



# Long Beach Minimum Wage for Healthcare Workers

City Council Meeting- August 2, 2022

March XX, 2021

CITY OF  
**LONG BEACH**

# Long Beach Minimum Wage for Healthcare Workers

## Background

- **Initiative Ordinance Under Consideration**

- Minimum wage of no less than \$25 per hour to Long Beach healthcare workers.
- Jobs: Clinicians, professional or non-professional nurses, certified nursing assistants, aides, technicians, maintenance workers, janitorial or housekeeping staff persons, groundskeepers, guards, food service workers, laundry workers, pharmacists, nonmanagerial administrative workers, and business office clerical workers.
- Facilities: General acute care hospitals, clinics, acute psychiatric hospitals, chronic dialysis clinics, psychiatric health facilities, and all facilities that are part of an integrated healthcare delivery system.

# Long Beach Minimum Wage for Healthcare Workers

## Background

- **Initiative Ordinance Under Consideration (Cont.)**
  - Applies only to private facilities; the ordinance is not legally able to regulate wages at county, state, or federal facilities as wages there are subject to the minimum wage ordinances of each jurisdiction.
  - Prohibits employers from funding any wage increases by shifting the burden to employees.
  - Prohibits employers from engaging in any retaliation for enforcing their right to minimum wage.
  - Measure would be enforced by the City.

# Long Beach Minimum Wage for Healthcare Workers

## Background

- **June 6, 2022** – Proponents submit petition and signatures to City. City refers to the County for verification.
- **June 14, 2022** – City Council directs City Manager to prepare in Economic Impact Report for the proposed Initiative Ordinance pursuant to Elections Code Section 9212.
- **July 5, 2022** – City Clerk receives Certificate of Completion from the County confirming sufficiency of signatures in support of the Initiative Ordinance.
- **July 19, 2022** – Certificate of Completion presented to City Council, who defers action until the completion of the Economic Impact Report.

# Long Beach Minimum Wage for Healthcare Workers

## Background

- **Economic Impact Report**
  - City contracted with Los Angeles County Economic Development Corporation (LAEDC) to prepare the Economic Impact Report
  - The Economic Impact Report utilized a mix of existing and available data, and feedback from a multi-language survey of healthcare workers, healthcare industry associations, and patients' rights and advocacy groups, including over 750 independent healthcare entities connected to or operating within the City of Long Beach
  - Additional economic/fiscal impact analysis provided by the City's Financial Management Department estimates City enforcement costs at approximately \$1.2M.

# Long Beach Minimum Wage for Healthcare Workers

## Background

- **City Enforcement**
  - \$1.2M Annual Enforcement Cost
    - Supervising Analyst (Administrative Analyst III)
    - Administrative Analyst
    - Clerk Typist
    - Minimum Wage Investigator (New Job Classification)
    - Consulting Expertise
    - Supplies/Support

# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

- **Cities with a Minimum Wage for Private Healthcare Facilities Initiative**
  - Los Angeles (Passed)
  - Long Beach
  - Downey (Passed)
  - Inglewood
  - Lynwood
  - Duarte (Referred to Ballot)
  - Monterey Park
  - Baldwin Park
  - Culver City



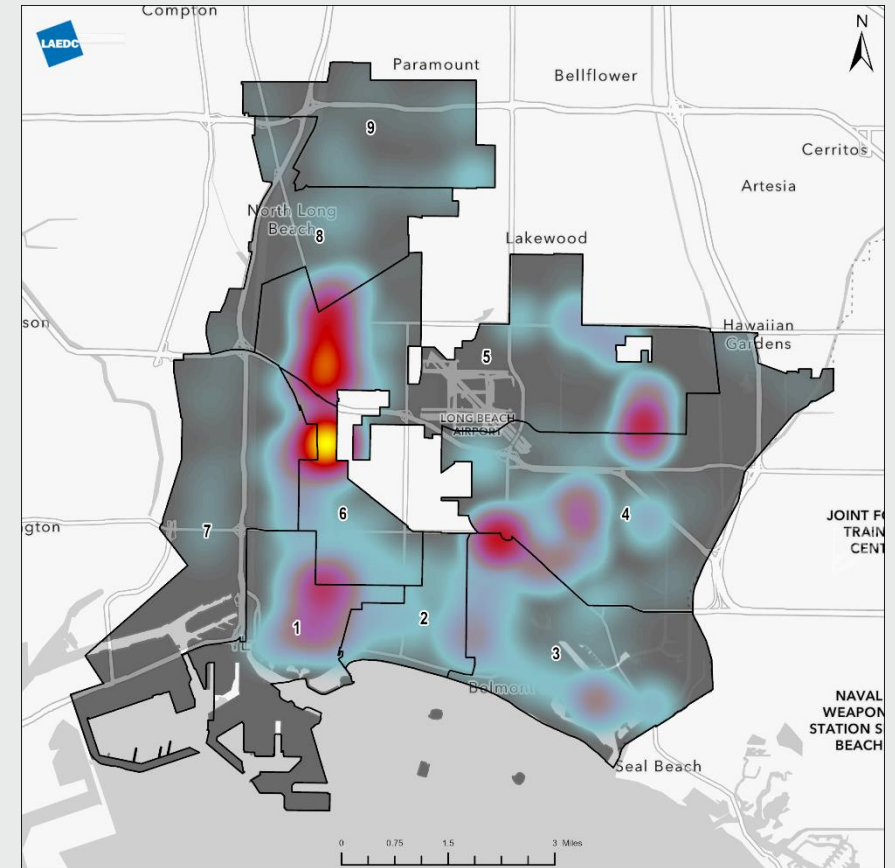
# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

### • Background

- There are an estimated 1,188 facilities in the Health Care industry in Long Beach.
- In 2021, the Health Care industry contributed \$2.1 billion to Long Beach's Gross City Product and generated \$54.5 million in tax revenue.
- The Health Care industry in Long Beach directly supports more than 19,000 jobs, around 11.2 percent of all jobs in the city.
  - Many of the most popular occupations require little education and make less than \$25 per hour.

Distribution of Health Care Establishments





# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

### • The Minimum Wage: Theory and Evidence

- Economic theory generally supports the conclusion that significant minimum wage increases are associated with a variety of unintended negative economic impacts.
- Empirical evidence on the effect of minimum wage increases is more mixed than economic theory.
- Ultimately, the minimum wage increase has tradeoffs:

#### Benefits

- Increased labor income to remaining low wage workers in covered healthcare facilities.
- Potential increase in labor supply and reduced turnover in certain covered healthcare occupations.
- Potential short run increase in morale and productivity for covered healthcare workers.

#### Risks

- Short run employment losses, particularly for low wage workers.
- Potential reduced future employment growth for covered occupations.
- Potential non-labor adjustments such as decreased business profits, business relocations or closures, and quality/access reductions to pay for resulting increased labor costs.

# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

- **Industry Risk Assessment**

- Contrary to popular belief, on average, private hospitals did not earn significant profits during the COVID-19 pandemic.
  - The increased financial loss experienced during the pandemic is the result of several factors including deferral of elective procedures and non-emergency appointments
- Healthcare services industries have an average gross operating surplus of only 5.5 percent, much lower than the average across all industries, 19.8 percent.
- Healthcare services industries face higher labor costs than other industries. Industries in Long Beach, on average, have a labor cost intensity of 36.4 percent of total output while the average across all healthcare industries is 55.7 percent of total output.

# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

- **Short Run Economic Impact**

- A net 27 to 57 jobs may be lost in the short run
- In the short run, the increase in labor income is estimated to have a net positive economic impact
- The proposed minimum wage's impact on other variables like prices, quality, access, and business profits are not considered here, but will affect the economic impact in the long run

### Net Short Run Economic and Fiscal Impact (Low and High Estimates)

#### Total Economic Impact:

Output (\$ millions)	14.0 – 19.4
Employment (jobs)	(-57) – (-27)
Labor income (\$ millions)	7.0 – 9.9

#### Total Fiscal Impact (\$ millions):

State and local tax revenues	0.25 – 0.3
Federal tax revenues	1.0 – 1.4

Source: Estimates by LAEDC Using IMPLAN

# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

- **Long Run Economic Impact**

- The larger the increase in the minimum wage, the more economic effects that will occur: a 67 percent increase in the proposed minimum wage for covered healthcare workers is substantial, suggesting significant economic effects.
- As a result of both potential negative and positive impacts on long run employment, the long-term net impact on jobs in the industry is ambiguous.
- The pace of new hiring in the Long Beach covered healthcare facilities may slow as a result of the minimum wage increase. Conversely, higher wages may serve to attract labor entrants, reduce costly turnover, and improve labor quality/output thus dampening negative effects on employment.

# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

- **Long Run Economic Impact, continued**

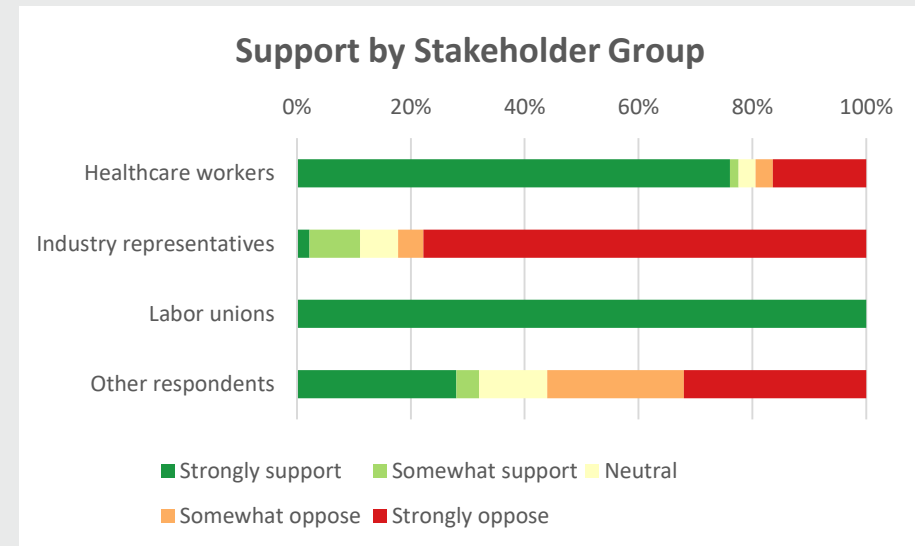
- The increase in labor income should spur additional spending in the local economy, as lower income households are able to spend more. It should allow these households to better weather inflationary effects and may enable them to make lifestyle changes, such as being able to live in Long Beach or leaving a second job.
- However, the resulting increase in labor income will need to be paid for. If few labor adjustments are made as a result of the minimum wage due to the measure's prohibitions, adjustments will likely be concentrated in non-labor market reactions such as price increases, quality/access decreases, or decreased business profits.
  - Each of these possible adjustments represent potential costs of the minimum wage policy. For example, a reduction in business profits may lead to business closures and relocations as well as reduced investment that could have improved healthcare service provision.

# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

### • Stakeholder Viewpoints

- 150 stakeholders, including healthcare workers, industry representatives, labor unions, and other respondents, were engaged via a questionnaire. Some stakeholders were also interviewed to gain further insight into their perspective.
- Healthcare workers and labor unions supported the initiative, while industry representatives and other respondents didn't.
- Industry representatives felt that the labor costs will have to be made up by sacrificing access to, quality of, or investment in healthcare, while SEIU-UHW believed it should be funded from hospital profits.



# Long Beach Minimum Wage for Healthcare Workers

## Economic Impact Report

- **Conclusion**

- Policymakers should carefully weigh the potential economic and social tradeoffs that may result due to the proposed minimum wage increase.
- If the proposed minimum wage is enacted, the City of Long Beach should commission a five-year study reviewing the impact of the minimum wage on healthcare business establishments, healthcare workers, patients, and government revenues.
  - This should include an economic impact report that quantifies the long run effects of the minimum wage increase



# Long Beach Minimum Wage for Healthcare Workers

## Background

- **Next Steps:**

- After the City Council is presented with the Economic Impact Report they are required to take one of the following two actions:
  - Adopt the Initiative Ordinance, without alteration, within 10 days of receiving the Economic Impact Report, or
  - Submit the ordinance, without alteration, to the voters pursuant to Elections Code Section 1405.
- The City Manager may also be directed by the City Council to take other associated actions at this time. Additionally, pursuant to Elections Code Section 9215.5, the proponent of the Initiative Ordinance may withdraw the initiative at any time before the 88th day before the election

# Long Beach Minimum Wage for Healthcare Workers

Thank You

**Johnny Vallejo**  
Acting Director, Economic Development

**Nick Schultz**  
Deputy Director, Economic Development