

# City Staff Summary of Minimum Wage Research Findings

Prepared by the San Jose Office of Economic Development

## Economic Impact Analysis

The Institute for Research on Labor and Employment (IRLE) analyzed the effects of increasing the minimum wage to \$15 by 2019 in San Jose only and in all of Santa Clara County. IRLE was directed to study a wage increase schedule that starts at \$12 per hour on January 1, 2017 and reaches \$15 per hour on January 1, 2019. (See table on the following page for the wage schedule, including a comparison to new state legislation.)

The effects of a San Jose-only \$15 minimum wage and a countywide \$15 minimum wage are summarized below.

- The studied wage increase would generate an average pay increase of \$3,000 (17.8% of annual earnings) for 115,000 San Jose workers (31% of workforce), including a ripple effect for workers who earn between \$15 and \$17.50 per hour.
  - Countywide: average pay increase of \$3,200 (19.4% of annual earnings) for 250,000 workers (25% of workforce).
- 96% of workers who would receive pay increases are over 20 years old; 57% are over 30. Affected workers are household breadwinners, bringing home half of their family's income on average.
- Payroll costs will increase by an average of 1.2% in San Jose across industries, 10.2% for restaurants.
  - Countywide: average payroll increase of 1.0% across industries, 9.6% for restaurants.
- After accounting for automation, improved productivity and reduced turnover, businesses will absorb remaining payroll increases by raising prices. Cumulative price increases in San Jose through 2019 are estimated at 0.3% across all industries, 3.1% for restaurants.
  - Countywide: average price increase of 0.2% across industries, 2.9% for restaurants.
- The net effect of higher productivity, reduced worker turnover and increased prices is a small decline in employment at the local level, estimated to be 1,020 jobs by the end of 2019, corresponding to a net loss of 0.3 percent of jobs cumulatively. Local job declines are largely offset by job gains in the broader region due to workers spending increased income in surrounding counties where they live.
  - Countywide: net loss of 1,470 jobs by the end of 2019, corresponding to 0.1% of county employment.

## Employer Survey

BW Research Partnership conducted a countywide survey of over 500 employers representing a range of industries and establishment sizes. By design, the survey focused on industries that are most likely to be impacted by a minimum wage increase.

- The majority of surveyed employers anticipate that they will likely (very or somewhat likely) have to increase prices for customers (66%), and that their employees will be more satisfied and productive given a minimum wage increase (66%).
- The majority of surveyed employers believe a minimum wage increase makes sense given high cost of living (76%), should be approached at the county level (75%), and will reduce inequality (65%). A majority (61%) also believe that a minimum wage increase will make it harder to start and grow businesses locally.

## Relationship to State Legislation

The current California minimum wage is \$10 per hour. On April 4, 2016, Governor Brown signed Senate Bill 13 into law. This law will incrementally increase the state minimum wage to \$15 per hour according to the schedule shown in the table below. After January 1, 2023, future wage increases will be tied to inflation. The wage increase schedule may be temporarily suspended by the Governor if certain economic or budgetary conditions exist. The law maintains existing exemptions to state minimum wage law.

	2017	2018	2019	2020	2021	2022	2023
San Jose current minimum wage	\$10.53*	\$10.76*	\$11.00*	\$11.25*	\$11.50*	\$11.76*	\$12.02*
<b>San Jose/Santa Clara County study</b>	<b>\$12.00</b>	<b>\$13.50</b>	<b>\$15.00</b>	\$15.33*	\$15.68*	\$16.03*	\$16.38*
New CA law – more than 25 employees	\$10.50	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00	\$15.00
New CA law – 25 or fewer employees	\$10.00	\$10.50	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00

\*San Jose's current minimum wage is indexed to the U.S. All Cities CPI-W. Each year's minimum wage is estimated using the average annual increase in CPI-W over past 10 years, which is 2.2%.