



Considerations for a Minimum Wage Policy in Long Beach

January 19, 2016



BACKGROUND

- August 11, 2015: City Council requested a Report from the Los Angeles Economic Development Corporation (LAEDC) regarding the implementation of a minimum wage policy in the City.

- September 15, 2015: City Council authorized an agreement with LAEDC for a Report based on the following scope:
 - A review of prior nearby and relevant studies and other literature regarding a minimum wage policy,
 - A review of best practices of other municipalities that have implemented a minimum wage policy,
 - A review of the economic environment and socio-economic conditions of Long Beach,
 - A review of the potential movement of jobs and workers across municipal boundaries resulting from a minimum wage policy, and
 - A survey of a random sample of at least 600 businesses to understand business response to a minimum wage policy.



PUBLIC MEETINGS

Six Public Meetings were held throughout the City providing a forum for community input on the implementation of a minimum wage policy:

- September 29, 2015 – Economic Development Commission – City Council Chambers
- October 5, 2015 – Mayor’s Roundtable – Expo Arts Center
- October 29, 2015 – Economic Development & Finance Committee – Long Beach City College

- **November 13, 2015 – Report is released to the public.**

- November 17, 2015 – Mayor’s Roundtable – Admiral Kidd Park
- November 20, 2015 – Economic Development & Finance Committee – Bay Shore Neighborhood Library
- November 24, 2015 – Economic Development Commission – City Council Chambers



ECONOMIC DEVELOPMENT COMMISSION SPECIAL PUBLIC MEETINGS

- December 14, 2015 – City Council Chambers – Continued discussion of minimum wage policy and receipt of additional public testimony.
- January 6, 2016 – City Council Chambers – Continued discussion of minimum wage policy, receipt of additional public testimony, and approval of recommendations to the City Council.

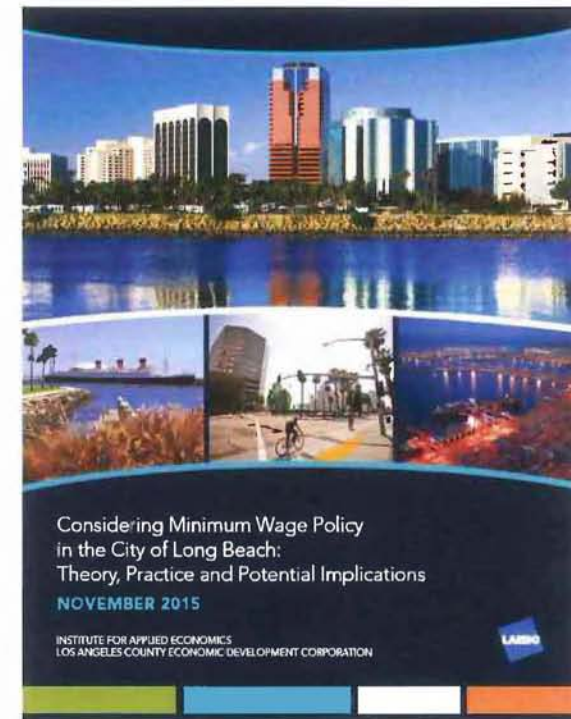
ADDITIONAL INFORMATION

- December 22, 2015 – Supplemental Memo to the Report providing the business survey results weighted by size of firm.
- December 31, 2015 – Memo from City's Department of Financial Management presenting possible fiscal impacts to City from a minimum wage policy.

Long Beach City Council Meeting
January 19, 2016

Considering Minimum Wage Policy in the City of Long Beach

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Los Angeles County Economic Development Corporation





Scope

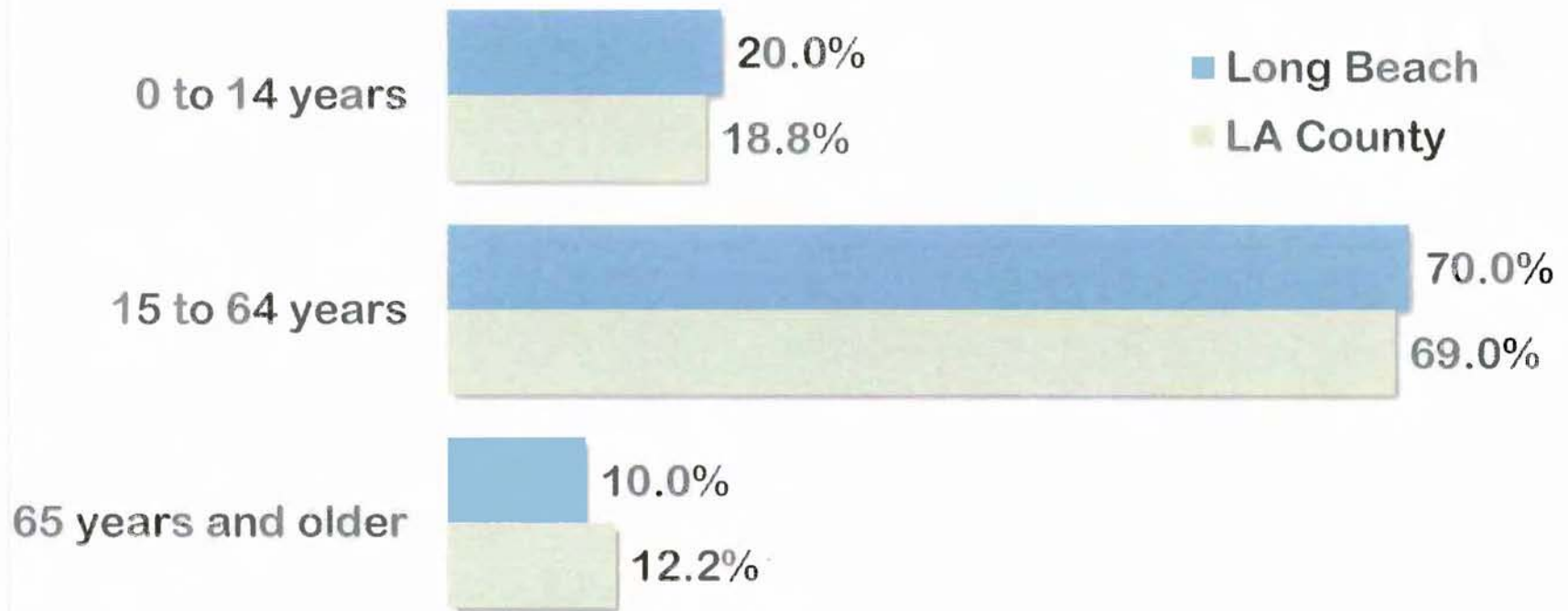
- ▶ Review literature
- ▶ Scan best practices
- ▶ Estimate the impact in Long Beach
- ▶ Conduct survey of LB businesses
- ▶ Synthesize open forum participation



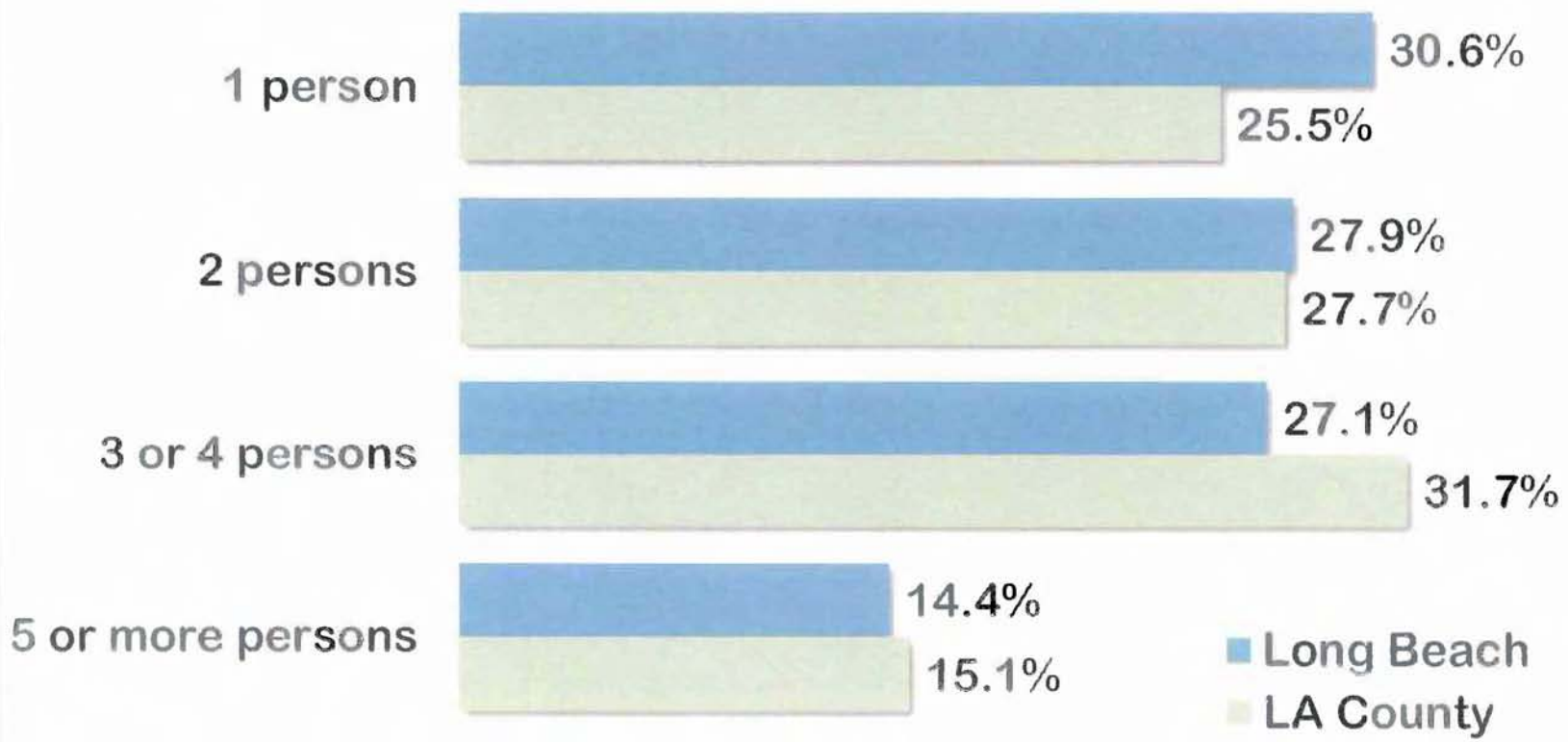
Long Beach Residents



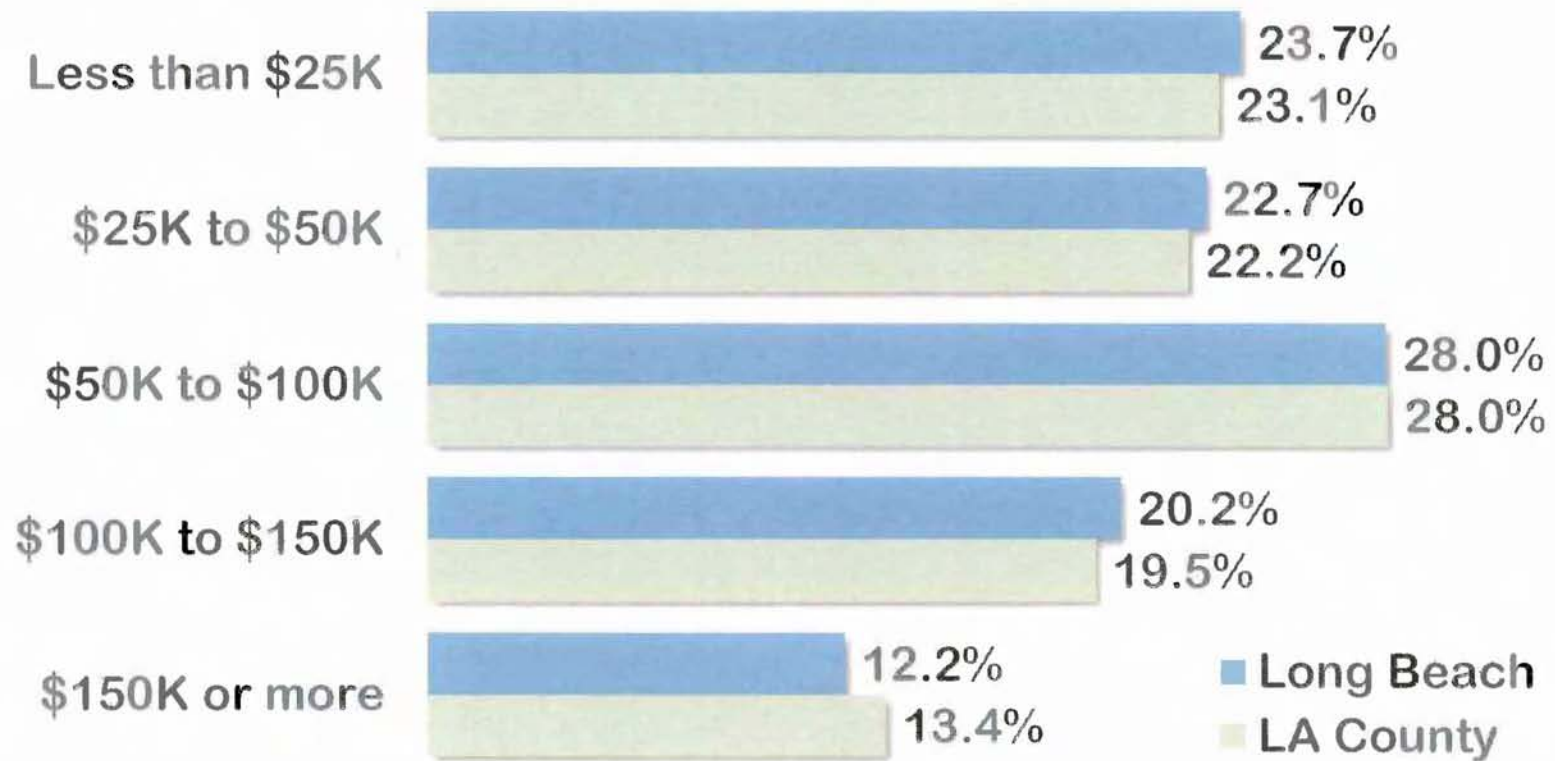
Age Distribution



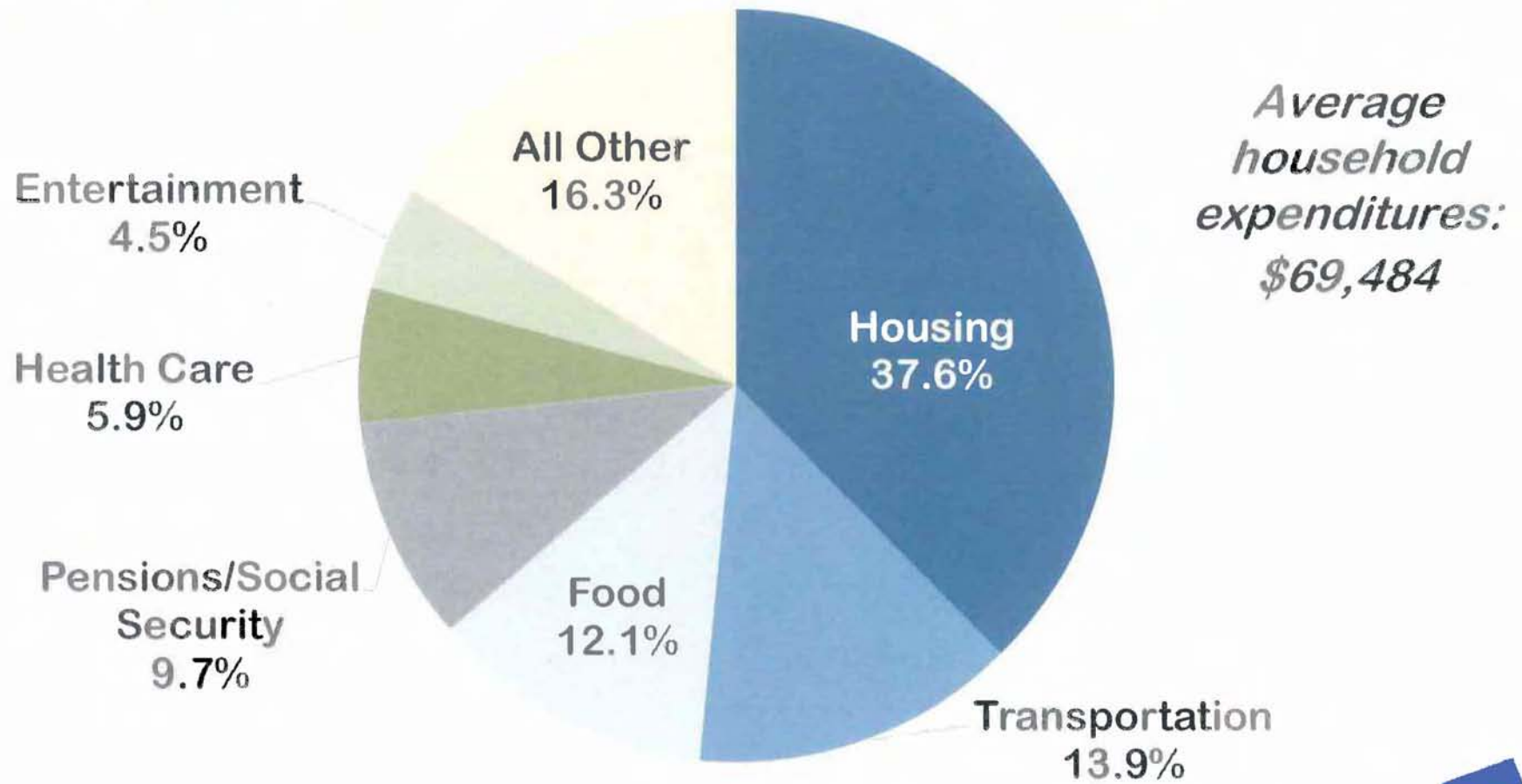
Households by Size



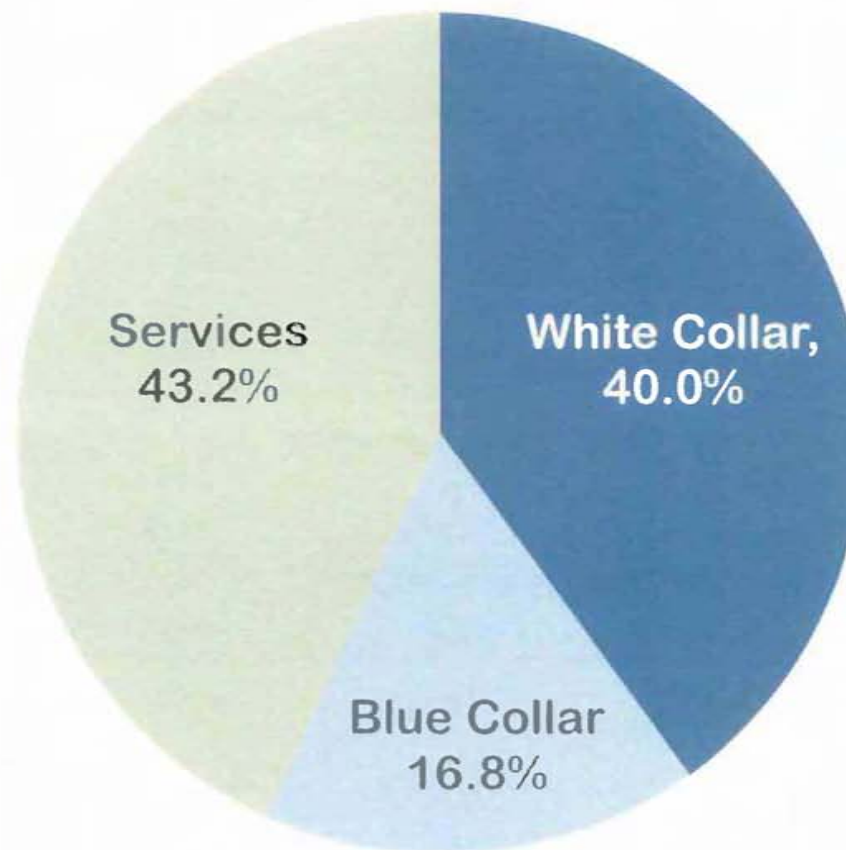
Households by Income



Average Budget Expenditures

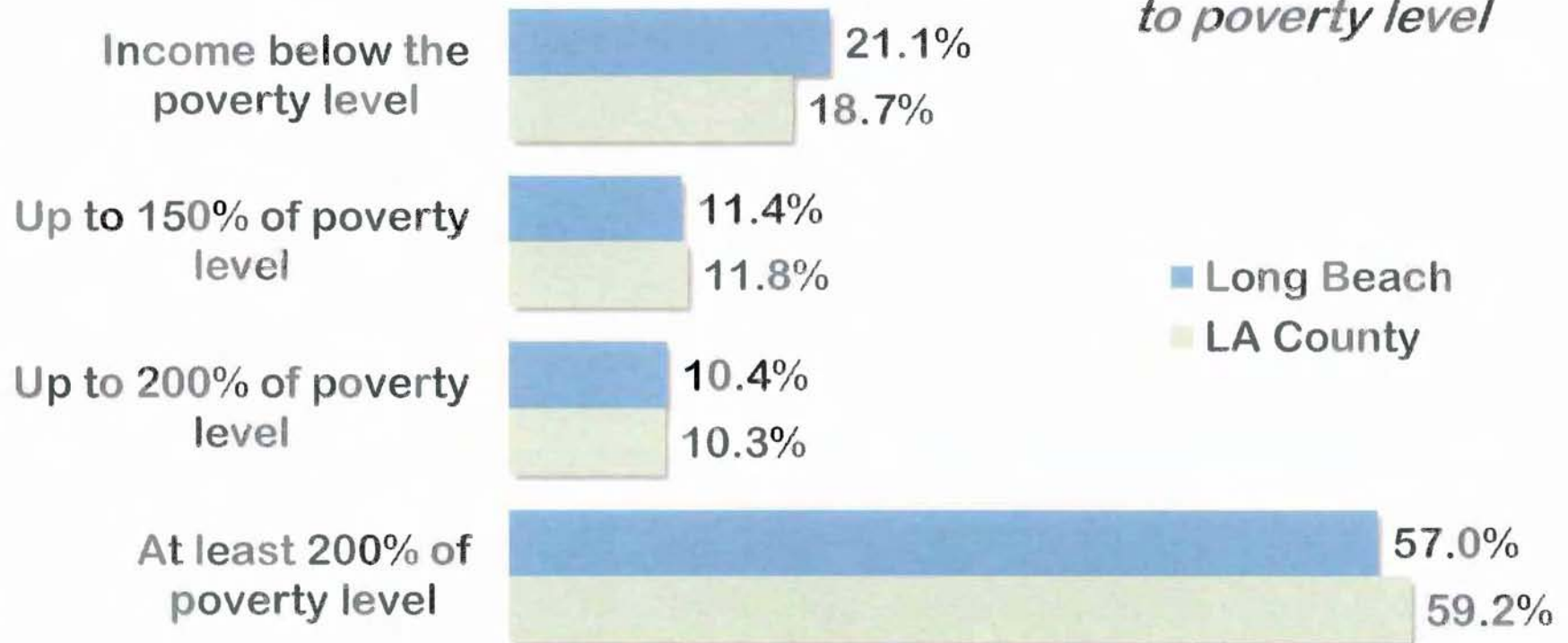


Resident Employment by Occupation



Individual Poverty

Ratio of income to poverty level

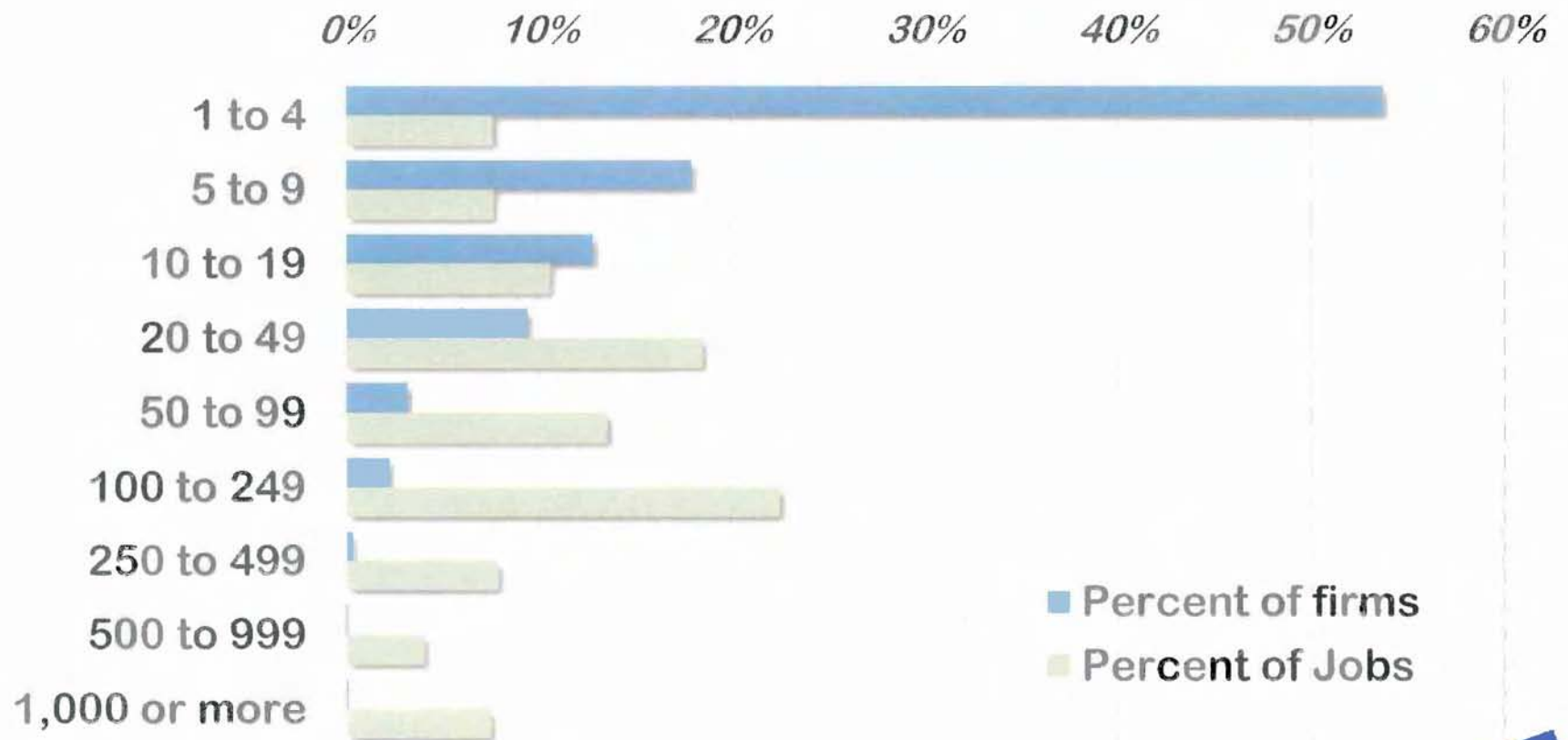




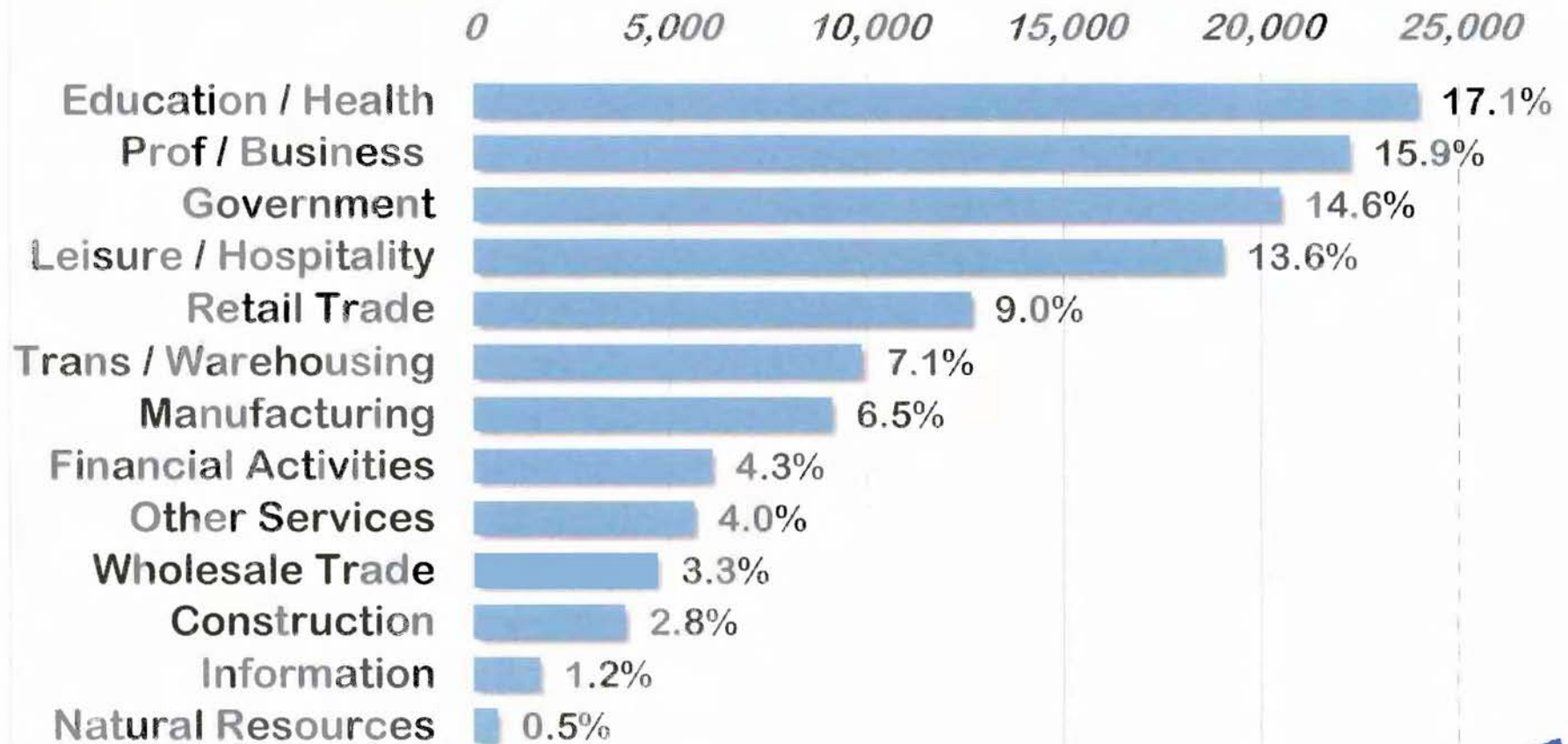
Long Beach Jobs



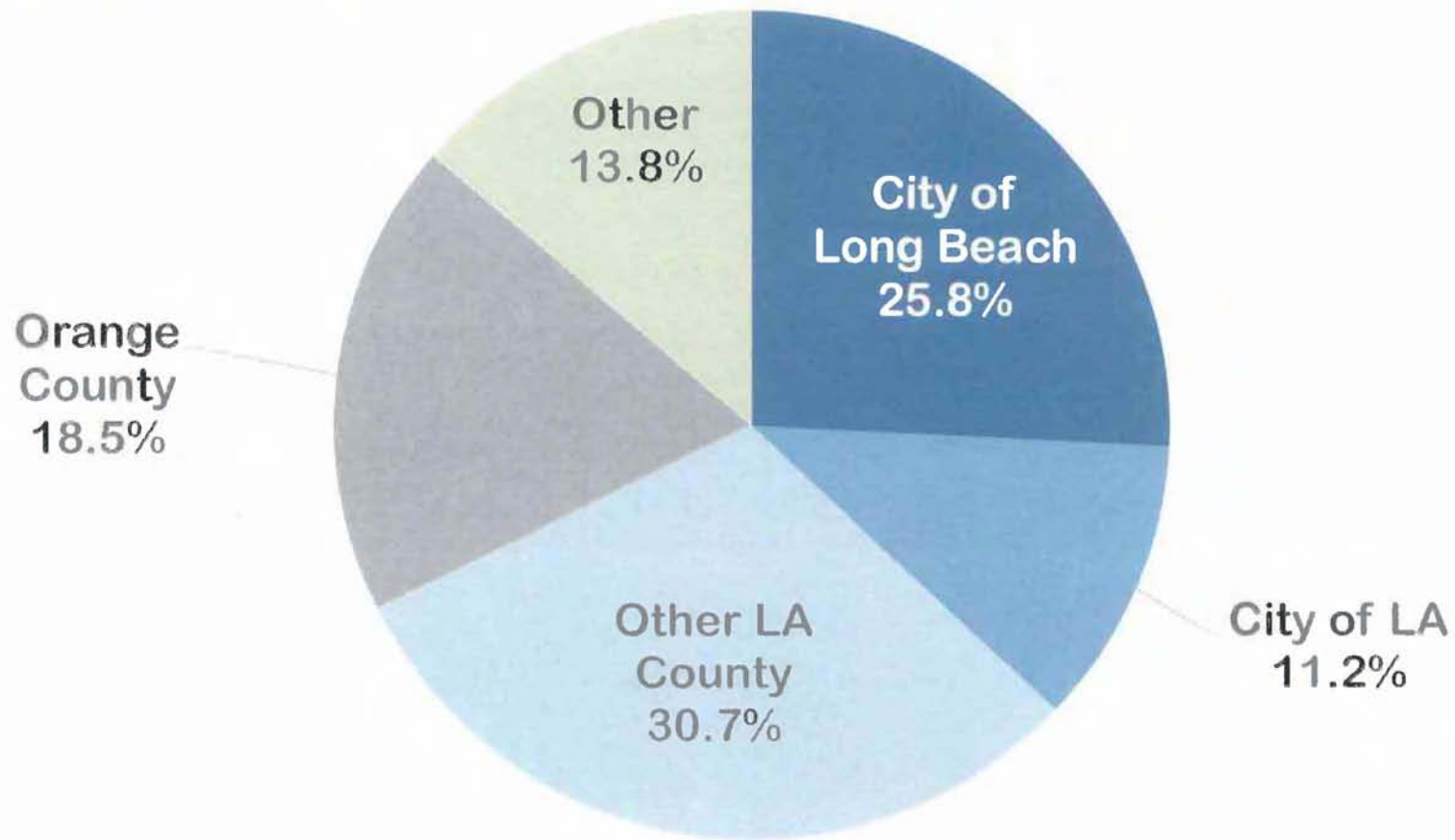
Firms and Employment by Size



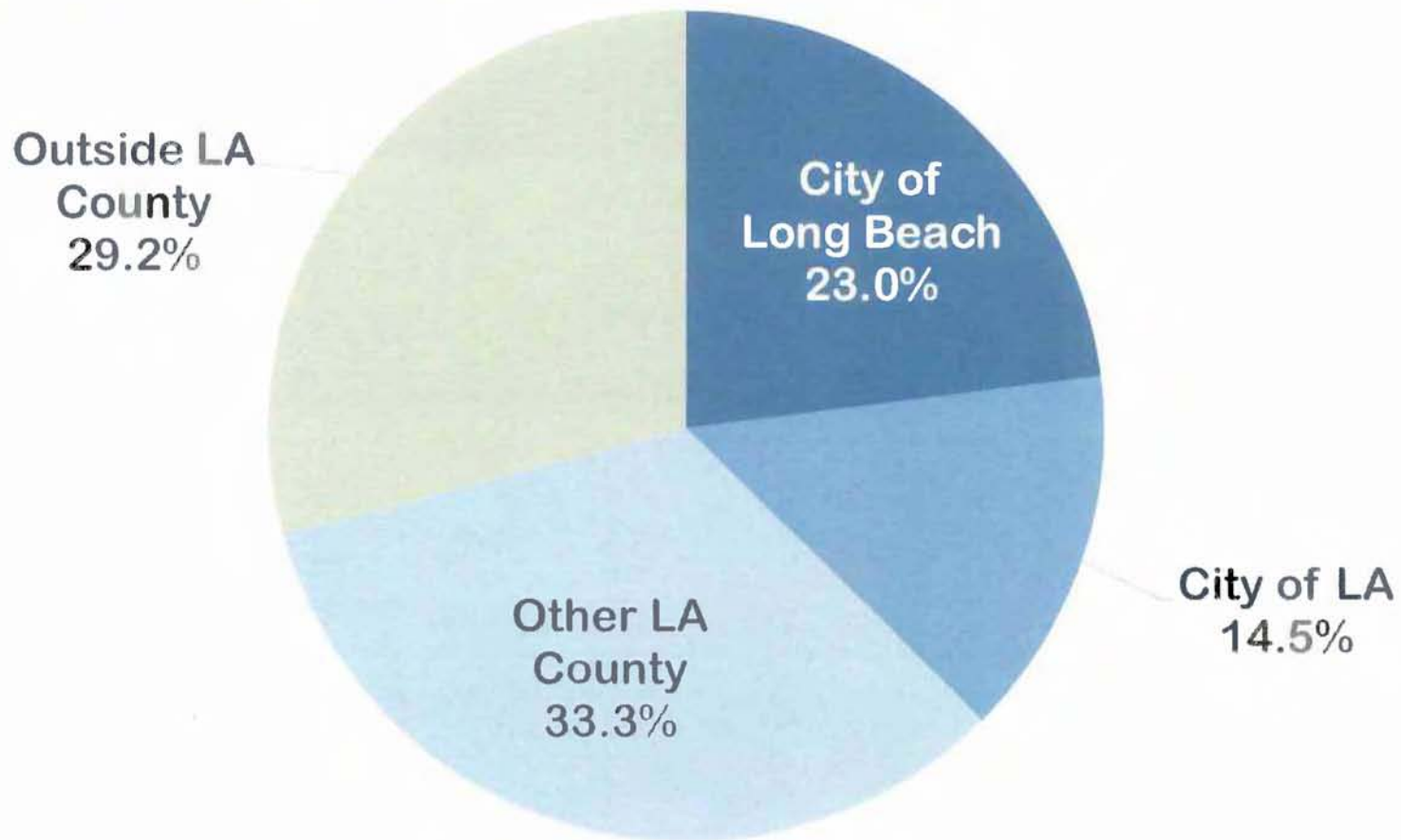
Employment by Industry



Where LB Workers Live



Where LB Residents Work





Potential Impact of MW Increase



Cumulative Impacts of MW Increase

	<u>2017</u>	<u>2020</u>
Proposed Wage Rate	\$12.00	\$15.00
# of Job Holders Impacted	32,920	45,750
% of Job Holders Impacted	18.5%	25.4%
Ave Annual ↑ in Earnings	\$ 940	\$ 5,160
Total Aggregate ↑ in Wage Bill (<i>\$ millions</i>)	\$ 30.9	\$ 236.1





Best Case

- ▶ 33,000 workers will earn an average of \$940 per year more by 2017
- ▶ 45,700 workers will earn an average of \$5,160 per year more by 2020



Impacts on Workers

- ▶ Some will earn more – and spend more
- ▶ They may work harder and be happier
- ▶ More people may join the labor market
- ▶ Some may be pushed out of work or have to work informally



Increase in Business Costs

- ▶ Aggregate wage bill for \$12.00 per hour would be \$30.9 million
- ▶ Aggregate wage bill for \$15.00 per hour would be \$236.1 million
- ▶ Does not include other wage-related costs, such as workers' comp



Employers Will Adjust

- ▶ Pass cost increases to their customers
- ▶ Increase the productivity of labor
 - Hire better-skilled employees
 - Increase automation
- ▶ Reduce costs
- ▶ Absorb costs through reduced profits

Worst Case

- ▶ 14,000 workers at risk of losing hours, jobs or being substituted at \$12
- ▶ 20,700 workers at risk of losing hours, jobs or being substituted at \$15





Long Beach Businesses





Survey of LB Businesses

- ▶ Goal: to gauge prospective reactions
- ▶ 600 completed surveys
- ▶ Segmented by firm size
- ▶ Segmented by geographic region
- ▶ There are a lot of “undecided”

Minimum Wage Workers?

- ▶ 40% of respondents have minimum wage workers (*51% if results are weighted by firm size*)
- ▶ Most MW workers are full time, permanent and adults

Reduction of Employment?

- ▶ 67% of respondents will NOT reduce their MW workers (*66% weighted*)
- ▶ 76% of respondents will NOT reduce hours of their MW workers (*77% weighted*)
- ▶ 78% of respondents will NOT invest in automation (*79% weighted*)

Relocation or Closure?

- ▶ 80% of respondents will NOT relocate their business (*83% weighted*)
- ▶ 100% of respondents will NOT close their business (*100% weighted*)
- ▶ 89% of respondents do NOT expect profits to increase (*92% weighted*)

Price Increases?

- ▶ 70% of respondents will raise their prices *(76% weighted)*
- ▶ 78% of respondents believe their MW workers will be happier and more productive *(90% weighted)*
- ▶ 49% of respondents will add duties to current workers *(53% weighted)*



In the Aggregate....

- ▶ Some workers will be paid more
- ▶ Some businesses will face higher costs
- ▶ There is no definitive evidence supporting the balance of effects



Final Thoughts....

- ▶ Likely that the least skilled workers will be most negatively impacted
- ▶ Long term trend towards automation and efficiency
- ▶ Regional dynamics will play a role in the markets for both labor and products



Long Beach Speaks





Open Forums

- ▶ Three open forums before release
 - Approximately 50 speakers
- ▶ Three after release
 - Approximately 80 speakers
- ▶ Several individuals spoke at multiple forums
- ▶ General themes were consistent





Employees and Workers....

- ▶ Personal stories of hardship
- ▶ Misclassification, wage theft issues
- ▶ Raising wages impact local spending
- ▶ Student and/or nonprofit exemptions
- ▶ “Long Beach Way”





Employers and Business Owners....

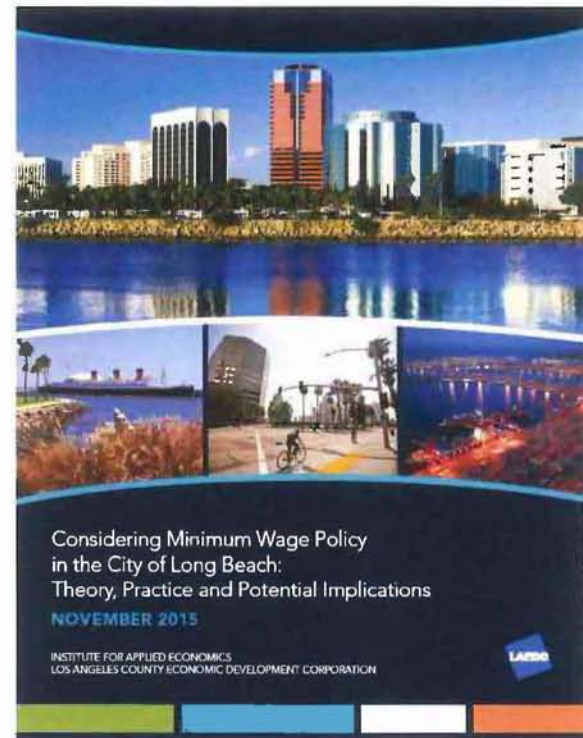
- ▶ Small businesses have thin profit margins
- ▶ Nonprofits and reimbursements
- ▶ Price increases and reduced employment
- ▶ Restaurant owners and tipped employees
- ▶ “Level the playing field”



Thank you!

For more information:

www.LAEDC.org/IAE
IAE@LAEDC.org
(213) 236-4840





Recommendations of the Economic Development Commission

- Beginning on January 1, 2017, the minimum wage in the City shall be \$10.50 per hour;
- Beginning on January 1, 2018, the minimum wage in the City shall be \$12.00 per hour;
- Beginning on January 1, 2019, the minimum wage in the City shall be \$13.00 per hour;
- Small businesses and non-profit corporations shall receive a one-year delay in implementing each of the elements of the minimum wage policy;
and
 - Small businesses shall be defined as a business with 25 or less employees.



Recommendations of the Economic Development Commission

In addition, the Economic Development Commission requests the City Council's consideration of the following items in its discussion:

- City Council to take a leadership role in seeking to change State legislation regarding tipped employees and evaluate whether this can be controlled at the local level;
- City Council to consider sick days and wage theft enforcement;
- City Council to consider requesting a report to be presented to City Council in 2021 that evaluates the impacts of the minimum wage policy after complete implementation; and
- City Council to consider and explore actions that would help mitigate negative effects on businesses and training programs resulting from a higher minimum wage.



CITY FISCAL IMPACTS

Total Structural Budget Increase by FY 21 *			
BUDGET AREA		ALL FUNDS	GENERAL FUND
Staff	Cost of raises for City employees below minimum wage.	\$1.5M	\$1.4M
Contracts	Range represents exposure, but not necessarily actual costs.	\$1.8M - \$3.2M	\$339K - \$531K
Enforcement Options	<u>Option 1</u> : State Enforcement.	Minimal	Minimal
	<u>Option 2</u> : State Enforcement. City Communication, Outreach and Support only.	\$431K - \$725K	\$431K - \$725K
	<u>Option 3</u> : Support and Enforcement model based on County model adjusted for # of businesses - complaint driven Enforcement. No proactive Inspections.	\$1.3M	\$1.3M
Minimum Wage Incentive Program	Providing an incentive to only new small businesses (1-25 employees)	\$444K	\$444K
	Providing an incentive to all small businesses (1-25 employees)	\$4.1M	\$4.1M
Sales Tax	Potential increase to sales tax but unknown at this time.	Unknown	Unknown

* Based on a \$15 per hour Min Wage



CITY FISCAL IMPACTS

\$13 PER HOUR MINIMUM WAGE FISCAL IMPACTS

➤ STAFF

- All Funds: \$850,303
- General Fund: \$798,254

➤ CONTRACTS

- All Funds: \$558,000 - \$1,200,000
- General Fund: \$115,000 - \$202,000

- ENFORCEMENT and INCENTIVE PROGRAM – no change from estimates provided at \$15 per hour

- City staff will review and return to City Council with revised fiscal impacts pursuant to its direction.



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