workers and the indirect costs associated with lost sales, poor customer relations, and lost productivity as new workers learn on the job. The cost of worker replacement varies based on compensation, firm size, and skill level of the job. Hinkin and Tracey (2000) conducted a detailed study of non-managerial staff at four hotels, two in Boston and two in Chicago. Taking into account both direct and indirect costs, they estimated replacement costs ranging from $1,322 for room service wait staff and $2,077 for a line cook to $7,658 for an administrative assistant in sales and catering. A study of the cost of supermarket turnover by the Coca-Cola Research Council estimated the replacement cost for an $8 an hour non-union worker at $4,199 (Blake 2000). Boushey and Glynn (2012) find that the median cost of replacement for jobs paying $30,000 a year or less is 16.1 percent of an employee's annual salary. A statistical analysis of California businesses by Dube, Freeman and Reich (2010) obtained similar results. Jacobs and Graham-Squire (2010) estimate that 18 percent of the costs of a wage increase for school cafeteria workers would be offset by lower turnover costs.

Impacts on Firms' Operations and Productivity

A higher minimum wage may reduce costs through additional channels that improve firm performance. In a small case study of quick-service restaurants in Georgia and Alabama, Hirsch, Kaufman and Zelenska (2011) suggest how firms adjust to higher wage mandates. These authors analyzed detailed payroll data and also surveyed managers and employees about human resource practices. The authors found no negative effect from the minimum wage increase on employment or hours worked. Managers reported they could offset 23 percent of the labor cost increase through operational efficiencies. Ninety percent of the employers reported they had or would increase performance standards, including requiring better attendance, requiring more proficient and faster performance of job duties, having workers take on additional tasks, and more quickly terminating workers who were not performing. Managers reported economizing on non-labor inputs, including water, electricity, and food wastage.

Reich, Hall and Jacobs (2005) surveyed employers and employees at the San Francisco International Airport following the implementation of higher mandated compensation standards. Employers reported improvements in overall work performance (35%), employee morale (47%), absenteeism (29%), reductions in grievances (45%), reductions in disciplinary issues (44%), improvements in equipment maintenance (29%), reductions in equipment damage (24%), and improvements in customer service (45%). Employees reported that more skills were required of them (50%), that they were working harder on the job (44%), that they were experiencing greater stress on the job (43%), and that the pace of work had increased (37%).

Reduced employee turnover means that workers will have more tenure with the same employer, which creates incentives for both employers and workers to increase training and therefore worker productivity. A large scholarly literature makes this point, and it has been emphasized recently by firms such as Walmart, TJ Maxx, and Gap as principal reasons underlying their announced policies to increase their minimum wages nationally to $10.00. However, because of the lack of data on individual productivity, the literature does not provide a quantitative assessment of the importance of the effect on productivity.

Impact on Health Benefits and Pensions

If employers are required to increase their wages, they may compensate by reducing other benefits. For this reason, some of the local minimum wage laws count contributions towards health care towards meeting the minimum compensation requirement. Schmitt (2013) summarizes the empirical research, finding "small or no effects along these lines," either on the receipt of health insurance, on provision of family health insurance, or whether or not the employer paid the full premium. Dube, Naidu and Reich (2007) did not detect any decrease in the provision of health benefits in restaurants in San Francisco.[11] Belman and Wolfson's (2014) detailed survey of minimum wage research found that the evidence of impacts on benefits was "thin," and that any effect on health insurance provision was concentrated in smaller firms. They find no impact on employer-provided pensions, which

11 Their surveys were carried out sufficiently prior to San Francisco's proposal to establish an employer minimum health spending requirement to avoid any contamination of the results.

is not surprising given that this benefit is rare among low-wage workers. Since the provision of employment-based health benefits is closely correlated with wages, effects could be larger at higher minimum wage rates.

The Effects of Minimum Wage Laws on the Local Economy

A common question is whether raising the minimum wage might act as an economic stimulus and engine of job growth, as low-wage workers spend their increased earnings in local communities. As discussed above, higher wages are absorbed by employers through a variety of channels, including lower turnover and increases in price. Higher prices will in turn reduce consumer demand for goods and services. At the same time, low-wage workers and their families are likely to spend a significant portion of their increased earnings from a minimum wage increase (Johnson, Parker and Soueles 2004), which increases demand for goods and services.

Researchers at the Federal Reserve Bank of Chicago analyzed how a future federal minimum wage increase would affect aggregate household spending (Aaronson and French 2013). The authors calculate that a $1.75 increase in the federal minimum wage (from $7.25 to $9.00 an hour) would raise aggregate household spending by roughly $48 billion in the short term, increasing GDP by 0.3 percent. In a similar vein, the Economic Policy Institute recently estimated that the Harkin/Miller bill would result in an additional $35 billion in wages paid to affected workers by 2016. This projected rise in consumer spending would provide a net increase in GDP of $22.1 billion, creating roughly 85,000 new jobs (Cooper 2013).

For local laws, the size of the locality and the proportion of workers who live and spend their income in the locality are also important. Reich, Jacobs, Bernhardt and Perry (2015) modeled the interaction between higher prices and higher wages on consumer demand in a prospective minimum wage study for the city of Los Angeles. They found that, on balance, the reduction in consumer demand from higher prices was offset by the increased purchasing power of low-wage workers receiving the pay increase. However, since not everyone employed within the city also lives within the city, some of the increased demand is spread to surrounding areas. As a result, they found the law would lead to a small net reduction in consumer demand and employment within the city of Los Angeles and a small net positive increase in employment in the county as a whole.

Since low-wage workers tend to live in lower-income neighborhoods, businesses in those neighborhoods will disproportionately benefit from the increase in worker spending.

Border Effects

Will higher local minimum wages lead to firms relocating outside the city? Most economic activity in the United States is concentrated in urban areas, where wages are higher. Despite higher wages—and much higher real estate prices—firms want to locate in cities. They seek the advantages of being near other firms in their industry, the market for their products, and sources of raw materials, transshipment points, and labor. The firms that locate in urban areas thus already are paying a premium. Of course, at the periphery of urban areas real estate prices are lower, creating an advantage that gets balanced against the benefits of being closer to customers and to other firms.

Previous research suggests that business relocations are determined more by real estate prices and access to consumer markets than by differences in labor costs (Kolko and Neumark 2007). Wages are also likely to rise just outside of a higher minimum wage city as businesses there will want to hold onto their workforce.

Jekanowski et al. (2001) find that convenience and accessibility are the prime determinants of fast-food restaurant location decisions. The best recent evidence comes from Colbion et al. (2015), who examined sales and price data for 31 identical products from hundreds of retail stores in 50 metro areas. These authors document substantial store-based differences in prices for the same exact product, even within the same metro area. The persistence in price differences, even among nearby stores, indicates the presence of geographic frictions in consumer markets. In other words, small price differences did not lead consumers to switch to lower-price stores.

On the other hand, the same study also found that consumers switch to low-price outlets when local unemployment rates increase, in part because the cost of time for unemployed shoppers is much lower than for shoppers as a whole. This evidence thus also indicates that spatial price differences, although not decisive for shoppers, are not completely irrelevant either. Not surprisingly, much depends on the size of the price differences. A number of studies have focused on the implied travel costs for consumers in deciding where to shop. Gopinath et al. (2011) estimate that such costs might be about $1.70 per mile (round-trip) for retail. Thomadsen (2005) collected data on prices, locations, and attributes of every Burger King and McDonald's outlet in Santa Clara County and estimate a travel cost of $3 per (round-trip) mile. Implied travel costs of this magnitude make it unlikely that fast-food restaurants would want to move away from their own customer base.

The UC Berkeley IRLE Minimum Wage Model

In 2015, the UC Berkeley Institute for Research on Labor and Employment (IRLE) minimum wage group developed a structural model to study the prospective impacts of a $15 minimum wages in Los Angeles (Reich, et al 2015). Since then the model has been further developed to incorporate more of the direct and indirect effects of minimum wages on workers, businesses, and consumers, with more attention to possible automation and to the effects of higher wages on productivity growth.

Our structural model recognizes that higher minimum wages will affect labor supply and labor demand. Adjustments to labor supply include lower employee turnover and lower job vacancy rates. Adjustments to labor demand include possible substitutions of capital for labor and skilled labor for unskilled labor, greater worker productivity when wages rise, reductions in employment because higher prices reduce sales, and increases in employment because workers' spending out of their higher income will increase sales and employment. The net effect depends upon the magnitudes of the individual adjustments, again taking into account interactions among them.

The inspiration for the model derives from Marshall's Laws, a famous set of propositions about the labor market first developed by the great English economist Alfred Marshall in 1890.[12] These laws, which are featured in every labor economics textbook, examine how employer demand for workers

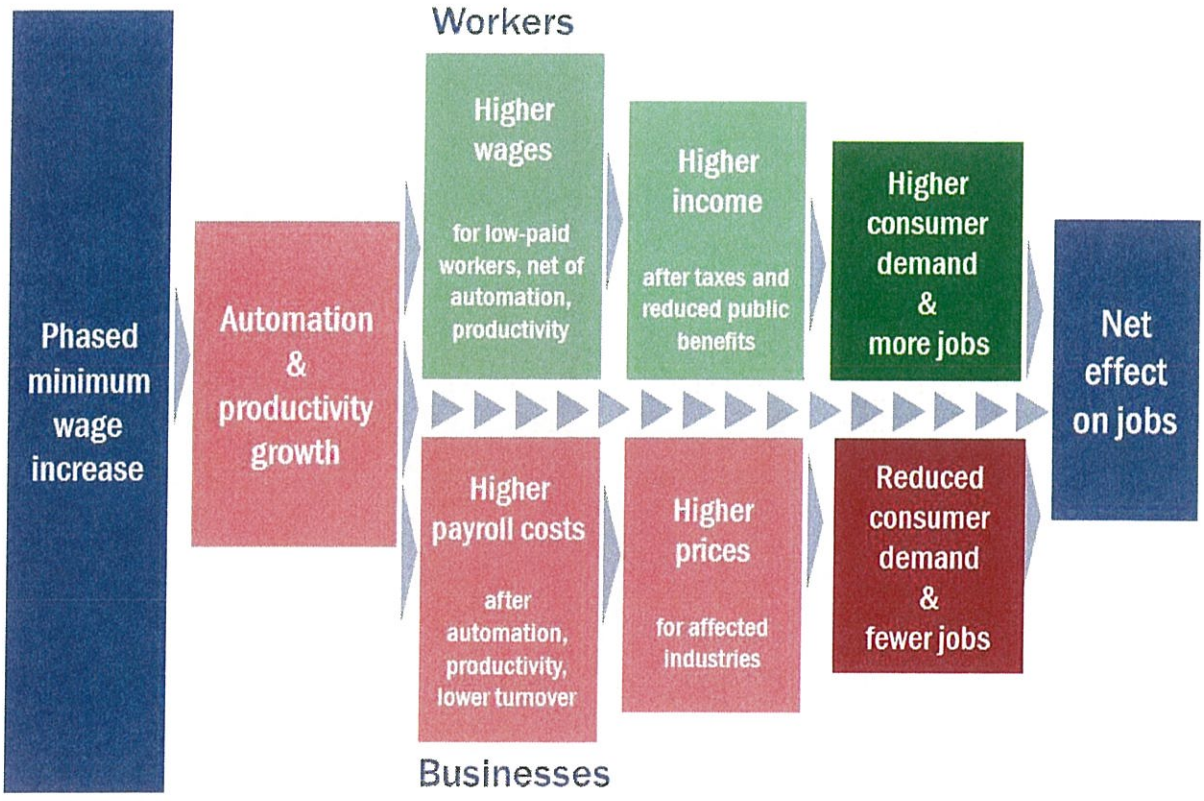
12 To recognize Hicks' 1932 formulation of these laws in mathematical form, they are also known today as the Hicks-Marshall laws of derived demand. See Cahuc et al. (2014), ch. 4.

will respond to an industry-wide wage increase. Marshall worked out the effects by examining "substitution" and "scale" effects in labor, capital, and goods markets. (For a formal version of this labor demand model, see Cahuc, Carcillo and Zylberg (2014), ch. 2). Since we are interested in the effects of an economy-wide minimum wage, we add an "income effect" to Marshall's Laws. This effect accounts for Keynesian-style effects on the level of economic output obtained when pay increases lead to increased consumer demand.

Model Structure

Figure 3 summarizes our model qualitatively in a flow diagram. The green boxes refer to the effects on workers and the red boxes refer to the effects on businesses. The automation and productivity box is placed first to highlight how businesses will respond to a minimum wage. Automation here refers only to capital-labor substitution that is induced by the minimum wage, not to the much larger degree of automation that has taken place for decades. Productivity growth can come from automation, from workers working harder or smarter when pay is high, and from workers having more experience, as when minimum wages reduce employee turnover.

Figure 1. UC Berkeley IRLE Minimum Wage Model



Source: UC Berkeley IRLE Minimum Wage Research Group.

Examine next the effects on workers, shown in the green boxes and move from left to right. The first green box refers to the higher wages received by lower-paid workers. The next green box accounts for the net effect of taxes and reduced receipt of public benefit programs on workers' income. Workers will pay more in taxes as their wages increase and eligibility for public benefits will decline. The third box refers to how workers' increased spending power out of their higher net income translates into higher consumer demand and more jobs. We will refer to this mechanism as the income effect of minimum wages.

Examine now the effects on businesses and again move from left to right. The higher minimum wage will increase businesses' payroll costs, but some of these higher costs will be offset because employee turnover will fall, generating savings in recruitment and retention costs. Firms may also find that higher-paid and more experienced workers will be more productive, which could also offset payroll cost increases. In other words, one effect of a higher minimum wage is to induce more efficient management practices.

Higher payroll costs (net of turnover and productivity savings) will lead firms to increase prices, leading to reduced consumer demand. We will refer to this adjustment mechanism as the scale effect, as it identifies reductions in the scale of output that will reduce the demand for workers.

As we have already mentioned, businesses may also respond to higher minimum wages by increasing their investment in equipment. This substitution effect (think automation) also reduces their demand for workers.

The income effect has a positive effect on employment, while the scale and substitution effects each have negative effects on employment. The sum of the income, scale, and substitution effects determines the net employment effect of the minimum wage, as shown in the blue box on the right side of Figure 3.

Figure 3 is useful for understanding the basic structure of our model. But it leaves out some important details. First, the effects on businesses and workers in the red and green boxes of the model occur simultaneously, not sequentially. The effects in reality are therefore captured only by examining the net effects on the economy and employment. These net effects are symbolized by the blue box at the right of the diagram. Second, Figure 3 omits some feedback loops that would make the figure unwieldy, but which are included in our estimates when applying the model.

Model Calibration and Dynamics

The net effect of minimum wages on employment equals the sum of the income, scale, and substitution effects. The income effect will always be positive, while the scale and substitution effects will always be negative. Whether the net effect is positive, zero, or negative therefore depends upon the relative magnitudes of its three components.

These relative magnitudes in turn depend upon the quantitative responses of workers and businesses to a minimum wage increase. We refer to the model's parameters as the inputs that determine these multiple quantitative responses. Some of these parameters, such as the propensity to substitute capital for labor, may not vary with the magnitude of the minimum wage increase. Other parameters,

such as turnover cost savings, are likely to vary with the size of the increase. As with any economic model, we calibrate our model using the best data and research findings available.

The model's parameters and dynamics must be consistent with two conditions. First, the model must be consistent with the very small effects that researchers find for the smaller pre-2015 increases in federal and state minimum wages. Second, although labor demand in low-wage labor markets may be much less responsive to wages than is commonly thought, labor demand is not completely unresponsive. The model must therefore be consistent with growing negative effects if minimum wages were to reach extremely high levels, such as at $25 or $40 per hour. The big unknown, of course, is: At what level do the effects become visibly negative and how quickly do they become more negative?

Reich (2016) shows that our calibrated model predicts extremely small effects for minimum wage increases of up to 25 percent, to a minimum wage of $10. At this minimum wage, the income, scale, and substitution effects are each very small. As the minimum wage reaches to higher levels, the (positive) income effect weakens since the propensity to consume of higher-paid workers is lower than that of lower paid workers. At the same time, the (negative) scale effect strengthens because turnover cost savings diminish and the price elasticity of consumer demand becomes higher for higher-priced goods.[13] Our model is thus consistent with growing negative employment effects at higher minimum wage levels.

We have tested our model's calibration by undertaking a series of robustness tests. The tests show that this net effect changes by small amounts when we vary the model's parameters (Reich 2016).

Conclusion

In 1994 David Card and Alan Krueger published a groundbreaking study that changed how economists view the minimum wage. Card and Krueger looked at employment in fast-food restaurants across the New Jersey and Pennsylvania border after New Jersey increased its state minimum wage. They found no measurable negative impact on employment. In the twentieth-anniversary edition of their book, Myth and Measurement, Card and Krueger (2015) summarize the minimum wage research since their 1994 study, finding that the bulk of the literature confirms their original findings. As we reviewed above, a large body of research has since built upon their methodology. As a result, we have learned a great deal about how employers respond to increases in the minimum wage.

First, minimum wage increases lead to net gains in worker earnings and have no negative effect on employment. Second, turnover levels in low-wage jobs are high as workers leave jobs looking for better wages or because they are unable to stay in their jobs due to poverty-related problems such as difficulties with transportation, child care, or health. As a result, rather than eliminating jobs, raising the minimum wages can reduce turnover and increase job stability. Third, firms can absorb higher labor costs through other means as well. They can pass on some of the increased costs to consumers through higher prices or earn lower profits. In short, firms use a combination of strategies to adjust to higher minimum wages without cutting jobs or hours (Schmitt 2013).

13 The capital-labor substitution elasticity is not likely to be higher or lower at higher minimum wage rates.

Nonetheless, it is important to emphasize again that the existing research literature is necessarily limited to the range of minimum wage increases that have been actually been implemented. While these studies are suggestive, they cannot tell us what might occur when minimum wages are increased significantly beyond past local, state, or federal mandates. In the most comprehensive assessment to date, Allegretto et al. (2018) examine the effects of recent minimum wage laws in Chicago, Oakland, San Francisco, San Jose, Seattle, and the District of Columbia, finding that benefits to low-wage workers of the higher minimum wage laws outweigh any costs.

Finally, raising the minimum wage is not a cure-all, especially in the face of larger forces generating inequality that require national attention. Still, our assessment of the research evidence is that these policies have worked as intended in raising the incomes of low-wage workers and their families.

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Estimated Impact of a Proposed Minimum Wage Law for the North Bay

» Report

Ian Perry, Garrett Strain and Ken Jacobs

October 17, 2018

North Bay Jobs with Justice, the North Bay Labor Council and other labor, environmental, and community organizations will propose a $15-an-hour citywide minimum wage by 2020 to the cities of Novato, Petaluma, Sonoma, Sebastopol, and Santa Rosa. This paper analyzes the prospective impact of that proposal in the four North Bay counties—Marin, Sonoma, Napa and Solano. The proposal would raise the minimum wage in these cities on a faster timetable than the state as a whole (see Table 1). Under the proposal, the minimum wage would be raised to $12.75 on July 1, 2019, and to $15.00 on July 1, 2020. In Section 1 of this report, we estimate the effects of the wage increase on workers and businesses, and place the proposal in context with other local minimum wage laws. In Section 2, we review the economic research literature on the effects of minimum wage increases on workers, employment, and business operations.

Table 1. Wage Schedule for the Proposed Minimum Wage Policy

Year	Nominal Dollars	Percentage Increase from Previous Year	Constant 2018 Dollars	Percentage Increase from Previous Year
2018	$10.50	—	$10.50	—
2019	$12.75	21.4	$12.53	19.3
2020	$15.00	17.6	$14.48	15.6

Source: Authors' analysis of OES data.

Note: Constant dollar values are calculated using the average annual change for the past ten years of the West Urban Regional Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

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Summary of proposed Citywide Minimum Wage Ordinance for Novato, Petaluma, Santa Rosa, Sebastopol, and Sonoma

Please note references to the language of specific provisions in minimum wage laws implemented by the cities of Emeryville (2015), San Mateo (2016) and Cupertino (2016).

1) Wage Rate: $15 an hour phased-in over two years

July 1, 2019 $12.50 an hour

July 1, 2020 $15.00 an hour

Note: the law would cover all employees performing at least 2 hours of work a week for an employer within the geographic boundaries of the city.

2) COLA: (based on the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area) will be automatically applied annually beginning July 1, 2021.

3) Possible extra year for phase-in for small employers with less than (10-25 TBD) employees.

July 1, 2019 $11.66 an hour

July 1, 2020 $13.32 an hour

July 1, 2021 $15.00 an hour

Note: California minimum wage phases in to $15 an hour by 2022 and for small employers (less than 25 employees), the phase-in reaches $15 an hour in 2023;

4) Exemptions and Qualifications:

Employees of governmental agencies including federal and state agencies and school districts are exempted but city employees are included.

Employees classified as 'Learners' (of any age) who have no previous similar or related experience in a given occupation may be paid less than the proscribed minimum period of their employment. "An employee who is a Learner as defined by the California Industrial Welfare Commission shall be paid no less than 85 percent of the applicable minimum wage for the first 160 days of employment. Thereafter the employee will be paid the applicable minimum wage rate" (San Mateo)

Employees who work from home in the city (at least 2 hours a week) for an employer located outside the city are covered.

ATTACHMENT #2

5) No Tip Credit:

"An employer may not deduct any amount from wages due an employee on account of any tip or gratuity, or credit the amount or any part thereof, of a tip or gratuity, against and as a part of the wages due the employee from the employer." (San Mateo)

6) Hospitality Service Charge:

"All separately-designated amounts charged and collected by an employer from customers that are for service provided by employees or are described in such a way that customers might reasonably believe that the amounts are for those services, shall not be retained by the employer, but shall be paid in their entirety to worker(s) performing services for the customers from whom service charges are to be collected." (Emeryville). Examples of such service charges include food and beverage delivery to a hotel room, catering at banquets or transporting luggage for a hotel guest.

7) Waiver By Collective Bargaining Agreement:

"All or any portion of the applicable requirements of this Chapter shall not apply to employees covered by a bona fide collective bargaining agreement to the extent that such requirements are expressly waived in the collective bargaining agreement in clear and unambiguous terms." (Cupertino). Unionized workers may decide to opt-out of the minimum wage law in order to bargain for enhanced benefits in exchange for an hourly cash wage below the new minimum wage.

8) Enforcement: Right of Private Action

"An employee claiming harm from a violation of this Chapter may bring action against the employer in court to enforce the provisions of this chapter and shall be entitled to all remedies available to correct any violation of this Chapter, including but not limited to back pay reinstatement, injunctive relief or any civil penalties as provided herein. An employee who is a prevailing party in an action to enforce this chapter is entitled to reasonable attorney fees, witness fees and costs." (San Mateo)

9) Other Enforcement Provisions:

Employees covered by the minimum wage law should be protected from retaliation by the employer if they file a complaint with the city about alleged violations and noncompliance. "It is unlawful for an employer or any other party to discriminate in any manner or take adverse action against any person in retaliation for exercising rights protected under this chapter." (Cupertino)

For employers not complying with the law, the city may assess fines and penalties including liquidated damages and revoking or suspending business licenses, permits, and registration certificates.

LEAGUE® OF CALIFORNIA CITIES

Local Minimum Wage Laws and the Challenge of Balancing Interests

Wednesday, May 4, 2016 Opening General Session; 1:00 – 3:00 p.m.

Sky Woodruff, City Attorney, El Cerrito and Larkspur, Special Counsel, South San Francisco

ATTACHMENT #4

Notes:

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LEAGUE OF CALIFORNIA CITIES
CITY ATTORNEYS' SPRING CONFERENCE 2016

Local Minimum Wage Laws and the Challenge of Balancing Interests

by

Sky Woodruff, Principal, Chair of the Public Finance Practice
Alex Mog, Associate, Municipal and Special District Law Practice

I. INTRODUCTION

Recently a movement to increase the minimum wage to $15 per hour has gained momentum in places across the country. With little chance of Congress raising the federal minimum wage in the immediate future, advocates of raising the minimum wage have instead focused on the enactment of state and local minimum wage laws. In California, where the minimum wage is currently $10 per hour, numerous cities have recently enacted or increased the local minimum wage rate, including Los Angeles, San Francisco, San Jose, Palo Alto, and El Cerrito. The State of California also recently enacted legislation that will increase the minimum wage statewide to $15 per hour over the span of a few years. The adoption of an increase in the state minimum wage will likely reduce the pressure on cities to adopt local minimum wage ordinances. However, individuals cities, especially in areas of the state with relatively higher costs of living or that want to accelerate increases more quickly, may nevertheless wish to adopt a local ordinance that establishes a minimum wage greater than what was established by the Legislature. This paper discusses some of the legal and policy issues to consider in drafting a local minimum wage ordinance.

II. AUTHORITY TO ENACT MINIMUM WAGE LAW

The Federal Fair Labor Standards Act of 1938 ("FLSA"), as amended from time to time, establishes a national minimum wage, which is currently $7.25 per hour. (29 U.S.C. § 206.) The FLSA expressly permits state and municipal governments to establish a minimum wage higher than the federal minimum wage. (29 U.S.C. § 218.) California has exercised this authority, and adopted a separate statewide minimum wage. (Labor Code § 1182.12.) Because the FLSA authorizes a city to establish its own minimum wage, whether or not a city can adopt its own minimum wage is dependent upon California law. Until recently, the vast majority of California cities adopting local minimum wage laws were charter cities. Some have wondered whether a general law city may enact a local minimum wage. It appears that general law and charter cities have the same authority to adopt local minimum wage ordinances. There is no express prohibition in state or federal law against general law cities establishing local minimum wage requirements.

The California Constitution gives both general law and charter cities the power to "make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws of the state." (Cal. Const., art. XI, § 7.) It is well established that regulation of the employment relationship is an exercise of police power. (*Metro. Life Ins. Co. v. Massachusetts* (1985) 471 U.S. 724, 756; *Salas v. Sierra Chem. Co.* (2014) 59 Cal. 4th 407, 423.) This includes the establishment of a minimum wage. (*Metro Life Ins. Co*, 471 U.S. at 756.) "The power to regulate wages and employment conditions lies clearly within a state's or a municipality's police power. States possess broad authority under their police powers to regulate the employment relationship to protect workers within the state. Child labor laws, minimum and other wage laws . . . are only a few examples." (*RUI One Corp. v. City of Berkeley* (9th Cir. 2004) 371 F.3d 1137, 1150 (internal citations omitted).)

State law does not preempt a city's use of its police power to establish a minimum wage. To the contrary, the Labor Code expressly provides that "[n]othing in this part shall be deemed to restrict the exercise of local police powers in a more stringent manner." (Labor Code § 1205(b).) Nothing in the Labor Code suggests that this authorization applies differently to charter cities and general law cities. The California minimum wage law is a matter of statewide concern, equally applicable to general law and charter cities. (*See State Bldg. & Const. Trades Council of Cal., AFL-CIO v. City of Vista* (2012) 54 Cal. 4th 547, 564.) However, the Legislature has authorized all cities to create more stringent minimum wage standards. Accordingly, there is no reason to believe that the Legislature intended to preempt a general law or charter city's use of its police power to establish a minimum wage.

III. TIMING OF INCREASES AND AFFECTED EMPLOYERS

A. Phase in Schedule

Among the issues that has resulted in the greatest variation in crafting a local minimum wage ordinance is the decision of what the minimum wage will be. There is currently a movement, both nationally and in California, for states and localities to adopt a $15 per hour minimum wage. Many localities are adopting local minimum wage ordinances that provide for the minimum wage to eventually reach that rate, and the State of California has adopted legislation to create a $15 minimum wage for all employees by January 1, 2023 and for employers with 26 or more employees by January 1, 2022. Others that have already adopted a local minimum wage have elected not to use the $15 per hour target. Those jurisdictions will now have work through issues arising from the state's schedule of increases potentially being higher than the local rates in some years and the final year. A city considering a local minimum wage ordinance is now precluded from considering rates lower than those in the new state law. In addition to the hourly rate, cities must still determine how quickly to raise the minimum wage to the desired amount. For example, a city might choose to increase the minimum hourly wage by $1 every year on January 1 until the wage is $15 per hour, rather than implement the entire increase at once. A city must also consider whether to coordinate the minimum wage increase with increases adopted by other jurisdictions. There are potential implementation benefits to different jurisdictions within the same geographic area adopting the same increase schedule, such as greater public awareness of the increases.

California's adoption of a new statewide minimum significantly alters many of the considerations of whether or not to adopt a local minimum wage ordinance. There are significant administrative costs and burdens in adopting and enforcing a local minimum wage ordinance, which must be considered relative to the benefits, particularly if an existing or proposed schedule of increases i differs only slightly from the state minimum wage. For example, if a local minimum wage is $0.25 more than the state minimum wage, the City would still bear the cost of enforcing the higher minimum wage, but perhaps without significant additional benefits to local low-wage workers. Cities might also want to consider the increased complexity employers could face if they have workers throughout California subject to slightly different minimum wage scales.

The minimum wage increase passed by the Legislature and signed into law by Governor Brown, increases the California minimum wage to $15 per hour for employers who employ 26 or more employees as of January 1, 2022.[1] For employers who employ 25 or fewer employees, the $15 per hour minimum wage will be effective on January 1, 2023. Beginning on January 1, 2024, the minimum wage will increase by an amount equal to the rate of inflation or 3.5%, whichever is less. Cities that believe the state minimum wage takes too long to reach $15 per hour may still wish to adopt a local minimum wage ordinance. For example, an ordinance that establishes a $15 an hour minimum wage for all employees by January 1, 2020, and thereafter increases by the amount of inflation, would provide higher wages more quickly to minimum wage employees than will be provided by the state minimum wage.

It is advisable when presenting options to a city council and in drafting local minimum wage ordinances to take into account existing and potentially new state law regulating the minimum wage as well as neighboring jurisdictions' regulations to assess potential administrative complications for the city, employers, and employees. Among the administrative complications worth considering are additional enforcement burdens potentially resulting from schedules or rules that conflict with state law or regulations in adjacent cities.

Finally, cities must consider whether the minimum wage should increase automatically every year after the final established wage rate is reached. Supporters of increasing the minimum wage note that the value of the minimum wage has fallen, in real terms, over time as a result of inflation. To rectify this problem, a city may decide to automatically increase the minimum wage annually by the same percent as the increase in the consumer price index. While automatic increases ensure that the minimum wage approximately keeps up with inflation, employers frequently object that such increases may result in financial hardship if their revenues do not increase enough to match steadily increasing labor costs. Options that have been identified to address that concern include capping the automatic increases at a maximum percentage and annual review by the city council to determine whether to allow an automatic increase to go into

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[1] The text of SB 3, signed by the Governor on April 4, 2016, is available at http://leginfo.ca.gov/pub/15-16/bill/sen/sb_0001-0050/sb_3_bill_20160404_chaptered.pdf

effect. Beginning in January, 2024 California's minimum wage automatically increases by an amount equal to the rate of inflation or 3.5%, whichever is less.

B. Small Business Exceptions

In adopting a local minimum wage ordinance there will likely be a concern that increasing the minimum wage will be a significant financial burden on local businesses. To address this potential problem, there may be a desire to adopt a separate minimum wage for small and large employers, due to a belief that large employers have a greater ability to absorb the costs of an increased minimum wage. For example, if an ordinance established a timeline for the minimum wage to reach $15 per hour in four years for large employers, the ordinance might establish a six year time period before small employers were required to pay their employees that same minimum wage.

It is well established that a city may enact economic regulations that treat various individuals or businesses in different manners. A statutory classification that does not differentiate between individuals or businesses on account of a suspect classification, such as race or gender, does not violate equal protection as long as "there is any reasonably conceivable state of facts that could provide a rational basis for the classification." (*F.C.C. Beach Comm'ns, Inc.* (1993) 508 U.S. 307, 313.) This is a low burden for a city to meet, and there are numerous conceivable rational bases for treating small and large employers differently under a minimum wage ordinance. (*See Int'l Franchise Ass'n, Inc. v. City of Seattle* (9th Cir. 2015) 803 F.3d 389, 407.)

Despite the clear legal authority to apply different minimum wage rates to small and large employers, there are many policy reasons a city council might nevertheless desire one uniform minimum wage. Most notably, an increased minimum wage is generally adopted for the benefit of low wage workers. A low wage worker is not less deserving of an increased wage simply because he or she works for a small employer. Depending on the economy of a particular city, treating small employers differently might result in the benefits of an increased minimum wage not reaching a large portion of the city's low wage workers. Furthermore, creating two different minimum wages levels is likely to substantially increase the administrative burden of implementing and enforcing a local minimum wage ordinance. However, it is important to note that California's new minimum wage law creates two separate wage rates for large and small employers, which might create an expectation of a similar distinction in local minimum wage ordinances.

IV. EXCEPTIONS AND SPECIAL CONSIDERATIONS

There are many considerations a city must address in adopting a local minimum wage ordinance. A city has broad discretion to design a unique ordinance, as long as it does not result in a worker being paid less than the state or federal minimum wage, or is otherwise in conflict with state or federal law. For example, a city must decide what workers, if any, will be exempt from the minimum wage requirement. A brief discussion of some of these special considerations is below.

A. State Formula

Cities may wish to exempt certain types of employees from the local minimum wage ordinance, or apply special rules to certain employees. However, developing these exceptions and rules might be difficult. Generally, cities have relatively little experience and expertise in regulating employment conditions in comparison to the state. When drafting a minimum wage ordinance, a city is unlikely to think of every possible employment situation that might justify a deviation from the standard minimum wage rate. In contrast, the state has developed a wide range of wage rules over a period of decades.

A simple way for a city to take advantage of the state's developed set of rules is to draft the minimum wage ordinance to require that whenever the Labor Code or Department of Industrial Relations regulations require an employee to be paid using a formula based off of the state minimum wage, the same formula shall apply to workers within the city, except that the local minimum wage rate shall be used. For example, the Labor Code includes a learners exception that allows an employee with no previous or related experience in the occupation to be paid 85% of the minimum wage during the employee's first 160 hours of employment. (Labor Code § 1192; Industrial Welfare Commission Order 4-2001, §4(A).) If a city does not provide any exceptions to its minimum wage ordinance, employers in the city would be required to pay "learners" the entire local minimum wage. In contrast, adopting state wage formulas, but substituting the local minimum wage rate, would allow employers to pay "learners" 85% of the local minimum wage. Adopting state wage formulas, but requiring the local minimum wage to be used, allows a city to take advantage of the state's existing set of detailed regulations, while also ensuring the local minimum wage applies to the maximum extent possible.

B. Collective Bargaining Agreements

State and federal law both prohibit a collective bargaining agreement from establishing a wage rate below the respective state and federal minimum wage. (29 CFR § 541.4; Civil Code § 1668, 3513.) However, nothing prevents a city from exempting employees subject to a collective bargaining agreement from the city's minimum wage requirement, as long as such agreement still complies with all federal and state labor laws. A city may decide that exempting collective bargaining agreements is beneficial for workers because it allows employees to bargain on all elements of compensation, rather than simply subjecting these workers to a uniform minimum wage rate. For example, workers might decide that it is beneficial to agree to wage rates below the local minimum wage in exchange for greater health care benefits. Generally, a collective bargaining agreement may only waive statutory rights if it is "clear and unmistakable" that such a waiver was the intent of the agreement. (*Metro. Edison Co. v. N.L.R.B.* (1983) 460 U.S. 693, 708.) If a city wants to exempt collective bargaining agreements from the local minimum wage ordinance, the city may consider incorporating standards for agreements to follow in order to be exempt from the local minimum wage. Such a requirement would help ensure that employees are aware of the rights they are agreeing to waive.

C. Treatment of tips and commissions

Local ordinances should also address the treatment of an employee's tips and commissions. California law prohibits an employer from counting the tips received by an employee toward the payment of the California minimum wage. (Labor Code § 351.) In contrast, an employer is generally allowed to count commission payments toward the payment of minimum wage. (Labor Code § 200.) The reason for this distinction is straight forward - a tip is a voluntary payment made by a customer directly to an employee, whereas a commission is a portion of the proceeds of a sale shared with an employee by an employer.

Allowing tips to be counted toward the payment of minimum wage would decrease the impact of a minimum wage increase on some employers, perhaps increasing support for the ordinance. However, it would also necessarily decrease the benefit of a local minimum wage increase to tipped workers. Restaurants and other businesses with a high percentage of tipped workers are often among the businesses that are most vocal about the economic effects of a local minimum wage increase. Early and meaningful discussions with representatives of that sector—both employers and employees—can help a city understands the interests to be balanced in crafting a local policy about how to treat tips as part of a minimum wage ordinance. Similar consideration exists regarding the treatment of commission income.

D. Service Charges

Many advocates of adopting local minimum wage rates also support mandatory disbursement of hospitality service charges to employees. Examples of hospitality service charges include delivery fees and room service charges at a hotel. Additionally, a small number of restaurants have eliminated tips and implemented a flat service charge. The rationale behind requiring the distribution of service charges to employees is to ensure that the employee performing the service task receives the charge for that task. Furthermore, customers may consider these types of hospitability service charges to be in-lieu of a tip, and therefore leave a smaller tip or no tip at all. This results in a loss of tip income for employees, but with the hospitability service charge revenue actually going to the employer. Requiring employees to receive the revenue from any hospitability service charges ensures that the employee performing the service receives the fee for that service.

There are many issues to consider in adopting a requirement that hospitality service charges be given to employees. There may be reasons to exclude certain charges, and a city must decide what type of service charges to include within the requirement. For example, a delivery charge might be excluded because that charge is necessary for an employer to offset the costs of maintaining a delivery vehicle. Similarly, cities must decide what employees will share the service charge revenue. Does that revenue only go to the employee performing the actual task (like a delivery), or to other non-management employees who perform other related tasks (like making the pizza). Restaurants that have eliminated tips and implemented service charges say that the charge allows them to ensure that "back of the house employees" (like cooks and bussers)

receive a share of the charge.[2] Furthermore, cities must consider the implementation challenges of adopting this type of requirement. It is far more difficult for a city to enforce this type of requirement than it is to enforce a minimum wage ordinance. Generally, an employee does not have knowledge of how much hospitality service charge revenue an employer collected, and therefore the employee, and city, have no easy way to determine if the employee is getting his or her legally required share.

V. ENFORCEMENT

Cities that adopt a local minimum wage ordinance must also consider how to enforce the ordinance. An individual who is paid less than the state minimum wage can currently report that violation of the Labor Code to the Department of Industrial Relations using a well-established procedure, and the Department of Industrial Relations has extensive experience investigating such reports. In contrast, cities generally do not have existing personnel or infrastructure in place to take on a new enforcement obligation. Even if a city has staff that can take on enforcement, they are unlikely to have experience with wage issues or auditing business financial records to determine whether the legally required amount has been paid to an employee. A city must decide how much resources and staff time to dedicate to enforcing a local minimum wage law. Some cities may decide it makes more sense, practically and financially, to hire a consultant or organization with more expertise in this area to assist in the investigation and enforcement of possible violations. Below is a brief discussion of some possible enforcement tools cities may utilize.

A. Linking Compliance to Business License

One tool for enforcement of a minimum wage ordinance is to incorporate compliance into the city's business license regulations. An employer could be required to certify that it complies with the requirements of the minimum wage ordinance whenever it applies for a license renewal. Additionally, failure to pay all employees the local minimum wage could be grounds for revocation of a business license. The threat of losing a business license may be a more effective enforcement tool than fines or other forms of punishment. Although business license revocation or non-renewal provides a powerful remedy, a city would still have to be prepared to conduct investigations of non-compliance complaints.

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[2] Tips are the property of the employee, and the Fair Labor Standards Act of 1938 and United States Department of Labor regulations significantly restrict the ability of employers to require tips to be pooled and shared with employees who are not "customarily and regularly" tipped. (29 U.S.C. § 203(m); 76 Fed. Reg. 11,832, 18,841-42 (April 5, 2011); see also *Oregon Rest. & Lodging Ass'n v. Perez*, ___ F.3d ____No. 13-35765, 2016 WL 706678 (9th Cir. Feb. 23, 2016).) These restrictions do not appear to apply to hospitality charges, which are the property of the employer. Accordingly, a City can mandate that hospitality charges be shared by tipped and non-tipped employees.

Additionally, if a city's business license ordinance explicitly states that it is adopted only for revenue generating purposes, a city may want to amend the ordinance before using it as a tool to regulate and enforce a minimum wage ordinance.

B. Enforcement Tools

1. Code enforcement

A city may include within its minimum wage ordinances authority to utilize the full range of traditional enforcement tool provided to cities, such as imposing administrative citations and pursing civil enforcement. In developing the range of enforcement tools available, it is important to remember the relatively unique nature of a minimum wage violation. Unlike most municipal code violations, violation of the minimum wage ordinance directly and personally impacts a single individual, the employee. The purpose of enforcement must be to ensure that employees receive the compensation to which they are entitled. Accordingly, cities may consider approaching minimum wage violations differently from other violations. For example, giving staff broad discretion to waive or reduce fines enables staff to use the promise of a reduction as a tool to ensure employers make employees whole as quickly as possible.

2. Private right of action

Another option is including within the ordinance a private right of action for employees, which would help ensure employees receive the full protection of the ordinance. Cities do not always have the resources or expertise to uncover every violation, and a private right of action allows any individual harmed by a violation of the minimum wage ordinance to pursue the compensation he or she is entitled too. Individuals being paid the minimum wage also often lack resources to initiate legal action to recover unpaid wages, but nonprofit organizations exist in many communities that can assist employees who believe that they may not be receiving legally required compensation. Although a court would likely find that a minimum wage ordinance contains an implied cause of action, including an explicit private right of action within the ordinance telegraphs to employees that they have the ability to sue to enforce their compensation rights.

C. Pooling Investigation and Enforcement with Other Local Government Agencies

Neighboring cities may also want to consider pooling resources to investigate and enforce their local minimum wage ordinances. A small city may not have the resources, or the need, to dedicate significant staff time to enforcement. If cities work together they can share expertise and expenses, such as sharing the cost of a full time consultant to investigate possible violations. The formality of the relationship between cities can differ depending on the manner and scope of the cooperation. However, formal cooperation and pooling of resources likely only makes sense if the cities have adopted similar minimum wage ordinances. This is another reason why cities may want to consider or replicate the ordinances other nearby jurisdictions have adopted when drafting their own ordinance.

VI. SICK DAYS

Cities may also wish to adopt minimum sick leave benefits at the same time that they adopt a local minimum wage ordinance. Advocates of such minimum benefits argue that the lack of sick leave can have significant financial consequences for low-wage workers if they are forced to take time off due to sickness or to care for a family member. Advocates also point to the public policy benefits of sick leave, such as a reduction in the spread of illness because sick employees have the ability to stay home.

The California Health Workplaces, Health Families Act of 2014 implemented statewide sick leave requirements effective July 1, 2015. (Labor Code § 245 *et seq.*) The Act requires employers to provide eligible employees with one hour of sick leave for every 30 hours worked. Employers may limit the use of sick leave to 24 hour or three days paid sick leave per year, and may limit the total accrual of sick leave to 48 hours or 6 days. Additionally, sick leave advocates are currently gathering signatures to place an initiative on the November 2016 ballot that that would amend the Act to provide increased sick leave benefits, such as raising the minimum permitted usage cap to 48 hours or 6 days per year.[3] Since the state law has been in effect for less than a year, and may change again soon, cities may wish to wait before implementing their own minimum sick leave requirements to better understand some of the challenges of implementing a minimum sick leave requirement and in order to better identify what deviations from the state law would be beneficial for a city to adopt. On the other hand, advocates have suggested that the new sick leave requirement is as inadequate as the current minimum wage, so there is just as much reason to enhance the benefit at the local level as there is to increase the minimum wage.

VI. CONCLUSION

A movement to increase the minimum wage to $15 per hour has gained momentum in places across the country, and the California Legislature recently adopted legislation to eventually increase the minimum wage to $15 statewide. Prior to the adoption of an increase in the California minimum wage, many cities adopted or were considering adopting local minimum wage ordinances. The Legislature's recent action may decrease some cities desire to adopt local ordinances, but other cities may nevertheless move forward with adopting and implementing a local minimum wage. In drafting a local minimum wage ordinance cities must decide on a schedule for increasing that wage, whether to make the minimum wage applicable to all employers regardless of size, and whether to create any exceptions to the ordinance, among other considerations. Additionally, cities must evaluate whether the minimum wage ordinance is an appropriate method for adopting local sick leave requirements or a requirement to distribute mandatory service charges to staff. Given the adoption of a new statewide minimum wage, cities must also weigh whether the benefits of a new local minimum wage ordinance justify the significant administrative costs and burdens of adopting and enforcing a local minimum wage ordinance.

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[3] The text of the proposed ballot measure is available at http://www.oag.ca.gov/system/files/initiatives/pdfs/15-0105%20%28Minimum%20Wage%29_0.pdf

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Santa Rosa Press Democrat
December 31, 2017

What Is A Living Wage for Sonoma County?

by Martin J. Bennett

Last year, California became the first state to approve a $15-an-hour minimum wage. This minimum wage phases in over seven years: on January 1st of 2018, it will rise to $11.00 an hour for large employers and $10.50 an hour for businesses with 25 or fewer employees.

In addition, nearly two-dozen California cities have approved $15 an hour minimum wage laws that phase-in more quickly—San Francisco by 2018, San Jose by 2019, and Los Angeles by 2020.

Today the minimum wage is not a living or self-sufficiency wage, and the difference between the two is often misunderstood. California first enacted a minimum wage in 1916, along with 9 other states, and the federal government did so in 1938. The purpose of minimum wage laws was to create a wage floor that provides an adequate standard of living for all workers.

In 1933, President Franklin Roosevelt declared: "No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By living wages I mean more than a bare subsistence level—I mean the wages of decent living."

But neither the state nor federal minimum wage included an annual cost-of-living adjustment nor accounted for regional cost differences. Increasing the minimum wage requires legislative action—hence the purchasing power of the minimum has incrementally eroded. For the first time, the California legislature has mandated that after full phase-in (by 2023), the minimum wage will be raised annually based upon inflation.

Coastal California cities have enacted $15 citywide minimums that phase in faster, to address the disparity in housing and other costs compared to the Central Valley and northern counties.

ATTACHMENT #5

A new California Budget and Policy Project report calculates a living wage and family self-sufficiency budgets, based on the actual costs of living for each county including food, housing, childcare, healthcare, transportation, taxes, and miscellaneous expenses.

A self-sufficiency family budget gives a family an income adequate to meet all basic needs. An expense such as food should not be sacrificed to afford another, such as housing. Self-sufficiency also means that a family is not reliant on any public assistance programs such as Food Stamps, Section 8 rental housing assistance, Medi-Cal, or federally subsidized Covered California.

In Sonoma County, according to the California Budget and Policy Project report, two parents working full-time (at least 35 hours a week) must each earn $23 an hour, requiring an annual income of $81,353 to support two children. The report calculates self-sufficiency costs for various family sizes—but $23 an hour is the appropriate living wage level as two-thirds of working poor families in the county include two parents and two children.

If this living wage level is surprising, consider the following:

+The United States Housing and Urban Development Department (HUD), which annually calculates the Fair Market Rent (including utilities) for a given region, allows $1572 per month for a two-bedroom apartment in Santa Rosa. HUD guidelines require one bedroom for every two occupants.

+The regional market-rate for child care is $1,333 per month based upon the California Department of Education estimates for less costly, in-home, licensed child care. It assumes that a family of four includes one child under six who requires full-time care and a second, older child who needs after-school care.

+The cost of medical insurance provided by private employers including co-pays, deductibles, and premiums is $589 per month based upon U.S. Health and Human Services estimates for a two parent, two-child family.

+Transportation costs, including gas, insurance, and repairs for a private vehicle is $454 a month according to the U.S. Bureau of Labor Statistics.

The majority of workers in Sonoma County drive to work alone, and the cost of gasoline can dramatically impact the family budget.

+Food costs derived from the U.S. Department of Agriculture Low-Cost Food Plan are $773 per month for a diet that provides only basic nutritional requirements and assumes that all food is prepared at home.

+Miscellaneous costs are $787 per month for clothing, personal care, housekeeping, phone, and basic Internet services.

The California Budget and Policy Project self-sufficiency standards do not include the "extras" that many would consider necessities, such as dental coverage, life insurance, and savings for retirement and education. Moreover, its report was based upon pre-Tubbs fire data and does not incorporate the 36 percent increase of median rents since the fire.

Consequently, the living wage of $23 an hour is a conservative estimate but should establish a benchmark that enables the community to engage in an ongoing discussion about how much is enough to make ends meet.

Martin J. Bennett is Instructor Emeritus of History at Santa Rosa Junior College and Co-Chair, North Bay Jobs with Justice

Is a $15 Minimum Wage Economically Feasible?

BY JEANNETTE WICKS-LIM

Campaigns like 15Now and Fight for $15 are bucking convention and demanding minimum-wage hikes far larger than what has been past practice. Take, for example, the Fair Minimum Wage Act of 2007—one of the larger sets of increases in the federal minimum. This Act raised the federal wage floor by 40% in three steps: from $5.15 to $5.85 in 2007, $5.85 to $6.55 in 2008, and $6.55 to today's minimum of $7.25 in 2009. A $15 minimum wage, on the other hand, represents a more-than-100% increase in the federal minimum. The result? The fight for $15 has decisively changed the terms of today's minimum-wage debate.

The ball got rolling in 2013 with the breakthrough $15 minimum ordinance in SeaTac, a suburb of Seattle, Wash. Since then, some of the country's largest cities, including Los Angeles, San Francisco, and Seattle, have followed suit, passing their own citywide $15 minimums. In June 2015, Massachusetts passed a statewide measure covering Medicaid-funded homecare aides. Later in the fall, New York State passed a $15 minimum wage law for fast-food workers. This sea change seems to have occurred over just the past couple of years, dramatically pivoting away from President Obama's soft pitches to raise the federal minimum to $9.00 in 2013 and, more recently, to $10.10 in 2015.

These developments are certainly a remarkable political turnaround, but are these wage hikes economically feasible?

The immediate pushback against these campaigns has questioned whether it's feasible to expect businesses to adjust to a minimum-wage hike of this size without generating major negative unintended consequences. This opposition to a $15 minimum comes not only from expected corners—e.g., self-interested restaurant-industry lobbyists from the National Restaurant Association—but also from many economists. The most widely discussed of the possible unintended consequence is the large-scale loss of jobs. Such an outcome would counteract the primary *intended* consequence of a $15 minimum wage—to improve the living standards of low-wage workers and their families.

The rationale is that, if you raise the price of anything, the quantity demanded of that thing will fall. This is how people usually interpret the basic economic principle known as the "law of demand." That raises a serious concern that raising the wages of low-wage workers will cause their employers to cut back on staff, leaving the workers worse off—either unemployed or working fewer shifts.

Fast-food restaurants could adjust to a $15 minimum wage without laying off workers and without shrinking the industry's profit margin.

The current state of research on this employment question, however, finds that minimum-wage increases do not produce significant job losses. This then raises an important policy question: Why *haven't* there been significant job losses when minimum wages have increased?

First, the basic law of demand actually says something quite different and more specific than just "if the price of something goes up, the quantity demanded of that thing goes down." It actually says that if the price of something goes up—*and nothing else changes*—the quantity demanded of that something goes down. In the real world, however, other things are changing all the time. Moreover, raising the minimum wage itself causes businesses to change how they operate (more on this below). As a result, the minimum wage's actual impact on jobs depends on what other factors are changing at the same time.

Here's a specific, relevant example: Seattle's 2013 ordinance calls for a series of progressive increases in its minimum wage, up to $15 by 2021 for most businesses. At the same time that the city adopted this new policy, the local economy had been growing (and continues to grow) at a healthy clip. This helps explain why, according to the *Puget Sound Business Journal*, "six months after the first wage increase to $11 per hour took effect, the fear of soaring payrolls shows no signs of killing the appetite of ... the Seattle restaurant world—for rapid expansion." The title of the article sums it up: "Apocalypse Not: $15 and the Cuts that Never Came." Employment growth in Seattle's restaurant industry has not slowed.

The main point is that if no significant job losses result from minimum wages, then it must be the case that employers find other ways to adjust to their higher labor costs. And, in fact, past research has found that businesses often cover the costs of these higher wages by raising prices, re-directing some of their normal revenue growth into raises for their lowest paid workers, and finding savings from lower worker turnover, as higher wages strengthen workers' commitment to their jobs. A minimum-wage hike, in other words, causes both employers and workers to act differently from how they would act in the absence of a minimum wage hike. Employers adopt new strategies to increase revenue to support higher wages, and the stronger loyalty of better-paid employees frees up revenue that would have been spent on

ATTACHMENT #6

recruiting, hiring, and training new workers. Put another way, the "all else equal" clause simply does not hold in the real world. It's important to note, too, that there are *disadvantages* for employers if they cut their workforce—a smaller staff can make it hard for a business to maintain or improve its existing level of operation and also to retain or expand its customer base.

Even though past minimum-wage hikes have been more modest than the $15 minimum of today's political campaigns, we can use the existing body of research to develop a well-informed view of whether it's feasible for businesses to adjust to a $15 minimum wage without shedding jobs. This is exactly what my colleague Robert Pollin and I explored in our research earlier this year—we examined the question of whether the national economy could adjust to $15 minimum wage while avoiding any major negative unintended consequences.

Our analysis focuses specifically on the situation of the fast-food industry—the industry expected to require the largest adjustments. According to the U.S. Department of Labor, the two occupations that make up more than 62% of the jobs in the fast-food industry—fast-food cooks and combined food prep and serving workers—are the lowest paid occupations. Half of cooks earned less than $8.87 and half of combined food-prep and serving workers earned less than $8.85 in 2014. If fast-food firms can adjust to a $15 minimum without any major negative unintended consequences, other less-affected industries should be able to adopt a $15 minimum more easily.

In our study, we provide a detailed analysis of the labor-cost increase the fast-food industry would face as a result of a $15 minimum wage, taking as our starting point the situation as of 2013. We then use existing empirical research to make reasonable assumptions about the variety of ways firms could absorb these cost increases without shedding jobs.

We estimate that a $15 minimum, phased in over four years, would raise the overall business costs of the average fast-food restaurant by about 3.4% per year. About half of this cost increase could be covered through raising prices by 3% per year and assuming that quantity demanded will fall by about 1.5% due to the higher prices. This would mean, for example, that the average McDonald's outlet could cover about half of its total cost increase by raising the price of a Big Mac by $0.15 per year for four years—for example, from $4.80 to an eventual $5.40.

Jobs with a high level of routine manual work are unlikely to be replaced by technology in response to minimum wage hikes.

The fall in demand due to these price increases, however, is small enough that it can be more than offset by the rise in demand for fast food furnished by a healthy, expanding economy. Consumers tend to consume more fast food as their income grows. Over the past 15 years, industry sales have been growing at a slightly faster pace than the overall economy, or about 2.5% per year. As a result, even with the price increases, the fast-food industry should grow and add jobs, just at a somewhat slower pace. But note: this slower job growth is less concerning than one initially may think. Workers' gains in earnings per hour as a result of a $15 minimum wage—averaging 60% across the fast-food workforce—far outstrip the loss in earnings due to 1.5% fewer fast-food work hours added to the economy.

The remaining half of the cost increase could then be covered through cost savings due to lower turnover and by channeling more of the fast-food revenue growth generated by the growing U.S. economy toward payroll. We also found that, after these adjustments are made—increased prices, reduced worker turnover, and a more equitable distribution of the gains from growth—businesses will not have to cut into their profit rate at all. In other words, fast-food restaurants could adjust to a $15 minimum wage without laying off workers and without shrinking the industry's profit margin—the least desirable option from the perspective of employers.

There is one other possible outcome to consider: Will employers try to avoid higher labor costs, over the longer term, by replacing some workers with machines? So far, the empirical evidence of such capital-labor substitution suggests no. Preliminary research by Chicago Federal Reserve economist Daniel Aaronson and his colleague Brian Phelan indicates that jobs with a high level of routine manual work—the lion's share of low-wage positions in the fast-food industry—are unlikely to be replaced by technology in response to minimum wage hikes. This indicates that fast-food employers will tend to look first to other ways to adjust to a $15 minimum wage, before replacing their workers with robots. Since there *are* other ways for fast-food firms to adjust to a $15 minimum wage—as described above—it seems unlikely that employers would seek technological substitutes for their workers.

Businesses should, in other words, be able to adjust to a $15 minimum wage without having to shed jobs, as long as it is implemented at a reasonable pace. Such a policy, therefore, should provide major benefits for the lowest-paid workers in the United States. D&S

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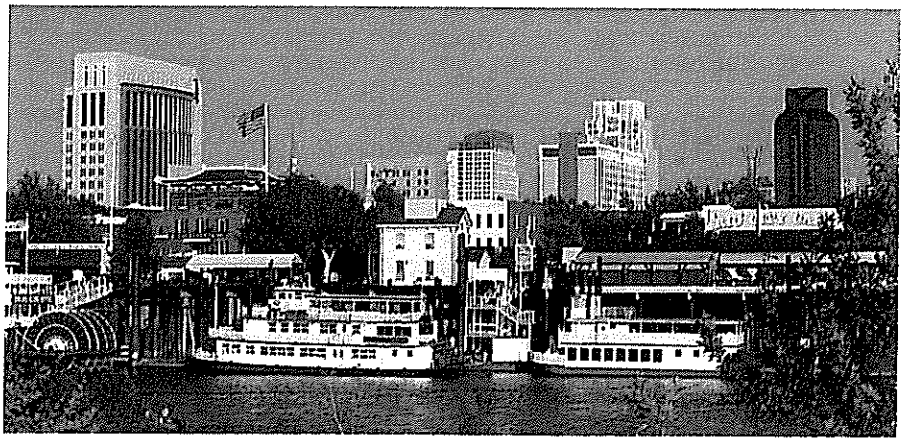
SOURCES: Robert Pollin and Jeannette Wicks-Lim, "A $15 U.S. Minimum Wage: How the Fast Food Industry Could Adjust Without Shedding Jobs," Political Economy Research Institute, Working Paper #373 (2015).

Estimated Impact of a Proposed Minimum Wage Law for Sacramento



» Research Brief

Michael Reich, Annette Bernhardt, Ian Perry and Ken Jacobs

August 5, 2015

CWED A REPORT FROM THE CENTER ON WAGE AND EMPLOYMENT DYNAMICS

Summary Press Coverage

Summary

The Raise the Wage Sacramento Coalition has put forth a proposal to establish a $13.50 per hour minimum wage by 2019 in the city of Sacramento (see Table 1). The minimum wage would be raised to $11.50 on January 1, 2017; to $12.50 on January 1, 2018; and to $13.50 on January 1, 2019. In Section 1 of this report, we estimate the effects of the proposal on Sacramento workers and businesses, and place the proposal in context with other local minimum wage laws. In Section 2, we review the economic research literature on the effects of minimum wage increases on workers, employment, and business operations.

Table 1. Wage Schedule for the Proposed Minimum Wage Policy

Year	Nominal Dollars	Percentage Increase from Previous Year	Constant 2014 Dollars	Percentage Increase from Previous Year
2015 (actual)	$9.00		$8.80	
2016 (state law)	$10.00	11.1	$9.57	8.7
2017	$11.50	15.0	$10.76	12.5
2018	$12.50	8.7	$11.44	6.3
2019	$13.50	8.0	$12.09	5.6

Note: Constant dollar values are calculated using the average annual change for the past ten years of the West Urban Regional Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

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POLICY BRIEF
August 2015

Institute for Research on Labor and Employment
University of California, Berkeley

Estimated Impact of a Proposed Minimum Wage Law for Sacramento

by Michael Reich, Annette Bernhardt, Ian Perry and Ken Jacobs

Michael Reich is a professor of economics at UC Berkeley and co-chair of the UC Berkeley Center on Wage and Employment Dynamics. Annette Bernhardt is a visiting professor of sociology at UC Berkeley and a senior researcher at the UC Berkeley Institute for Research on Labor and Employment. Ian Perry is a researcher at the UC Berkeley Center for Labor Research and Education. Ken Jacobs is chair of the UC Berkeley Center for Labor Research and Education.

ATTACHMENT #7

TABLE OF CONTENTS

OVERVIEW 3

SECTION 1: IMPACT ESTIMATES 3

1. Background on Sacramento's economy 3
2. Data and methods 4
3. Impact estimates 5

SECTION 2: REVIEW OF ECONOMIC RESEARCH LITERATURE 11

1. Introduction 11
2. The effects of minimum wage laws on workers and families 11
3. The effects of minimum wage laws on businesses 15
4. The effects of minimum wage laws on the local economy 24
5. Conclusion 26

REFERENCES 27

OVERVIEW

The Raise the Wage Sacramento Coalition has put forth a proposal to establish a $13.50 per hour minimum wage by 2019 in the city of Sacramento (see Table 1). The minimum wage would be raised to $11.50 on January 1, 2017; to $12.50 on January 1, 2018; and to $13.50 on January 1, 2019. In Section 1 of this report, we estimate the effects of the proposal on Sacramento workers and businesses, and place the proposal in context with other local minimum wage laws. In Section 2, we review the economic research literature on the effects of minimum wage increases on workers, employment, and business operations.

Table 1. Wage Schedule for the Proposed Minimum Wage Policy

Year	Nominal Dollars	Percentage Increase from Previous Year	Constant 2014 Dollars	Percentage Increase from Previous Year
2015 (actual)	$9.00		$8.80	
2016 (state law)	$10.00	11.1	$9.57	8.7
2017	$11.50	15.0	$10.76	12.5
2018	$12.50	8.7	$11.44	6.3
2019	$13.50	8.0	$12.09	5.6

Note: Constant dollar values are calculated using the average annual change for the past ten years of the West Urban Regional Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

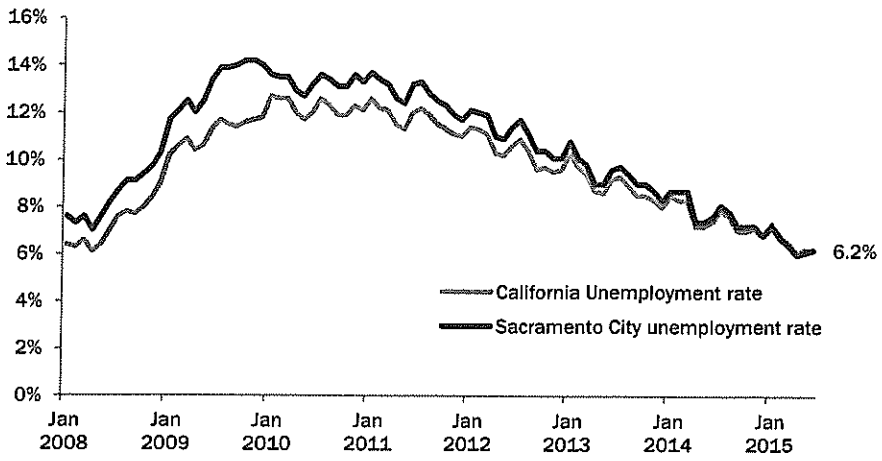
SECTION 1: IMPACT ESTIMATES

1. Background on Sacramento's economy

The unemployment rate in Sacramento has been falling faster than for the state as a whole, and as of June 2015 the unemployment rate in Sacramento (6.2 percent) is the same as California's (see Figure 1, page 4).

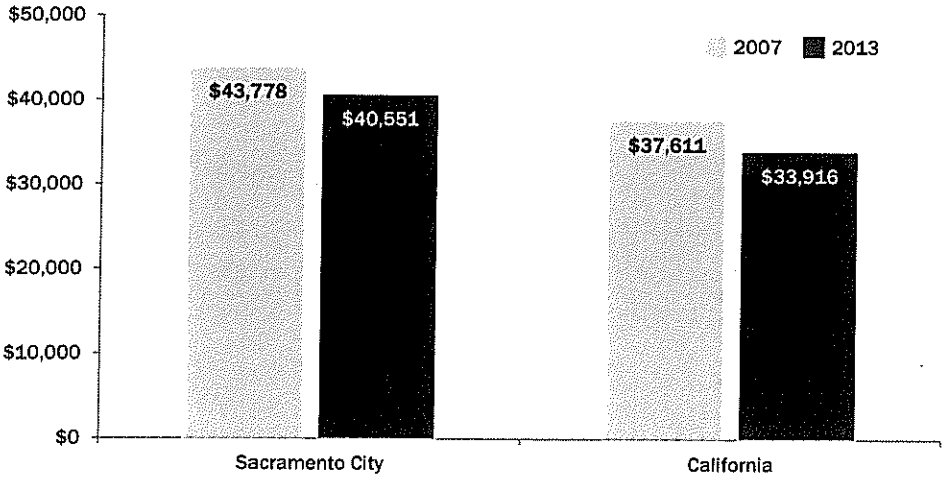
Inflation-adjusted median annual earnings have fallen by 7.4 percent for workers in the city of Sacramento since 2007 (see Figure 2, page 4). This is somewhat lower than the decline in the overall California workforce (9.8 percent).

Figure 1. Unemployment Rates, 2008-2015



Source: California Employment Development Department, Labor Market Information. Data are not seasonally adjusted.

Figure 2. Median Annual Earnings by Place of Work (2013 Dollars), 2007-2013



Source: U.S. Census Bureau, American Community Survey, Table B08521, 2007 & 2013 1-Year Estimates.

2. Data and methods

In the tables below we present estimates of the number of workers affected by the proposed law, the size of the wage gains for affected workers, and the demographic and job characteristics of affected workers. Our estimation method accounts for projected wage growth at the bottom of the wage distribution, interim increases in the state minimum wage, and projected employment growth. We use the 2012-2013 American Community Survey (ACS) to estimate the wage distribution and characteristics of covered individuals working in the city of Sacramento (the proposed minimum wage policy will not cover self-employed, state and federal workers). Because the ACS does not allow us to identify individuals who work in the city

itself, we extrapolate from data for Sacramento County, adjusted to approximate the city's industry mix and overall employment count (the city's employment represents 47.6 percent of county employment, according to the 2013 Quarterly Census of Employment and Wages). We calculate high and low estimates to reflect differences in estimation methods and report the average across the two estimates. See our technical report for more detail on data and methods (Perry and Bernhardt 2015).

3. Impact estimates

We estimate that about 92,000 workers—or about 37 percent of Sacramento's workforce—would receive a pay raise by 2019 under the proposal (see Table 2). This estimate includes 78,000 workers who earn below the new minimum wage and would be directly affected by the increase, and another 14,000 who earn just above the new minimum wage and would receive wage increases due to a ripple effect.

Table 2. Cumulative Number of Workers Affected by Proposed Minimum Wage Policy

Year	Total Number of Affected Workers (cumulative)	Number of Directly-Affected Workers (cumulative)	Number of Indirectly-Affected Workers (cumulative)	Percent of Covered Workforce (cumulative)
2017	79,000	64,000	16,000	32.8
2018	85,000	69,000	15,000	34.4
2019	92,000	78,000	14,000	36.7

Source: Authors' analysis of ACS, OES, and QCEW data. See Data and Methods Brief for details.

Note: The proposed minimum wage policy will not cover self-employed, state, and federal workers. Directly-affected workers are those with wages below the proposed new minimum wage in each year. Indirectly-affected workers are those with wages slightly above the proposed new minimum wage, who will receive an increase via the ripple effect. The number of directly-affected workers and indirectly-affected workers may not sum to the total number of affected workers due to rounding.

Workers' hourly wages and annual income would rise under the proposed law, resulting in a total increase in aggregate earnings of $291 million (in 2014 dollars) by 2019. Wages of affected workers would rise by an average of $1.93 per hour. Average annual earnings would increase by about $3,200 per year (see Table 3).

Table 3. Cumulative Pay Increases for Workers Affected by the Proposed Minimum Wage Policy (in 2014 dollars)

	2017	2018	2019
Average Cumulative Hourly Wage Increase	$0.90	$1.45	$1.93
Average Cumulative Annual Earnings Increase	$1,500	$2,400	$3,200
Average Cumulative Percent Annual Earnings Increase	10.6	17.1	22.7
Total Aggregate Cumulative Increase In Earnings (millions)	$115	$199	$291

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: Results are cumulative across the phase-in years.

Contrary to common belief, only 5.5 percent of affected workers are teenagers, and more than half are in their thirties or older (see Table 4, page 7). Workers of color (black, Latino/a, Asian, and other) constitute approximately 59 percent of the workers receiving raises. Affected workers have a wide range of educational backgrounds, with almost 55 percent having at least some college experience and 13 percent holding a bachelor's degree or higher. Median annual earnings of affected workers are only 44 percent of those of the overall Sacramento workforce, but affected workers bring home over half of their family's income.

More than half of all affected workers are employed in four industries: food services (19.5 percent), retail trade (14.9 percent), administrative and waste management services (13.3 percent), and other services (11.3 percent). Most affected workers are employed in the private, for-profit sector; non-profits and public employees are less likely to be affected than the overall Sacramento workforce (see Table 5, page 8).

Table 6 (page 9) shows an analysis of the proposed minimum wage policy's impact on business costs. For example, we estimate that payroll costs in the restaurant industry would rise by 13.7 percent by 2019. Since payroll costs constitute 34 percent of operating costs in the restaurant industry, operating costs would increase by 4.7 percent (compared to 0.6 percent for the retail industry and 0.5 percent for the overall economy by 2019). This would lead to a cumulative price increase of 4.1 percent in restaurants by 2019—but this increase would be spread over three years, ranging from 1.1 to 1.6 percent annually. Price increases would be negligible for the retail industry and the rest of the economy.

Compared to existing state law, the proposed minimum wage policy would raise Sacramento's minimum wage by 26.4 percent (in inflation-adjusted terms). This is below the average inflation-adjusted increase of 34.1 percent in the 24 local minimum wage laws passed to date in the U.S. (see Table 7, page 9).

Under the proposal, by 2019 the ratio of the minimum wage to the median full-time wage—a metric used to determine the ability of an economy to absorb higher minimum wage levels—would be 52.8 percent (see Table 8, page 10). This ratio is well within the historical range of the federal minimum wage to median full-time wage ratio, which peaked at 55 percent in 1968 (Dube 2013).

By 2020, the proposed Sacramento minimum wage would be worth slightly more on a cost-of-living-adjusted basis than the minimum wage in San Francisco or Los Angeles. The 2020 projected San Francisco minimum wage of $15.74 would have the same purchasing power as $13.43 in Sacramento, and the $15.00 minimum wage in Los Angeles would have the same purchasing power as $13.08 in Sacramento. See Table 9 (page 10).

Table 4. Demographic and Job Characteristics of Workers Affected by the Proposed Minimum Wage Policy by 2019 (all figures are percentages unless otherwise noted)

	Percent of Covered Workers	Percent of Covered Workers Getting a Raise	Percent of Group That Is Getting a Raise
Gender			
Male	51.0	48.4	34.8
Female	49.0	51.6	38.8
Median Age	38	32	
Age			
16-19	2.5	5.5	81.0
20-29	24.2	39.8	60.4
30-39	25.5	21.1	30.4
40-54	34.0	23.7	25.6
55-64	13.8	9.9	26.3
Race/Ethnicity			
White	52.8	40.8	28.4
Black	7.0	7.4	39.3
Latino/a	21.0	29.8	51.9
Asian	14.8	17.1	42.6
Other	4.5	4.8	39.9
Education			
Less than High School	9.4	16.9	66.4
High School or G.E.D.	21.0	28.2	49.5
Some College	29.7	34.1	42.1
Associate's Degree	9.8	7.8	29.1
Bachelor's Degree or Higher	30.1	13.0	15.8
Country of Birth			
U.S. Born	72.3	64.2	32.7
Foreign Born	27.7	35.8	47.4
Family Structure			
Married	49.8	37.2	27.4
Has Children	42.6	33.4	28.9
Family Income Relative to Poverty Level (FPL)			
Less than 100% of FPL	8.8	20.4	85.0
100% to 150% of FPL	8.2	18.3	81.6
150% to 200% of FPL	9.4	16.6	64.8
Greater than 200% of FPL	73.6	44.7	22.4
Average Worker Share of Family Income	64.4	54.4	
Median Individual Annual Earnings (2014 Dollars)	$34,900	$15,500	
Full-Time / Part-Time Worker			
Full-Time (35 or More Hours per Week)	75.9	59.3	28.7
Part-Time (Fewer than 35 Hours per Week)	24.1	40.7	62.2
Full-Year / Part-Year Worker			
Full-Year (50-52 Weeks per Year)	84.5	78.1	34.0
Part-Year (Fewer than 50 Weeks per Year)	15.5	21.9	51.9
Health Insurance Provided by Employer			
Yes	69.7	48.0	25.3
No	30.3	52.0	63.1

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: Only workers covered by the proposed minimum wage law are included in this table. See note for Table 2.

Table 5. Impact Estimates for Major Industries by 2019

	Percent of Covered Workers	Percent of Covered Workers Getting a Raise	Percent of Industry That Is Getting a Raise
All Sectors			
Agriculture, Forestry, Fishing, Hunting, and Mining	0.1	0.1	
Construction	4.1	3.1	27.6
Manufacturing	4.9	3.1	23.6
Wholesale Trade	4.5	3.1	25.4
Retail Trade	10.2	14.9	53.7
Transportation, Warehousing, and Utilities	3.8	2.6	25.5
Information	2.7	1.4	19.8
Finance, Insurance, Real Estate, and Rental and Leasing	5.1	3.0	21.4
Professional, Scientific, and Management	10.7	4.2	14.6
Administrative and Waste Management Services	9.3	13.3	52.6
Educational Services	2.5	1.8	26.8
Health Services	14.8	8.1	20.2
Social Assistance	3.6	5.6	57.2
Arts, Entertainment, Recreation, and Accommodation	2.6	3.8	53.3
Food Services	9.3	19.5	76.9
Other Services	8.6	11.3	48.5
Public Administration	3.4	0.9	10.1
Total	100.0	100.0	
By Sector			
Private, For-Profit	80.5	87.3	39.8
Private, Non-Profit	12.7	9.2	26.7
Public	6.8	3.5	18.8
Total	100.0	100.0	

Source: Authors' analysis of ACS, OES, and QCEW data.

Note: Blank value for "Percent of Industry That Is Getting a Raise" indicates insufficient sample size for that category. Only workers covered by the proposed minimum wage law are included in this table. See note for Table 2.

Table 6. Cumulative Impact of the Proposed Minimum Wage Policy on Business Operating Costs and Prices for Select Industries and the Overall Economy

	2017	2018	2019
Food Services			
% Change in Payroll Costs*	5.9	9.8	13.7
Labor Costs as % of Operating Costs	30.7	31.9	34.0
% Change in Operating Costs	1.8	3.1	4.7
Year over Year Price Increase	1.6	1.1	1.3
Cumulative Price Increase	1.6	2.8	4.1
Retail Trade			
% Change in Payroll Costs*	2.0	3.5	5.0
Labor Costs as % of Operating Costs	10.8	11.0	11.3
% Change in Operating Costs	0.2	0.4	0.6
Year over Year Price Increase	0.2	0.1	0.2
Cumulative Price Increase	0.2	0.3	0.5
Overall Economy			
% Change in Payroll Costs*	1.0	1.6	2.3
Labor Costs as % of Operating Costs	22.1	22.3	22.5
% Change in Operating Costs	0.2	0.4	0.5
Year over Year Price Increase	0.2	0.1	0.1
Cumulative Price Increase	0.2	0.3	0.5

Source: Authors' analysis of ACS, OES, QCEW, Economic Census, U.S. Census Annual Retail Trade, Wholesale Trade, and Services Reports, and BEA data.

** "% Change in Payroll Costs" is net of savings from reduced turnover expenses, and includes additional payroll tax and workers' compensation expenses.*

Table 7. Proposed Sacramento Minimum Wage Increase Compared to Local Minimum Wage Increases Passed to Date

	EXISTING LOCAL MINIMUM WAGE LAWS	
Proposed Sacramento Increase (real)	**Average Increase (real)**	**Range of Increases (real)**
26.4	**34.1**	**11.7–62.4**

Source: Authors' analysis of statutory increases in 24 existing local minimum wage laws.

Note: Wage increases are calculated by deflating the final wage level to the time of the initial increase and then calculating the percentage increase over the existing minimum wage before the law was implemented. Past year inflation is obtained from the appropriate regional CPI-W series. Inflation for future years is assumed to equal the average annual inflation rate over the past ten years. Inflation is calculated using the same index specified in the law for calculating cost-of-living increases. If the law does not adjust for cost-of-living increases, the appropriate regional CPI-W series is used.

Table 8. Proposed Sacramento Minimum Wage Compared to the Sacramento Median Full-Time Wage

Year	Sacramento Minimum Wage Under Proposal	Projected Sacramento Median Full-Time Wage	Ratio
2015	$9.00	$23.40	38.5
2016	$10.00	$23.92	41.8
2017	$11.50	$24.45	47.0
2018	$12.50	$25.00	50.0
2019	$13.50	$25.56	52.8

Source: Authors' analysis of ACS and OES data.

Note: Median full-time wage growth is projected using the average annual change for the past ten years of the West Urban Regional Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Table 9. Proposed Sacramento Minimum Wage Increase Compared to San Francisco and Los Angeles Minimum Wages Adjusted to Sacramento Cost of Living

Year	Sacramento Minimum Wage Under Proposal	San Francisco		Los Angeles	
		Nominal Dollars	Cost-Adjusted Dollars	Nominal Dollars	Cost-Adjusted Dollars
2015	$9.00	$12.25	$10.45	$9.00	$7.85
2016	$10.00	$13.00	$11.09	$10.50	$9.15
2017	$11.50	$14.00	$11.94	$12.00	$10.46
2018	$12.50	$15.00	$12.79	$13.25	$11.55
2019	$13.50	$15.37*	$13.11	$14.25	$12.42
2020	$13.80**	$15.74*	$13.43	$15.00	$13.08

Source: Authors' analysis of BEA Regional Price Parities.

** The 2019 and 2020 San Francisco minimum wage is projected assuming a 2.45 percent cost-of-living adjustment.*

*** The 2020 Sacramento minimum wage is projected assuming a 2.23 percent cost-of-living adjustment.*

SECTION 2: REVIEW OF ECONOMIC RESEARCH LITERATURE

1. Introduction

As cities and counties across the country increasingly debate whether to establish their own minimum wage laws, policymakers are understandably asking a host of questions. What do we know about the impact on workers and their families? What does research tell us about the effect of local wage mandates on employment, and in particular, do businesses move outside city or county borders in response?

In this section, we address these and related questions.[1] Economists agree that minimum wage laws have large positive effects on workers' pay and their families' living standards. Raising the minimum wage increases earnings for workers at the low end of the labor market, the majority of whom are adults. Women and workers of color benefit disproportionately. In addition, new research on the effect of minimum wage increases documents important reductions in family poverty rates. Moreover, low-wage workers and their families are often forced to rely on public assistance programs to meet their basic needs; new research on food stamps finds that raising the minimum wage reduces their reliance on this program.

We also review the economic research on the impact of minimum wage laws on businesses. The weight of the evidence suggests that moderate minimum wage increases have insignificant to non-existent negative effects on employment and work hours, reduce worker turnover and increase worker retention, and result in small, one-time price increases in heavily-affected industries, such as restaurants. We also explain how conflicting findings on the employment impact of the minimum wage can be traced to differences in the rigor of the research methods.

The research literature on minimum wage effects

Below we summarize the empirical evidence on the effects of minimum wage laws on workers, families, and businesses. Where possible, we highlight research on local minimum wage laws. However, since most of the existing local laws have been in place a short time, the data that are needed for rigorous research on the recent laws are not yet available. To date, rigorous economic impact studies exist only for San Francisco and Santa Fe (UC Berkeley researchers are currently studying the impact of San Jose's law).

We also draw upon the much larger body of research on the impacts of state and federal minimum wage increases. Recent studies that compare adjacent counties from different states with different minimum wages are especially relevant. The findings from these studies speak directly to policymakers' concerns that businesses might relocate employment outside their city's borders in response to a local minimum wage law.

2. The effects of minimum wage laws on workers and families

The primary goal of raising the minimum wage is, of course, to raise the pay of low-wage workers. A broad consensus in the economic research literature agrees that minimum wage laws raise pay for workers on the bottom rungs of the labor market (for an extensive review, see Belman and Wolfson 2014). Researchers also consistently find that the affected workers are largely adults and disproportionately women and people of color. In addition, new research on the effect of minimum wage increases shows important reductions

in family poverty rates. Finally, we review what is known about reliance on public assistance programs by low-wage workers and their families.

A. Impact on low-wage workers' earnings

In assessing the impact of a minimum wage increase on low-wage workers' earnings, it is important to keep two facts in mind. First, many low-paid workers earn wages somewhere above the old minimum wage level but below the new level. Consequently, not all workers who are directly affected by an increase will receive the full amount of that increase. Second, researchers have also documented a "ripple effect" from minimum wage increases in which employers give raises to workers who are earning above, but near, the new minimum wage (Wicks-Lim 2006; Autor, Manning and Smith 2015). As a result, it is not completely straightforward to estimate either how many workers benefit from minimum wage increases or the policy's impact on their earnings.

Evidence from local minimum wage laws

Dube, Naidu and Reich (2007) assessed San Francisco's minimum wage law when it was first implemented in 2004, using a before-and-after survey of restaurant employers in San Francisco and in nearby parts of neighboring Alameda County. They found that the average wage of workers at surveyed restaurants rose from $10.22 before to $11.01 after the increase, with pay rising twice as much among fast-food restaurants compared to table-service restaurants. They also found evidence that the increase compressed the wage distribution among restaurant workers by raising the bottom of the distribution (not by hurting pay for higher-wage workers). Before the policy, 49.7 percent of restaurant workers earned less than $8.50; afterward, only 5 percent did. The authors also tested whether compliance with minimum wage laws decreased after the law passed; they found no evidence of decreased compliance.

Jacobs and Reich (2014) recently conducted a longer-term assessment of San Francisco's minimum wage law. They estimate that 55,000 workers in the city (or about 14 percent of the private sector workforce) receive higher pay because of the ordinance, amounting to a cumulative increase of $1.2 billion in wages in the ten years since the laws' inception. They also found additional evidence that the law had a significant impact on workers' earnings over time. The wages of San Francisco workers earning at the bottom of the distribution (the 10th percentile) jumped in 2004, when the law was implemented. This wage, when measured to take account of inflation, did not change even during the recession that began in December 2007 because the city's minimum wage standard is indexed to inflation. By contrast, the 10th percentile wage in the surrounding counties, without an indexed minimum wage, declined over that same time period.

Additional lessons can be gleaned from Santa Fe, the other city whose minimum wage law has been extensively studied. Pollin's (2004) detailed prospective study of the city's 2004 law estimated that 17,000 workers would be directly or indirectly affected and that the directly-affected workers would see an average increase of $2,647 in annual earnings. In a more recent prospective study, Reich (2012) estimated that San Jose's minimum wage increase from $8 to $10 would lead to higher pay for about 69,000 of the city's 388,000-person workforce (18.9 percent).

Schmitt and Rosnick (2011) studied the wage impacts of both the San Francisco and Santa Fe laws. These authors found that wages increased in a range of low-wage industries in both cities.[2] In San Francisco, for example, the average wage of fast-food workers increased 9 to 11 percent by the third year of the ordinance, and as much as 12 percent in low-wage industries overall. Pay for fast-food workers in Santa Fe increased by similar amounts, together with wage increases of 2 to 9 percent in the retail industry and 5 to 15 percent for low-wage industries overall. (See also Reynis, Segal and Bleeker (2005) for similar findings.)

Finally, a broader literature has looked at state and federal minimum wage increases and estimated their impact on workers' earnings. In their comprehensive review of existing research, Belman and Wolfson (2014) estimate that changes in the minimum wage typically affect about 10 to 20 percent of the labor force (and sometimes as much as 30 percent), counting both direct and indirect effects. The average wage increase per impacted worker depends on the size of the minimum wage increase and what the average worker was earning beforehand. As a concrete example, Schmitt (2013) analyzed federal minimum wage increases from 1989 to 2009 and estimates that impacted workers' wages rose between 8.4 and 13.6 percent. Research consistently finds that the pay of both adults and teens is affected by minimum wage increases (Allegretto, Dube and Reich 2011; Giuliano 2013).

We also note broad agreement among economists that raising the minimum wage reduces income inequality, by pushing up the wage floor relative to the median wage (Lee 1999; Autor, Manning and Smith 2015).

B. Demographics of affected workers

Evidence on who benefits from minimum wage increases comes mainly from prospective studies (conducted when a minimum wage law is first being considered). In these studies, researchers analyze government survey data and estimate the number and characteristics of workers likely to be affected, given wage thresholds being considered by law makers.

For example, drawing on results in Reich and Laitinen (2003), Lantsberg (2003) conducted a prospective study of San Francisco's first minimum wage increase in 2004 (from $6.75 to $8.50). He estimated that about 55,700 workers (14 percent of private sector workers) would benefit from the law, with 70 percent age 26 or older. Lantsberg also found differences by race and ethnicity. He estimated that while 9 percent of white workers would be affected, the corresponding figures were 18 percent of African American workers, 21 percent of Asian workers, and 22 percent of Hispanic workers. In his prospective study of Santa Fe's 2004 minimum wage law, Pollin (2004) similarly found that the increase would benefit mainly adult workers (many of them primary bread-winners) and especially workers of color. More recent prospective impact studies of proposed city laws by Reich, Jacobs, Bernhardt and Perry (2014a-c, 2015) have consistently found that minimum wage increases would disproportionately benefit workers of color.

At the national level, the Council of Economic Advisers (2014) analyzed the likely effects of the Harkin/Miller bill to raise the current federal minimum wage from $7.25 to $10.10 by 2016. The CEA found that the proposal would raise wages for 28.2 million workers (19 million directly, the remainder indirectly), or 21.4 percent of the U.S. workforce. CEA estimates that the majority of affected workers are women (55 percent) and aged 20 or older (88 percent). The CEA also estimates that black and Hispanic workers will benefit more than white workers, and that 46 percent of affected families have incomes under $35,000 a year.

In an earlier study, Bernstein and Schmitt (1998) examined the characteristics of workers and families that benefitted from the federal minimum wage increase in the mid-1990s (from $4.25 to $4.75 in 1996 to $5.15 in 1997). The researchers found that the two-step increase raised the wages of 9.9 million workers, largely adults (71 percent) and disproportionately women and black and Hispanic workers. About half of the beneficiaries worked full time, and an additional third worked 20-34 hours a week. Moreover, the average affected worker contributed 54 percent of his or her household earnings. In aggregate, 58 percent of the benefits from the minimum wage increase were received by households in the bottom 40 percent of the family income distribution.

C. Effects on poverty and use of public assistance programs

Impact on poverty

Compared to the large volume of research on the employment effects of minimum wage laws, few studies have examined the impact on poverty. A recent paper by Arindrajit Dube shows important reductions in family poverty rates from minimum wage laws.

Specifically, Dube (2013) finds that higher minimum wages increase incomes at the bottom of the family income distribution, reduce the percent of individuals living below the poverty line, and, in particular, reduce extreme poverty (families with incomes less than one-half the poverty line). The reductions in poverty are somewhat larger for black and Latino individuals, for those with less education, and for children under 18.

Based on state-of-the-art econometric methods, Dube's estimates predict that the Harkin-Miller proposal (to raise the federal minimum wage from $7.25 to $10.10 an hour) would reduce the number of people living in poverty in the U.S. by 4.6 million—or about a fifth of the working poor. Other recent studies, using less sophisticated statistical methods, also show that raising the minimum wage reduces poverty. The Council of Economic Advisers (2014) predicts that the proposal would raise incomes for an estimated 12 million now in poverty, lifting 2 million of them out of poverty. The Congressional Budget Office (2014) estimates that the Harkin-Miller proposal would lift 900,000 people out of poverty.

Impact on use of public assistance programs

Until recently, economists have typically not assessed the impact of minimum wage increases on the use of public assistance programs by low-wage workers and their families.

Across several years in the 2000s, researchers in four states used a consistent methodology to estimate the portion of working poor families enrolled in public assistance programs. The research teams considered major programs such as Medicaid, EITC (Earned Income Tax Credit), Food Stamps, SCHIP (State Children's Health Insurance Program), TANF (Temporary Aid to Needy Families), and subsidized child care. Their findings were remarkably consistent across the four states:

- *New York*: In 2001-2004, an estimated 890,000 working families were enrolled in at least one public assistance program, accounting for 33 percent of all public benefits spending in the state, or $5.2 billion annually (Bernhardt, Chaddha and McGrath 2008).

- *Illinois*: In 2001-2004, an estimated 475,000 working families were enrolled in at least one public assistance program, accounting for 37 percent of all public benefits spending in the state, or $2.2 billion annually (Theodore and Doussard 2006).

- *Wisconsin*: In 2001-2004, an estimated 178,000 working families were enrolled in at least one public assistance program, accounting for 45 percent of all public benefits spending in the state, or $837 million annually (Center on Wisconsin Strategy 2006).

- *California*: In 2002, an estimated 2 million working families were enrolled in at least one public assistance program, accounting for 48 percent of all public benefits spending in the state, or $10.1 billion annually (Zabin, Dube and Jacobs 2004).

In all four states, low wages were the leading predictor of enrollment in public assistance programs by working families.

More recently, researchers using a similar methodology found that 56 percent of spending on food stamps, TANF cash assistance, Medicaid and CHIP, and the federal EITC is provided to members of working families, at an average cost of $153 billion a year between 2009-2011 (Jacobs, Perry and MacGillvary 2015). Researchers further found that more than half (52 percent) of families of fast-food workers are enrolled in one or more public programs, at an annual cost of nearly $7 billion. Again, low wages were the main predictor of public program enrollment (Allegretto, Doussard, Graham-Squire, et al. 2013).

Does raising the minimum wage reduce reliance on means-tested public assistance programs? The answer may seem obvious, but West and Reich (2014) point out that the research question is more complex. If, for example, raising the minimum wage causes increased unemployment, more workers and families would have to rely on programs such as food stamps. The authors analyze state and federal minimum wage increases from 1990-2012 and find that, on average, a 10 percent increase in the minimum wage reduces food stamp program enrollment by between 2.4 and 3.2 percent, and reduces program expenditures by 1.9 percent.[3] They predict that an increase of the federal minimum wage to $10.10 would reduce enrollment in the food stamp program by about 3.5 million people and reduce federal expenditures on food stamps by about $4.2 billion per year. West and Reich (2014b) conducted a comparable study on the causal effects of minimum wage increases on Medicaid, with similar findings. Allegretto, Reich and West (2014) estimate that California would save $1.5 billion if the state minimum wage were increased to $13. Zipperer (2014) also examined the effects of minimum wages on these public programs and obtained similar results.

More generally, since eligibility for programs such as SNAP and Medicaid are tied to the federal poverty level, Dube's (2013) finding that higher minimum wages reduce the poverty rate suggests that we might also expect reductions in enrollments in public assistance programs.

3. The effects of minimum wage laws on businesses

The impact of the minimum wage on businesses—how many workers they hire, whom they hire, the prices they charge for their goods and services, their location decisions—is one of the most researched topics in economics, with hundreds of studies published over the decades. We do not attempt to summarize the full literature in this report; for recent reviews see Brown (1999), Neumark and Wascher (2006), Schmitt (2013), and Belman and Wolfson (2014).

Economists' understanding of minimum wage effects has undergone significant changes over the past 20 years. This shift began with the groundbreaking work of Card and Krueger (1994), who analyzed employment in fast-food restaurants near the New Jersey and Pennsylvania border after New Jersey increased its state minimum wage. Card and Krueger found no measurable negative impact on employment.

Since then, economists have increasingly recognized that raising the minimum wage does not automatically mean that employment will fall. Increased labor costs can be absorbed through a variety of other channels. For example, if turnover declines, employers save on recruiting and training costs at the same time that they reap the benefits of more experienced workers who are more productive. When a cost increase affects all firms in an industry, firms can also raise their prices rather than reduce the number of employees. They may also experience lower profits. Modern economics therefore regards the employment effect of a minimum wage increase as a question that is not decided by theory, but by empirical testing.

In what follows we summarize the research that in our opinion is best suited to assessing the effects of minimum wage increases on businesses. We also give an intuitive explanation of the nature of the disagreements in the research literature about those effects.

Before proceeding, it is important to mention that existing research has only studied moderate increases in the minimum wage, of the size discussed in previous sections. These studies can only be suggestive of what might occur when minimum wages are increased significantly beyond local, state, or federal mandates.

A. Impact on employment and hours

Evidence from local minimum wage laws

To our knowledge, there are only three rigorous studies of the employment impacts of existing city minimum wage laws. Dube, Naidu and Reich (2007) studied the impact of San Francisco's minimum wage law after it increased from $6.75 to $8.50 an hour in 2004, using a unique quasi-experimental research design. They surveyed a sample of restaurants before the wage increase, and then re-surveyed the same businesses nine to ten months after. The sample included restaurants from San Francisco as well as neighboring East Bay cities that were not covered by the policy, allowing the researchers to compare outcomes at restaurants affected by the minimum wage mandate with those that were not. The study also was able to compare outcomes at fast-food restaurants with outcomes at full-service restaurants.

After controlling for a variety of potential confounding factors, the authors found no statistically significant negative effects on either employment or the proportion of full-time jobs as a result of the San Francisco law. This finding holds for both full-service and fast-food restaurants (one might expect more sensitivity to a higher minimum wage in the latter). A follow-up study (Dube, Naidu and Reich 2014) found that restaurant employment in San Francisco rose slightly faster than in surrounding counties after the minimum wage increase, and again after San Francisco implemented two additional policies (paid sick leave and a health spending requirement). Trends in overall employment in San Francisco closely matched those in the surrounding counties during the same time period, indicating that the differential trends in restaurant employment were not caused by differences in economic growth between the two areas. Restaurants closed in San Francisco at a 2.8 percent lower rate than in nearby areas not covered by the law. This difference, however, was not statistically significant.

Potter (2006) studied the impact of Santa Fe's minimum wage law after it increased from $5.15 to $8.50 in 2004, a substantial increase of 65 percent (at that time, only businesses with 25 or more employees were covered). Potter also uses a quasi-experimental research design to compare changes in employment at Santa Fe businesses before and after the ordinance went into effect and to changes in employment in nearby Albuquerque over the same time period.[4] Potter found no statistically significant negative impact of Santa Fe's minimum wage increase on Santa Fe employment, both at an absolute level and relative to Albuquerque. This finding held for the most affected industries of accommodation and food services, which had the highest proportion of minimum wage workers. Potter did find a decline in construction employment in both cities, with the decline stronger in Santa Fe; he ascribes this finding to differences in the timing of an overall slowing of the region's construction boom.[5]

Finally, Schmitt and Rosnick (2011) studied the impact of the above two laws, comparing employment trends in these cities before and after their minimum wage increases to control groups of surrounding suburbs and nearby metropolitan areas.[6] The authors found no discernible negative effects on employment, even three years after the respective ordinances were implemented. The authors focused on fast-food restaurants, food services, retail trade, and other low-wage industries.

Several additional studies of Santa Fe and San Francisco have been produced by the restaurant industry-backed Employment Policies Institute. In a study of Santa Fe, Yelowitz (2005a, 2005b) found an increase in the probability of unemployment for low-skilled workers and evidence of replacement of low-skilled adults by teens. In his study of San Francisco, Yelowitz (2012) found the opposite result: a decrease in teen work hours and no discernible effect on overall employment. Unfortunately, both studies suffer from serious methodological problems that make the results unreliable.[7] Since higher wages are likely to increase the labor supply, unemployment *rates* can increase even as the number of people who are employed also increases. Pollin and Wicks-Lim (2005) replicate Yelowitz's (2005a) study but look at employment, rather than unemployment. They find no negative impact on employment. Furthermore, even if the reported results for each of the studies held, total compensation for teens and low-skilled workers would still have increased. Any employment or hours reductions would be more than offset by the increase in hourly earnings (Pollin and Wicks-Lim 2005; National Employment Law Project 2012).

Evidence from state and federal minimum wage laws

If the findings of the small number of case studies discussed above are taken on their own, it would be difficult to draw broad conclusions about the impact of minimum wage laws. However, the results from studies of city and county minimum wage laws are corroborated by detailed research on state and federal minimum wage laws that provide a much larger sample of events to study.

Two innovative studies conducted by researchers from UC Berkeley, University of Massachusetts-Amherst, and UNC-Chapel Hill are especially relevant (Dube, Lester and Reich 2010, 2014; Allegretto, Dube, Reich and Zipperer 2013). The researchers looked at every state and federal minimum wage increase in the U.S. between 1990 and 2011 and identified several hundred pairs of adjacent counties that were located on different sides of a state border with a minimum wage difference.

This research design compares the employment trends of the most affected groups—teens and restaurant employees—across adjacent counties that were exposed to different minimum wage levels. It is therefore an excellent test of whether businesses relocate employment outside county borders to avoid being subject

to a higher minimum wage. Using this research design, Dube, Lester and Reich (2010, 2014) and Allegretto, Dube, Reich and Zipperer (2013) find no statistically significant effects of minimum wage increases on either employment or hours in restaurants and other low-wage industries, controlling for a range of regional and local differences that previous research did not include.

Allegretto (2013) uses the same dataset to examine the effects of the subminimum wage for tipped workers (which has remained at $2.13 an hour at the federal level for more than two decades, but varies significantly across states). Focusing on restaurants, she finds no statistically significant evidence of negative employment effects in states with higher (or no) subminimum wages for tipped workers.

We highlight these studies because they combine state-of-the-art econometric methods with the most detailed datasets available, allowing researchers to accurately control for differences in local economic conditions that could confound the analysis.

That said, the economics literature includes conflicting findings on the employment impacts of the minimum wage. Even if the employment impacts of minimum wage are zero, we would expect to find case studies clustered around that point, with some finding positive and others finding negative impacts (Schmitt 2013). However, most of the broader studies that find negative effects, as reviewed in Neumark and Wascher (2008), fail a fundamental necessary condition for identifying statistically unbiased estimates of minimum wage effects. The key issue is that their research design assumes that states that increase minimum wages are otherwise not different from those that do not increase minimum wages. Dube, Lester and Reich (2010) and Allegretto, Dube, Reich and Zipperer (2013) show that this assumption is incorrect. In the states that increased their minimum wages, employment among low-wage workers was already growing more slowly two years before the implementation of the minimum wage increases, compared to states that did not increase minimum wages. Existing differences in regional employment trends that are unrelated to minimum wage policy can explain the differences in outcomes after the increases. As Allegretto, Dube, Reich and Zipperer (2013) document, local comparisons make sense because nearby areas are much more similar than areas that are farther away. And when minimum wage effects are estimated using local comparisons—such as across adjacent counties on a state border—the negative effect on employment disappears.[8]

Neumark, Salas and Wascher (2014a, b) have defended Neumark and Wascher's earlier findings. Allegretto, Dube, Reich and Zipperer (forthcoming) in turn have responded. Much of the debate concerns the proper control groups to include in a regression. In a new approach, Totty (2014) examines minimum wage effects without prior decisions on what control groups should be included. He finds that local controls should be included and that the minimum wage does not have significant effects on employment.

While this debate will undoubtedly continue, it should be noted that both sides now agree that they find extremely small employment effects of minimum wages in restaurants. Moreover, there are no effects on adults, who make up nearly 90 percent of minimum wage-affected workers nationwide (Aaronson, Agarwal and French 2012, Table A-3).

Belman and Wolfson (2014) provide the most extensive summary of the minimum wage research since Card and Krueger (1995). They conclude that the employment effects of the minimum wage in the United States are "both vanishingly small and not statistically significant in even the most generous test" (p. 168). A separate review of minimum wage research by Schmitt (2013) similarly finds "the minimum wage has little or no discernible effect on the employment prospects of low-wage workers."

Impact on which workers are hired

In his review of minimum wage research, Schmitt (2013) considers several channels through which employers might adjust to increases in the minimum wage. One possible scenario is that employers will simply switch to hiring more skilled workers, thereby hurting the employment prospects of less educated workers and, in particular, black and Latino teens. Schmitt reviews several studies that have explicitly researched this question, some of which yield conflicting findings. Again, research design matters greatly here, and studies that thoroughly control for regional or local differences do not find evidence of labor substitution. For example, Allegretto, Dube and Reich (2011) examine the impact of the minimum wage on the employment of white, black, and Hispanic teens, covering the period from 1990 to 2009. After improving on previous research by controlling for regional differences, they find no statistically significant negative effects on employment or hours for teens, regardless of race or gender. In their contiguous counties dataset, Dube, Lester and Reich (2014) similarly find no evidence of such substitution by either age or gender.

Automation and substitution away from unskilled labor

It is often argued that a higher minimum wage will lead firms to reduce their use of workers. This reduction in labor demand can occur through two different channels: one involves substituting capital for labor, i.e., automation of jobs while keeping sales at the same level; the other involves needing fewer workers when sales fall as prices increase. We discuss here the automation channel and consider the effect on sales later in this section.

Mechanization does not necessarily lead to a net loss of jobs. As Autor (2014a-b) points out, machines (including smart robots) do not just substitute for labor; they are also complements to existing jobs or lead to the creation of new jobs and industries. Indeed, previous rounds of automation and computerization have created more jobs than they destroyed. Moreover, automation does not only involve the replacement of labor by machines. It also involves the replacement of old machines (think manual cash registers) with newer ones (think electronic cash registers and now iPads).

Aaronson and Phelan (2014) recently studied the short-run impact of minimum wages on the automation of different kinds of jobs in the restaurant industry. Their study is the first to examine Autor's job mechanization hypothesis within a low-wage industry. Just as Autor predicts, Aaronson and Phelan find that minimum wage increases do reduce routinized jobs (such as cashiers) and increase the number of less-routinized jobs (such as food preparation). As it turns out, the changes offset each other almost equally, resulting in no net change in employment. We therefore conclude that the short-run effects of automation are not significant.[9]

Reductions in paid hours relative to working hours

Some commentators assert that a higher minimum wage will lead employers to cheat them of a portion of their wages. It is important to recognize that such practices already exist; the question at hand is how much the minimum wage increase will increase their intensity and prevalence. Although it is difficult to measure changes in wage theft, we know that employee-reported increases in pay (to a census surveyor) after a minimum wage increase match up well to employer-reported increases in pay on administrative reports

that determine payroll taxes (Dube, Lester and Reich 2010). These results suggest that most employers comply about as much after the increase as before.

Impacts on retail businesses

Most of the studies cited above focused on employment in the restaurant industry. The retail industry is the second most intensive user of minimum wage and near-minimum wage workers. A few studies have examined the effects of minimum wages on the retail sector. In her research on the retail industry, Zeynep Ton (2012) finds that highly successful retail chains "not only invest heavily in store employees but also have the lowest prices in their industries, solid financial performance and better customer service than their competitors." Using *County Business Patterns* data and their border-county pair research design, Dube, Lester and Reich (2010) found no negative effects of minimum wages on retail employment. In a related study, Dube et al. (2006) compared the number of national retailers operating in San Francisco before and after the city minimum wage policy was implemented. They found that the number of top retailers grew, as did the number of stores. Overall retail employment did not decline in San Francisco or Santa Fe, nor did employment in individual retail sectors, such as grocery stores, general merchandise stores, or clothing and accessories.[10]

B. Impacts on firms' costs

The impact of minimum wages on the overall cost structure of a business varies significantly by industry. The impact of the minimum wage on a firm's operating costs will depend on the share of the workforce at or below the new minimum wage rate, their average wage before the increase, and the share of labor costs in total operating costs. Operating costs include not only labor, but also materials, rent, maintenance, supplies, taxes, utilities, and energy costs. An industry may have large numbers of low-wage workers, but if labor is a relatively small share of the total costs of the firm, the wage increase will have a correspondingly small impact on the overall cost structure of the firm.

In a prospective study of the San Francisco minimum wage, Reich and Laitinen (2003) carried out a representative survey of establishments. They estimated that a 25.9 percent increase in the minimum wage from $6.75 to $8.50 would result in a 1.1 percent increase in the overall wage bill. When viewed from the perspective of operating costs, a 26 percent increase would result in 82.0 percent of establishments experiencing an increase in operating costs of less than 1 percent or more, and 95.2 percent experiencing an increase in operating costs of less than 5 percent. Breaking down results by industry, they estimated that 17.9 percent of restaurants would experience an increase in operating costs of 5 percent or more, as would 8.6 percent of retail establishments. For manufacturing, entertainment, hotel, and personal service firms, the estimated increase in operating costs was close to zero.

Pollin (2004) similarly estimated that the average increase in firms' costs relative to sales under Santa Fe's 2003 minimum wage ordinance would be 1 percent; the average cost increase for hotels relative to sales would be 3 percent.

Benner and Jayaraman (2012) analyzed the impact of a proposed increase in the federal minimum wage from $7.25 to $10.10 (a 39 percent increase, not accounting for inflation during the phase-in) on the food industry. They estimated a maximum increase in operating costs for the food service and drinking establishment industry of 2.25 percent over three years, and 1 percent in the retail food industry.

Reich, Jacobs, Bernhardt and Perry (2015) estimated that increasing the minimum wage in Los Angeles to $13.25 by 2017 would result in a 0.5 percent increase in operating costs across the economy by 2017. In the food services industry, they found that operating costs would rise by 3.9 percent by 2019, and in the retail industry costs would rise by 0.5 percent.

To put these results in context, consider the following hypothetical example of how a 10 percent increase in the minimum wage might affect costs in the restaurant industry. If one-third of restaurant workers were paid exactly the minimum wage or up to no more than 10 percent above the minimum wage (and if wages were evenly distributed), then these workers would receive a pay increase that would average half of the 10 percent increase in the statutory minimum. The increase in the wage bill would thus be one-third of 5 percent, or 1.67 percent.

Moreover, labor costs comprise about one-third of operating costs in the restaurant industry. A 10 percent increase in the minimum wage would therefore increase operating costs by one-third of 1.67 percent, or 0.56 percent. A larger minimum wage increase would imply a greater increase in costs. In the retail industry, the proportion of low-wage workers is lower than in restaurants; the proportion making exactly the minimum wage is also lower; and labor costs are only about 10 percent of operating costs. So the effect on costs in the retail industry would be even smaller than it is in the restaurant industry. The research results we summarized above are consistent with these hypothetical examples.

C. Impacts on prices

Since a higher minimum wage applies to all employers in the geographic region affected by the policy, a firm that serves the local market, like a restaurant, will be able to pass through a share of the higher costs without suffering a disadvantage relative to its competitors. Belman and Wolfson (2014) survey seven studies of price effects of the minimum wage, all of which found some impacts on prices in industries highly affected by the minimum wage, namely restaurants. Dube, Naidu and Reich (2007) found that restaurant prices in San Francisco rose 2.8 percent more than those in neighboring Alameda County, following the implementation of a 26 percent increase in the city's minimum wage law. Using a very small sample, Hirsch, Kaufman and Zelenska (2011) found that two- thirds of the cost increase for quick serve restaurants in Georgia and Alabama were offset by increases in price. Aaronson (2001) found that a 10 percent increase in the minimum wage results in a 0.7 percent increase in restaurant prices.

Price effects outside the restaurant industry are largely negligible. Benner and Jayaraman (2012) provide estimates of price impacts across industries for a $10.10 federal minimum wage increase. They estimate that if the entire cost were passed through to prices, restaurant prices would increase 2.5 percent over three years, retail food 1 percent, warehouse and storage and accommodations 0.7 percent, and administrative and support services 0.9 percent. In most other industries, price increases could not be detected.

When these small price increases are considered in the context of who receives the wage increases, research shows a redistribution effect towards lower income families. Jacobs, Graham-Squire and Luce (2011) estimated the impact of a $12 minimum wage for large retailers on employees and consumers. They found that if the entire cost were passed through to consumers, Walmart would increase prices 1.1 percent. The increased costs would be shared by consumers across the income spectrum, with 28.1 percent borne by shoppers in lower income households. By contrast, they found that the increase in workers' earnings would be large and concentrated, with 41.4 percent going to workers in families with incomes below 200 percent of the federal poverty line.

D. Impact on profits

Previous prospective studies have made different assumptions on how much costs will affect prices—and therefore also profits. Card and Krueger (1995, ch. 10) provide an extensive discussion of this issue. As they point out, from the point of view of an individual employer in a perfectly competitive industry, profits would be unaffected only in the extreme case in which firms can costlessly replace low-wage labor with high-skill labor and/or capital, and without cutting output. Since such substitutions are costly, from this perspective a minimum wage increase would have to reduce profits. Firms do not envision a price increase as a solution, as they fear losing sales to their competitors.

A different result emerges when Card and Krueger consider the point of view of an industry as a whole. This perspective is necessary since the minimum wage increase applies to all the firms in an industry. Now, when individual firms respond to the prospect of reduced profits by raising their prices, they find that other firms are doing the same. Some of the price increases will stick and the industry will recapture some of the reduced profits. However, since demand for the industry's product is not fixed, this increase in price entails some reduction in product demand, implying that industry output (and therefore employment) will fall. In other words, the price increase will permit employers to recover only a portion of their reduced profits.

The above reasoning contains a key assumption: that firms' labor costs consist only of the wages they pay. As Card and Krueger and many other economists (such as Manning 2003, and Ashenfelter, Farber and Ransom 2010) emphasized, the presence of nonwage labor costs—such as the cost of replacing workers who leave—leads to different conclusions. In particular, minimum wage increases may reduce employee turnover costs. As a result, employment declines, price increases, and profit declines will all be moderated. Considerable evidence, moreover, suggests that turnover costs are an important feature of low-wage labor markets.

Aaronson (2001) and Aaronson, French and MacDonald (2008) both find complete pass through of costs in the restaurant industry. However, their data come from a period of much higher inflation, are based on a handful of observations per metro area, and they do not correct their standard errors for clustering. In contrast, Allegretto and Reich (2014) collected a large sample of restaurant price data in and near San Jose, before and after a 25 percent minimum wage increase in 2013 (from $8.00 to $10.00). Their preliminary results indicate that most, but not all, of the costs are passed through to consumers in higher prices. Note that since sales fall, it is possible that profits will fall as well.

The evidence on whether profits do fall is extremely scant. The most important study remains Card and Krueger (1995), who obtain mixed results when examining the effects of minimum wage changes on shareholder returns for fast-food restaurant chains. Using British data, Draca et al. (2011) find a small negative effect on profits. However, one segment of this study uses data for firms in the British residential care industry. Firms in this industry were not permitted to increase prices, making the results not very useful for other sectors. Harasztosi and Lindner (2015) examine a large (60 percent) increase in the Hungarian minimum wage, much of which was felt in manufacturing. These authors find that cost increases were entirely passed through, but employment did not change and profits did not fall. However, the relevance of the British and Hungarian studies for the U.S. is highly uncertain.

E. Impact on employee turnover

The correlation between low wages and high employee turnover is well documented (Cotton and Tuttle 1986). In 2011, 37 percent of food service workers and workers in hotels and accommodations voluntarily quit their jobs (Boushey and Glynn 2012). In an extensive study of minimum wage impacts on employment flows, Dube, Lester and Reich (2014) found that a 10 percent increase in the minimum wage results in a 2.1 percent reduction in turnover for restaurant workers and a 2.0 percent reduction in turnover for teens. Dube, Naidu and Reich (2007) found an increase in the average tenure of workers in limited-service restaurants of three and a half months. Brochu and Green (2011) obtained similar results with Canadian data.

Three studies analyzed the impact of living wage laws on employee turnover. A study of the Los Angeles Living Wage Ordinance (Fairris 2005) found a 35 percent reduction in turnover in firms that increased wages as a result of the law, with an average increase of 23 percent. Reich, Hall and Jacobs (2005) found an overall decrease in turnover at the San Francisco International Airport of 60 percent for firms that were highly impacted by mandated pay increases. Turnover of airport screeners fell by 80 percent following a 55 percent wage increase, from $5.75 to $10 per hour. Howes (2005) found a 17 percent decrease in turnover following a 13 percent wage increase for homecare workers in San Francisco. Putting the living wage studies together, Jacobs and Graham-Squire (2010) estimate that for every 1 percent increase in wages in low-wage service positions, turnover declines by an average of 1.45 percent. The impact may be smaller for broad minimum wage laws where all employers in a market increase their wages at the same time and the wage difference between firms remains the same (Manning 2011).

Employers incur significant costs from employee turnover. This includes both direct costs for recruitment, selection, and training of workers and the indirect costs associated with lost sales, poor customer relations, and lost productivity as new workers learn on the job. The cost of worker replacement varies based on compensation, firm size, and skill level of the job. Hinkin and Tracey (2000) conducted a detailed study of non-managerial staff at four hotels, two in Boston and two in Chicago. Taking into account both direct and indirect costs, they estimated replacement costs ranging from $1,322 for room service wait staff and $2,077 for a line cook to $7,658 for an administrative assistant in sales and catering. A study of the cost of supermarket turnover by the Coca Cola Research Council estimated the replacement cost for an $8 an hour non-union worker at $4,199 (Blake 2000). Boushey and Glynn (2012) find that the median cost of replacement for jobs paying $30,000 a year or less is 16.1 percent of an employee's annual salary. A statistical analysis of California businesses by Dube, Freeman and Reich (2010) obtained similar results. Jacobs and Graham-Squire (2010) estimate that 18 percent of the costs of a wage increase for school cafeteria workers would be offset by lower turnover costs.

F. Impacts on firms' operations and productivity

A higher minimum wage may reduce costs through additional channels that improve firm performance. In a small case study of quick service restaurants in Georgia and Alabama, Hirsch, Kaufman and Zelenska (2011) suggest how firms adjust to higher wage mandates. These authors analyzed detailed payroll data and also surveyed managers and employees about human resource practices. The authors found no negative effect from the minimum wage increase on employment or hours worked. Managers reported they could offset 23 percent of the labor cost increase through operational efficiencies. Ninety percent of the employers reported they had or would increase performance standards, including requiring better

attendance, requiring more proficient and faster performance of job duties, having workers take on additional tasks, and more quickly terminating workers who were not performing. Managers reported economizing on non-labor inputs, including water, electricity, and food wastage.

Reich, Hall and Jacobs (2005) surveyed employers and employees at the San Francisco International Airport following the implementation of higher mandated compensation standards. Employers reported improvements in overall work performance (35%), employee morale (47%), absenteeism (29%), reductions in grievances (45%), reductions in disciplinary issues (44%), improvements in equipment maintenance (29%), reductions in equipment damage (24%), and improvements in customer service (45%). Employees reported that more skills were required of them (50%), that they were working harder on the job (44%), that they were experiencing greater stress on the job (43%), and that the pace of work had increased (37%).

Reduced employee turnover means that workers will have more tenure with the same employer, which creates incentives for both employers and workers to increase training and therefore worker productivity. A large scholarly literature makes this point, and it has been emphasized recently by firms such as Walmart, TJ Maxx, and Gap as principal reasons underlying their announced policies to increase their minimum wages nationally to $10.00. However, because of the lack of data on individual productivity, the literature does not provide a quantitative assessment of the importance of the effect on productivity.

H. Impacts on health benefits and pensions

If employers are required to increase their wages, they may compensate by reducing other benefits. For this reason, some of the local minimum wage laws count contributions towards health care towards meeting the minimum compensation requirement. Schmitt (2013) summarizes the empirical research, finding "small or no effects along these lines," either on the receipt of health insurance, on provision of family health insurance, or whether or not the employer paid the full premium. Dube, Naidu and Reich (2007) did not detect any decrease in the provision of health benefits in restaurants in San Francisco.[11] Belman and Wolfson's (2014) detailed survey of minimum wage research found that the evidence of impacts on benefits was "thin," and that any effect on health insurance provision was concentrated in smaller firms. They find no impact on employer-provided pensions, which is not surprising given that this benefit is rare among low-wage workers. Since the provision of employment-based health benefits is closely correlated with wages, effects could be larger at higher minimum wage rates.

4. The effects of minimum wage laws on the local economy

A common question is whether raising the minimum wage might act as an economic stimulus and engine of job growth, as low-wage workers spend their increased earnings in local communities. As discussed above, higher wages are absorbed by employers through a variety of channels, including lower turnover and increases in price. Higher prices will in turn reduce consumer demand for goods and services. At the same time, low-wage workers and their families are likely to spend a significant portion of their increased earnings from a minimum wage increase (Johnson, Parker and Soueles 2004), which increases demand for goods and services.

Researchers at the Federal Reserve Bank of Chicago analyzed how a future federal minimum wage increase would affect aggregate household spending (Aaronson and French 2013). The authors calculate that

a $1.75 increase in the federal minimum wage (from $7.25 to $9.00 an hour) would raise aggregate household spending by roughly $48 billion in the short term, increasing GDP by 0.3 percent. In a similar vein, the Economic Policy Institute recently estimated that the Harkin/Miller bill would result in an additional $35 billion in wages paid to affected workers by 2016. This projected rise in consumer spending would provide a net increase in GDP of $22.1 billion, creating roughly 85,000 new jobs (Cooper 2013).

For local laws, the size of the locality and the proportion of workers who live and spend their income in the locality are also important. Reich, Jacobs, Bernhardt and Perry (2015) modelled the interaction between higher prices and higher wages on consumer demand in a prospective minimum wage study for the city of Los Angeles. They found that on balance, the reduction in consumer demand from higher prices was offset by the increased purchasing power of low-wage workers receiving the pay increase. However, since not everyone employed within the city also lives within the city, some of the increased demand is spread to surrounding areas. As a result, they found the law would lead to a small net reduction in consumer demand and employment within the city of Los Angeles and a small net positive increase in employment in the county as a whole.

Since low-wage workers tend to live in lower-income neighborhoods, businesses in those neighborhoods will disproportionately benefit from the increase in worker spending.

Border effects

Will higher local minimum wages lead to firms relocating outside the city? Most economic activity in the U.S. is concentrated in urban areas, where wages are higher. Despite higher wages—and much higher real estate prices—firms want to locate in cities. They seek the advantages of being near other firms in their industry, the market for their products, and sources of raw materials, transshipment points, and labor. The firms that locate in urban areas thus already are paying a premium. Of course, at the periphery of urban areas real estate prices are lower, creating an advantage that gets balanced against the benefits of being closer to customers and to other firms.

Previous research suggests that business relocations are determined more by real estate prices and access to consumer markets than by differences in labor costs (Kolko and Neumark 2007). Wages are also likely to rise just outside of a higher minimum wage city as businesses there will want to hold on to their workforce.

Jekanowski et al. (2001) find that convenience and accessibility are the prime determinants of fast-food restaurant location decisions. The best recent evidence comes from Colbion et al. (2015), who examined sales and price data for 31 identical products from hundreds of retail stores in 50 metro areas. These authors document substantial store-based differences in prices for the same exact product, even within the same metro area. The persistence in price differences, even among nearby stores, indicates the presence of geographic frictions in consumer markets. In other words, small price differences did not lead consumers to switch to lower-price stores.

On the other hand, the same study also found that consumers switch to low-price outlets when local unemployment rates increase, in part because the cost of time for unemployed shoppers is much lower than for shoppers as a whole. This evidence thus also indicates that spatial price differences, although not decisive for shoppers, are not completely irrelevant either. Not surprisingly, much depends on the size

of the price differences. A number of studies have focused on the implied travel costs for consumers in deciding where to shop. Gopinath et al. (2011) estimate that such costs might be about $1.70 per mile (round-trip) for retail. Thomadsen (2005) collected data on prices, locations, and attributes of every Burger King and McDonald's outlet in Santa Clara County and estimate a travel cost of $3 per (round-trip) mile. Implied travel costs of this magnitude make it unlikely that fast-food restaurants would want to move away from their own customer base.

5. Conclusion

In 1994 David Card and Alan Krueger published a groundbreaking study that changed how economists view the minimum wage. Card and Krueger looked at employment in fast- food restaurants across the New Jersey and Pennsylvania border after New Jersey increased its state minimum wage. They found no measurable negative impact on employment. As we reviewed above, a large body of research has since built upon their methodology. As a result, we have learned a great deal about how employers respond to increases in the minimum wage.

First, paying workers more can change their work performance. It can change their productivity, their attitude about their job, how hard they work, and their ability to make it to the job on time. Second, low-wage labor markets have high levels of job churning. Turnover levels are high as workers leave jobs looking for better wages or because they are unable to stay in their jobs due to poverty-related problems such as difficulties with transportation, child care, or health. As a result, rather than eliminating jobs, raising the minimum wages can reduce turnover and increase job stability. Third, firms can absorb higher labor costs through other means as well. They can pass on some of the increased costs to consumers through higher prices or earn lower profits. In short, firms use a combination of strategies to adjust to higher minimum wages without cutting jobs or hours (Schmitt 2013).

Nonetheless, it is important to emphasize again that the existing research literature is necessarily limited to the range of minimum wage increases that have been actually been implemented. While these studies are suggestive, they cannot tell us what might occur when minimum wages are increased significantly beyond past local, state, or federal mandates. Prospective economic modeling as done by Reich, Jacobs, Bernhardt and Perry (2015) suggests that the benefits to low-wage workers of the higher minimum wage laws passed in cities like Seattle, Los Angeles and San Francisco would outweigh the costs.

Finally, raising the minimum wage is not a cure-all, especially in the face of larger forces generating inequality that require national attention. Still, our assessment of the research evidence is that these policies have worked as intended in raising the incomes of low-wage workers and their families.

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Endnotes

[1] This section draws on material presented in Reich, Jacobs and Bernhardt (2014) and Reich et al. (2015).

[2] The authors also examined the impact of the 1993 minimum wage law in Washington DC, but found that the size of the increase was too small to raise wages in those industries (too few workers were affected). They conclude that the law therefore did not constitute a meaningful policy experiment.

[3] Several studies have examined the relationship between the minimum wage and the Earned Income Tax Credit, or EITC. Neumark and Wascher (2011) find that a higher minimum wage increases EITC benefits for families in deep poverty, while reducing EITC benefits for some subgroups. Lee and Saez (2012) argue that the minimum wage and EITC are complementary policies, not substitutes. The Congressional Budget Office (2014) argues that a minimum wage increase will not have a substantial effect on EITC spending, while Rothstein (2010) examines whether the positive effect of the EITC on female labor supply has lowered wages. While these studies are of interest, the EITC is quite different from programs such as food stamps. The EITC has a substantial phase-in period during which benefits increase and a long phase-out period, with eligibility ending completely at an annual income of about $48,000 for a family of four—quite a bit above the reach of the minimum wage.

[4] Albuquerque did not have a city minimum wage law at that time.

[5] In Santa Fe, net store closings were 1.1 percent higher in businesses covered by the law than among those that were not. This difference was not statistically significant.

[6] The authors also examined the impact of the 1993 minimum wage law in Washington DC, but found that the size of the increase was too small to raise wages in those industries (too few workers were impacted). They conclude that the law therefore does not constitute a meaningful policy experiment.

[7] Detailed critiques of the studies were made by Pollin and Wicks-Lim (2005) and the National Employment Law Project (2012). Among other issues, the data used in the San Francisco study starts one year after the law was implemented and fails to capture pre-trends or the first year of implementation. The study compares San Francisco to 20 other "superstar" cities. As with Neumark and Wascher (2008), the results may be biased by underlying regional differences that are unrelated to minimum wage policies. Colla, Dow and Dube (2014) solve this problem by comparing trends in earnings and employment between a similar group of central cities and their peripheral counties from 2002 to 2010. They find no evidence that increasing the minimum compensation standard led to a decrease in employment in San Francisco.

[8] A recent report by the Congressional Budget Office (2014) projects that a $10.10 national minimum wage would raise wages for 16 million Americans, lift 900,000 out of poverty, and result in a reduction in jobs of 500,000. The report claims to synthesize recent research on teen employment, but it does so without making adjustments for research quality. The CBO's estimated elasticity for adult employment is unsupported by the recent empirical research, including that of Neumark and Wascher (2008), which found no measurable employment impact for adults.

[9] Long-run effects might be different. However, Dube, Lester and Reich (2010) do not detect any negative employments effects as long as four years after a minimum wage is implemented.

[10] However, data were not available for comparisons to areas not covered by the minimum wage policy.

[11] Their surveys were carried out sufficiently prior to San Francisco's proposal to establish an employer minimum health spending requirement to avoid any contamination of the results.

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CITY COUNCIL STAFF REPORT

Meeting: September 20, 2016

Subject

Update on regional minimum wage efforts and introduction of Ordinance establishing a citywide minimum wage.

Recommended Action

Receive an update on regional minimum wage efforts and conduct the first reading of Ordinance No. 16-2151: An Ordinance of the City of Cupertino to add Chapter 3.37 (Minimum Wage Ordinance) to Title 3 (Revenue and Finance) of the Cupertino Municipal Code to establish a citywide minimum wage.

Background

Last fall, an advisory team made up of representatives from the Cities Association of Santa Clara County, San Jose/Silicon Valley Chamber of Commerce, Working Partnerships, and the City of San Jose convened to explore a regional approach to increasing the minimum wage, including an analysis of regional economic impact of increasing the minimum wage to $15 by 2019 in all cities in Santa Clara County.

The economic analysis indicated that an increase to the minimum wage would significantly increase average earnings for low-wage workers and their families with relatively minor impacts to businesses and consumers. Additionally, the employer survey showed that the majority of surveyed employers believe a minimum wage increase makes sense given the high cost of living in Silicon Valley and agree with a regional approach, but acknowledge that an increase will make it harder to start and grow local businesses. Specifically, the study and survey found:

- Average pay increase of $3,200 (19.4% of annual earnings) for 250,000 workers (25% of workforce).
- Affected workers are household breadwinners, bringing home half of their family's income on average: 96% of workers who would receive pay increases are over 20 years old; 57% are over 30.
- Average payroll increases for employers of 1.0% across industries (9.6% for restaurants) countywide.

ATTACHMENT #8

- Average price increase of 0.2% across industries (2.9% for restaurants) passed on to consumers with the majority of the increases absorbed through automation, improved productivity and reduced turnover.
- Net loss of 1,470 jobs by the end of 2019, corresponding to 0.1% of county employment.
- The majority (66%) of affected employers anticipate increasing prices for customers.
- They believe their employees will be more satisfied and productive with the wage increase (66%).
- Surprisingly, 76% of surveyed employers believe a minimum wage increase makes sense given the high cost of living in Silicon Valley and that doing so will reduce income inequality (65%).
- Most (61%) believe that a minimum wage increase will make it harder to start and grow local businesses.
- The vast majority (75%) agree with a regional approach at the county level.

On April 4, 2016, Governor Jerry Brown signed legislation (SB 3, Leno) which will raise California's minimum wage to $15 per hour by 2022 starting in 2017. After January 1, 2023, future wage increases are tied to inflation. Under the new state law, the wage increase schedule may be temporarily suspended by the Governor during economic downturns. The law also maintains existing exemptions in the state's minimum wage law. It's important to note that the economic analysis did not factor in the state's new minimum wage law, which likely reduces the negative impacts of a regional increase.

On May 17, 2016, staff presented information on the regional analysis and the state's new minimum wage law to Council. Council directed staff to work with the Cupertino Chamber of Commerce to disseminate the economic analysis and county-wide survey results and focus outreach efforts on small business owners, including a survey on the impacts to their business of an increased minimum wage. Council also requested staff return after the Cities Association made a recommendation on a regional minimum wage.

Discussion

Regional Developments

The Board of Directors of the Cities Association voted to recommend the adoption of a minimum wage ordinance on June 9, 2016 shortly after issuing the final report of the economic analysis (Attachment B). Subsequently, a letter addressed to all Mayors and City Managers in Santa Clara County was sent on July 27, 2016 urging support of the regional minimum wage proposal along with a model ordinance for cities to bring to their Council for consideration (Attachment C). The letter was signed by Cupertino Councilmember Rod Sinks, Sunnyvale Councilmember Jim Griffith, and Palo Alto Councilmember Greg Scharff.

All but two cities in Santa Clara County are considering the regional minimum wage proposal. As shown in the chart below, Mountain View and Sunnyvale have already passed ordinance that increase their local minimum wage to $15 by 2018. Six cities are taking the model ordinance for Council consideration in the next few months, while five others are still in the outreach phase. The Town of Los Altos Hills considered the recommendation in July but determined that it was not applicable due to the absence of commercial/industrial zones. The City of Gilroy is not considering the recommendation and will continue to follow the state schedule, which increases the minimum wage to $15 by 2022. The City of Morgan Hill considered the model ordinance on August 24th and will explore returning to Council at a future date.

Jurisdiction	Current Min. Wage	Response to Regional Approach/Next Steps
Campbell	$10.00	Council consideration on October 4, 2016
Cupertino	$10.00	Council consideration on September 20, 2016
Gilroy	$10.00	Declined to consider
Los Altos	$10.00	Second reading on September 27, 2016
Los Altos Hills	$10.00	Council determined that it was not applicable due to the absence of commercial/industrial zones on July 21, 2016
Los Gatos	$10.00	Mayor scheduling study session
Milpitas	$10.00	Outreach efforts continuing through October
Monte Sereno	$10.00	Council to consider in September or October
Morgan Hill	$10.00	Council considered on August 24th, future reconsideration TBD
Mountain View	$11.00	Adopted increase to $15 by 2018
Palo Alto	$11.00	Council consideration on September 26, 2016
San Jose	$10.30	Council consideration TBD
Santa Clara	$11.00	Council consideration TBD
Saratoga	$10.00	Council consideration in November
Sunnyvale	$11.00	Adopted increase to $15 by 2018

Business Stakeholder and Community Input

Staff made significant efforts to obtain feedback from business stakeholders through the following opportunities: employer survey in partnership with Cupertino Chamber of Commerce, several presentations at Chamber of Commerce Legislative Action Committee, three business outreach meetings, and an online community poll.

Per Council direction, staff conducted the employer survey in partnership with the Cupertino Chamber of Commerce to better target the business community. The survey questions were largely based on the countywide employer survey presented to Council in May (see attachment A). It was released in late June and closed on July 30th. The survey link was sent multiple times through the Chamber's list-serve and City's economic development business contacts. In addition, the City mailed a postcard to every business license holder in Cupertino (2,342)

requesting their participation with several ways to access the survey: surveymonkey web address, wagewatch page, or QR code.

Simultaneously, staff created the www.cupertino.org/wagewatch webpage with information on the regional proposal as well as the City's efforts to study the issue and engage the business community. Staff also presented information at the Chamber of Commerce Legislative Action Committee and hosted three business outreach meetings to present information and gather feedback during the months of June, July, and August. Staff consulted with the Chamber and the California Restaurant Association to ensure that the dates and times of the business outreach meetings would be convenient for their members. Lastly, staff engaged Cupertino residents with a short three question poll on Nextdoor and Facebook.

Despite the efforts of staff and the Cupertino Chamber of Commerce, the City received only 26 responses to the employer survey. With limited resources, staff relied on businesses opting to take the online survey, while the countywide survey was conducted by an applied research firm that conducted a phone survey using a random sampling methodology. This opt-in methodology can lead to participation bias and/or non-response bias, in which certain demographic groups chose to participate or not to participate resulting in skewed data. More concerning was our response rate of about 1%, which results in a margin of error of approximately 18% for most questions.

The employer survey respondents were made up largely of businesses in service sectors with a heavy reliance on low-wage workers when compared to Cupertino's business community overall, an indicator of participation bias. According to the City's draft 2016 Economic Development Strategic Plan, nearly 50% of employers in Cupertino are in the technical and professional sector compared to only 36% of survey respondents. Respondents reported that over half of their employees are currently paid less than $15 per hour, equivalent to $31,200 annually. However, the vast majority of workers employed in Cupertino are highly skilled and compensated with median annual earnings of $81,000 and over 70% earning more than $35,000 annually.[1] Respondents were more demographically similar to the Cupertino business community in terms of size with 73% of respondents reported having less than 10 employees compared to 80% of Cupertino businesses overall.[2] Additionally, most respondents had well-established businesses with over 80% having owned a business in Cupertino for over 5 years.

Given that survey responders disproportionately rely on low-wage employees, it is not surprising that our local employer survey showed more negative impacts to employers when compared to the regional employer survey. A majority of respondents reported that they would be very likely or somewhat likely to (1) reduce the total number of employees they employ and (2) reduce employee hours. The vast majority of responders indicated that they would need to increase prices to pay for increased wages. Most would not consider moving their business to another community with a lower minimum wage but three respondents would consider closing

[1] City of Cupertino General Plan Amendment: Market Study, BAE Urban Economics (February 2014)
[2] City of Cupertino Economic Development Strategic Plan: Background Report, Revised Draft (January 2016)

their business. A third of respondents believe that a minimum wage makes sense for our community given our high cost of living with the majority disagreeing with the statement.

Our business outreach forums were attended by small groups of Cupertino businesses, allowing us to engage in meaningful dialogue with businesses most likely to be affected by a minimum wage increase in a focus group-like setting. In total, about 20 local business owners and managers attended, representing the restaurant, hotel, recreation, education, healthcare and professional services industries. In all forums, representatives expressed concerns about implementing a $15.00 per hour minimum wage by 2019 and spoke of the detrimental effect it may have on their businesses. Many stated small businesses have narrow profit margins and are impacted by other corresponding increases such as the payroll tax, Workers' Compensation insurance, and paid sick leave. Many attendees expressed concern about raising prices for customers to account for higher wages with a small number wondering whether they can stay in business.

Attendees offered suggestions for Council to consider if moving forward with a minimum wage increase:

- Exemption for new and temporary seasonal employees, targeting summer jobs for teens.
- Exclude tipped employees from the ordinance, as many tipped employees may already make substantially more than the minimum wage rate.
- Look into policies to provide small businesses with relief for increasing commercial rents.

Results from the community poll were starkly different from the feedback we received from the business community. Using social media, we polled our residents to get a pulse on their sentiments regarding an increase to the minimum wage. With over 150 responses, 74% agree or somewhat agree that an increase in the minimum wage makes sense for our community, given the high cost of living. A majority would be willing to pay up to 3% more for goods and services to help reduce income inequality. Lastly, 72% agree or somewhat agree that it would be better to have the same increase in the minimum wage throughout the County than to have different rates in different cities. Similar to our business survey, social media polls are not necessarily statistically accurate because of participation bias.

Recommendation

Staff recommends Council consider the model ordinance recommended by the Cities Association of Santa Clara County, which gradually increases the minimum wage to $15.00 per hour by 2019. Considerable outreach was also done in Cupertino to solicit community and business input. Opinions differ significantly on this issue. There is no community-wide consensus in Cupertino on an approach or the impacts of raising the minimum wage.

While an increase in the minimum wage will certainly impact some of Cupertino's businesses, the regional economic analysis shows that the benefits outweigh the costs, that this proposal targets the neediest families in our region with an increase in the average annual income of

19.4% for 250,000 workers with an almost net-zero loss of employment in the 10-county region and a slight increase in average prices of 0.2%. While the price increase at restaurants is estimated to be 3.1%, our community poll indicates that there may be tolerance for this type of price increase in Cupertino. Based on this and the regional approach agreed upon by Santa Clara County city representatives on June 9, 2016, staff has brought the Cities Association model ordinance. The proposed minimum wage ordinance increases the minimum wage as follows:

	Proposed	State Schedule	
Effective Date	Schedule	More than 25 EE	25 of less EE
January 1, 2017	$12.00	$10.50	$10.00
January 1, 2018	$13.50	$11.00	$10.50
January 1, 2019	$15.00	$12.00	$11.00
January 1, 2020	$15.35*	$13.00	$12.00
January 1, 2021	$15.65*	$14.00	$13.00
January 1, 2022	$16.00*	$15.00	$14.00
January 1, 2022	$16.40*	$15.30**	$15.00

*Estimate based on historical CPI-W in Bay Area Statistical Area of 2.2%
**Estimate based on historical CPI-W in the U.S. of 1.7%

As shown in the chart above, after 2019, the minimum wage would increase each January 1st by the Bay Area Consumer Price Index-Wages, not to exceed 5%. All increases would be rounded to the nearest five cents. During the ramp-up phase, an "off-ramp" trigger would allow Council to delay these scheduled increases under certain economic conditions related to an increase in unemployment and/or a decrease in sales tax receipts.

No exemptions, other than for collective bargaining agreements, are recommended in the Cities Association model ordinance. However, there are a number of alternative approaches to this issue that Council could consider based on feedback from our business community:

- Learner Exemptions: Learners (regardless of age) may be paid not less than 85% of the minimum wage rounded to the nearest nickel during their first 160 hours of employment in occupations in which they have no previous similar or related experience. This exemption is included in the state's minimum wage law.

- Exemption for employees receiving discretionary tips. These employees would be paid at the state minimum wage.

If enacted, the City of Cupertino will need to implement mechanisms to enforce its minimum wage ordinance. Several cities with existing minimum wage ordinances in Santa Clara County have contracted with the City of San Jose for enforcement services through a complaint-driven model. The City of San Jose is open to entering into similar agreements with other cities in the region. Staff recommends exploring this option.

Sustainability Impact
No impact.

Fiscal Impact
If a regional minimum wage is enacted, City costs are anticipated to increase by roughly $480,000 over the course of three years related to increases for part-time employees, contractual services, and new enforcement mechanisms to ensure compliance with the new law.

First, the City would need to amend its salary schedule for part-time employees to comply with the new minimum wage schedule, resulting in a budget impact of approximately $75,000 in FY 16-17 and $95,000 in each of the following fiscal years, for a total of $265,000 over three years.

Contract costs for crossing guard and janitorial services are also expected to increase as these contractors rely heavily on low-wage workers. Based on staff estimates, the cost for crossing guard services will increase by $25,000 in FY 2016-17 with a total estimated increase of $75,000 over the next three years of the ramp up period. Janitorial services are likely to increase about 30% (roughly $200,000) during the ramp up phase.

Lastly, costs related to enforcement are estimated to be minimal based on the experience from nearby cities who have implemented local minimum wage ordinances. A budget adjustment of $5,000 would be requested at mid-year to account for enforcement-related costs.

Prepared by: Jaqui Guzmán, Assistant to the City Manager
Approved for Submission by: David Brandt, City Manager

Attachments:

A – Draft Minimum Wage Ordinance
B – Economic Analysis
C – Letter from Santa Clara County Cities Association (July 27, 2016)

Attachment A

ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CUPERTINO TO ADD CHAPTER 3.37 (MINIMUM WAGE ORDINANCE) TO TITLE 3 (REVENUE AND FINANCE) OF THE CUPERTINO MUNICIPAL CODE TO INCREASE THE CITY-WIDE MINIMUM WAGE

WHEREAS, families and workers need to earn a living wage, and public policies which help achieve that goal are beneficial; and

WHEREAS, payment of a minimum wage advances the interests of the City as a whole by creating jobs that keep workers and their families out of poverty; and

WHEREAS, a minimum wage will enable a worker to meet basic needs and avoid economic hardship; and

WHEREAS, this ordinance is intended to improve the quality of services provided in the City to the public by reducing turnover, absenteeism, and instability in the workplace; and

WHEREAS, prompt and efficient enforcement of this Chapter will provide workers with economic security and the assurance that their rights will be respected; and

WHEREAS, key findings of a regional minimum wage study and survey performed by the Institute for Research on Labor and Employment at UC Berkeley and BW Research showed that increasing the minimum wage to $15.00 an hour by 2019 in Santa Clara County would:

- Increase earnings for 250,000 workers
- Raise average annual earnings of affected workers by 19.4 percent, or $3,200.00 (in 2014 dollars)
- Slightly increase average prices in Santa Clara County by 0.2% over three years
- Have a net effect on employment that is slightly negative at the county level (1,450 jobs) and close to zero at a 10 county regional level;

WHEREAS, the Cities Association of Santa Clara County recommends a regional minimum wage increase to $15.00 by 2019 as an effort to create an even playing field that mitigates the impacts to local economies, provides equity to our shared economy, and implements regional consistency across the county.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF CUPERTINO DOES ORDAIN AS FOLLOWS:

3.37 Minimum Wage.

3.37.010 Title.

This chapter shall be known as the "Minimum Wage Ordinance."

3.37.020 Authority.

This chapter is adopted pursuant to the powers vested in the City of Cupertino under the laws and Constitution of the state of California, including, but not limited to, the police powers vested in the City pursuant to Article XI, Section 7 of the California Constitution and Section 1205(b) of the California Labor Code.

3.37.030 Definitions.

The following words and phrases, whenever used in the chapter, shall be construed as defined in this section:

(a) "City" shall mean the City of Cupertino, California or any agency designated by the City to administer the terms of this chapter.

(b) "Employee" shall mean any person who:

1. In a calendar week performs at least two (2) hours of work for an employer as defined below; and
2. Qualifies as an employee entitled to payment of a minimum wage from any employer under the California Minimum Wage Law, as provided under Sec. 1197 of the California Labor Code and wage orders published by the California Industrial Welfare Commission, or is a participant in a welfare-to-work Program.

(c) "Employer" shall mean any person, including corporate officers or executives, as defined in Sec. 18 of the California Labor Code, who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency or similar entity, employs or exercises control over the wages, hours or working conditions of any employee and who is either subject to the City's business license requirements or maintains a business facility in the city.

(d) "Governmental agencies" shall include federal agencies, state agencies, school districts and auxiliary organizations as defined under Education Code Sections 72670(c) and 89901. "Governmental agency" does not include the City of Cupertino.

(e) "Minimum wage" shall have the meaning set forth in Section 3.37.040 of this chapter.

(f) "Welfare-to-Work Program" shall mean the CalWORKS Program, County Adult Assistance Program (CAAP) which includes the Personal Assisted Employment Services

(PAES) Program, and General Assistance Program, and any successor programs that are substantially similar to them.

3.37.040 Minimum wage.

(a) Employers shall pay employees no less than the minimum wage set forth in this section for each hour worked within the geographic boundaries of the City of Cupertino. Governmental agencies are exempt from the minimum wage requirements under the principle of governmental immunity when the work performed is related to the agency's governmental function.

(b) Effective January 1, 2017, the Minimum Wage shall be an hourly rate of twelve dollars ($12.00). On January 1, 2018, the minimum wage shall be an hourly rate of thirteen dollars and fifty cents ($13.50). On January 1, 2019, the minimum wage shall be an hourly rate of fifteen dollars ($15.00), except when these scheduled increases are temporarily suspended under subdivision (f). To prevent inflation from eroding its value, beginning on January 1, 2020, and each January 1st thereafter, the Minimum Wage shall increase by an amount corresponding to the increase, if any, in the cost of living, not to exceed 5%. The prior year's increase in the cost of living shall be measured by the percentage increase, if any, as of August of the immediately preceding year of the Bay Area Consumer Price Index (Urban Wage Earners and Clerical Workers, San Francisco-Oakland-San Jose, CA for All Items) or its successor index as published by the U.S. Department of Labor or its successor agency, with the amount of the Minimum Wage increase rounded to the nearest multiple of five ($.05) cents. If there is no net increase in the cost of living, the minimum wage shall remain unchanged for that year. The adjusted Minimum Wage shall be announced by October 1st of each year, or as soon as practicable thereafter if the Consumer Price Index for August has not yet been published, and shall become effective as the new Minimum Wage on January 1st of the following year.

(c) Commissions or guaranteed gratuities, not including discretionary tips, may be counted toward payment of the minimum wage when the commissions or guaranteed gratuities are earned and paid together with other compensation paid to an employee and are equal to or greater than the current minimum wage. For each pay period, employers shall pay the employee an amount that equals or exceeds the current hourly minimum wage.

(d) The employer may offset a portion of the minimum wage for housing and meal costs only if the offsets are the same as those available under the California Minimum Wage Law. The offsets shall only be recognized if there is a prior voluntary agreement between the employer and the employee.

(e) A violation for unlawfully failing to pay the minimum wage shall be deemed to continue from the date immediately following the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date immediately preceding the date the wages are paid in full.

(f) On or before September 1, 2017, and on or before every September 1 thereafter until the minimum wage is fifteen dollars ($15.00) per hour, to ensure that economic conditions can

support a minimum wage increase, the City Manager or designee shall annually make a determination and certify to the City Council whether each condition below is met:

(A) Total nonfarm employment for California, seasonally adjusted, decreased over the three-month period from April to June, inclusive, prior to the September 1 determination. This calculation shall compare seasonally adjusted total nonfarm employment in June to seasonally adjusted total nonfarm employment in March, as reported by the Employment Development Department.

(B) Total nonfarm employment for California, seasonally adjusted, decreased over the six-month period from January to June, inclusive, prior to the September 1 determination. This calculation shall compare seasonally adjusted total nonfarm employment in June to seasonally adjusted total nonfarm employment in December, as reported by the Employment Development Department.

(C) California state retail sales and use tax cash receipts from a 3.9375-percent tax rate for the July 1 to June 30, inclusive, period ending one month prior to the September 1 determination is less than retail sales and use tax cash receipts from a 3.9375-percent tax rate for the July 1 to June 30, inclusive, period ending 14 months prior to the September 1 determination. The calculation for the condition specified in this subparagraph shall be made by the City Manager or designee using data posted online by the State Board of Equalization, following the procedure specified in paragraph (1) of subdivision (c) of Section 1182.12 of the California Labor Code as follows:

(i) The State Board of Equalization shall publish by the 10th of each month on its Internet Web site the total retail sales (sales before adjustments) for the prior month derived from their daily retail sales and use tax reports.

(ii) The State Board of Equalization shall publish by the 10th of each month on its Internet Web site the monthly factor required to convert the prior month's retail sales and use tax total from all tax rates to a retail sales and use tax total from a 3.9375-percent tax rate.

(iii) The Department of Finance shall multiply the monthly total from clause (i) by the monthly factor from clause (ii) for each month.

(iv) The Department of Finance shall sum the monthly totals calculated in clause (iii) to calculate the 12-month July 1 to June 30, inclusive, totals needed for the comparison in this subparagraph.

(g) If, for any year, the condition in either subparagraph (A) or (B) of paragraph (f) is met, and if the condition in subparagraph (C) of paragraph (f) is met, the City Council may, on or before October 1 of that year, make a determination to temporarily suspend the minimum wage increase scheduled for the following year.

(h) If the City Council makes a determination to temporarily suspend the scheduled minimum wage increases for the following year, all dates specified in paragraph (b) that are subsequent to the October 1 determination date shall be postponed by an additional year.

3.37.050 Waiver through collective bargaining.

All or any portion of the applicable requirements of this Chapter shall not apply to Employees covered by a bona fide collective bargaining agreement to the extent that such requirements are expressly waived in the collective bargaining agreement in clear and unambiguous terms.

3.37.060 Notice, posting and payroll records.

(a) By November 1st or as soon as practicable thereafter of each year, the City shall publish and make available to employers a bulletin announcing the adjusted minimum wage rate for the upcoming year, which shall take effect on January 1st. In conjunction with this bulletin, the City shall by November 1st, or as soon as practicable thereafter of each year, publish and make available to employers, in the top three languages spoken in the city based on the latest available census information for the city, a notice suitable for posting by employers in the workplace informing employees of the current minimum wage rate and of their rights under this chapter.

(b) Every employer shall post in a conspicuous place at any workplace or job site where any employee works the notice published each year by the City informing employees of the current minimum wage rate and of their rights under this chapter. Every employer shall post such notices in the top three languages spoken in the city based on the latest available census information for the city at the workplace or job site. Every employer shall also provide each employee at the time of hire with the employer's name, address, and telephone number in writing.

(c) Employers shall retain payroll records pertaining to employees for a period of four years, and shall allow the City access to such records, with appropriate notice and at a mutually agreeable time, to monitor compliance with the requirements of this chapter. Where an employer does not maintain or retain adequate records documenting wages paid or does not allow the City reasonable access to such records, the employee's account of how much he or she was paid shall be presumed to be accurate, absent clear and convincing evidence otherwise.

3.37.070 Retaliation prohibited.

(a) It is unlawful for an employer or any other party to discriminate in any manner or take adverse action against any person in retaliation for exercising rights protected under this chapter. Rights protected under this chapter include, but are not limited to: the right to file a complaint or inform any person about any party's alleged noncompliance with this chapter; and the right to

inform any person of his or her potential rights under this chapter and to assist him or her in asserting such rights. Protections of this chapter shall apply to any person who mistakenly, but in good faith, alleges noncompliance with this chapter.

(b) Taking adverse action against a person within ninety (90) days of the person's exercise of rights protected under this chapter shall raise a rebuttable presumption of having done so in retaliation for the exercise of such rights.

3.37.080 Implementation.

(a) Guidelines. The City shall be authorized to coordinate implementation and enforcement of this chapter and may promulgate appropriate guidelines or rules for such purposes. Any guidelines or rules promulgated by the City shall have the force and effect of law and may be relied on by employers, employees and other parties to determine their rights and responsibilities under this chapter. Any guidelines or rules may establish procedures for ensuring fair, efficient and cost effective implementation of this chapter, including supplementary procedures for helping to inform employees of their rights under this chapter, for monitoring employer compliance with this chapter, and for providing administrative hearings to determine whether an employer or other person has violated the requirements of this chapter.

(b) Reporting Violations. An employee or any other person may report to the City in writing any suspected violation of this chapter. The City shall encourage reporting pursuant to this subsection by keeping confidential, to the maximum extent permitted by applicable laws, the name and other identifying information of the employee or person reporting the violation. Provided, however, that with the authorization of such person, the City may disclose his or her name and identifying information as necessary to enforce this chapter or other employee protection laws. In order to further encourage reporting by employees, if the City notifies an employer that the City is investigating a complaint, the City shall require the employer to post or otherwise notify its employees that the City is conducting an investigation, using a form provided by the City.

(c) Investigation. The City shall be responsible for investigating any possible violations of this chapter by an employer or other person. The City shall have the authority to inspect workplaces, interview persons and request the City Attorney to subpoena books, papers, records, or other items relevant to the enforcement of this chapter.

(d) Informal Resolution. The City shall make every effort to resolve complaints informally, in a timely manner, and shall take no more than one year to resolve any matter, before initiating an enforcement action. The failure of the City to meet these timelines within one year shall not be grounds for closure or dismissal of the complaint.

3.37.090 Enforcement.

(a) Where prompt compliance is not forthcoming, the City shall take any appropriate enforcement action to secure compliance. All remedies in the Cupertino Municipal Code ("the code") are considered cumulative and the use of one or more remedies by the City shall not bar the use of any other remedy for the purpose of enforcing these provisions.

(1) The City may issue an administrative citation pursuant to Chapter 3.37 of the code with a fine of not more than fifty dollars ($50.00) for each day or portion thereof and for each employee or person as to whom the violation occurred or continued. The City Council may modify the fine amount by resolution.

(2) Alternatively, the City may initiate a proceeding under Chapter 3.37 of the code by issuing a compliance order.

(3) The City may initiate a civil action for injunctive relief and damages and civil penalties in a court of competent jurisdiction.

(b) Any person aggrieved by a violation of this chapter, any entity a member of which is aggrieved by a violation of this chapter, or any other person or entity acting on behalf of the public as provided for under applicable state law, may bring a civil action in a court of competent jurisdiction against the employer or other person violating this chapter and, upon prevailing, shall be awarded reasonable attorneys' fees and costs and shall be entitled to such legal or equitable relief as may be appropriate to remedy the violation, including, without limitation, the payment of any back wages unlawfully withheld, the payment of an additional sum as a civil penalty in the amount of fifty dollars ($50.00) to each employee or person whose rights under this chapter were violated for each day that the violation occurred or continued, reinstatement in employment and/or injunctive relief. Provided, however, that any person or entity enforcing this chapter on behalf of the public as provided for under applicable state law shall, upon prevailing, be entitled only to equitable, injunctive or restitutionary relief to employees, and reasonable attorneys' fees and costs.

(c) This section shall not be construed to limit an employee's right to bring legal action for a violation of any other laws concerning wages, hours, or other standards or rights nor shall exhaustion of remedies under this chapter be a prerequisite to the assertion of any right.

(d) Except where prohibited by state or federal law, City agencies or departments may revoke or suspend any registration certificates, permits or licenses held or requested by the employer until such time as the violation is remedied.

(e) Relief. The remedies for a violation of this chapter include, but are not limited to:

(1) Reinstatement, the payment of back wages unlawfully withheld, and the payment of an additional sum as a civil penalty in the amount of fifty dollars ($50.00) to each employee or person whose rights under this chapter were violated for each day or portion thereof that the violation occurred or continued, and fines imposed pursuant to other provisions of this code or state law.

(2) Interest on all due and unpaid wages at the rate of interest specified in subsection (b) of Section 3289 of the California Civil Code, which shall accrue from the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date the wages are paid in full.

(3) Reimbursement of the City's administrative costs of enforcement and reasonable attorney's fees.

3.37.100 Relationship to other requirements.

This chapter provides for payment of a local minimum wage and shall not be construed to preempt or otherwise limit or affect the applicability of any other law, regulation, requirement, policy or standard that provides for payment of higher or supplemental wages or benefits, or that extends other protections.

3.37.110 Application of minimum wage to welfare-to-work programs.

The minimum wage established pursuant to Section 3.80.040(b) of this chapter shall apply to the Welfare-to-Work Programs under which persons must perform work in exchange for receipt of benefits. Participants in Welfare-to-Work Programs shall not, during a given benefits period, be required to work more than a number of hours equal to the value of all cash benefits received during that period, divided by the minimum wage.

3.37.120 Fees.

Nothing herein shall preclude the City Council from imposing a cost recovery fee on all employers to pay the cost of administering this chapter.

3.37.130 CEQA Exemption.

The City Council finds, pursuant to Title 14 of the California Code of Regulations, Section 15378(b)(2), that this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) in that the adoption of an ordinance of general policy and procedure does not constitute a project within the meaning of CEQA.

3.37.140 Constitutionality; Severability.

If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be invalid, such decision or decisions shall not affect the validity of the remaining portions of

this ordinance. The City Council hereby declares that it would have passed this ordinance, and each section, subsection, sentence, clause -and phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid.

INTRODUCED at a regular meeting of the City Council of the City of Cupertino the 20th day of September, 2016, and ENACTED at a regular meeting of the City Council of the City of Cupertino the 4th day of October 2016, by the following vote:

PASSED:

Vote:	Members of the City Council
Ayes:	
Noes:	
Absent:	
Abstain:	

ATTEST:

Grace Schmidt, City Clerk

APPROVED:

Barry Chang, Mayor, City of Cupertino

JOINT MEETING OF THE
MILPITAS CITY COUNCIL AND
PUBLIC FINANCING AUTHORITY
MEETING AGENDA

TUESDAY, JANUARY 17, 2017

455 EAST CALAVERAS BOULEVARD, MILPITAS, CA
5:00 P.M. CLOSED SESSION • 7:00 P.M. PUBLIC BUSINESS

SUMMARY OF CONTENTS

I. **CALL TO ORDER** by the Mayor and **ROLL CALL** by City Clerk (5:00 p.m.)

II. **ADJOURN TO CLOSED SESSION**

(a) **CONFERENCE WITH LEGAL COUNSEL, EXISTING LITIGATION**
Name of Case: American Arbitration Association Case No. 01-16-0000-4753

(b) **CONFERENCE WITH LEGAL COUNSEL, ANTICIPATED LITIGATION**
Pursuant to Government Code Section 54956.9(d)(4) – City as Plaintiff

III. **CLOSED SESSION ANNOUNCEMENT:** Report on action taken in Closed Session, if required pursuant to Government Code Section 54957.1, including the vote or abstention of each member present

IV. **PLEDGE OF ALLEGIANCE** (7:00 p.m.)

V. **INVOCATION** (Mayor Tran)

VI. **SCHEDULE OF MEETINGS – COUNCIL CALENDARS** - January and February 2017

VII. **PRESENTATIONS**

- Proclaim *Martin Luther King Jr. Day* on January 16, 2017
- Proclaim January 14 – 29, 2017 as *Hindu Swayamsevak Sangh Yogathon*

VIII. **PUBLIC FORUM**

Members of the audience are invited to address the Council on any subject not listed on this agenda. Speakers must come to the podium, state their name and city of residence for the Clerk's record, and limit their remarks to three minutes. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. However, the Council may instruct the City Manager to place the item on a future meeting agenda.

IX. **ANNOUNCEMENTS**

X. **ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS**

XI. **APPROVAL OF AGENDA**

XII. CONSENT CALENDAR (Items with asterisks*)

Consent calendar items are considered to be routine and will be considered for adoption by one motion. There will be no separate discussion of these items unless a member of the City Council, member of the audience, or staff requests the Council to remove an item from or be added to the consent calendar. Any person desiring to speak on any item on the consent calendar should ask to have that item removed from the consent calendar. If removed, this item will be discussed in the order in which it appears on the agenda.

XIII. APPROVAL OF COUNCIL MEETING MINUTES – January 3, 2017

XIV. UNFINISHED BUSINESS

1. **Receive Report and Update on the Santa Clara Countywide Study on Minimum Wage Increase (Staff Contact: Edesa Bitbadal, 408-586-3052)**

XV. REPORTS OF OFFICERS AND COMMISSIONS

2. **Approve Mayor's Recommendations for Outside Committee Appointments of Councilmembers (Contact: Mayor Tran, 408-586-3029)**

* 3. **Consider Mayor's Recommendation for One Appointment to the Sister Cities Commission (Contact: Mayor Tran, 408-586-3029)**

* 4. **Per Request of Councilmember Nuñez, Consider Approving More than 4 Hours of Staff Time Related to Request for a Possible Collaboration with the Milpitas Unified School District's Student Olympic Games (Contacts: Councilmember Nuñez, 408-586-3023 and Renee Lorentzen, 408-586-3409)**

5. **Consider and Agree on Discussion Topics for the Special Meeting of the City Scheduled for January 24, 2017 (Contacts: Councilmember Nuñez, 408-586-3023 and Tom Williams, 408-586-3050)**

6. **Consider Additional Resident Appointments to the General Plan Advisory Committee and Citizens Task Force on Water Rates (Contact: Councilmember Nuñez, 408-586-3023)**

7. **Per Request of Councilmember Phan, Receive Update from Police Department Concerning Stance on Reporting Undocumented Immigrants to Department of Homeland Security (Staff Contact: Tom Williams, 408-586-3050)**

8. **Receive Presentation and Approve Youth Advisory Commission 2017 Work Plan (Staff Contact: Andrew Mendes, 408-586-3231)**

9. **Receive Presentation and Approve Economic Development Commission 2017 Work Plan (Staff Contact: Edesa Bitbadal, 408-586-3052)**

XVI. NEW BUSINESS

10. **Consider and Approve Community Development Block Grant Policies and Funding Priorities (Staff Contact: Tim Wong, 408-586-3286)**

* 11. **Authorize Out-of-State Travel for Police Department and Information Services Staff to Attend TriCon 2017 (Staff Contacts: Armando Corpuz, 408-586-2534 and Mike Luu, 408-586-2706)**

* 12. Approve a Request from the Sunnyhills Neighborhood Association to Waive City Fees for a Neighborhood Event Held on Saturday, October 29, 2016 at Augustine Park (Staff Contact: Tom Williams, 408-586-3050)

XVII. ORDINANCE

13. Adopt Interim Urgency Ordinance No. 291 Establishing a Temporary Moratorium on Marijuana Uses Pending the Enactment of an Update to the City's Municipal Code (Staff Contact: Christopher J. Diaz, 408-586-3040)

XVIII. RESOLUTIONS

* 14. Adopt a Resolution Approving a New Memorandum of Understanding Between the City of Milpitas and the International Association of Firefighters Local 1699 for January 1, 2017 to June 30, 2018 (Staff Contact: Tina Murphy, 408-586-3086)

* 15. Adopt Two Resolutions - of the Milpitas City Council and Milpitas Public Financing Authority Board - Authorizing Investment of Monies in the Local Agency Investment Fund and Updating Officers' Information (Staff Contact: Jane Corpus, 408-586-3125)

* 16. Adopt a Resolution Authorizing the Purchase and Delivery of an Emergency Back-Up Generator for the Milpitas Sports Center from Peterson Power Systems, Inc. for the Not-To-Exceed Amount of $115,011 Through a Cooperative Procurement Contract (Staff Contacts: Chris Schroeder, 408-586-3161 and Nina Hawk, 408-586-2603)

17. Adopt a Resolution Appointing Steve Pangelinan as Interim Chief of Police and Approving Employment Contract Pursuant to Government Code Sections 7522.56 and 21221(h) (Staff Contact: Tina Murphy, 408-586-3086)

18. Adopt a Resolution Appointing an Elected Official to the Boards of the Bay Area Water Supply & Conservation Agency and Related San Francisco Bay Area Regional Water System Finance Authority (Contact: Mayor Tran, 408-586-3029)

XIX. AGREEMENTS

* 19. Authorize the City Manager to Execute a Stormwater Management Facilities Operation and Maintenance Agreement for a Residential Development Located at 31 South Milpitas Boulevard by DR Horton Bay, Inc. (Staff Contact: Judy Chu, 408-586-3325)

XX. ADJOURN JOINT MEETING

NEXT SPECIAL CITY COUNCIL MEETING
TUESDAY, JANUARY 24, 2017

NEXT REGULARLY SCHEDULED COUNCIL MEETING
TUESDAY, FEBRUARY 7, 2017

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035. Phone 408-586-3040

The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd., Milpitas and on the City website. 408-586-3000

All City Council agendas and related materials can be viewed online here: www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp (select meeting date)

APPLY TO SERVE ON A CITY COMMISSION

Current Vacancies on:
Economic Development Commission (MUSD and hotel reps.),
Emergency Preparedness Commission
Sister Cities Commission

Commission application forms are available online at www.ci.milpitas.ca.gov or at Milpitas City Hall. Contact the City Clerk's office at 408-586-3003 for more information.

If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, call the City Clerk at 408-586-3001 or send an e-mail to mlavelle@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings in that facility.

XIV. UNFINISHED BUSINESS

1. **Receive Report and Update on the Santa Clara Countywide Study on Minimum Wage Increase (Staff Contact: Edesa Bitbadal, 408-586-3052)**

Background: The City of San Jose lead the effort to analyze and study a Countywide minimum wage increase. Several cities in Santa Clara County, including City of Milpitas, agreed to assist and participate in the study of increasing the minimum wage in September of 2015. Center on Wage and Employment Dynamics was hired to conduct an economic analysis for San Jose and Countywide, and BW Research was hired to survey businesses in San Jose and Santa Clara County. Both of the consultants were hired without any input or recommendation from the City of Milpitas. Because the consultants did not study the impacts of the minimum wage increase based on individual cities, the City of San Jose paid for the survey and consultant's services.

While the consultants were studying the impacts of the minimum wage, the State raised the minimum wage for small and large businesses in California. On January 1, 2016, state law required the minimum wage to increase to $10.00 per hour. All City positions and contracted agencies and organizations are compliant with this minimum wage increase.

On April 4, 2016, Governor Brown signed into law Senate Bill (SB) 3. SB 3 (Leno) requires a new statewide minimum wage schedule with annual increases commencing January 1, 2017 through January 1, 2023. The schedule is for those with 26 or more employees and for businesses with 25 or fewer is as follows:

Schedule of California Minimum Wage Increases		
	26 or More Employees	25 or Fewer Employees
2017	$ 10.50	$ 10.00
2018	$ 11.00	$ 10.50
2019	$ 12.00	$ 11.00
2020	$ 13.00	$ 12.00
2021	$ 14.00	$ 13.00
2022	$ 15.00	$ 14.00
2023	$ 15.00	$ 15.00

On June 9, 2016, the Cities Association of Santa Clara County, through individual city representatives, voted to approve a Countywide minimum wage increase without any exemptions. Of 15 cities represented, 13 votes yes, City of Gilroy voted no, and City of Milpitas abstained. Since then, the minimum wage increase of $15 by 2019 has been approved by cities of San Jose, Cupertino, Los Altos, and Palo Alto. Cities of Sunnyvale and Mountain View had already adopted a more aggressive schedule of $15 by 2018. Five cities have voted to not adopt the Countywide minimum wage increase and stay with the state level. Those cities are Gilroy, Morgan Hill, Los Gatos, and Los Altos Hills. City of Campbell adopted it for a more moderate increase but the City Council has since decided to rescind the second reading of the ordinance. Since the Cities Association's meeting in June of 2016, Countywide effort to increase the minimum wage to $15 by 2019 is not a uniform policy. Cities are implementing minimum wage to meet their respective community's economic and social needs.

Analysis:
The Countywide survey conducted by BW Research did not state Milpitas businesses' perspective as it was all combined with businesses in fifteen cities. Therefore, Economic

Development staff in collaboration with Milpitas Chamber of Commerce held three meetings on May 13, May 16 and June 6, 2016 with local business owners to review the newly increased state mandated minimum wage increase, the Countywide study, and a hybrid of the State minimum wage increase with incremental increases linked to the state CPI. Economic Development staff also mailed a survey to 1,579 businesses that have two or more employees.

Schedule of California Minimum Wage Increases			Santa Clara County Cities Association Recommendation * Estimated	California Minimum Wage with additional State CPI Estimated with no recession
	26 or More Employees	25 or Fewer Employees		
2017	$ 10.50	$ 10.00	$ 12.00	$ 10.75
2018	$ 11.00	$ 10.50	$ 13.50	$ 11.35
2019	$ 12.00	$ 11.00	$ 15.00	$ 12.35
2020	$ 13.00	$ 12.00	$ 15.33*	$ 13.35
2021	$ 14.00	$ 13.00	$ 15.68*	$ 14.35
2022	$ 15.00	$ 14.00	$ 16.03*	$ 15.35
2023	$ 15.00	$ 15.00	$ 16.38*	TBD

The net results of the three meetings and the direct mail survey as of June 7, 2016, was the following:

- 40 responded to the survey:
  - 34 voted to keep the minimum wage as is.
  - 5 voted for the State Increase with additional CPI
  - 1 voted to increase it to $15 by 2019

Also included is an Opt-out option if the minimum wage is increase to $15 by 2019. The following are the results of the options:

- Small Businesses (less than 55 FT employees) 21
- Youth Exemption 11
- Total Compensation 6
- New Business: less than 5 years 2

Economic Development staff made a presentation on preliminary findings to the City Council on June 7, 2016. City Council directed staff to continue the outreach with Milpitas businesses to yield a larger net of businesses and numbers.

Because the City has a significant number of Asian-owned and Asian-based businesses, in particular Chinese-owned small businesses, staff translated the survey into Mandarin language. In addition, the survey was conducted by door-to-door canvasing, visiting numerous shopping centers and conducting phone surveys. The intensive in-person outreach to businesses, numerous shopping centers, and additional translation service yielded more than twice the number of results from direct mail and three community meetings.

As of December 31, 2016, the total results of the survey are:

- 81 voted to keep the minimum wage as is.
- 10 voted for the state's increase with additional CPI
- 9 voted to increase it to $15 by 2019

Opt-out option if the minimum wage is increased to $15 by 2019. The following are the results of the options:

- Small Businesses (less than 55 FT employees) 43
- Youth Exemption 27
- Total Compensation 12
- New Business: less than 5 years 18

Based on the overall outreach to Milpitas-based businesses, 81% would not want the City to increase the minimum wage to $15 by 2019. The survey results show that only 9% of Milpitas business owners would support the Countywide effort. Verbal and written comments for opposition to the Countywide efforts were due to financial impacts and eventual closure of small businesses, lay off of employees or reduction in employees hours, low profit margin, fierce competition with neighboring communities such as Fremont. Additional hidden costs were also a factor in opposition to the increase in minimum wage. Those cost increases include workers compensation and payroll taxes, which in total increase expenses much higher than the hourly rate analysis.

Fiscal Impact: None.

Attachments:
A) California Minimum Wage Increases and Options
B) Questionnaire (English + Chinese versions) – for Milpitas businesses
C) Written Comments from Questionnaire responses

Recommendation: To receive a report from staff and direct staff, as appropriate.

XV. REPORTS OF OFFICERS AND COMMISSIONS

2. Approve Mayor's Recommendations for Outside Committee Appointments of Councilmembers (Contact: Mayor Tran, 408-586-3029)

Recommendation: Mayor Tran provided recommendations for Councilmember appointments to various outside agencies and committees for Councilmembers (see list included in the agenda packet), and Council is requested to move to confirm those appointments.

*** 3. Consider Mayor's Recommendation for One Appointment to the Sister Cities Commission (Contact: Mayor Tran, 408-586-3029)**

Recommendation: Mayor Tran recommends the appointment of Rhoda Shapiro to serve on the Sister Cities Commission as Alternate No. 2 to a currently vacant seat that will expire in September of 2017. Move to approve his recommendation.

*** 4. Per Request of Councilmember Nuñez, Consider Approving More than 4 Hours of Staff Time Related to a Request for a Possible Collaboration with the Milpitas Unified School District's Student Olympic Games (Contacts: Councilmember Nuñez, 408-586-3023 and Renee Lorentzen, 408-586-3409)**

Background: City Council policy states that any staff work not part of an approved work program or budgeted item requiring more than four hours of staff time obtain approval of a majority of the Council. Upon direction from Council majority, staff will begin to assess a partnership with the Milpitas Unified School District's student Olympic Games.

If the Council so directs, the Recreation and Community Services Director and the Recreation Youth & Teen Coordinator will work with Milpitas Unified School District representatives to assess the scope of the event, what responsibilities the City of Milpitas would undertake as a partner and identify the City resources, i.e. additional staff time, facilities, that would be needed.

Fiscal Impact: If the Council directs work on this item, staff will return to a future meeting with the cost of the partnership to the City of Milpitas.

Recommendation: Approve Recreation Services staff to work on the research of a possible collaboration with the Milpitas Unified School District's student Olympic Games.

5. **Consider and Agree on Discussion Topics for the Special Meeting of the City Scheduled for January 24, 2017 (Contacts: Councilmember Nuñez, 408-586-3023 and Tom Williams, 408-586- 3050)**

Background: The City Council agreed to schedule and conduct a special meeting on Tuesday, January 24, 2017 at 5:30 pm for the purpose of communicating and reaching consensus on vision, direction and operating protocols as elected officials. This process is important to achieve a well-managed and collaborative Council process charged with developing and guiding public policy for the citizens of Milpitas as well as participation in policy development for the greater Silicon Valley region.

Councilmember Nuñez requested this item be placed on this agenda to ensure topics of mutual interest are addressed and prioritized for an efficient and productive study session. Suggested topics include:

1. Mayor/Council communication and representation of Council/City's position on policies, issues and interest. Protocols regarding social media and representation of individual versus Councils position.
2. City Council Handbook
3. Housing issues including supply, affordability and relationship to schools
4. Economic Development, Job Creation and Marijuana Prohibitions
5. Social Media policies as elected officials.

Recommendation: Reach agreement of study session topics for the City Council special meeting on January 24, 2017.

6. **Consider Additional Resident Appointments to the General Plan Advisory Committee and Citizens Task Force on Water Rates (Contact: Councilmember Nuñez, 408-586-3023)**

Background: Two citizen panels have been appointed by the previous City Council in 2016.

The General Plan Advisory Committee (GPAC) is presently a 14-member group that was formed through City Council nominations on December 6, 2016. The GPAC will serve to help guide the formation of the General Plan by serving as an advisory committee that will discuss topical areas such as land use, circulation, housing, open space, safety, and education issues. The group is scheduled to meet approximately 15 times over the next year and a half and will help to formulate Policy statements, goals, and objectives.

Citizens Task Force on Water Rates was appointed by the previous City Council on September 20, 2016. This body has met once on November 17, 2016. Each City Councilmember nominated two residents while the Mayor recommended three members.

City Council shall consider additional members to each of these two bodies, one from each of the newly elected officials. The current list of members for each group is included in the Council's agenda packet.

Recommendation: Consider approval of additional appointments from the three newest members of the City Council to the two Council-appointed bodies: General Plan Advisory Committee and Citizens Task Force on Water Rates.

7. **Per Request of Councilmember Phan, Receive Update from Police Department Concerning Stance on Reporting Undocumented Immigrants to Department of Homeland Security (Staff Contact: Tom Williams, 408-586-3050)**

   Background: During the January 3, 2017 City Council meeting, Councilmember Phan requested information concerning the Milpitas Police Department's stance on reporting undocumented immigrants to the Department of Homeland Security.

   Recommendation: Hear oral report from City staff at the Council meeting.

8. **Receive Presentation and Approve Youth Advisory Commission 2017 Work Plan (Staff Contact: Andrew Mendes, 408-586-3231)**

   Background: At the October 13, 2016 Youth Advisory Commission meeting, Commissioners created and approved a draft 2017 Work Plan. The Commission's Work Plan identifies the Commission's goals, projects and ongoing tasks the group would like to accomplish for the year.

   Recommendation: Receive a report on the Commission's current activities and move to approve the Youth Advisory Commission 2017 Work Plan.

9. **Receive Presentation and Approve Economic Development Commission 2017 Work Plan (Staff Contact: Edesa Bitbadal, 408-586-3052)**

   Background: Per Economic Development Commission (EDC) Bylaws, the EDC advises the City Council on business issues and implementation of a comprehensive economic development program for the City of Milpitas.

   At the November 14, 2016 Commission meeting, Commissioners reviewed and unanimously voted to approve a draft 2017 Work Plan. The 2017 Work Plan outlines a set of five overarching goals for the 2017 calendar year, and articulates a set of measurable strategies and actions to facilitate economic growth and new opportunities in the City of Milpitas. Included in the Council's packet is the Commission's proposed 2017 Work Plan for Council review and consideration.

   Recommendation: Receive a report and approve the Economic Development Commission 2017 Work Plan.

XVI. NEW BUSINESS

10. **Consider and Approve Community Development Block Grant Policies and Funding Priorities (Staff Contact: Tim Wong, 408-586-3286)**

    Background: The Community Development Block Grant (CDBG) program is a Department of Housing and Urban Development (HUD) administered program that provides community development funds to the City on an annual basis. The City receives approximately $400,000 each year from the CDBG program. The funds must be spent to meet one of three national objectives:

    1. Benefiting low- and moderate-income persons,
    2. Preventing or eliminating slums or blight, or

3. Meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.

Almost all of the City's CDBG funding, if not all, has been spent for low/moderate income households. HUD regulations allow up to 15% of the funds be allocated to public services, 65% to capital services and 20% to program administration. It has been a City Council directive to reevaluate CDBG funding priorities every two years.

In 2014, the Council reviewed the CDBG funding priorities and approved the following priorities:

Public Services

1. Senior Services
2. Youth and Teen Services
3. Homeless Shelter/Services
4. Child Care
5. Domestic Violence Victims Supportive Services
6. Code Enforcement

Capital Services

1. Home Repair/Rehabilitation
2. Affordable Housing
3. Rental Apartment Rehabilitation
4. Historic Preservation

In addition, City Council has also adopted the following policies:

- A minimum of funding level of $5,000 shall be allocated for all public and non-public services
- Twenty-five percent of all public services funds shall be allocated to City of Milpitas programs, and
- $15,000 from the CDBG Program Administration be allocated for Fair Housing Services (Project Sentinel) with an additional $10,000 from the Milpitas Housing Authority for a total of $25,000.

These priorities are used to evaluate CDBG applications as part of the City's Notice of Funds Available (NOFA) process. This year's NOFA is from January 5, 2017 to February 6, 2017. This is the period where organizations have the opportunity to submit applications requesting CDBG funding. The applications will be reviewed by the Community Advisory Commission (CAC) in March. The CAC will make recommendations to the Council. Typically the Council reviews and approves the funding requests in April to submit the funding approvals to HUD in May.

Staff has also considered the following factors in reviewing CDBG applications and making recommendations to the Community Advisory Commission (CAC) which forwards its recommendations to the City Council:

- City Council two-year funding priorities;
- Total number of persons/households benefitting from the program/activity services;
- Total number and percentage of Milpitas persons/households benefitting from the program/activity services benefit;
- Funding requested and dollars spent/per Milpitas residents;
- Funding requested from the previous year(s); and
- Leveraging of CDBG funding with other funding sources.

Staff recommends that the Council continue evaluations using the existing priorities.

Fiscal Impact: None.

Recommendation: Approve the existing Public Service and Capital Services priorities for CDBG funding.

*** 11. Authorize Out-of-State Travel for Police Department and Information Services Staff to Attend TriCon 2017 (Staff Contacts: Armando Corpuz, 408-586-2534 and Mike Luu, 408-586-2706)**

Background: The Milpitas Police Department has a present need to send four employees to the TriTech Software Systems annual conference scheduled in Las Vegas, NV. Information Services Department request to send three employees to the training conference which begins on Sunday, February 26, 2017 and ends the evening of March 1, 2017.

The Milpitas Police Department currently uses TriTech Software Systems' computer-aided dispatching (CAD) software and is in the process of implementing TriTech's records management system (RMS) software. This conference offers valuable training in on-going use of the software and critical training in problem-solving unexpected challenges. Courses offered at the conference will highlight the benefits and best practices of modules the police department is considering for the new RMS. The evaluation of these modules will help in providing a cost-benefit analysis. Attendance at this conference will support the successful implementation of the new RMS and maintenance of the CAD.

Other benefits of TriCon 2017:

- Improved product knowledge and operational efficiencies through product training and problem resolution to maximize the investment in TriTech software.
- Overview and insight into TriTech's product roadmap and company strategy.
- Extensive networking with the larger TriTech client base to exchange ideas related to optimization of City's software investment and general public safety best practices.
- TriTech's customer service staff manage an on-site, fully-equipped, computer lab for additional training and technical support.

Seven City employees who would be attending this conference include those who manage the new RMS implementation, serving as RMS and CAD Administrators, and serving as subject matter experts. In accordance with the City's Travel and Expense Policy (SOP No. 6-1), employee travel outside California requires City Council approval.

Fiscal Impact: None. The Police Department's operating budget has sufficient funds to pay for this travel expense.

Recommendation: Approve out of state travel for Police and Information Services employees to go to Las Vegas, NV for the purpose of attending TriTech Software Systems annual conference.

*** 12. Approve a Request from the Sunnyhills Neighborhood Association to Waive City Fees for a Neighborhood Event Held on Saturday, October 29, 2016 at Augustine Park (Staff Contact: Tom Williams, 408-586-3050)**

Background: The City Clerk received a "Donation or Fee Waiver/Reduction Request Application Form" from the Sunnyhills Neighborhood Association last fall. Sunnyhills applied in September for a Special Event Permit through the Planning Department, and applied to rent Augustine Park for this special event. The group requested that the City Council waive all City fees charged for its Halloween Neighborhood Watch Event from 2:00 to 4:00 PM on Saturday, October 29, 2016.

Due to some questions raised regarding the organization's other activities, this request was set aside. Now those questions have been resolved and City staff requests that the City Council now address the request for a fee waiver, and issue a reimbursement since the fees were paid already at the time of the event held last October.

City Fees are:
Park Rental fee – Recreation Services $ 60.00
Special Event permit application – Planning Dept. $250.00

Fiscal Impact: $20,000 was approved and included in the FY 2016-17 City budget for City Council's Unallocated Community Promotions. If the current fee waiver of $310.00 is granted, then $15,942.58 would be the remaining balance for the fiscal year.

Recommendation: Approve the request from Sunnyhills Neighborhood Association and direct staff to issue a reimbursement as a fee waiver for the city Planning and Recreation fees totaling $310.00 for its Halloween Neighborhood Watch event held on Saturday, October 29, 2016.

XVII. ORDINANCE

13. Adopt Interim Urgency Ordinance No. 291 Establishing a Temporary Moratorium on Marijuana Uses Pending the Enactment of an Update to the City's Municipal Code (Staff Contact: Christopher J. Diaz, 408-586-3040)

Background: On March 15, 2016, the City Council adopted an interim urgency ordinance in response to changes in state law known as the "Medical Marijuana Regulation and Safety Act" ("MMRSA") which took effect January 1, 2016. These regulations introduced new terminology and provisions for cultivation and other types of marijuana uses. In adopting the urgency ordinance, the City Council temporarily imposed a prohibition on all marijuana uses in the City. The previously adopted ordinance is scheduled to expire on January 30, 2017, leaving the City with no local regulations regarding marijuana uses in the City limits.

In anticipation of the expiration of the prior interim urgency ordinance, and the recent passage of the Proposition 64, the Control, Regulate, and Tax Adult Use of Marijuana Act ("AUMA"), it is staff's strong recommendation that the City Council adopt the new proposed interim urgency ordinance to have some regulations in effect until such time that the City Council can more fully study the issue and determine the appropriate regulation of marijuana uses in the City.

Some of the AUMA provisions took effect on November 9, 2016. The AUMA immediately legalized possession, transport, purchase, use, and transfer of recreational marijuana for individuals 21 years of age or older. Under AUMA, adults can possess up to 28.5 grams of marijuana, up to 8 grams of marijuana in the form of concentrated cannabis, which may be present in marijuana products such as edibles, and up to six living marijuana plants, and any marijuana produced by those plants. It also legalized the cultivation of marijuana, marijuana delivery services, and recreational marijuana retail services, pending the State's issuance of licenses for such purposes anticipated to be granted beginning in 2018.

AUMA does explicitly allow for local control of marijuana uses. It allows local governments to:

- Ban all marijuana-related businesses outright, including marijuana dispensaries, delivery services, and any recreational marijuana retail services.
- Ban outdoor cultivation of marijuana, unless the California Attorney General determines marijuana is no longer illegal under federal law (if marijuana is federally legalized, outdoor cultivation could be regulated, but not prohibited).
- Reasonably regulate indoor cultivation in private residences, but not ban it outright. AUMA would allow individuals to grow up to six marijuana plants in their home, and to possess all of the marijuana those plants provide.

Staff recommends that the City Council adopt an interim ordinance regulating personal, medical, and commercial use of marijuana. This interim urgency ordinance is recommended in an effort to maintain status quo in the City. This interim urgency ordinance will only be in effect for 45 days

as required by State law, but can be extended up to a full year at a subsequent City Council meeting. The goal with the interim urgency ordinance is to maintain status quo until such time that the City Council provides full direction on how marijuana uses should be regulated in the City of Milpitas. If the City Council fails to adopt this interim urgency ordinance, the City will have no regulations in place regarding marijuana uses after January 30, 2017.

Analysis

The AUMA allows for the development of many new marijuana-related businesses, including recreational dispensaries, recreational retail services, and recreational delivery. However, AUMA also gives local governments the authority to regulate these uses. While AUMA indicates a local government cannot prevent transportation of marijuana or marijuana products on public roads, AUMA authorizes cities to "reasonably regulate" indoor cultivation of marijuana in private residences, ban outdoor cultivation of marijuana entirely unless it is federally legalized, and prohibit any marijuana-related business entirely.

Now that the AUMA has become law, recreational use of marijuana is legalized, along with recreational possession of marijuana and some level of indoor cultivation. The cultivation, transportation, and distribution of marijuana can create problems relating to public health and safety, crime, water and air quality, and energy consumption. Marijuana uses can create nuisance activity such as loitering and criminal activity in business and residential districts. Specifically, mobile delivery can create issues relating to responsibility and resources to monitor and enforce State law, questions of patient qualification, and risks relating to the high use of large sums of cash for mobile transactions. Cultivation can create air quality, energy, and water quality damage and impair building maintenance and safety. For example, the increased moisture necessary to grow indoors can create excessive mold growth and structural damage. Additionally, the equipment utilized to grow indoors can pose a risk of fire and electrical hazards due to dangerous electrical alterations and use. Further, inadequate ventilation combined with the use of pesticides and fertilizers in an enclosed space can lead to chemical contamination within structures.

1) Regulation of Personal Marijuana Uses

As indicated above, passage of AUMA legalized the recreational use of marijuana. However, the Ordinance staff recommends includes a provision banning personal recreational use of marijuana to the extent such use is illegal under California law. This would include personal outdoor cultivation.

At future City Council hearings on this issue, the City Council could choose to allow for some personal recreational marijuana uses, including outdoor cultivation. Some cities are allowing outdoor cultivation with regulations such as:

- Outdoor, residential cultivation so long as plants are enclosed
- Property owner must approve of cultivation on the property; and
- Limiting the number of plants.

Now that the AUMA has passed, the City cannot ban indoor cultivation of marijuana in private residences outright, but it may "reasonably regulate" such cultivation.

The Ordinance that staff recommends limits indoor cultivation consistent with a local agency's authority under the AUMA. In particular, the proposed Ordinance would limit indoor cultivation of marijuana to residential districts and would limit the number of plants to six (6) plants per private residence, and solely for the personal use of a resident of the residence who is 21 years of age or older.

2) Regulation of Medical Marijuana Uses

The proposed Ordinance would impose the same regulations on medical marijuana as on recreational marijuana and would ban all dispensaries, delivery services, etc. It should be noted that such medical uses have been prohibited in the City for some time based on the City Council's adoption of prior ordinances.

At future City Council hearings, the City Council could:

- Create looser regulations for those who have a verified medical need to cultivate marijuana indoors or outdoors;
- Allow dispensaries but limit the number allowed in the jurisdiction;
- Allow dispensaries but impose separation requirements from parks, schools, churches, and other dispensaries;
- Limit dispensaries to a specified zoning designation; and/or
- Impose security requirements including limiting the hours of operation of any dispensaries and prohibiting loitering.

3) Regulation of Commercial Marijuana Uses

With the AUMA becoming law, it will likely lead to the creation of a variety of new commercial marijuana ventures, including recreational retail services. The Ordinance that staff recommends bans all commercial marijuana activity, including commercial delivery, commercial cultivation, commercial manufacturing, commercial testing, and any commercial dispensaries or recreational retailers.

At future City Council hearings, the City Council could allow some or all of these uses, with whatever regulations the City sees fit. Some future options include:

- Allowing commercial cultivation with a local tax imposed on growth;
- Allowing some retailers with zoning limitations on location or number; and
- Allowing delivery to originate or terminate in the City.

Overall, staff recommends that Council adopt the proposed interim urgency ordinance to ensure the current status quo of marijuana regulation is maintained in the City until such time that the City Council can more fully explore its options on regulating recreational marijuana uses in the City.

Environmental: This Ordinance is not a project within the meaning of Section 15378 of the State of California Environmental Quality Act Guidelines because it has no potential for resulting in physical change in the environment, directly or indirectly.

Fiscal Impact: No financial impact is anticipated for the adoption of the proposed Ordinance.

Recommendation: Following City Attorney's reading of the title, move to adopt interim urgency Ordinance No. 291 establishing a temporary moratorium on marijuana uses pending the enactment of an update to the Milpitas Municipal Code.

XVIII. RESOLUTIONS

*** 14. Adopt a Resolution Approving a New Memorandum of Understanding Between the City of Milpitas and the International Association of Firefighters Local 1699 for January 1, 2017 to June 30, 2018 (Staff Contact: Tina Murphy, 408-586-3086)**

Background: The most recent Memorandum of Understanding (MOU) between the City of Milpitas and the International Association of Firefighters (IAFF) Local 1699 expired on December 31, 2016. City representatives and representatives from the IAFF Local met and conferred in good faith to negotiate a new contract. Agreement was reached for a new successor Memorandum of Understanding with effective dates of January 1, 2017 through June 30, 2018,

and a copy of which is included in the City Council agenda packet. The MOU document was available for public review for the 10 day period, as required per the City's Open Government ordinance.

Fiscal Impact: The total one-year cost of the MOU is approximately $346,300.

Recommendation: Adopt a resolution approving the Memorandum of Understanding between the City of Milpitas and the International Association of Firefighters Local 1699 covering the period of January 1, 2017 through June 30, 2018.

*** 15. Adopt Two Resolutions - of the Milpitas City Council and Milpitas Public Financing Authority Board - Authorizing Investment of Monies in the Local Agency Investment Fund and Updating Officers' Information (Staff Contact: Jane Corpus, 408-586-3125)**

Background: The City of Milpitas and the Milpitas Public Financing Authority have been participating in the state's Local Agency Investment Fund (LAIF) since 1977. LAIF periodically requests participants to update their investment resolutions. Staff reviewed the existing resolutions of the two entities and determined that these resolutions need to be updated due to administration and personnel changes (change in staff and new elected officials).

Fiscal Impact: None.

Recommendation: Adopt resolutions of the City Council and Public Financing Authority Board authorizing investment of monies in the Local Agency Investment Fund and updating officers' information.

*** 16. Adopt a Resolution Authorizing the Purchase and Delivery of an Emergency Back-Up Generator for the Milpitas Sports Center from Peterson Power Systems, Inc. for the Not-To-Exceed Amount of $115,011 Through a Cooperative Procurement Contract (Staff Contacts: Chris Schroeder, 408-586-3161 and Nina Hawk, 408-586-2603)**

Background: Public Works Fiscal Year 2016-17 budget includes purchase of an emergency back-up generator for the Milpitas Sports Center. This is a cooperative purchase through the National Joint Powers Alliance (NJPA). Cooperative purchasing through NJPA is specifically authorized pursuant to Municipal Code Section I-2-3.08 "Cooperative Procurement." Purchasing reviewed all of the documentation from the National Joint Powers Alliance Request for Proposal (RFP) #080613 entitled "Electrical Energy Equipment with Related Accessories, Services, and Supplies" and has determined that the underlying purchase was made using competitive bidding procedures at least as restrictive as the City of Milpitas. The price for the Caterpillar C13 350kW for 277/480 volts Genset Diesel Generator is the same as that offered in the original agreement. The total contract price includes a 10% contingency to cover installation, training, or additional work. Purchasing the Generator through NJPA represents a savings of $54,031 off the regular list price.

Fiscal Impact: None. Sufficient funding is in the FY 2016-17 Capital Program Fund for this purchase.

Recommendation: Adopt a resolution authorizing the purchase of an emergency back-up generator for the Milpitas Sports Center from Peterson Power Systems, Inc. for the not-to-exceed amount of $115,011 through a cooperative procurement contract, per Milpitas Municipal Code Section I-2-3.08 Cooperative Purchasing.

17. Adopt a Resolution Appointing Steve Pangelinan as Interim Chief of Police and Approving Employment Contract Pursuant to Government Code Sections 7522.56 and 21221(h) (Staff Contact: Tina Murphy, 408-586-3086)

Background: For the past four years, Steve Pangelinan has served as the Chief of Police for the City of Milpitas. Mr. Pangelinan retired from the City effective December 30, 2016. The City of Milpitas is currently recruiting to hire a new Chief of Police for the Milpitas Police Department.

Staff recommends hiring Mr. Pangelinan on a part-time, interim basis to perform specific duties of the Chief of Police position. Given the need for continuity and a highly trained professional to lead the Milpitas Police Department, staff recommends hiring Steve Pangelinan on a part-time, interim basis from January 18, 2017 through December 31, 2017 or until a new Chief of Police is hired. His work hours will not exceed 960 hours per fiscal year.

California Public Employees Reform Act 2013 and the Public Employees' Retirement Law
The California Public Employees Reform Act of 2013 (PEPRA) requires a 180-day "wait" period before a retiree can return to work for a public agency; however, the 180-day "wait" period is not applicable to the appointment of a safety member to a safety position as is the case here so long as the retiree did not retire with a retirement incentive such as the CalPERS golden parachute (i.e. 2 years additional service credit). In addition to the requirements of PEPRA, the appointment of a retiree to a vacant position must comply with Section 21221(h) of the Public Employees' Retirement Law (PERL). In accordance with PERL, the appointment is permissible if it is made during the recruitment for a permanent appointment to the position and it is approved by the governing body of the employer in a public meeting and not on a consent calendar. Staff worked with the City Attorney to ensure that additional requirements, such as ones that relate to compensation and hours worked, will be met.

Included in the Council's agenda packet is the required resolution to appoint a retiree pursuant to PEPRA and PERL and the employment agreement.

Fiscal Impact: None.

Recommendation: Adopt a resolution appointing Steve Pangelinan to serve as Interim Chief of Police and approve the employment agreement with Mr. Pangelinan pursuant to California Government Code Sections 7522.56 and 21221(h).

18. Adopt a Resolution Appointing an Elected Official to the Boards of the Bay Area Water Supply & Conservation Agency and Related San Francisco Bay Area Regional Water System Finance Authority (Contact: Mayor Tran, 408-586-3029)

Background: City Council was requested to make an appointment of one elected official to serve on the Boards of Directors of both BAWSCA and its Finance Authority. The recommendation was provided by Mayor Tran on earlier agenda item. Action by Resolution is required to make this appointment effective, and to permit the appointed member to fill the remaining term of former Mayor Esteves on this agency's Boards.

Recommendation: Adopt a resolution appointing one specific member of the City Council to serve as Milpitas' representative on BAWSCA and its finance authority.

XIX. AGREEMENTS

*** 19. Authorize the City Manager to Execute a Stormwater Management Facilities Operation and Maintenance Agreement for a Residential Development Located at 31 South Milpitas Boulevard by DR Horton Bay, Inc. (Staff Contact: Judy Chu, 408-586-3325)**

Background: On January 15, 2013, the City Council approved the Major Tentative Map, Environmental Impact Assessment, Site Development Permit, and Conditional Use Permit for an 80 single family home project located at 31 S. Milpitas Boulevard between Calaveras Boulevard and Los Coches Street.

Project condition requires the property owner to execute and record a Stormwater Management Facilities Operation and Maintenance Agreement (the "Agreement") for the operation, maintenance and annual inspection of the storm water treatment facilities by the Home Owner's Association, prior to final building occupancy. The subject Agreement is needed to comply with the Municipal Regional Stormwater National Pollutants Discharge Elimination System (NPDES) Permit and Milpitas Municipal Code Title XI, Chapter 16 *Stormwater and Urban Runoff Pollution Control.*

The agreement was reviewed by the City Attorney as to form and by the Director of Engineering as to content. A copy of the agreement is included in the Council agenda packet.

California Environmental Quality Act: Execution of the Agreement is not considered a project under CEQA as there will be no direct, or reasonably foreseeable indirect physical change in the environment.

Fiscal Impact: None.

Recommendation: Authorize the City Manager to execute a Storm Water Management Operation and Maintenance Agreement for DR Horton Bay, Inc.

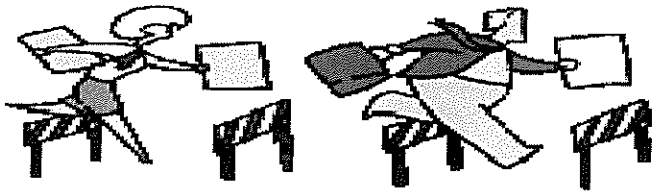
XX. ADJOURN JOINT MEETING

NEXT SPECIAL CITY COUNCIL MEETING
TUESDAY, JANUARY 24, 2017

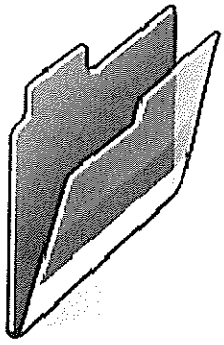
NEXT REGULARLY SCHEDULED COUNCIL MEETING
TUESDAY, FEBRUARY 7, 2017

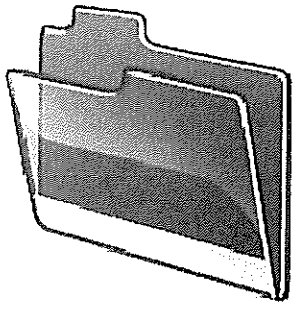
CITY OF MILPITAS
455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
GENERAL INFORMATION: 408-586-3000, www.ci.milpitas.ca.gov

02/07/2017
Agenda Item No. 5



ATTACHMENT RELATED TO AGENDA ITEM AFTER AGENDA PACKET DISTRIBUTION





5A

REGULAR

NUMBER: 292

TITLE: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS ADDING CHAPTER 31 TO TITLE III OF THE MILPITAS MUNICIPAL CODE TO ESTABLISH A CITY-WIDE MINIMUM WAGE**

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of _____, upon motion by_____ and was adopted (second reading) by the City Council at its meeting of _____, upon motion by _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

_____
Mary Lavelle, City Clerk

APPROVED:

_____
Rich Tran, Mayor

APPROVED AS TO FORM:

_____
Christopher J. Diaz, City Attorney

RECITALS AND FINDINGS:

WHEREAS, families and workers need to earn a living wage, and public policies which help achieve that goal are beneficial; and

WHEREAS, payment of a minimum wage advances the interests of the City as a whole by creating jobs that keep workers and their families out of poverty; and

WHEREAS, a minimum wage will enable a worker to meet basic needs and avoid economic hardship; and

WHEREAS, this Ordinance is intended to improve the quality of services provided in the City to the public by reducing turnover, absenteeism, and instability in the workplace; and

WHEREAS, prompt and efficient enforcement of this Ordinance will provide workers with economic security and the assurance that their rights will be respected; and

WHEREAS, key findings of a regional minimum wage study and survey performed by the Institute for Research on Labor and Employment at UC Berkeley and BW Research showed that increasing the minimum wage to $15.00 an hour by 2019 in Santa Clara County would:

- Increase earnings for 250,000 workers
- Raise average annual earnings of affected workers by 19.4 percent, or $3,200.00 (in 2014 dollars)
- Slightly increase average prices in Santa Clara County by 0.2 percent over three years
- Have a net effect on employment that is slightly negative at the County level (1,450 jobs) and close to zero at a 10 County regional level;

WHEREAS, the Cities Association of Santa Clara County recommends a regional minimum wage increase to $15.00 by 2019 as an effort to prevent an uneven playing field that can be damaging to local economies, provide equity to our shared economy, and implement regional consistency across the County; and

WHEREAS, this Ordinance is not preempted by State law, including California Labor Code Section 1182.12, enacted by the State Legislature by Senate Bill 3 effective January 1, 2017, because this Ordinance imposes minimum wage requirements that exceed the State requirements and local minimum wage ordinances have been upheld as a valid exercise of local police power. *RUI One Corp. v City of Berkeley* (9th Cir 2004) 371 F.3d 1137.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

SECTION 2. AMENDMENT OF MILPITAS MUNICIPAL CODE ADDING A NEW CHAPTER 31 TO TITLE III

Title III of the Milpitas Municipal Code is hereby amended by adding a new Chapter 31, "Minimum Wage," to read as follows:

Chapter 31 - MINIMUM WAGE

III-31-1.00 - Title

This Chapter shall be known as the "Minimum Wage Ordinance."

III-31-2.00 - Authority

This Chapter is adopted pursuant to the powers vested in the City of Milpitas under the laws and Constitution of the State of California, including, but not limited to, the police powers vested in the City pursuant to Article XI, Section 7 of the California Constitution and Section 1205(b) of the California Labor Code.

III-31-3.00 - Definitions

The following words and phrases, whenever used in this Chapter, shall be construed as defined in this Section:

(a) "City" shall mean the City of Milpitas, California or any agency designated by the City to administer the terms of this Chapter.

(b) "Employee" shall mean any person who:

1. In a calendar week performs at least two (2) hours of work for an employer as defined below; and

2. Qualifies as an employee entitled to payment of a minimum wage from any employer under the California Minimum Wage Law, as provided under Section 1197 of the California Labor Code and wage orders published by the California Industrial Welfare Commission, or is a participant in a welfare-to-work Program.

(c) "Employer" shall mean any person, including corporate officers or executives, as defined in Section 18 of the California Labor Code, who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency or similar entity, employs or exercises control over the wages, hours or working conditions of any employee and who is either subject to the City's business license requirements or maintains a business facility in the City.

(d) "Franchise Owned" shall be mean a Formula Business that is independently owned pursuant to an agreement or license that authorizes a party (the franchisee) to have access to a Formula Business' (the franchiser) proprietary knowledge, processes and trademarks in order to allow the party to sell a product or provide a service under the Formula Business' name.

(e) "Formula Business" shall mean any business establishment, including but not limited to, retail, restaurants, etc., that has eleven or more other business establishments in operation located anywhere in the world, and is required by contract, business model, or practice to maintain any of the following standardized characteristics: merchandise; menu; services; décor; uniforms; architecture; façade; color scheme; or signs. This definition excludes Franchise Owned businesses.

(f) "Governmental agencies" shall include federal agencies, State agencies, counties, school districts and auxiliary organizations as defined under Education Code Sections 72670(c) and 89901. "Governmental agency" does not include the City of Milpitas.

(g) "Minimum wage" shall have the meaning set forth in Section III-31-4.00 of this Chapter.

(h) "Welfare-to-Work Program" shall mean the CalWORKS Program, County Adult Assistance Program (CAAP) which includes the Personal Assisted Employment Services (PAES) Program, and General Assistance Program, and any successor programs that are substantially similar to them.

III-31-4.00 - Minimum Wage

(a) Employers shall pay employees no less than the minimum wage set forth in this Section for each hour worked within the geographic boundaries of the City of Milpitas, except when these scheduled increases are temporarily suspended under subdivision (h) below. Governmental agencies are exempt from the minimum wage requirements under the principle of governmental immunity when the work performed is related to the agency's governmental function.

(b) Employers with 26 or more Employees shall pay no less than the following hourly wages:

(1) Beginning July 1, 2017, the minimum wage shall be an hourly rate of eleven dollars ($11.00) per hour.
(2) Beginning January 1, 2018, the minimum wage shall be an hourly rate of twelve dollars ($12.00) per hour.
(3) Beginning July 1, 2018, the minimum wage shall be an hourly rate of thirteen dollars and fifty cents ($13.50) per hour.
(4) Beginning July 1, 2019, the minimum wage shall be an hourly rate of fifteen dollars ($15.00) per hour.

(c) Employers with 25 or fewer Employees shall pay no less than the following hourly wages:

(1) Beginning January 1, 2018, the minimum wage shall be an hourly rate of eleven dollars ($11.00) per hour.
(2) Beginning July 1, 2018, the minimum wage shall be an hourly rate of twelve dollars ($12.00) per hour.
(3) Beginning July 1, 2019, the minimum wage shall be an hourly rate of thirteen dollars and fifty cents ($13.50) per hour.
(4) Beginning July 1, 2020, the minimum wage shall be an hourly rate of fifteen dollars ($15.00) per hour.

(d) To prevent inflation from eroding its value, beginning on July 1, 2020 for employers with 26 employees or more, and beginning on July 1, 2021 for employers with 25 or less employees, and each July 1st thereafter, the Minimum Wage shall increase by an amount corresponding to the increase, if any, in the cost of living, not to exceed 5%, or shall be increased to the State law minimum wage, whichever is greater. The prior year's increase in the cost of living shall be measured by the percentage increase, if any, as of February of the immediately preceding year of the Bay Area Consumer Price Index (Urban Wage Earners and Clerical Workers, San Francisco, Oakland, San Jose, CA for All Items) or its successor index as published by the U.S. Department of Labor or its successor agency, with the amount of the Minimum Wage increase rounded to the nearest multiple of five ($.05) cents. If there is no net increase in the cost of living, the minimum wage shall remain unchanged for that year. The adjusted Minimum Wage shall be announced by April 1st of each year, or as soon as practicable thereafter if the Consumer Price Index for February has not yet been published, and shall become effective as the new Minimum Wage on July 1st of the following year.

(e) Commissions or guaranteed gratuities, not including discretionary tips, may be counted toward payment of the minimum wage when the commissions or guaranteed gratuities are earned and paid together with other compensation paid to an employee and are equal to or greater than the current minimum wage. For each pay period, employers shall pay the employee an amount that equals or exceeds the current hourly minimum wage.

(f) The employer may offset a portion of the minimum wage for housing and meal costs only if the offsets are the same as those available under the California Minimum Wage Law. The offsets shall only be recognized if there is a prior voluntary agreement between the employer and the employee.

(g) A violation for unlawfully failing to pay the minimum wage shall be deemed to continue from the date immediately following the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date immediately preceding the date the wages are paid in full.

(h) On or before March 1, 2018, and on or before every March 1, thereafter until the minimum wage is fifteen dollars ($15,00) per hour, to ensure that economic conditions can support a local minimum wage increase, the City of Milpitas will temporarily suspend the minimum wage increase scheduled for the following year if the Governor of the State of California makes certain determinations required pursuant to California Labor Code Section 1182.12 and issues a report to the State of California Legislature before September 1 of the preceding year.

III-31-5.00 - Waiver Through Collective Bargaining

Except for employees in the property services industry (i.e., janitors, landscapers, groundskeepers, and security guards), the provisions of this Chapter may be waived in whole or in part with respect to employees covered under a bone fide collective bargaining agreement if all of the following circumstances apply:

(a) Both parties to the collective bargaining agreement agree in writing to such waiver in whole or in part; and

(b) The collective bargaining agreement contains express provisions waiving municipal minimum wage requirements; and

(c) The entire collective bargaining agreement, including the provisions referred to in subsection (b) above, was negotiated and entered into prior to the date on when such waiver would take effect.

III-31-6.00 - Formula Business and Franchise Owned Formula Business

(a) A Formula Business Employer in the City will need to comply with III-31-4.00-(b) of this Chapter which details the $15 by July 1, 2019 minimum wage guidelines regardless of whether the Formula Business has 25 or less or 26 or more employees within the City.

(b) A Franchise Owned Formula Business Employer shall comply with III-31-4.00 of this Chapter and subsection (b) or (c) may apply depending on the number of employees in the City.

III-31-7.00 - Notice, Posting and Payroll Records

(a) By November 1st or as soon as practicable thereafter of each year, the City shall publish and make available to employers a bulletin announcing the adjusted minimum wage rate for the upcoming year. In conjunction with this bulletin, the City shall by November 1st, or as soon as practicable thereafter of each year, publish and make available to employers, in the top three languages spoken in the City based on the latest available census information for the City, a notice suitable for posting by employers in the workplace informing employees of the current minimum wage rate and of their rights under this Chapter.

(b) Every employer shall post in a conspicuous place at any workplace or job site where any employee works the notice published each year by the City informing employees of the current minimum wage rate and of their rights under this Chapter. Every employer shall post such notices in the top three languages spoken in the City based on the latest available census information for the City at the workplace or job site. Every employer shall also provide each employee at the time of hire with the employer's name, address, and telephone number in writing.

(c) Employers shall retain payroll records pertaining to employees for a period of four years, and shall allow the City access to such records, with appropriate notice and at a mutually agreeable time, to monitor compliance with the requirements of this Chapter. Where an employer does not maintain or retain adequate records documenting wages paid or does not allow the City reasonable access to such records, the employee's account of how much he or she was paid shall be presumed to be accurate, absent clear and convincing evidence otherwise.

III-31-8.00 - Retaliation Prohibited

(a) It is unlawful for an employer or any other party to discriminate in any manner or take adverse action against any person in retaliation for exercising rights protected under this Chapter. Rights protected under this Chapter include, but are not limited to: the right to file a complaint or inform any person about any party's alleged noncompliance with this Chapter; and the right to inform any person of his or her potential rights under this Chapter and to assist him or her in asserting such rights. Protections of this Chapter shall apply to any person who mistakenly, but in good faith, alleges noncompliance with this Chapter.

(b) Taking adverse action against a person within ninety days of the person's exercise of rights protected under this Chapter shall raise a rebuttable presumption of having done so in retaliation for the exercise of such rights.

III-31-9.00 - Implementation

(a) Guidelines. The City shall be authorized to coordinate implementation and enforcement of this Chapter and may promulgate appropriate guidelines or rules for such purposes. Any guidelines or rules promulgated by the City shall have the force and effect of law and may be relied on by employers, employees and other parties to determine their rights and responsibilities under this Chapter. Any guidelines or rules may establish procedures for ensuring fair, efficient and cost effective implementation of this Chapter, including supplementary procedures for helping to inform employees of their rights under this Chapter, for monitoring employer compliance with this Chapter, and for providing administrative hearings to determine whether an employer or other person has violated the requirements of this Chapter.

(b) Reporting Violations. An employee or any other person may report to the City in writing any suspected violation of this Chapter. The City shall encourage reporting pursuant to this subsection by keeping confidential, to the maximum extent permitted by applicable laws, the name and other identifying information of the employee or person reporting the violation. Provided, however, that with the authorization of such person, the City may disclose his or her name and identifying information as necessary to enforce this Chapter or other employee protection laws. In order to further encourage reporting by employees, if the City notifies an employer that the City is investigating a complaint, the City shall require the employer to post or otherwise notify its employees that the City is conducting an investigation, using a form provided by the City.

(c) Investigation. The City shall be responsible for investigating any possible violations of this Chapter by an employer or other person. The City shall have the authority to inspect workplaces, interview persons and request the City Attorney to subpoena books, papers, records, or other items relevant to the enforcement of this Chapter.

(d) Informal Resolution. The City shall make every effort to resolve complaints informally, in a timely manner, and shall have a policy that the City shall take no more than one year to resolve any matter, before initiating an enforcement action. The failure of the City to meet these timelines within one year shall not be grounds for closure or dismissal of the complaint.

III-31-10.00 - Enforcement

(a) Where prompt compliance is not forthcoming, the City shall take any appropriate enforcement action to secure compliance. All remedies in the Milpitas Municipal Code ("the Code") are considered cumulative and the use of one or more remedies by the City shall not bar the use of any other remedy for the purpose of enforcing these provisions.

(1) The City may issue an administrative citation pursuant to Title I, Chapter 21 of the Code for each violation and for each employee or person as to whom the violation occurred or continued.

(2) The City may initiate a civil action for injunctive relief and damages and civil penalties in a court of competent jurisdiction.

(b) Any person aggrieved by a violation of this Chapter, any entity a member of which is aggrieved by a violation of this Chapter, or any other person or entity acting on behalf of the public as provided for under applicable State law, may bring a civil action in a court of competent jurisdiction against the employer or other person violating this Chapter and, upon prevailing, shall be awarded reasonable attorneys' fees and costs and shall be entitled to such legal or equitable relief as may be appropriate to remedy the violation, including, without limitation, the payment of any back wages unlawfully withheld, reinstatement in employment and/or injunctive relief. Provided, however, that any person or entity enforcing this Chapter on behalf of the public as provided for under applicable State law shall, upon prevailing, be entitled only to equitable, injunctive or restitutionary relief to employees, and reasonable attorneys' fees and costs.

(c) This Section shall not be construed to limit an employee's right to bring legal action for a violation of any other laws concerning wages, hours, or other standards or rights nor shall exhaustion of remedies under this Chapter be a prerequisite to the assertion of any right.

(d) Except where prohibited by State or federal law, city agencies or departments may revoke or suspend any registration certificates, permits or licenses held or requested by the employer until such time as the violation is remedied.

(e) Relief. The remedies for a violation of this Chapter include, but are not limited to:

(1) Reinstatement, the payment of back wages unlawfully withheld, and fines imposed pursuant to other provisions of this code or State law.

(2) Interest on all due and unpaid wages at the rate of interest specified in subsection (b) of Section 3289 of the California Civil Code, which shall accrue from the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date the wages are paid in full.

(3) Reimbursement of the City's administrative costs of enforcement and reasonable attorney's fees.

III-31-11.00 - Relationship to Other Requirements

This Chapter provides for payment of a local minimum wage and shall not be construed to preempt or otherwise limit or affect the applicability of any other law, regulation, requirement, policy or standard that provides for payment of higher or supplemental wages or benefits, or that extends other protections.

III-31-12.00 - Application of Minimum Wage to Welfare-to-Work Programs

The minimum wage established pursuant to Section III-31-4.00 of this Chapter shall apply to the Welfare-to-Work Programs under which persons must perform work in exchange for receipt of benefits. Participants in Welfare-to-Work Programs shall not, during a given benefits period, be required to work more than a number of hours equal to the value of all cash benefits received during that period, divided by the minimum wage.

III-31-13.00 - Fees

Nothing herein shall preclude the City Council from imposing a cost recovery fee on all employers to pay the cost of administering this Chapter.

SECTION 3. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

SECTION 4. CEQA

The City Council finds, pursuant to Title 14 of the California Code of Regulations, Section 15378(b)(2), that this Ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) in that the adoption of an ordinance of general policy and procedure does not constitute a project within the meaning of CEQA. Further, this Ordinance only addresses the payment of wages and would not have any potential impact on the environment.

SECTION 5. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its passage. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

5B

Milpitas Minimum Wage Increase

		City of Milpitas Minimum Wage		State of California Minimum Wage		Cities Association of Santa Clara County
		26 or More Employees 6-Month Delay Effective Jul 1, 2017	25 or Fewer Employees 1-Year Delay Effective Jan 1, 2018	26 or More Employees	25 or Fewer Employees	Recommendation
2017	Jan – Jun	$ 10.50	$ 10.00	$ 10.50	$ 10.00	$ 12.00
	Jul - Dec	$ 11.00	$ 10.00	$ 10.50	$ 10.00	$ 12.00
2018	Jan – Jun	$ 12.00	$ 11.00	$ 11.00	$ 10.50	$ 13.50
	Jul - Dec	$ 13.50	$ 12.00	$ 11.00	$ 10.50	$ 13.50
2019	Jan – Jun	$ 13.50	$ 12.00	$ 12.00	$ 11.00	$ 15.00
	Jul - Dec	$ 15.00	$ 13.50	$ 12.00	$ 11.00	$ 15.00
2020	Jan – Jun	$ 15.00	$ 13.50	$ 13.00	$ 12.00	* $ 15.33
	Jul - Dec	* $ 15.35	$ 15.00	$ 13.00	$ 12.00	* $ 15.33
2021	Jan – Jun	* $ 15.35	$ 15.00	$ 14.00	$ 13.00	* $ 15.68
	Jul - Dec	* $ 15.68	* $ 15.35	$ 14.00	$ 13.00	* $ 15.68
2022	Jan – Jun	* $ 15.68	* $ 15.35	$ 15.00	$ 14.00	* $ 16.03
	Jul - Dec	TBD	TBD	$ 15.00	$ 14.00	* $ 16.03
2023	Jan – Jun	TBD	TBD	TBD	$ 15.00	TBD
	Jul - Dec	TBD	TBD	TBD	$ 15.00	TBD

* Estimates

5B

Countywide Minimum Wage
As of January 2017

Jurisdiction	Minimum Wage Current	Minimum Wage 01/01/2017	Minimum Wage 01/01/2018	Minimum Wage 01/01/2019
Campbell	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Cupertino	$ 10.00	$ 12.00	$ 13.50	$ 15.00
Gilroy	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Los Altos	$ 10.00	$ 12.00	$ 13.50	$ 15.00
Los Altos Hills	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Los Gatos	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Milpitas	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Monte Sereno	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Morgan Hill	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Mountain View	$ 11.00	$ 13.00	$ 15.00	$ 15.37**
Palo Alto	$ 11.00	$ 12.00	$ 13.50	$ 15.00
San Jose	$ 11.00	$ 12.00	$ 13.50	$ 15.00
Santa Clara	$ 11.00	$ 11.10**	$ 11.50**	$ 11.75**
Saratoga	$ 10.00	$ 10.50*	$ 11.00*	$ 12.00*
Sunnyvale	$ 11.00	$ 13.00	$ 15.00	$ 15.37**

5C

Minimum Wage Ordinance

EMERYVILLE MINIMUM WAGE GOES UP JULY 1, 2018

The City of Emeryville's Minimum Wage and Paid Sick Leave Ordinance annual wage increase will take effect on July 1, 2018. As outlined in the Ordinance (EMC 5-37), the new hourly minimum wage rates will be as follows:

Small Businesses (55 or fewer Employees): $15.00 per hour

Large Businesses (56 or more Employees): $15.69 per hour

Paid Sick Leave requirements will remain the same.

The Emeryville City Council adopted an ordinance on Tuesday, June 2, 2015 that provides for a higher citywide minimum wage and additional paid sick leave provisions than required by the State of California. The new law went into effect July 2, 2015.

There are three key provisions of the law:

1) Annual Minimum Wage Increase

A Small Business is one with 55 or fewer employees working within the geographic boundaries of the City of Emeryville. A Large Business is one with 56 or more employees working within the geographic boundaries of Emeryville.

The initial wage and escalation schedule is summarized in the following table:

Effective Date	≤55 Employees	56+ Employees
July 2, 2015	$12.25	$14.44
July 1, 2016	$13.00	$14.82 (CPI)
July 1, 2017	$14.00	$15.20 (CPI)
July 1, 2018	**$15.00**	**$15.69 (CPI)**
July 1, 2019		$16.00 est. (CPI)
July 1, 2020		$16.42 est. (CPI)

2) Paid Sick Leave

On July 1, 2015, AB 1522 went into effect requiring that all Employers in the State of California provide Paid Sick Leave to both full-time and part-time Employees. The City's ordinance includes additional Paid Sick Leave benefits beyond the State requirements. Emeryville's ordinance requires Paid Sick Leave for full-time, part-time and temporary Employees and includes the following:

- Minimum of 48 Paid Sick Leave hours accruable for Employees of small businesses (55 or fewer Employees within Emeryville city limits) and 72 hours for Employees of Large Businesses (56 or more within Emeryville city limits).
- In each year of employment, an Employee may use up to the total number of Paid Sick Leave hours accrued allowed by employer but subject to the minimum number of accruable Paid Sick Leave hours, as described above.
- AB 1522 allows an Employee to use Paid Sick Leave to provide care for a family member. The Emeryville ordinance broadens the definition of "family member" to include a designated individual (if Employee has no spouse or registered domestic partner) for whom an Employee can use Paid Sick Leave to provide care. In addition, the Employee may use Paid Sick Leave to provide care for a guide dog, signal dog, or service dog of the Employee, Employee's family member, or the person designated by the Employee.

3) Hospitality Service Charges

Emeryville's new ordinance also requires that Hospitality Employers who collect service charges from customers must pay the entirety of those charges to the Hospitality Workers who performed those services for which the charge was collected. Examples of activities that could fall under a "service charge" are: delivering food or beverage to a hotel room, catering duties at banquets, or carrying luggage to room for hotel guests.

General Resources:

The link to the Municipal Code is here

Final Regulations

Map of geographic boundaries of the City of Emeryville

Frequently Asked Questions (FAQs)

Mandatory Bulletins (paper size 11" x17"):

- **2018 Minimum Wage and Paid Sick Leave Poster:**
  - English | Chinese | Farsi | Spanish
- **2017 Minimum Wage and Paid Sick Leave Poster:**
  - English | Chinese | Farsi | Spanish
- **2016 Minimum Wage and Paid Sick Leave Poster:**

- **2015 Minimum Wage and Paid Sick Leave Poster:**
  - English | Chinese | Farsi | Spanish

- **Service Charge Poster:**
  - English | Chinese | Farsi | Spanish

Posters must be displayed where they can be read easily by all Employees. Violators are subject to penalties.

Official Notices (paper size 8.5" x11"):

- **2018 Minimum Wage and Paid Sick Leave Notices:**
  - English | Chinese | Farsi | Spanish

- **2017 Minimum Wage and Paid Sick Leave Notices:**
  - English | Chinese | Farsi | Spanish

- **2016 Minimum Wage and Paid Sick Leave Notices:**
  - English | Chinese | Farsi | Spanish

- **2015 Minimum Wage and Paid Sick Leave Notices:**
  - Small Business English | Chinese | Farsi | Spanish
  - Large Business English | Chinese | Farsi | Spanish

- **Service Charge Notice:** English | Chinese | Farsi | Spanish

All Official Notices must be provided to all current and future Employees upon hire.

The poster(s) and Official Notices are required to be provided in all languages spoken by 10% or more of the workplace's Employees. If an Employer needs the notices translated into other languages please contact City staff below. You may reproduce the poster and notices as required by your needs, and they need not be reproduced in color.

New! Paid Sick Leave Designation Form: English

This form meets the Paid Sick Leave requirement of providing Employees an opportunity to designate a person to use their paid sick leave for if they do not have a spouse or registered domestic partner, and must be provided to each current and future employee.

RESOURCES FOR EMPLOYEES

If you believe that your Employer is not paying you the required minimum wage, not providing Paid Sick Leave, or otherwise violating the Emeryville Minimum Wage and Paid Sick Leave Ordinance, please complete a Claim Declaration form.

You may submit the form to the City in one of four ways:

1. Via mail to: Economic Development and Housing Division
   Community Development Department
   1333 Park Avenue
   Emeryville, CA 94608
2. In person at the City of Emeryville City Hall at the address above during regular business hours which are Monday through Friday from 9 am to 5 pm, excluding City holidays
3. Via email to minwage@emeryville.org
4. Submit online using the Online Form above

Overview Presentation

CONTACT US

If you have any further questions or require assistance please call (510) 596-4316 or email minwage@emeryville.org