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CITY COUNCIL STAFF REPORT
 Meeting: May 17, 2016

Subject

Regional approach to increasing the minimum wage in Santa Clara County.

Recommended Action

Provide staff direction on next steps towards the regional effort to increase the minimum wage.

Summary

Last fall, the City of San José convened an advisory team to explore a regional approach to increasing the minimum wage, including an analysis of regional economic impacts. The advisory committee—made up of Bob Brownstein, Policy Director for Working Partnerships; Matt Mahood, President/CEO of the San Jose/Silicon Valley Chamber of Commerce; Council Member Rod Sinks, representing the Cities Association of Santa Clara County; and staff from San José’s Office of Economic Development—commissioned UC Berkeley’s Institute for Research on Labor and Employment (IRLE) to analyze the impacts of a potential increase in the minimum wage to \$15 by 2019 in Santa Clara County.

As shown in the chart below, the timeline being explored is more aggressive than the minimum wage law signed by Governor Jerry Brown on April 4, 2016 (SB 3, Leno), which increases the State minimum wage to \$15 by 2022. After January 1, 2023, future wage increases will be tied to inflation. Under the state law, the wage increase schedule may be temporarily suspended by the Governor during economic downturns. The law also maintains existing exemptions to the 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*
San Jose/Santa Clara County study	\$12.00	\$13.50	\$15.00	\$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%.

Discussion

The key findings of IRLE's analysis indicate that an increase to the minimum wage would significantly increase average earnings of low-wage workers and their families, with relatively minor impacts to businesses and consumers. The restaurant industry is anticipated to face the largest impacts. Specifically, the study 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.
- 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.

A full summary of the key finding can be found in Attachment A. The final report will be released in June 2016 and will include more details about the impacts of a regional increase in the minimum wage to \$15 over three years, qualitative discussion about the impact of increasing the minimum wage to \$20, and a full description of the underlying economic model.

In addition to the economic analysis, the subcommittee selected BW Research Partnership to conduct a countywide survey of over 500 employers representing a range of industries and establishment sizes (Attachment B). By design, the survey focused on industries that are most likely to be impacted by a minimum wage increase. The results of the survey show that the majority of affected employers anticipate increasing prices for customers (66%) but that 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 the Silicon Valley and that doing so will reduce inequality (65%). The vast majority (75%) agree with a regional approach at the county level. However, most (61%) believe that a minimum wage increase will make it harder to start and grow local businesses.

The summary results of the study and survey were presented at the Santa Clara County Cities Association meeting on April 14, 2016. City representatives were asked to share this information with City leaders, residents, and businesses for comment. The Cities Association is requesting feedback at their next meeting on June 9th when they will be considering a region-wide recommendation for City Councils to formally consider and adopt.

At this time, staff is seeking Council direction on next steps. A next step could include directing staff to conduct community outreach and engage with local businesses to disseminate the results of the impact study on a potential regional minimum wage increase, with a report back to Council in early June.

Sustainability Impact

No impact.

Fiscal Impact

No additional funding is required at this time. If a regional minimum wage is enacted, the City of Cupertino will need to amend its salary schedule for part-time employees accordingly, resulting in a budget impact. Staff will present this fiscal impact should a regional minimum wage be proposed.

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Approved for Submission by: David Brandt, City Manager

Attachments:

A – Summary of Key Findings

B – SCC Employer Survey