Date: November 3, 2015
To: El Cerrito City Council
From: Suzanne Iarla, Assistant to the City Manager
Subject: Adoption of an Ordinance to Establish a Local Minimum Wage

ACTION REQUESTED
Receive a presentation, hear public comments and upon conclusion introduce by title, waive any further reading, and approve an ordinance amending the El Cerrito Municipal Code (ECMC) Title 6 (“Business Permits and Regulations”) by adding a new Chapter 6.95 (“City Minimum Wage Standards”).

BACKGROUND
In an effort to provide greater economic stability to low-wage earners in our community, and acknowledging the high relative cost of living in the San Francisco Bay Area, the El Cerrito City Council, led by Mayor Mark Friedman, has expressed a desire to establish a citywide minimum wage that provides a higher minimum wage than required by the State of California. On March 28, 2015, at the City Council’s Strategic Plan update study session, establishing a local “living wage” was identified as a strategy toward achieving the City’s Strategic Plan goal of “Ensure the public’s health and safety.”

Mayor Friedman has been working with Ensuring Opportunity, a local coalition of partners who are working toward a long-term effort to cut poverty in Contra Costa County by raising awareness and addressing the systemic and structural causes of poverty. Ensuring Opportunity is leading the effort to encourage all jurisdictions in Contra Costa County to increase the minimum wage to $15.00 per hour by the year 2020.

The current minimum wage in California is $9.00 per hour (effective July 1, 2014). On January 1, 2016, the minimum wage in California will increase to $10.00 per hour. Recently, a number of Bay Area municipalities have enacted local minimum wage ordinances, including Richmond, Berkeley, Emeryville, San Francisco, San Jose, Mountain View, Sunnyvale, and most recently, Santa Clara and Palo Alto. For a list of cities with minimum wage ordinances, see Table 9 of Attachment 3, the Contra Costa County Policy Brief by the UC Berkeley Center for Labor Research and Education.

Currently, there is a petition to include an initiative on the November 2016 statewide ballot called the “Fair Wage Act of 2016” to increase the state minimum wage. The main components of the proposed statewide ballot initiative include an $11.00 minimum wage as of January 1, 2017, to be increased each year on January 1 until the wage reaches $15.00 per hour in 2021, and each year following would be adjusted by CPI. The Attorney General provided “title and
summary” for the petition, however advocates are still in the signature-gathering stage so it is unknown at this time if the initiative will appear on the ballot, and whether or not it will be passed by California voters. The State Legislative Analyst's Office (LAO) has reviewed the proposed statewide ballot initiative including economic impacts and fiscal effects of a statewide minimum wage of $15.00 per hour in 2021. The report is available online at: http://www.lao.ca.gov/BallotAnalysis/Initiative/2015-032.

On August 18, 2015, the City Council held a study session on increasing the minimum wage in the City of El Cerrito. The Council listened to presentations and public comments, and provided direction to staff regarding what elements the Council would like to see in a local minimum wage ordinance. Various community groups and City advisory bodies have expressed support for the City Council to adopt a local minimum wage, including:

- El Cerrito Democratic Club
- Committee on Aging (Motion passed 9-1)
- Crime Prevention Committee (Motion passed 3-2)
- Economic Development Committee (Motion passed 4-2)
- Human Relations Commission (Motion passed unanimously)

Although the timeframe for development of this item has been short, the City conducted an extensive public outreach program to receive feedback from residents and businesses. The public was invited to learn about the proposed ordinance and provide input at the meetings of the Economic Development Committee, the Human Relations Commission, and at a Community Input Meeting held at City Hall. Staff also made presentations to the El Cerrito Rotary Club and the El Cerrito Chamber of Commerce. Staff received many comments at the various meetings, through the online forum Open El Cerrito on the City’s website, and via an online survey offered to local businesses. Attachment 2 provides a summary of results from the online business survey as well as the comments submitted on Open El Cerrito. Overall, a majority of people who provided feedback were in support of the City establishing a local minimum wage of $15.00 per hour by 2020, with some preferring a faster phase-in of 2018.

A number of local businesses expressed concern, though many business owners said it would not negatively impact their business, or would have no effect. Of the 42 business owners who completed the online business survey, only 8 currently have employee(s) receiving the minimum wage, and 19 have employees currently making less than $15.00 per hour. When asked how the business might handle the impact of the proposed increase, the responses were increase prices (62%), increase wages to comply (41%), reduce employee work hours (38%), reduce number of employees (38%), consider relocating outside of El Cerrito (26%) and change operating structure (17%). See Attachment 2 for more information derived from the survey.

ANALYSIS
Along with considering the feedback provided by El Cerrito residents and business community, staff worked with the Ensuring Opportunity Campaign to develop an ordinance for consideration by the City Council. Ensuring Opportunity has introduced a plan to establish a $15.00 per hour minimum wage in Contra Costa County by 2020. The plan includes increasing the minimum wage by an amount corresponding to the prior year’s increase, if any, in the cost of living beginning in 2021 and each year thereafter to prevent inflation from eroding its value.
Attachment 3 shows the Campaign’s plan and results of the Contra Costa Countywide Study by the Center for Economic and Policy Research.

For the study, Ensuring Opportunity engaged the Institute for Research on Labor and Employment at University of California, Berkeley (Labor Center) to look at the anticipated effects of the proposed minimum wage increase on Contra Costa workers and businesses. The Labor Center estimated that if all the cities in the county, as well as the county itself, enact the proposed law using the schedule studied, that the proposed minimum wage increase would provide significant gains in income to Contra Costa’s low-wage workers and their families. Most businesses would be able to absorb the increased costs, and consumers would see a moderate increase in restaurant prices spread over five years. The proposal’s impact on overall employment is therefore not likely to be significant.

Although studies of past minimum wage increases have not shown significant effects on overall employment rates, the wage increases studied were generally smaller in magnitude—and affected a smaller share of the workforce—than Ensuring Opportunity’s proposal. Additionally, there is less data available on the impacts of minimum wage ordinances that include an automatic annual increase indexed to the Consumer Price Index (CPI). Unfortunately, it is hard to estimate the impact on local economies and the risk of adverse effects for an individual city due to uncertainties such as how individual businesses and people will be impacted by the change, the extent of leakage of the economic stimulus since a significant number of workers live outside the city, as well as the impact to businesses and on the city’s ability to attract new businesses if the minimum wage is not raised by nearby cities.

Ensuring Opportunity’s plan was framed within a model ordinance that the Campaign hopes can be adopted by each city in the County. A regional approach among the cities to adopt the same or similar minimum wage laws would simplify compliance and enforcement, as well as maximize the positive economic effects from increased spending by low-wage workers and their families, as discussed in the Contra Costa Countywide Study. Staff and the City Attorney have reviewed the model ordinance, and have developed the proposed ordinance presented in Attachment 1 for the City Council’s consideration. The proposed ordinance includes some variations from the model ordinance that are tailored to El Cerrito based on feedback from residents and businesses, as well as considerations from staff with respect to implementation of the elements of the proposed ordinance.

Proposed Minimum Wage Ordinance

As drafted, the proposed ordinance requires employers to pay the minimum wage to employees who perform at least two (2) hours of work within one week within the geographic boundaries of the City of El Cerrito. The wage shall be paid for each hour of work performed within the boundaries of the City. State minimum wage law exemptions are included in the ordinance and State wage formulas will be applied to the minimum wage rate that would result in higher wages to the worker.

In addition to the payment of the minimum wage, other significant terms of the ordinance require employers to post a notice at the workplace of the current and prospective minimum wage rates and the employees’ rights under the local law in English and in any language spoken by more
than 10% of employees; maintain payroll records for a period of four years; and allow authorized City representatives to review such records as part of an investigation. The ordinance prohibits retaliation or discrimination against any person seeking to enforce its terms. The enforcement provisions of the ordinance include the right for employees to pursue a civil action to recover back wages and to seek reinstatement. The ordinance also authorizes the City to issue administrative citations and fines to noncompliant employers.

**Phase-In Schedule**
Other jurisdictions that have adopted local minimum wages have scheduled annual increases over a period of years, after which the rate is then adjusted annually for inflation based on changes in the Consumer Price Index (CPI). The gradual phase-in allows employers who pay the minimum wage to more easily adjust to the higher labor costs.

At the study session in August, the City Council asked staff to consider schedules achieving the $15.00 per hour rate by either 2018 or 2020. Three different phase-in schedules are noted in the table below. All increases are within the range of wage schedules enacted in other communities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Ensuring Opportunity Proposal</th>
<th>% Increase</th>
<th>Increase to $15.00 by 2020 (Staff Recommendation)</th>
<th>% Increase from previous rate</th>
<th>Increase to $15.00 by 2018</th>
<th>% Increase from previous rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2016</td>
<td>$10.20</td>
<td>13%</td>
<td>$11.00</td>
<td>22%</td>
<td>$11.00</td>
<td>22%</td>
</tr>
<tr>
<td>Jan 2017</td>
<td>$11.40</td>
<td>12%</td>
<td>-none-</td>
<td>-</td>
<td>$13.00</td>
<td>18%</td>
</tr>
<tr>
<td>Jan 2018</td>
<td>$12.60</td>
<td>11%</td>
<td>$13.00</td>
<td>18%</td>
<td>$15.00</td>
<td>15%</td>
</tr>
<tr>
<td>Jan 2019</td>
<td>$13.80</td>
<td>10%</td>
<td>$14.00</td>
<td>8%</td>
<td>Adjusted per CPI</td>
<td>-</td>
</tr>
<tr>
<td>Jan 2020</td>
<td>$15.00</td>
<td>9%</td>
<td>$15.00</td>
<td>7%</td>
<td>Adjusted per CPI</td>
<td>-</td>
</tr>
<tr>
<td>Jan 2021</td>
<td>Adjusted per CPI</td>
<td>-</td>
<td>Adjusted per CPI</td>
<td>-</td>
<td>Adjusted per CPI</td>
<td>-</td>
</tr>
</tbody>
</table>

*Percent increase is compared to previous year’s minimum wage

The proposed ordinance presented by staff includes the 5 year phase-in period advocated by Ensuring Opportunity to achieve the $15.00 per hour rate by 2020. Staff heard feedback from a number of local business owners who said the 2020 scenario would give businesses more time to adjust to the new rates. Although low-wage earners and advocates noted that the 2018 scenario would benefit affected workers sooner, the faster phase-in to achieve $15.00 per hour by 2018 was not contemplated in the Labor Center’s study and might have more adverse effects on local businesses compared to the slower phase-in by 2020.

Staff recommends the local wage become effective on July 1, 2016. This provides more time for both local employers and City staff to prepare for the initial effective date. In order to return to the standard calendar year schedule, staff recommends that the next increase to the minimum wage become effective on January 1, 2018 at a rate of $13.00. At that point, the wage would
increase $1.00 per year until the $15.00 minimum wage is reached in the year 2020, with a CPI increase thereafter.

**Other Considerations**

Paid Sick Leave Benefits: California AB 1522, the “Healthy Workplaces, Healthy Families Act of 2014” went into effect on July 1, 2015 and requires employers to provide one (1) hour of paid sick leave for every 30 hours worked. At the August Study Session, the City Council indicated interest in considering enhanced sick leave benefits above the provisions of State law, and allowed staff to address this matter separately from the minimum wage ordinance. Although enhanced sick leave benefits were included in the model ordinance presented by Ensuring Opportunity, and some community members were in support, the proposed ordinance does not include enhanced paid sick leave benefits. Such provisions would add to the complexity of administration and would be difficult for the City to enforce. Staff intends to monitor the newly enacted law and its requirements, some of which are still being implemented by employers, and any future adjustments to the law by the State. If an enhanced paid sick leave provision becomes part of a regional approach adopted by other communities or if the City Council desires to go beyond State law, the City Council could consider adding such a provision to the City’s ordinance in the future.

Hospitality Service Charges: The model ordinance presented by Ensuring Opportunity included provisions to regulate service charges, specifically to require hospitality employers (i.e., a restaurant, hotel, or banquet facility) to pass on the service charges collected to the worker(s) actually performing the services. Staff was concerned that this provision goes beyond mandating a minimum rate of pay and instead precludes business owners from deciding how to manage their business, as such a provision limits how a business can spend revenue from the service charge if they choose to collect such a fee. Further, service charges may not be documented as clearly as wages, making an investigation difficult. If, in the future, this provision becomes the norm for other nearby communities and the City Council at that time wishes to have regional consistency, the Council could consider adding such a provision to the ordinance in the future.

**STRATEGIC PLAN CONSIDERATIONS**

Adoption of the proposed local minimum wage ordinance would help fulfill Goal E, “Ensure the Public’s Health and Safety.” Specifically, adoption of the proposed ordinance would contribute to achieving the strategy to “Explore innovative and best practices for promoting public health” since the benefit to low-wage earners will help those households to cover their basic living expenses. Additionally, the proposed ordinance fulfills Goal A, “Deliver Exemplary Government Services”, and specifically assists in achieving the strategy to “Recruit and retain a talented workforce.”

**FINANCIAL CONSIDERATIONS**

As an employer, the City will incur a slight increase in labor costs. The minimum wage increase will require an adjustment to several part-time pay grades, consisting mostly of seasonal and temporary positions. Estimated costs depend upon the number of part-time staff hired and the number of other employees potentially impacted by salary compaction associated with these
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increases; staff estimates an overall increase of approximately $30,000-$50,000 for the next fiscal year.

To administer the program, staff time will be required for education and outreach, as well as dealing with complaints, conducting investigations, and handling enforcement. This could be done by hiring additional staff, using temporary or contract employees, or possibly by contracting with another agency or consultant. Based on discussions with other cities, staff estimates the program will require a dedicated staff member for at least the first six months to a year, which could be reduced later once the program is in full effect. Staff costs will be considered and proposed during the upcoming budget process.

Staff recommends delegating preliminary investigation and informal resolution tasks to a consultant or via a contract with another agency. If a complaint advances to the formal administrative hearing stage, the City will handle such proceedings in accordance with already established procedures in the municipal code. This cost is estimated at $10,000 annually, but could be higher depending upon the number and complexity of investigations.

LEGAL CONSIDERATIONS
The ordinance has been reviewed and approved by the City Attorney.

Reviewed by:

Scott Hanin, City Manager

Attachments:

1. Ordinance

2. Summary of online business survey results and comments submitted on Open El Cerrito

3. Contra Costa County Policy Brief by the UC Berkeley Center for Labor Research and Education
ORDINANCE No 2015–XX

AN ORDINANCE OF THE CITY OF EL CERRITO AMENDING THE EL CERRITO MUNICIPAL CODE BY ADDING A NEW CHAPTER 6.95 (“CITY MINIMUM WAGE STANDARDS”)

WHEREAS, the current Federal minimum wage rate is $7.25 per hour, and the California minimum wage will be $10.00 per hour on January 1, 2016; and

WHEREAS, the cost of living in the San Francisco Bay area is higher than the national average and many families in Contra Costa County struggle to cover basic household expenses; and

WHEREAS, a county-wide increase of the minimum wage to $15 per hour by 2020 would benefit about 33% of Contra Costa’s workforce, and 89% of working poor families; and

WHEREAS, a county-wide increase of the minimum wage to $15 per hour by 2020 would bring the minimum wage up from 38% to 50.1% of the Contra Costa median full-time wage, well within the historical range of the ratio for the federal minimum wage to the national median full-time wage; and

WHEREAS, in Contra Costa County, more than half of workers receiving the minimum wage are employed in four industries: retail trade (19.9%), food services (17.9%), health services (9.4%), and administrative and waste management services (8.4%), a classification that includes building services contractors and employment agencies, and

WHEREAS, in 2014, there were 453 companies operating in El Cerrito with a total of 5,035 employees; and

WHEREAS, over half the jobs in El Cerrito in 2014 were concentrated in the retail, accommodation and food services, health care and social assistance, and administrative and waste management services industries; and

WHEREAS, a county-wide increase of the minimum wage to $15 per hour by 2020 would likely result in only modest prices increases for consumers spread over five years, generally ranging from 0.2% to 1.9% annually with most notably an estimated 7% overall increase in operating costs for restaurants; and

WHEREAS, other jurisdictions in the region are considering enacting a minimum wage that is higher than the minimum wage required by federal and state law, and the Cities of San Francisco, Oakland, Emeryville, Berkeley, San Jose, Mountain View, Sunnyvale, Santa Clara, Palo Alto, and Richmond have already adopted such a minimum wage; and

WHEREAS, in an effort to help working households achieve economic security and acknowledging the higher relative cost of living in San Francisco Bay Area, the City Council of the City of El Cerrito wishes to enact a citywide minimum wage that is higher than the minimum wage required by the federal and state rates; 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 higher minimum wage rate protects the public health, safety and welfare by requiring that workers employed in El Cerrito are compensated in such a manner as to enable and facilitate their individual self-reliance within the City of El Cerrito; and

WHEREAS, the City Council of the City of El Cerrito may desire to consider additional benefits to workers employed in El Cerrito in the future beyond those required by the State, including enhanced paid sick leave, as other communities within the region explore additional ways to improve the lives of workers in the San Francisco Bay Area; and

WHEREAS, the City of El Cerrito may adopt a higher minimum wage pursuant to the powers vested in the City 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; and

WHEREAS, it is the intent of the City Council, in enacting a minimum wage ordinance, to ensure compliance with the business standards and practices of the City and to increase the minimum wage for workers within the geographic boundaries of the City.

NOW THEREFORE, The City Council of the City of El Cerrito does hereby ordain as follows:

SECTION 1. FINDINGS.
The above recitals are hereby declared to be true and correct and are findings of the City Council of the City of El Cerrito.

SECTION 2. AMENDMENT OF EL CERRITO MUNICIPAL CODE TITLE 6
Chapter 6.95 (“City Minimum Wage Standards”) is hereby added to Title 6 (“Business Permits and Regulations”) of the El Cerrito Municipal Code to read as follows:

CHAPTER 6.95 CITY MINIMUM WAGE STANDARDS

6.95.010 – Title.
6.95.020 – Authority.
6.95.030 – Definitions.
6.95.040 – Minimum Wage.
6.95.050 – Exemptions and Waivers.
6.95.060 – Notice, Posting and Payroll Records.
6.95.070 – Retaliation Barred.
6.95.080 – Implementation.
6.95.090 – Enforcement.
6.95.100 – Private Rights Of Action.
6.95.110 – Remedies.
6.95.120 – No Preemption of Higher Standards.
6.95.130 – Fees.

6.95.010 Title. This Chapter shall be known as the “City Minimum Wage Standards.”
6.95.020 Authority. This Chapter is adopted pursuant to the powers vested in the City of El Cerrito 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.

6.95.030 Definitions. As used in this Chapter, the following capitalized terms shall have the following meanings:

A. "City" shall mean the City of El Cerrito or any person, business, or public agency designated by the city council or city manager to perform various investigative, enforcement and informal resolution functions pursuant to this chapter.

B. “CPI” shall mean the Consumer Price Index for urban wage earners and clerical workers for the San Francisco-Oakland-San Jose, CA metropolitan statistical area (or if such index is discontinued, then in the most similar successor index).

C. "Employee" shall mean any person who:
   1. In a particular week performs at least two hours of work within the geographic boundaries of the City for an Employer; 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.

D. "Employer" shall mean any Person who conducts business in the City, or maintains a business facility in the City, and directly or indirectly (including through the services of a temporary services, staffing agency or similar entity) employs or exercises control over the wages, hours or working conditions of any Employee. Any person exempt from payment of the California minimum wage is not an Employer for the purposes of this Chapter.

E. "Minimum Wage" shall have the meaning set forth in Section 6.95.040.

F. “Person” shall mean any individual, association, organization, partnership, business trust, limited liability company, corporation or other legal entity.

G. "Particular week" shall mean any seven consecutive days, starting with the same calendar day each week beginning at any hour on any day, so long as it is fixed and regularly occurring.

   1. An employer may establish the day of week when an employee's "particular week" starts, but once an employee's workweek is established, it remains fixed regardless of his/her working schedule.

   2. An employer may change an employee's workweek only if the change is intended to be permanent and is not designed to evade an employer's obligations to this chapter.
6.95.040 Minimum Wage.

A. Employers shall pay Employees no less than the Minimum Wage for each hour worked within the geographic boundaries of the City.

B. The Minimum Wage rate shall be as follows:

1. Beginning on July 1, 2016, the Minimum Wage shall be an hourly rate of $11.00 per hour.

3. Beginning on January 1, 2018, the Minimum Wage shall be an hourly rate of $13.00 per hour.

4. Beginning on July 1, 2019, the Minimum Wage shall be an hourly rate of $14.00 per hour.

5. Beginning on July 1, 2020, the Minimum Wage shall be an hourly rate of $15.00 per hour.

6. Beginning on July 1, 2021, and each July 1 thereafter, the Minimum Wage shall increase by an amount equal to the prior year's increase, if any, in the CPI, as determined by the United States Department of Labor. The City shall use the February-to-February change in the CPI to calculate the annual increase, if any. A decrease in the CPI shall not result in a decrease of the Minimum Wage.

C. An Employer may not count an Employee's tips or gratuities as a credit toward the Employer’s obligation to pay the Employee the Minimum Wage.

D. An Employer who compensates Employees, in whole or in part, on a commission basis that is consistent with State and Federal law, may count commission earnings toward its obligation to pay the Minimum Wage.

E. Whenever the California Labor Code requires an employee to be paid at a rate using a formula based on the state minimum wage, the same formula shall be used to calculate the payment of an employee under this Chapter, except that the local Minimum Wage shall be used. This section shall also apply to learners and apprentices eligible to be paid less than the minimum wage under the provisions of the Labor Code and the regulations of the Department of Industrial Relations.

6.95.050 Exemptions and Waivers.

A. Individual Waiver Prohibited.

Any waiver by an individual Employee of any of the provisions of this Chapter shall be deemed contrary to public policy and shall be void and unenforceable. Any request to an individual Employee by an Employer to waive his or her rights under this Chapter shall constitute a violation of this Chapter.

B. Waiver through Collective Bargaining.

To the extent required by federal law, all or any portion of the applicable requirements of this chapter may be waived in a bona fide collective bargaining agreement, provided that
such waiver is explicitly set forth in such agreement in clear and unambiguous terms.

6.95.060 Notice, Posting And Payroll Records.

A. By May 1 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 July 1. In conjunction with this bulletin, the City shall publish and make available to Employers, in all languages spoken by at least ten percent of the workforce in 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 any language spoken by at least ten percent of the Employees at the workplace or job site. In the event that at least ten percent of the Employees at a workplace or job site speak a language for which the City does not publish and make available a notice, the Employer shall be responsible for accurately translating the notice published by the City. 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 maintain for at least three years a record for each Employee, which shall include the Employee’s name, hours worked, pay rate, and service charges collected and distributed. Upon an Employee’s reasonable request, Employers shall provide that Employee with a copy of his or her records within ten calendar days.

D. Employers shall permit access to work sites and relevant records for authorized City representatives, with appropriate notice and during normal business hours or at a mutually agreeable time, for the purpose of monitoring compliance with this Chapter and investigating employee complaints of noncompliance, including production for inspection and copying of its employment records, but without allowing social security numbers to become a matter of public record. Relevant payroll records may include all time cards, cancelled checks, cash receipts, books, documents, schedules, forms, reports, receipts or other evidences which reflect job assignments, work schedules by days and hours, and the disbursement of payments to an employee(s). 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. Any Employer who fails to maintain or retain adequate records may be subject to a fine or penalty pursuant to Section 6.95.090.

6.95.070 Retaliation Barred.

It is unlawful for an Employer to discriminate in any manner or take adverse action against any Employee, including but not limited to termination, reduction in compensation or number of hours worked, or reassignment of duties, in retaliation for the Employee exercising his or her rights under this Chapter, including for making a complaint to the City, participating in any of its proceedings, using any civil remedies to enforce his or her rights, or otherwise asserting his or her rights under this Chapter. Taking adverse action against an Employee within
120 days of that Employee’s exercise of rights protected by this Chapter shall raise a rebuttable presumption that the Employer acted in retaliation. The Employer may overcome this presumption by establishing, with clear and convincing evidence, a non-retaliatory reason for the adverse action.

6.95.080 Implementation.

A. Guidelines. The city manager or designee is authorized to establish an administrative procedure for receiving and investigating complaints of noncompliance with this Chapter and rendering the City’s decisions on the merits of such complaints. The city manager or designee shall coordinate implementation and enforcement of this chapter and may promulgate appropriate guidelines or rules for such purposes. The city manager or designee is also authorized to establish administrative procedures and guidelines for the City initiating investigation and enforcement of noncompliance with this Chapter on its own accord and in the absence of a specific complaint.

B. Investigation. The City shall be responsible for investigating any possible violation 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.

C. 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 labor 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.

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. However, the failure of the City to meet this one year deadline shall not be grounds for closure or dismissal of the complaint.

E. The City is authorized to award the same relief in its proceedings as a court may award. Employees are not required to pursue administrative remedies as a prerequisite for pursuing a civil action under this Chapter.

F. The city manager, upon approval by the City Council, may designate another agency or entity to administer this Chapter.

6.95.090 Enforcement.

Where compliance with the provisions of this Chapter is not forthcoming, as determined by the City in its sole discretion, the City may take any appropriate enforcement action to ensure compliance, including but not limited to the following:
A. The City may issue an Administrative Citation pursuant to provisions of the City’s Municipal Code, El Cerrito Municipal Code Chapter 1.14. The amount of this fine shall vary based on the provision of this Chapter violated, as specified below:

1. A fine may be assessed for retaliation by an Employer against an Employee for exercising rights protected under this Chapter. The fine may be up to one thousand dollars ($1,000.00) for each Employee retaliated against.

2. A fine of up to five hundred dollars ($500.00) may be assessed for any of the following violations of this Chapter:
   a. Failure to post notice of the Minimum Wage rate.
   b. Failure to maintain payroll records for the minimum period of time as provided in this Chapter.
   c. Failure to allow the City access to payroll records.

B. A fine equal to the total amount of appropriate remedies, pursuant to Section 6.95.110 of this Chapter. Any and all money collected in this way that is the rightful property of an Employee, such as back wages, interest, and civil penalty payments, shall be disbursed by the City in a prompt manner.

C. If a repeated violation of this Chapter has been finally determined, the City may require the employer to post public notice of the employer’s failure to comply in a form determined by the city.

D. The City has the authority to waive or decrease the amount of any fee or civil penalty an Employer owes to the City under this Chapter.

E. The City Attorney may initiate a civil action for injunctive relief and damages and civil penalties in a court of competent jurisdiction.

F. Any Employer who receives an Administrative Citation under this Section may appeal such station pursuant to the provisions of El Cerrito Municipal Code Chapter 1.14.

6.95.100 Private Rights of Action.

Any Person claiming harm from a violation of this Chapter may bring an action against the Employer in a court of competent jurisdiction to enforce the provisions of this Chapter and shall be entitled to all remedies available to remedy any violation of this Chapter, including but not limited to back pay, reinstatement and/or injunctive relief. Violations of this Chapter are declared to irreparably harm the public and covered employees generally. The Court shall award reasonable attorney's fees, witness fees and expenses to any plaintiff who prevails in an action to enforce this Chapter. Any Person who negligently or intentionally violates this Chapter shall be also liable for civil penalties up a maximum of $1,000 for each violation, in addition to any other remedies provided.
6.95.110 Remedies.

A. The remedies for 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 at least $50 to each Employee whose rights under this Chapter were negligently or intentionally violated for each day or portion thereof that the violation occurred or continued, and fines imposed pursuant to other provisions of this Chapter or state law.

2. Interest on all due and unpaid wages at the rate of interest specified in subdivision (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.

4. The City may require the Employer to pay an additional sum as a civil penalty in the amount of $100 to the City for each Employee or person whose rights under this Chapter were violated for each day or portion thereof that the violation occurred or continued, and other penalties imposed pursuant to other provisions of this Code or state law.

B. The remedies, penalties and procedures provided under this Chapter are cumulative and are not intended to be exclusive of any other available remedies, penalties and procedures established by law which may be pursued to address violations of this Chapter. Actions taken pursuant to this Chapter shall not prejudice or adversely affect any other action, administrative or judicial, that may be brought to abate a violation or to seek compensation for damages suffered.

C. No criminal penalties shall attach for any violation of this Chapter, nor shall this Chapter give rise to any cause of action for damages against the City.

D. The city may place a lien or special assessment on an Employer’s property for the recovery of any unpaid fines of penalties under this Chapter, pursuant to the procedures provided for in Chapter 1.08 of this Code.

6.95.120 No Preemption of Higher Standards.

The purpose of this Chapter is to ensure minimum labor standards. This Chapter does not preempt or prevent the establishment of superior employment standards (including higher wages) or the expansion of coverage by ordinance, resolution, contract, or any other action of the City. This Chapter shall not be construed to limit a discharged Employee's right to bring a common law cause of action for wrongful termination. In the event that the state or federal minimum wage is greater than the Minimum Wage provided for in this Chapter, the greater minimum wage shall apply.

6.95.130 Fees.

Nothing herein shall preclude the City Council from imposing a fee on all Employers to recover the cost of administering this Chapter.
SECTION 3. SEVERABILITY.

If any provision or application of this Ordinance is declared illegal, invalid or inoperative, in whole or in part, by any court of competent jurisdiction, the remaining provisions and portions thereof and applications not declared illegal, invalid or inoperative shall remain in full force or effect. The courts are hereby authorized to reform the provisions of this Ordinance in order to preserve the maximum permissible effect of each subsection herein. The City Council of the City of El Cerrito hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases be held unconstitutional, invalid, or unenforceable. Nothing herein may be construed to impair any contractual obligations of the City. This Ordinance shall not be applied to the extent it will cause the loss of any federal or state funding of City activities.

SECTION 4. NOTICING, POSTING AND PUBLICATION.

This Ordinance is adopted pursuant to the procedures established by state law, and all required notices have been given and the procedure for adoption has been properly held and conducted.

SECTION 5. EFFECTIVE DATE.

This Ordinance shall take effect and be enforced beginning on July 1, 2016, and prior to the expiration of fifteen days from the passage thereof, the Ordinance or a summary thereof shall be posted or published as may be required by law, and thereafter the same shall be in full force and effect.

THE FOREGOING ORDINANCE was introduced and first read at a regular meeting of the El Cerrito City Council on November 3, 2015, and approved by the following vote on November XX, 2015:

AYES:
NOES:
ABSENT:
ABSTAIN:

ADOPTED AND ORDERED published at a regular meeting of the City Council held on November XX, 2015 and passed by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:
APPROVED:

_________________________________________________________________
Mark Friedman, Mayor

ATTEST:

_________________________________________________________________
Cheryl Morse, City Clerk
2015 El Cerrito Business Survey

Survey Created: Friday, September 25, 2015
Survey Closed: Monday, October 19, 2015
Complete Responses: 42
Q1: What is the nature of your business?

Answered: 34  Skipped: 8

- Retail: 4 answers
- Services: 12 answers
- Professional: 12 answers
- Restaurant: 2 answers
- Construction: 2 answers
- Financial/Insurance/Real...: 2 answers
Q3: Check All that Apply:

- My business is physically located in El Cerrito: Answered 33, Skipped 0
  - Checked: 3 / Total: 33
- My business provides services in El Cerrito: Answered 33, Skipped 0
  - Checked: 3 / Total: 33
- My business operates at multiple locations: Answered 23, Skipped 0
  - Checked: 12 / Total: 23
Q4: How long have you been operating this business in El Cerrito?

Answered: 42  Skipped: 0

- Less than 1 year: 3
- 1-4 years: 5
- 5-9 years: 11
- 10 years or more: 23
Q5: How many full time equivalent ("FTE") employees do you currently have?

Answered: 42  Skipped: 0

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<tr>
<th>Answer Choices</th>
<th>Average Number</th>
<th>Total Number</th>
<th>Responses</th>
</tr>
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<tbody>
<tr>
<td>FTE Employees:</td>
<td>9</td>
<td>391</td>
<td>42</td>
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Total Respondents: 42
Q6: Do you have employees that are currently paid the State Minimum Wage ($9.00 per hour)?

Answered: 42  Skipped: 0

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<tr>
<td>No</td>
<td>80.95%</td>
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<tr>
<td>Yes</td>
<td>19.05%</td>
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Total 42

![Bar chart showing the percentage of respondents who answered No and Yes to the question.](chart.png)
Q7: Do you have employees that are paid less than $15 per hour (proposed hourly rate by either 2018 or 2020)?

Answered: 41    Skipped: 1

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<tr>
<td>No</td>
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<td>Yes</td>
<td>46.34%</td>
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Total responses: 41
Q8: If a local minimum wage of $15 was enacted, how might you handle the increase?

Answered: 29  Skipped: 13

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<td>Increase wages to comply</td>
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<td>Reduce number of employees</td>
<td>37.93%</td>
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<tr>
<td>Reduce employee work hours</td>
<td>37.93%</td>
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<tr>
<td>Increase prices</td>
<td>62.07%</td>
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<td>Consider relocating outside of El Cerrito</td>
<td>27.59%</td>
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<tr>
<td>Change operating structure</td>
<td>17.24%</td>
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Total Respondents: 29
SUMMARY OF COMMENTS
EL CERRITO BUSINESS SURVEY

If a local minimum wage of $15 was enacted, how might you handle the increase?

“OTHER” Open-Ended Responses:

- Likely we may be forced to close. It's just a reality of what we are able to ask for our services vs what we pay in rent & payroll.
- None of the above - would not affect us.
- Already paying
- Ay lowest paid employee is $15.00 per hr.
- Would not expand within El Cerrito. Would be less willing to hire workers with little experience because expense is greater and riskier.
- There would be no change required because we do not pay less than $15/hr
- Eliminate or decrease weekly/monthly/ annual bonus
- I use only sub-contractors who earn @ $50 a hour.
- No impact on our business
- We are just starting out so I'm not sure how we would handle a jump that big. It would essentially be like paying for a third person without an actual body.
- Would not effect me
- Nothing since I already pay $15
- No effect on my business
- Doesn't affect my business
- I have no employees; It would not affect me
- Would have no effect

If you might change your operating structure in response to the minimum wage increase, please elaborate below:

Open-Ended Responses:

- “No change” x 3 responses
- Would not hire students for Parr time work
- Probably retire. Too many government requirements/restrictions on how to run a business.
- I would cut back staff available on each shift. I would likely close an add'l day per week.
- I would only send those employees that are already at $15.00 or more to El Cerrito
- Yes
- Now we pay state mandated double minimum wage to many employees that use their own tools. We will have to supply tools and the net effect will
be a wage reduction for those employees. They earn $18 per hour and will go down to union contract rate of $15.60. They also will not be able to use the tools they have invested in. We also pay most employees production bonuses and these will be curtailed and eliminated to bring their overall income in line with area standards.

- Close store
- Change operating structure from sole proprietorship to worker owned co-operative (coop)
- We strongly support this. Please go for it.
- No
- Wouldn't change anything
- Hire independent contractors only

**Would local minimum wage of $15 impact your decision to expand your business?**

**Open-Ended Responses:**

- “No” x 21 responses
- “Yes” x 6 responses
- Expansion would be out of the question. I would be unable to expand and instead would likely close. We are a higher end business with nationwide minimum $ requirements in a community that is working towards growth & development, but we don't yet have enough of customer base to sustain. This increase would tank us before the community could catch up in great enough numbers.
- Some what. We have an in house training program that begins at $13.00/hr. After 6 months it goes to $14.00 and at the end of 1 year to $15.00/hr
- Yes, I would strongly look for options outside of El Cerrito. Our sales tax is already too high, and this would be a large incentive for me to relocate my business.
- Yes. It would increase labor costs by 9% in El Cerrito.
- Of course
- Would not be able to expand business with $15 minimum wage. Now I have two part time employees.
- I would not expand in EC.
- Yes. We are currently only really open for lunch and would like to expand our hours down the road. but if we have to jump our wages that much I don't think we could afford paying another person to cover the hours
- Yes, being a new business my overhead expenses are already high. Making them higher isn't encouraging from a new business owner standpoint. Once you raise the "minimum" employees will expect to get
raises accordingly to reflect the new standard as opposed to phasing raises over time.

- Not at all. Go for it.
- Yes, a lot. I will close my store.

If you weren’t already operating in El Cerrito, would a local minimum wage of $15 have had an impact on opening your business here?

Open-Ended Responses:

- “No” x 17 responses
- “Yes” x 11 responses
- Possibly
- na
- It would have a negative impact. I couldn’t afford to move my business there.
- Yes, It is too high and we are too small to carry that burden in El Cerrito
- Of course - if other close by cities did not adopt this wage
- Yes. Would have probably made us consider other areas or locations.
- Yes, see answer 10 above
- None. I don’t have any employees
- Not at all. Go for it.

The City Council is considering phasing-in a minimum wage of $15 per hour by either 2018 or 2020. (For example, a possible timeframe to achieve $15/hr wage by 2020 would be $1 annual increases starting 2016 through 2020.) How would implementation of the increased minimum wage by 2018 instead of 2020 impact your business?

Open-Ended Responses:

- “N/A” x 2 responses
- “No” or “No effect” x 4 responses
- Hard to tell considering other possible economic factors in the future
- Wouldn’t hire any new employees. Business would stay at current staffing levels. Wage increases stifles business growth
- It would not allow our business the time to better budget for the staff increases and also not allow as much time to gently increase our rates.
- It would not, as I don’t currently have any employees. However, it may restrict me from getting employees in the future.
- Any increase in payroll will impact my employer taxes as well as my rates for workers’ comp insurance.
- The longer out the better, but even at that pace it would be unsustainable. I would use that time to get thru my lease term while I try to locate alternative space outside the community before making the decision to
close. That is still approx. a 10% increase per year for 5 successive years.

- I foresee all our employees there by then
- Not at all
- Would help create a better living environment in the community and therefore would help us.
- No change
- A mandatory increase is bad. Let the market dictate what I have to pay my employees
- Worthy wages got me on this path years ago. I am thrilled you are doing this.
- 9% increase in labor costs in a compressed amount of time.
- It would be good for the community as a whole and would not impact our business. It could result in residents having more income to spend on local services.
- I am sure you can do that math without my help
- Cost more sooner
- It sure won't help
- It will give our business an unfair competitive wage structure when competing with repair shops in other areas as well as owner operated facilities.
- Negative impact. Would have to fire one employee.
- No impact
- The pain would be spread out, but still painful.
- We already start our employees above min but it then means that if we add new employees I feel I will also have to raise everyone's rate at the same pace or face people feeling slighted.
- Would not impact
- We would start our new unskilled or untrained workers at $15 instead of the current $13 and $14/hr.
- We have to increase our menu items prices which will impact on losing and reducing business due to the high price.
- Raises overhead costs. The margin, as a new business, is already slim. It may make it such that it is no longer feasible to work in this city.
- $1 per year increase will much help to keep running the business.
- Would not impact
- None. I would simply change from sole proprietorship to cooperative.
- Not at all. Go for it.
- No impact- it would be fine since it means employees are able to live locally
- Would not have any effect
- Same. The competition is actually nationwide and even global.
- I will prepare to close my shop earlier.
Local Minimum Wage

What are your thoughts about establishing a local minimum wage in El Cerrito?

All On Forum Statements sorted by support

As of October 28, 2015, 8:36 AM

As with any public comment process, participation in Open El Cerrito is voluntary. The statements in this record are not necessarily representative of the whole population, nor do they reflect the opinions of any government agency or elected officials.
Local Minimum Wage

What are your thoughts about establishing a local minimum wage in El Cerrito?

As of October 28, 2015, 8:36 AM, this forum had:
Attendees: 65
On Forum Statements: 16
All Statements: 27
Hours of Public Comment: 1.4

This topic started on August 31, 2015, 1:27 PM.
Yes, adopt a minimum wage of $15.00 / hour in El Cerrito.

4 Supporters

I am in total support of a $15 minimum wage for El Cerrito. In spite of what the Chamber of Commerce will say--they are usually on record against a minimum wage nationwide--this will not drive businesses away, there is no record of its having done so in places where minimum wage has been raised!

2 Supporters

Yes, I completely endorse a minimum wage of $15/hour.

2 Supporters

Yes, I agree, please adopt a minimum wage of $15.00 / hour in El Cerrito.

2 Supporters

I applaud El Cerrito for both the realization and necessity of increasing the minimum wage. When I was young, any fast food restaurant was filled with teenagers earning money for their college education. The adults were managers helping them on their way. Today it seems to be reversed. The majority are older adults trying to make ends meet while the managers seem to be young people. We have fallen so far behind that the necessary correction is going to be painful. If we wait until 2018 or beyond to realize this goal, inflation and other factors will have eaten up the benefit. The minimum wage needs to be corrected now. The business owners who will feel the brunt of this correction need to be helped in order for them to maintain. The community expertise should focus on them. The minimum wage should increase quickly otherwise the benefit is lost and it is just a feel good for government. Hey we hear you and we’re doing something about it, baloney.

2 Supporters

I enthusiastically support raising the minimum wage to $15 per hour in El Cerrito as soon as possible---2018 is
preferable to 2020 but 2016 is better. I am proud to live in a City considering this humane and progressive proposal.

Name not shown inside Precinct ELC112  
September 21, 2015, 8:18 PM

I live and work in EL Cerrito. I work with the public everyday, I work 40 hours a week. I have no health care, no 401k. The company I work for is a very large corporation, they do not give raises, I work with people that have never been given a raise in salary in 3 years. They will do the bare minimum for their workers and nothing more. This is shameful and an insult to us that went to school got a license to work in this industry. To see a house keeper at a Hotel in Emeryville make 14.44 an hour cleaning rooms and all I make is 10.00 with no hope of making more I'm starting to think cleaning rooms at a hotel doesn't sound so bad after all. Please make the big Corporations stop treating us like slaves raise the minimum wage to 15.00 By January 1 2016!!

Name not shown inside Precinct ELC110  
September 18, 2015, 12:43 PM

I can agree with the $15 minimum wage but please consider an incremental increase. As a retired small business owner I gave all my employees healthcare, sick leave and paid vacation. I was in the clothing wholesale business so some jobs were simply tagging clothes and checking for holes. If I had to pay those workers $15 an hour plus their healthcare and vacation and sick pay, then I would be tempted to outsource those jobs, or worse to go offshore. One of the reasons we closed our business was that we couldn't offer good working conditions and wages and still compete with the companies who manufactured in Asia and Latin America. I don't know how many small manufacturing companies there are in El Cerrito but please be aware of their situation.

Name not shown inside Precinct ELC105  
September 14, 2015, 8:41 PM

I think it's vital to support members of our community making minimum wage, especially those of us working full time that are the sole providers for our household. I live in El Cerrito and was unable to continue working here because I couldn't afford to work full time on a minimum wage job and still pay rent, bills and student loans. I had to work a full time job and a part time job to be able to be financially independent and even with having a tight budget, I was living paycheck to paycheck.

Linda Haverty Rugg inside Precinct ELC102  
September 13, 2015, 8:58 AM

Linda Haverty Rugg, El Cerrito

I believe that $15/hour is a good step toward promoting a living wage for all workers in El Cerrito. If one
imagines a person working a full 40-hour week, that would work out to $600/week or $2,400/month before taxes. Quickly scanning ads for housing in El Cerrito and Richmond provides the information that the rock-bottom price for an apartment for a single person (as of this morning) is $825/month (for a basement apartment in Richmond). This would be barely manageable at $15/hour, and this was the only apartment listed at this price. From there it quickly goes up above $1,000. If we want our citizens to be able to afford housing and a reasonably healthy and prosperous life, less than $15/hour is not going to do it, and $15/hour will barely do it. Housing is just one example (and some people can of course share, live with family, etc.) -- what about childcare? Transportation costs? Individuals who are forced to go on public assistance to augment their minimum-wage earnings will provide less money for the community tax base, and will instead draw on that tax base, even though they are working and productive members of society. It is time for us to be realistic about who is in the minimum-wage workforce. As another writer noted, we are only in limited cases talking about teenagers living at home. Most of these jobs are now held by people who must support themselves and others. Even pooling two or three such incomes will scarcely support a household. Businesses should make it part of their business plan to provide a $15/hour wage at minimum, and appropriate benefits. If they are unable to provide that level of support for workers, they should not be in business. And corporate entities, whether representing themselves or represented by franchise-owners, absolutely must meet that expectation. The issue of competition with other cities is perhaps a distraction; though one could argue that the ablest workers will be more attracted to another nearby city because the wages are higher there, others could argue that businesses would be more attracted to a city requiring less of its employers. So I believe that the argument instead should be made on the basis of quality of life for all the citizens -- poor quality of life in a sector of the workforce (homelessness, lack of access to childcare and other services, inability to buy and repair and maintain property, inability to purchase goods, inability to pay taxes at a level to maintain roads and other services) leads to an absolute decline in the quality of life for citizens overall.

Yes, to a minimum of $15/hour. Absolutely yes.

Farhad Farahmand inside Precinct ELC106  
September 12, 2015, 10:44 PM

I completely support increasing the minimum wage to $15/hr.

Isaac Mankita inside Precinct ELC107  
September 12, 2015, 1:24 PM

I totally support raising the minimum wage in El Cerrito to $15 dollars per hour. I would urge city leaders to coordinate region-wide to gain consistency across adjacent labor markets. I’m proud to be associated with such a progressive initiative!

Rebecca Milliken inside Precinct ELC107  
September 12, 2015, 1:02 PM

I fully support adoption of a local minimum wage in El Cerrito. Given that neighboring cities have already adopted minimum wage ordinances, it is important that El Cerrito join regional efforts. We don’t want to lose our workforce to neighboring cities with higher wages. I encourage Council to implement as quickly as possible, with a phased approach, and in alignment with neighboring cities to reduce competition among them.
Thank you for your leadership and efforts on this critical legislation.

Lamar Turner inside Precinct ELC101  September 11, 2015, 5:27 PM
I support increasing the minimum wage in El Cerrito to $15/hour.
Lamar Turner
2323 Mira Vista Drive
El Cerrito, CA 94530

Toby Blome inside Precinct ELC104  September 11, 2015, 11:27 AM
I am so delighted to hear that El Cerrito is working on adopting a minimum wage at $15.00. The key argument that should be emphasized is that all workers have a right to a livable wage....otherwise we veer toward slavery. In response to all economic arguments, many of them false, that discourage minimum wage increases, every worker is serving our community and should be paid a wage that allows them to support themselves without hardship, whether or not they are young or old, with or without family. El Cerrito City Council: Please don't wait until 2018...be a model for the rest of the country: BE COURAGEOUS, establish the minimum wage by next year. If, as one study in Oakland indicated: raising the minimum wage for restaurant workers by several dollars, for example, would only result in the need to increase meal costs by 25 cents....WHAT ARE WE WAITING FOR? Please help to end slave labor in this country....which is still being done by mostly people of color.....this thoughtful act will help toward ending racist policies and creating a more just society, and a more content community, which helps us all!

Name not shown inside Precinct ELC111  September 11, 2015, 8:03 AM
I am not sure how raising the minimum wage aligns with the goal of "ensuring the public's health and safety" but in general I think it is a good idea. There are a few things to consider.
1) I think the greatest challenge facing El Cerrito is the collapse of businesses on the San Pablo Ave corridor. The street is a series of shuttered storefronts, big and small, representing a significant loss of sales tax revenue. While the bay area economy roars, El Cerrito is still in the throes of the recession. If a local minimum wage is related to health and safety then so is a vital business district. Does establishing a local minimum wage help address this challenge?
2) I believe Richmond established a local minimum wage that is less than $15. It may be a good idea to keep the minimum wage consistent between Richmond and El Cerrito so as not to cause undue competition between the two communities for employees.
3) Increasing the minimum wage during a period of prosperity seems straightforward. Think about the next economic downturn. If an employer decides that he/she can afford $30 per hour for labor, is it better to keep three people employed at the current minimum wage or two people at the proposed minimum wage?
Contra Costa County’s Proposed Minimum Wage Law: A Prospective Impact Study

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

Ken Jacobs is chair of the UC Berkeley Center for Labor Research and Education. 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 student at the UC Berkeley Goldman School of Public Policy. Michael Reich is a professor of economics at UC Berkeley and co-chair of the UC Berkeley Center on Wage and Employment Dynamics.

This research was conducted with support from the Y & H Soda Foundation and the University of California.
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EXECUTIVE SUMMARY

The Ensuring Opportunity Campaign to Cut Poverty in Contra Costa has introduced a plan to establish a $15 per hour minimum wage in Contra Costa County, California, by 2020. The proposal would phase in the minimum wage increase over five steps. This study examines the effects of the proposed minimum wage increase on Contra Costa workers and businesses (assuming that all of the cities in the county, as well as the county itself, enact the proposed law). Drawing on a variety of government data sources, we find the following:

About 111,000 workers—or about 33 percent of Contra Costa’s workforce—would receive a pay raise under the proposal.

Workers’ hourly wage and annual income would rise, resulting in a total increase in aggregate earnings of $418 million (in 2014 dollars) by 2020.

- Hourly wages of affected workers would rise by an average of $2.40.
- Average annual earnings would increase by about $3,800 per year.

Adults, workers of color, and working poor families would receive significant benefits.

- We estimate that 94 percent of affected workers are in their twenties or older, and more than half of the workers receiving raises are in their thirties or older.
- Workers of color (black, Latino/a, Asian, and other) make up approximately two-thirds of the workers receiving raises.
- Workers of all education levels will benefit from the proposed increase, with less educated workers benefitting the most.
- Fully 89 percent of working poor families will receive a pay increase.
- Median annual earnings of affected workers are about $16,200 (in 2014 dollars), which is 38 percent of the overall workforce median.

The proposed minimum wage increase would have a moderate impact on restaurant operating costs and prices, and a negligible impact on prices in the rest of the economy.

- More than half of all affected workers are employed in four industries: retail trade (19.9 percent), food services (17.9 percent), health services (9.4 percent), and administrative and waste management services (8.4 percent), a classification that includes building services contractors and employment agencies.
- Operating costs would increase by 6.9 percent for restaurants by 2020, 0.6 percent for retail, and 0.5 percent for the overall economy.
- Restaurant prices would increase by 6.0 percent by the time the law is fully implemented. A $10 meal would increase by 60 cents, to a total of $10.60. This increase would be spread over five years,
ranging from 0.2 to 1.9 percent annually. There would be negligible price increases for the retail industry and the rest of the economy.

- While higher prices may reduce consumer demand, economic models suggest that this will be offset at the county level by the increased purchasing power of low-wage workers receiving the pay increase.

- The best economic research on past minimum wage increases does not find statistically significant effects on employment or hours worked. It is important to note, however, that the minimum wage increases studied in this broader literature were generally smaller in magnitude—and affected a smaller share of the workforce—than the laws recently passed in California and the proposal being contemplated by Contra Costa County.

The size of the proposed minimum wage increase lies within the range of local minimum wage increases passed to date, as well as other measures of a local economy’s capacity to absorb higher wage standards.

- Compared to existing state law, the proposal would raise Contra Costa’s minimum wage by 36 percent (in inflation-adjusted terms). The 27 local minimum wage laws passed to date have mandated increases ranging from 11.7 to 76.5 percent.

- The proposal would increase the minimum wage to 50.1 percent of the Contra Costa median full-time wage, well within the historical range of the ratio for the federal minimum wage to the national median full-time wage.

- Cities in Contra Costa would maximize the economic benefits and minimize the risk of adverse effects by coordinating in passing higher wage standards—if not for the County as a whole, at least for sub-regions of the County.

In sum, we estimate that the proposed minimum wage increase would provide significant gains in income to Contra Costa’s low-wage workers and their families. Most businesses would be able to absorb the increased costs, and consumers would see a moderate increase in restaurant prices spread over five years. The proposal’s impact on overall employment is therefore not likely to be significant. However, since any prospective impact study has a level of inherent uncertainty, the actual effects of the proposed minimum wage law should be closely monitored during implementation.
1. INTRODUCTION

The Ensuring Opportunity Campaign to Cut Poverty in Contra Costa has put forth a proposal to establish a $15 per hour minimum wage by 2020 throughout Contra Costa County. For the proposal to cover all of Contra Costa, each of the nineteen cities and towns as well as the county itself would need to enact it. The minimum wage would be raised to $10.20 on January 1, 2016; to $11.40 on January 1, 2017; to $12.60 on January 1, 2018; to $13.80 on January 1, 2019; and to $15.00 on January 1, 2020 (see Table 1). The minimum wage would cover all workers in Contra Costa County except for federal, state, and local school district employees. For the purposes of this report, we assume that all cities and the county enact the same proposal at the same time.

In this report, we first estimate the effects on workers including: the number of workers affected by the proposal, the size of the wage increases, and the demographics and job characteristics of the affected workers. We next examine the industry distribution of workers affected by the proposal and the effects on business operating costs and prices in highly-impacted industries. We then review the economic research literature on the effects of minimum wage increases on employment. Finally, we compare the proposal to existing local minimum wage laws and examine unique features of the Contra Costa County economy. We conclude with review of additional policy design questions and an overall assessment of the proposed increase.

Table 1. Wage Schedule for the Proposed Minimum Wage Policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Dollars</th>
<th>Percentage Increase from Previous Year</th>
<th>Constant 2014 Dollars</th>
<th>Percentage Increase from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (actual)</td>
<td>$9.00</td>
<td></td>
<td>$8.80</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$10.20</td>
<td>13.3</td>
<td>$9.74</td>
<td>10.8</td>
</tr>
<tr>
<td>2017</td>
<td>$11.40</td>
<td>11.8</td>
<td>$10.64</td>
<td>9.2</td>
</tr>
<tr>
<td>2018</td>
<td>$12.60</td>
<td>10.5</td>
<td>$11.49</td>
<td>8.0</td>
</tr>
<tr>
<td>2019</td>
<td>$13.80</td>
<td>9.5</td>
<td>$12.30</td>
<td>7.0</td>
</tr>
<tr>
<td>2020</td>
<td>$15.00</td>
<td>8.7</td>
<td>$13.06</td>
<td>6.2</td>
</tr>
</tbody>
</table>

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

2. BACKGROUND

Like other cities and counties in the Bay Area, Contra Costa County, situated across the bay from San Francisco, has recovered from the Great Recession. In fact, the East Bay Economic Development Alliance (2015) forecasts that the East Bay “is poised for steady growth in 2015 as the local economic engine continues firing on all cylinders.” The labor market in Contra Costa is strong with unemployment at just 4.7 percent, lower than the state’s rate (6.1 percent) and the county’s unemployement rate prior to the recession.1 Employment in the county has nearly regained its pre-recession levels. As another sign of the region’s growth, Contra Costa’s population has increased by 9 percent since 2007. A uniquely large share of
Contra Costa’s population commutes outside of the county for work—46.4 percent in 2013, up from 41.2 percent in 2007.\(^2\)

But even as the local economy has rebounded, wages for Contra Costa’s workers have declined in real terms. Between 2007 and 2013, median annual earnings (adjusted for inflation) fell by 12.1 percent for those who work in the county.\(^3\) Over the same period, income inequality (as measured by the Gini coefficient) rose by 3.9 percent, a larger increase than in neighboring San Francisco and the U.S. as a whole.\(^4\)

By enacting a local minimum wage law throughout the county, Contra Costa would join a growing number of cities that are setting wage standards to reflect local economic conditions and living costs. To date, 27 cities and counties have approved local minimum wage laws, eventually reaching $15 an hour in Los Angeles, San Francisco, and Seattle. In Contra Costa, the city of Richmond already enacted a local minimum wage in 2014. Other California cities that have recently enacted local minimum wage laws are Oakland, Berkeley, Emeryville, San Jose, Mountain View, Sunnyvale, and San Diego.

### 3. EFFECTS ON WORKERS

**Estimated Number of Affected Workers**

To estimate the number of workers affected by the proposed minimum wage increase, we analyze the wage distribution of workers in Contra Costa County using the 2012-2013 American Community Survey (ACS), scaled to approximate more accurate employment counts for Contra Costa from the 2013 U.S. Bureau of Labor Statistics’ Quarterly Census of Employment and Wages.\(^5\) We exclude federal, state, and local school district employees as well as the self-employed from our analysis, since those groups of workers would not be covered by the proposal.\(^6\) Again, we assume that each city in Contra Costa as well as the county itself will enact the proposed minimum wage schedule at the same time.

After simulating the wage distribution in Contra Costa just before the proposed minimum wage increase would go into effect on January 1, 2016, we estimate, for each annual phase-in step, the number of workers affected by the increase and the additional wages they would receive. We also simulate what the wage distribution would be if the proposal were not enacted, adjusting for increases in the state minimum wage. Our impact estimates are therefore a comparison of workers’ wages under the proposed minimum wage increase to workers’ wages under state minimum wage law only. We also adjust for expected employment and wage growth (see Perry and Bernhardt 2015 for more detail).\(^7\)

We are unable to account for the existing local minimum wage law passed by the city of Richmond in 2014 because the ACS does not allow us to identify place of work at the city level; the smallest geographic area for measuring place of work in the ACS is the county. Therefore, our impact estimates will be slightly overstated. The overstatement should be small because Richmond only represents 8.5 percent of total Contra Costa employment,\(^8\) and because the Richmond law excludes businesses that have fewer than 800 employee hours over a two-week period and sets a lower minimum wage for businesses that generate more than half of their income from sales outside of the city. In addition, the minimum wage in the Contra Costa proposal would exceed the Richmond minimum wage by 2018.
Our impact simulation model produces a low and a high estimate to account for measurement error in the ACS wage distribution. Both estimates include a directly affected group (workers making less than the proposed minimum wage) and an indirectly affected group (workers making slightly more than the proposed minimum wage, but who are also likely to receive a small raise via what is known as the “ripple effect”). The two estimates differ in their assumptions about the size of the ripple effect and the number of very-low-wage earners (workers making less than the current minimum wage). More information on our methodology is available in the online technical report (Perry and Bernhardt 2015). In this report we present the average of the two estimates in all tables.

Table 2 shows the estimated number and percentage of covered workers affected by the proposed minimum wage increase in Contra Costa County. By 2020, we estimate that 111,000 workers will receive a pay raise, or about 32.7 percent of the covered workforce. Of these, 93,000 workers, or 27.7 percent of the covered workforce, are directly affected workers (earning less than $15 per hour when the proposal would be fully implemented in 2020) and 17,000, or 5.1 percent of the covered workforce, are indirectly affected (earning slightly more than $15 per hour when the proposal would be fully implemented in 2020).

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Affected Workers (cumulative)</th>
<th>Number of Directly Affected Workers (cumulative)</th>
<th>Number of Indirectly Affected Workers (cumulative)</th>
<th>Percent of Covered Workforce (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>64,000</td>
<td>51,000</td>
<td>13,000</td>
<td>20.2</td>
</tr>
<tr>
<td>2017</td>
<td>80,000</td>
<td>63,000</td>
<td>17,000</td>
<td>24.7</td>
</tr>
<tr>
<td>2018</td>
<td>92,000</td>
<td>71,000</td>
<td>21,000</td>
<td>28.0</td>
</tr>
<tr>
<td>2019</td>
<td>101,000</td>
<td>83,000</td>
<td>17,000</td>
<td>30.3</td>
</tr>
<tr>
<td>2020</td>
<td>111,000</td>
<td>93,000</td>
<td>17,000</td>
<td>32.7</td>
</tr>
</tbody>
</table>

Source: Authors’ analysis of ACS, OES, and QCEW data. See Perry and Bernhardt (2015) for details.

Note: The proposed minimum wage proposal will not cover self-employed workers or 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.

Estimated Size of Wage Increases

We also estimate the additional earnings that affected workers would receive as a result of the proposed minimum wage increase, relative to their earnings under state minimum wage law. Table 3 (page 8) shows the estimated cumulative increase in affected workers’ hourly wages, annual earnings, and percentage increase in annual earnings, as well as the cumulative total earnings increase for all affected workers. By full implementation in 2020, we estimate that the wages of affected workers will have risen by about $2.40 per hour. That amounts to an estimated additional $3,800 in earnings per year. In total, we estimate that affected workers in Contra Costa will earn an additional $418 million by 2020. All estimates are listed in 2014 dollars.9
Some policymakers have expressed concern that affected workers and their families could ultimately be worse off after the minimum wage increase if they are no longer eligible for means-tested social assistance programs. The vast majority of workers will come out well ahead financially, however, because the benefits from most social assistance programs phase out as recipients’ income rises. This means that as the earnings of affected workers rise, the benefits they receive will gradually decline instead of being eliminated all at once. In fact, the Congressional Budget Office (2012) has estimated that the average marginal tax rate for low-and moderate-income workers is 34.8 percent, meaning that affected workers will keep 65.2 cents of each additional dollar they earn. So while taxes and reductions in social assistance benefits will erode some of the additional earnings for affected workers, most families will still see significant gains in income from the proposed minimum wage increase.

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Cumulative Hourly Wage Increase</td>
<td>$0.15</td>
<td>$0.81</td>
<td>$1.37</td>
<td>$1.91</td>
<td>$2.40</td>
</tr>
<tr>
<td>Average Cumulative Annual Earnings Increase</td>
<td>$200</td>
<td>$1,300</td>
<td>$2,100</td>
<td>$3,000</td>
<td>$3,800</td>
</tr>
<tr>
<td>Average Cumulative Percent Annual Earnings Increase</td>
<td>1.7</td>
<td>9.7</td>
<td>16.2</td>
<td>22.4</td>
<td>27.8</td>
</tr>
<tr>
<td>Total Aggregate Cumulative Increase In Earnings (millions)</td>
<td>$14</td>
<td>$100</td>
<td>$195</td>
<td>$301</td>
<td>$418</td>
</tr>
</tbody>
</table>

Source: Authors’ analysis of ACS, OES, and QCEW data.
Note: Results are cumulative across the phase-in years.

Demographics and Job Characteristics of Affected Workers

In Table 4 (page 9), we show the demographic and job characteristics of the affected workers. In the first column, we display the characteristics of all covered workers in Contra Costa County. For example, 51.1 percent of Contra Costa workers are men and 48.9 percent are women. In the second column, we show the distribution of affected workers by 2020. For example, we estimate that 48.7 percent of affected workers are men and 51.3 percent are women. In the third column, we present the share of each demographic group that will receive a wage increase. For example, 31.1 percent of male workers and 34.4 percent of female workers covered by the proposed increase will receive a raise.

Contrary to the common perception that minimum wage workers are mainly teens, we estimate that 94 percent of affected workers are in their twenties or older and 55 percent are in their thirties or older. The proposed minimum wage increase will benefit workers of color, who make up 67 percent of affected workers. The proposal will be particularly beneficial to Latino/a workers, as more than half of these workers (55 percent) will receive a raise. Workers of all education levels will benefit from the proposed increase, with less educated workers benefitting the most.

Over a third of affected workers have children (35 percent) and 36 percent are married. Affected workers disproportionately live in low-income families, with 45 percent at or below 200 percent of the federal
| 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 Raises | Percent of Group That Is Getting a Raise |
| Gender                           |                               |                               |                                         |
| Male                             | 51.1                          | 48.7                          | 31.1                                    |
| Female                           | 48.9                          | 51.3                          | 34.4                                    |
| Median Age                       |                               |                               |                                         |
| 16-19                            | 2.5                           | 6.4                           | 83.6                                    |
| 20-29                            | 22.1                          | 39.0                          | 57.8                                    |
| 30-39                            | 23.1                          | 21.1                          | 29.7                                    |
| 40-54                            | 36.5                          | 23.8                          | 21.3                                    |
| 55-64                            | 15.7                          | 9.7                           | 20.2                                    |
| Race/Ethnicity                   |                               |                               |                                         |
| White                            | 48.5                          | 32.9                          | 22.2                                    |
| Black                            | 7.6                           | 7.9                           | 34.4                                    |
| Latino/a                         | 24.2                          | 40.6                          | 54.8                                    |
| Asian                            | 16.4                          | 15.2                          | 30.3                                    |
| Other                            | 3.3                           | 3.4                           | 33.3                                    |
| Education                        |                               |                               |                                         |
| Less than High School            | 10.1                          | 20.8                          | 66.9                                    |
| High School or G.E.D.            | 19.6                          | 27.8                          | 46.3                                    |
| Some College                     | 26.3                          | 30.8                          | 38.4                                    |
| Associate’s Degree               | 9.2                           | 7.2                           | 25.7                                    |
| Bachelor’s Degree or Higher      | 34.8                          | 13.4                          | 12.7                                    |
| Country of Birth                 |                               |                               |                                         |
| U.S. Born                        | 69.6                          | 59.9                          | 28.2                                    |
| Foreign Born                     | 30.4                          | 40.1                          | 43.2                                    |
| Family Structure                 |                               |                               |                                         |
| Married                          | 52.1                          | 36.2                          | 22.7                                    |
| Has Children                     | 44.1                          | 35.1                          | 26.0                                    |
| Family Income Relative to Poverty Level (FPL) |                               |                               |                                         |
| Less than 100% of FPL            | 5.7                           | 15.6                          | 88.9                                    |
| 100% to 150% of FPL              | 5.8                           | 14.2                          | 79.4                                    |
| 150% to 200% of FPL              | 7.1                           | 14.7                          | 67.7                                    |
| Greater than 200% of FPL         | 81.4                          | 55.5                          | 22.3                                    |
| Average Worker Share of Family Income |                               |                               |                                         |
| Median Individual Annual Earnings (2014 Dollars) | $42,300                    | $16,200                      |                                         |
| Full-Time / Part-Time Worker     |                               |                               |                                         |
| Full-Time (35 or More Hours per Week) | 76.4                      | 57.7                          | 24.7                                    |
| Part-Time (Fewer than 35 Hours per Week) | 23.6                      | 42.3                          | 58.6                                    |
| Full-Year / Part-Year Worker     |                               |                               |                                         |
| Full-Year (50-52 Weeks per Year) | 85.1                          | 78.5                          | 30.2                                    |
| Part-Year (Fewer than 50 Weeks per Year) | 14.9                      | 21.5                          | 47.4                                    |
| Health Insurance Provided by Employer |                               |                               |                                         |
| Yes                              | 74.8                          | 52.8                          | 23.1                                    |
| No                               | 25.2                          | 47.2                          | 61.3                                    |

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.
poverty level. Fully 89 percent of working poor families will receive a pay increase. On average, affected workers bring home 47 percent of their family’s income.

We estimate that the median annual earnings of affected workers ($16,200 in 2014 dollars) is less than half (38 percent) of the median earnings for all workers in Contra Costa. Affected workers are disproportionately employed in part-time or part-year jobs, and are much less likely to have health insurance provided by their employer than the overall Contra Costa workforce.\textsuperscript{11}

4. EFFECTS ON BUSINESSES

To analyze the impact of the proposed minimum wage increase on Contra Costa County businesses, we first identify the industries that will be highly affected by the proposal. In those industries, we then estimate the impact of the proposed law on firms’ operating costs, taking into account savings from reduced turnover and higher productivity. We next examine the channels through which business are likely to absorb those increased costs, by estimating price increases in highly affected industries and reviewing the economic research literature on changes in employment and hours.\textsuperscript{12}

Industry Distribution of Affected Workers

Minimum wage increases do not affect all industries equally. We therefore begin with an analysis of the impact of the proposed minimum wage increase at the industry level. Table 5 shows the estimated distribution of affected workers across Contra Costa County’s industries by 2020. In the first column, we show the percentage of the overall covered Contra Costa workforce in each industry. The second column displays our estimate of the distribution across industries of workers getting a raise under the proposed increase. The third column presents our estimate of the percentage of workers getting a raise within each industry.

Over half of affected workers are employed in just four service sector industries: retail trade (19.9 percent), food services (17.9 percent), health services (9.4 percent), and administrative and waste management services (8.4 percent), which is comprised mainly of building services contractors and employment agencies. The service sector also dominates the list of industries that have high rates of low-wage work—that is, industries where we estimate a high share of workers will get a raise (for example, 77.8 percent in food services and 50.2 percent in retail trade).

We also examine the sectoral distribution of affected workers in Table 5 (page 11). Our estimates show that affected workers are largely employed in the private, for-profit sector. Nonprofit and public sector workers are less likely to be affected than the overall Contra Costa workforce.
### Table 5. Impact Estimates for Major Industries by 2020
(all figures are percentages)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Covered Workers</th>
<th>Percent of Covered Workers Getting Raises</th>
<th>Percent of Industry That Is Getting a Raise</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing, Hunting, and Mining</td>
<td>1.5</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>6.5</td>
<td>5.2</td>
<td>26.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.1</td>
<td>4.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2.3</td>
<td>1.6</td>
<td>22.5</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>12.9</td>
<td>19.9</td>
<td>50.2</td>
</tr>
<tr>
<td>Transportation, Warehousing, and Utilities</td>
<td>3.9</td>
<td>2.1</td>
<td>17.6</td>
</tr>
<tr>
<td>Information</td>
<td>3.0</td>
<td>0.8</td>
<td>9.0</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate, and Rental and Leasing</td>
<td>11.2</td>
<td>5.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Professional, Scientific, and Management</td>
<td>7.8</td>
<td>3.0</td>
<td>12.6</td>
</tr>
<tr>
<td>Administrative and Waste Management Services</td>
<td>5.7</td>
<td>8.4</td>
<td>48.3</td>
</tr>
<tr>
<td>Educational Services</td>
<td>3.3</td>
<td>3.4</td>
<td>34.3</td>
</tr>
<tr>
<td>Health Services</td>
<td>14.0</td>
<td>9.4</td>
<td>22.1</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>2.5</td>
<td>3.3</td>
<td>42.2</td>
</tr>
<tr>
<td>Arts, Entertainment, Recreation, and Accommodation</td>
<td>3.1</td>
<td>5.4</td>
<td>58.0</td>
</tr>
<tr>
<td>Food Services</td>
<td>7.5</td>
<td>17.9</td>
<td>77.8</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>4.3</td>
<td>6.6</td>
<td>50.7</td>
</tr>
<tr>
<td>Public Administration</td>
<td>2.6</td>
<td>0.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>By Sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private, For-Profit</td>
<td>84.8</td>
<td>89.1</td>
<td>34.4</td>
</tr>
<tr>
<td>Private, Non-Profit</td>
<td>9.5</td>
<td>8.0</td>
<td>27.4</td>
</tr>
<tr>
<td>Public</td>
<td>5.7</td>
<td>2.9</td>
<td>17.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

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

Notes: Blank value for “Percent of Group 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.
Adjustments to Higher Costs by Businesses

Effect of Higher Wages on Turnover and Productivity

Economic research suggests that some of the increased labor costs that businesses face as a result of a higher minimum wage can be offset through lower turnover and increased worker productivity. Turnover is high in low-wage industries—up to 75 percent in some restaurant classifications (National Restaurant Association 2010). Workers often leave for higher-wage jobs, or are unable to remain in their jobs because of poverty-related problems such as difficulty with child care, transportation, or health. These high turnover rates are costly for firms. Boushey and Glynn (2012) find that the median cost to replace a worker earning $30,000 or less is 16 percent of the worker’s salary. Pollin and Wicks-Lim (2015) and Dube, Lester, and Reich (forthcoming) find that 15 to 20 percent of the costs of a minimum wage increase are offset through reductions in turnover resulting from the higher pay.

In our calculations below, we take the midpoint of those estimates and assume that 17.5 percent of increased labor costs are absorbed via turnover savings and increased productivity in the first year. These savings are likely to accrue at smaller rates as wage levels go higher; we therefore assume that by 2020 the marginal increase in earnings relative to 2018 no longer yields any additional turnover savings. As a result, we estimate that the total savings from turnover and increased productivity at a $15 minimum wage in 2020 would be 9.7 percent of increased labor costs.

Effect of Proposed Law on Restaurant and Retail Operating Costs

Table 6 (page 13) shows our estimates of the increase in business operating costs (net of savings from reduced turnover) in retail and restaurants, the two industries with the largest number of workers receiving a raise under the proposed minimum wage law. By 2020, we estimate that businesses in the restaurant industry will see their payroll costs rise by 18.8 percent and businesses in the retail industry will see their payroll costs rise by 5.2 percent, compared to payroll costs under state minimum wage law; these cost estimates include payroll taxes and workers’ compensation insurance expenses. Across the entire Contra Costa economy, we estimate that payroll costs will rise by 2.2 percent by 2020.

However, operating costs will rise by a much smaller amount, because labor costs only make up a portion of the costs that businesses face. Labor costs excluding health benefits currently account for 31 percent of restaurant operating costs, 11 percent of retail operating costs, and 22 percent for the overall economy (these percentages will increase over time as labor costs rise faster than other costs due to the proposed minimum wage increase). We therefore estimate that by 2020, total operating costs will rise by 6.9 percent for restaurants, 0.6 percent for retail, and 0.5 percent for the overall economy.
Table 6. Cumulative Impact of the Proposed Minimum Wage Policy on Business Operating Costs for Select Industries and the Overall Economy

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Food Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change in Payroll Costs*</td>
<td>0.7</td>
<td>4.8</td>
<td>9.0</td>
<td>13.7</td>
<td>18.8</td>
</tr>
<tr>
<td>Labor Costs as % of Operating Costs</td>
<td>30.7</td>
<td>30.8</td>
<td>31.9</td>
<td>33.8</td>
<td>36.7</td>
</tr>
<tr>
<td>% Change in Operating Costs</td>
<td>0.2</td>
<td>1.5</td>
<td>2.9</td>
<td>4.6</td>
<td>6.9</td>
</tr>
<tr>
<td><strong>Retail Trade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change in Payroll Costs*</td>
<td>0.2</td>
<td>1.2</td>
<td>2.3</td>
<td>3.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Labor Costs as % of Operating Costs</td>
<td>10.8</td>
<td>10.8</td>
<td>10.9</td>
<td>11.2</td>
<td>11.5</td>
</tr>
<tr>
<td>% Change in Operating Costs</td>
<td>0.0</td>
<td>0.1</td>
<td>0.3</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Overall Economy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change in Payroll Costs*</td>
<td>0.1</td>
<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Labor Costs as % of Operating Costs</td>
<td>22.1</td>
<td>22.1</td>
<td>22.2</td>
<td>22.4</td>
<td>22.6</td>
</tr>
<tr>
<td>% Change in Operating Costs</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>0.5</td>
</tr>
</tbody>
</table>

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

Note: % Change in Payroll Costs is net of savings from reduced turnover expenses, and includes additional payroll tax and workers’ compensation expenses.

Impact on Restaurant and Retail Prices

Economic research suggests that firms may adjust to minimum wage increases by passing on some or all of their increased operating costs to consumers through higher prices. Since the minimum wage applies to all businesses, individual firms such as restaurants that serve the local market may be able to pass costs through to consumers without experiencing a competitive disadvantage within their industry.

Research by Aaronson, French, and MacDonald (2008) found that every percentage point increase in the minimum wage raises restaurant prices by 0.072 percent. A new study (Allegretto and Reich 2015) of San Jose’s recent minimum wage increase (from $8 to $10 in March 2013) yields a similar estimate. An earlier study (Lee, Schluter, and O’Roark 2000) showed that restaurant operating costs increase by about 0.1 percent for each percentage increase in the minimum wage (see also Benner and Jayaraman 2012). Lee et al., however, do not take into account costs savings resulting from reduced turnover costs. These studies together suggest that at least 80 percent of net cost increases are passed on as higher restaurant prices.

In Table 7 (page 14) we provide our estimates of the impact on restaurant and retail prices under the proposed minimum wage increase for Contra Costa County. For restaurants, we predict a cumulative increase in inflation adjusted prices of 6.0 percent by 2020. The price of a $10 menu item would thus increase to $10.60. However, it is important to note that this increase would be spread out over the five year phase-in period; the increase will take the form of five annual prices increases beginning with a 0.2 percent increase in 2016 and eventually rising to a final 1.9 percent price increase in 2020. To put these
Table 7. Percentage Price Increases Under the Proposed Minimum Wage Policy

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tr>
<td><strong>Food Services</strong></td>
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<td>Year over Year Price Increase</td>
<td>0.2</td>
<td>1.1</td>
<td>1.2</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Cumulative Price Increase</td>
<td>0.2</td>
<td>1.3</td>
<td>2.5</td>
<td>4.0</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Retail Trade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year over Year Price Increase</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Cumulative Price Increase</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.4</td>
<td>0.5</td>
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<tr>
<td><strong>Overall Economy</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Year over Year Price Increase</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Cumulative Price Increase</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
</tr>
</tbody>
</table>

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

annual prices increases in context, recent inflation in restaurant prices has been 2.1 percent per year. Price increases for retail and the overall economy would be negligible, at 0.5 and 0.4 percent, respectively, spread over five years.

**Effect on Employment and Hours**

There is an extensive body of economic research on the effects of minimum wage laws on employment and work hours. Belman and Wolfson (2014) provide the most extensive recent summary of the minimum wage research literature, and conclude that employment effects in the U.S. to date have been “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 discernable effect on the employment prospects of low-wage workers.” The above research on prices and turnover helps to explain why existing research has found little impact on employment from minimum wage increases.

Several rigorous studies have analyzed the impact of local minimum wage laws in particular, and found no evidence of negative employment effects. Dube, Naidu, and Reich (2007) studied the impact of San Francisco’s first minimum wage law after it raised the city’s minimum wage from $6.75 to $8.50 per hour in 2004. The authors surveyed a sample of restaurants before and after the wage increase, in San Francisco as well as in neighboring East Bay cities that were not covered by the policy. They found no statistically significant effects on either employment or the proportion of full-time jobs as a result of the San Francisco law. This finding held for both full-service and fast-food restaurants (one might expect more sensitivity to a higher minimum wage in the latter). As shown in Figure 1 (page 15), restaurant employment in San Francisco rose slightly faster than in surrounding counties after the minimum wage increase, and again after the implementation of paid sick leave and health spending mandates.
Proposed Minimum Wage Law for Contra Costa County

Potter (2006) studied the impact of Santa Fe’s minimum wage increase from $5.15 to $8.50 in 2004 by comparing changes in employment at Santa Fe businesses before and after the increase to changes in employment in nearby Albuquerque over the same time period. Potter found no statistically significant negative impact of Santa Fe’s minimum wage increase on total employment in the city. The finding also held for accommodation and food services (industries with the highest proportion of minimum wage workers). Schmitt and Rosnick (2011) studied the impact of city minimum wage laws in San Francisco and Santa Fe on employment in fast-food restaurants, food services, retail trade, and other low-wage industries. They compared employment trends in these cities before and after their minimum wage increases to control groups of surrounding suburbs and metropolitan areas, and found no discernable negative employment effects, even three years after the ordinances were implemented.

Broader studies of state and federal minimum wage increases confirm and strengthen the findings of these local case studies. Dube, Lester, and Reich (2010 and forthcoming) 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. By comparing the employment trends of the most affected groups (teens and restaurants) across adjacent counties that had different minimum wage levels, this research design is an excellent test of whether businesses relocate employment outside county borders to avoid being subject to a higher minimum wage. Following this approach, Dube, Lester, and Reich (2010 and forthcoming) and Allegretto, Dube, Reich, and Zipperer (2013) find no statistically significant effects of minimum wage increases on either employment or hours worked in restaurants and other low-wage industries, nor among teens. Allegretto, Dube, and Reich (2011) use a similar strategy and find no employment effects among teens.

We highlight these studies because they combine state-of-the-art econometric methods with the most detailed datasets available, allowing researchers to control for differences in local economic conditions that
could confound the analysis. These studies therefore produce the most accurate estimates of the effect of previously implemented minimum wage increases on employment.

In summary, the best research on past minimum wage increases does not find statistically significant effects on employment or worker hours. It is important to note, however, that the minimum wage increases studied in this broader literature were generally smaller in magnitude—and affected a smaller share of the workforce—than the laws recently passed in Seattle and California cities as well as the Contra Costa proposal. Therefore, the findings from this body of research cannot be taken as definitive evidence for what will happen at higher wage rates.

**Impact on Consumer Spending**

A higher minimum wage will boost consumer spending by low- and moderate-income households whose workers receive pay increases, which in turn can act as a modest economic stimulus (Cooper and Hall 2012). Low-wage workers spend a greater share of their income than do other income groups. As with other forms of economic stimulus, the increased spending would have a multiplier effect resulting in additional benefits to economic growth (Aaronson and French 2013; Cooper and Hall 2012). The industries that would gain the most from increased consumer spending include those that are also more highly affected by the minimum wage increase, such as restaurants and retail. While not all of the increased spending would be captured in Contra Costa (because a significant portion of the county’s workforce are commuters), it would have a positive impact on consumer demand in the economic region.19

As discussed above, a higher minimum wage is also likely to lead to price increases, particularly in the restaurant industry. These price increases will tend to diminish consumer spending. A full analysis of the net consumer spending impact in Contra Costa is beyond the scope of this report. However, in their analysis of Los Angeles’ proposed minimum wage law, Reich, Jacobs, Bernhardt, and Perry (2015) found that these counterbalancing forces—the stimulus effect of higher incomes for low-wage workers and the reduction in spending from price increases—are of roughly similar size, helping to explain the consistent finding in the literature of no significant net employment effects of minimum wage increases.

### 5. ASSESSMENT OF CONTRA COSTA COUNTY’S PROPOSED POLICY

Like other recent city minimum wage laws passed in Los Angeles, San Francisco, and Seattle, the Contra Costa County proposal would eventually raise the local minimum wage to $15 per hour, a level not seen in existing, fully implemented increases. Therefore, we assess how the proposed Contra Costa increase compares to these past city-level increases as well as recently-passed local increases that are still being implemented. We also consider how the economic characteristics of Contra Costa County might affect the outcome of the proposed increase.

**Comparison to Other Local Minimum Wage Laws**

As shown in Table 8 (page 17), at the point of full implementation in 2020, the proposed law will have raised Contra Costa’s minimum wage by 36.2 percent in inflation-adjusted terms. This is just slightly
Table 8. Proposed Contra Costa Minimum Wage Increase Compared to Local Minimum Wage Increases Passed to Date

<table>
<thead>
<tr>
<th>Proposed Contra Costa Increase (real)</th>
<th>Average Increase (real)</th>
<th>Range of Increases (real)</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.2</td>
<td>35.0</td>
<td>11.7–76.5</td>
</tr>
</tbody>
</table>

Source: Authors’ analysis of statutory increases in 27 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. Inflation is measured using the index used to calculate cost-of-living increases for each city. If a city does not have cost of living increases, the appropriate geographical index is used.

above the average of the 27 local minimum wage increases passed to date in other cities and counties in the United States (35.0 percent) and lies within the range of those increases (11.7 to 76.5 percent).

The ratio of the minimum wage to the median full-time wage is another measure used by economists to determine the ability of an economy to absorb higher minimum wage levels. The proposed final 2020 wage of $15 per hour (converted to 2014 dollars) equals 50.1 percent of Contra Costa County’s 2014 median full-time wage of $29.57. 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). Contra Costa’s ratio is less than the projected ratio for Seattle’s 2014 law (53.3 percent) and Los Angeles’ 2015 law (63.8 percent) (Reich, Jacobs, Bernhardt, and Perry 2015). It would be very similar to the ratio for California as a whole after the scheduled state minimum increase to $10 per hour on January 1, 2016, which is projected to fall just below 50 percent (Allegretto, Reich, and West 2014).

Another way to assess the impact of the proposed law is the share of workers projected to receive wage increases. In Table 2, we estimated that the Contra Costa proposal would raise wages for 32.7 percent of the workers in the county. This is slightly smaller than the projected impact of a $13 state minimum wage, which would affect an estimated 35.2 percent of the workforce (Allegretto, Reich, and West 2014), and falls in between our estimates of the share of workers receiving increases under the policies passed in San Francisco (23.4 percent) and Los Angeles (41.3 percent).

Finally, Table 9 (page 18) shows the wage increase schedules for the other Bay Area cities that have raised their minimum wages. It also shows the median annual earnings for workers in those cities, the California Budget Project’s self-sufficiency wage for a two-working adult, two-child family, and the fair market rent for a one-bedroom apartment in each location.

By 2020, the Contra Costa proposed minimum wage would be higher than the minimum wage levels in Berkeley, Richmond, and Oakland, and below the rates in Emeryville and San Francisco. The median earnings and cost-of-living measures in Contra Costa are similar to these East Bay cities, and about 20 percent less than San Francisco.
## Table 9. Minimum Wage Increase Schedules, Earnings, and Cost-of-Living in Bay Area Cities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contra Costa County Proposal</td>
<td>$10.20 1/1/16</td>
<td>$11.40 1/1/17</td>
<td>$12.60 1/1/18</td>
<td>$13.80 1/1/19</td>
</tr>
<tr>
<td></td>
<td>$15.00 1/1/20</td>
<td>$40,800</td>
<td>$20.81</td>
<td>$1,260</td>
</tr>
<tr>
<td>Berkeley4</td>
<td>$10.00 10/1/14</td>
<td>$11.00 10/1/15</td>
<td>$12.53 10/1/16</td>
<td>$12.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$39,845</td>
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<tr>
<td></td>
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<td></td>
<td>$1,260</td>
</tr>
<tr>
<td>Emeryville large businesses (more than 55 employees)</td>
<td>$14.44 7/1/15</td>
<td>$16.30 7/1/19</td>
<td>$60,043</td>
<td>$20.87</td>
</tr>
<tr>
<td>Emeryville small businesses (55 or fewer employees)</td>
<td>$12.25 7/1/15</td>
<td>$13.00 7/1/16</td>
<td>$14.00 7/1/17</td>
<td>$15.00 7/1/18</td>
</tr>
<tr>
<td>Mountain View</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oakal</td>
<td>$12.25 3/1/15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richmond5</td>
<td>$9.60 1/1/15</td>
<td>$11.52 1/1/16</td>
<td>$12.30 1/1/17</td>
<td>$13.00 1/1/18</td>
</tr>
<tr>
<td></td>
<td>$13.64 7/1/18</td>
<td>$41,581</td>
<td>$20.81</td>
<td>$1,260</td>
</tr>
<tr>
<td>San Francisco</td>
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<td>$13.00 7/1/16</td>
<td>$14.00 7/1/17</td>
<td>$15.00 7/1/18</td>
</tr>
<tr>
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<td>$15.74 7/1/18</td>
<td>$51,990</td>
<td>$23.48</td>
<td>$1,635</td>
</tr>
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<td>San Jose</td>
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</tr>
<tr>
<td>Sunnyvale</td>
<td>$10.30 1/1/15</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** All laws except Berkeley’s include cost-of-living adjustments after the final legislated step.

1. American Community Survey 5-Year Estimates 2009-2013 Table 08521, California Budget Project, U.S. Department of Housing and Urban Development
2. Self-Sufficiency Wage is determined by the California Budget Project and based on a 2-adult and 2-child family with both adults working full-time.
3. Fair Market Rent is determined by the U.S. Department of Housing and Urban Development and defined as the 40th percentile gross rent (including utilities) in a county.
4. Berkeley’s minimum wage law exempts nonprofit organizations for the first year.
5. Richmond’s minimum wage law allows employers that derive more than 50% of their income from transactions where goods and services produced in Richmond are shipped outside the city to pay an “intermediate” minimum wage that is the midpoint between the state and the city minimum wages. In addition, it exempts businesses that pay for less than 800 hours of employee labor during any two-week period.
Characteristics Specific to Contra Costa County

Commuting Patterns of Contra Costa Workers and Residents

As discussed above, the stimulus effect of increased spending from a minimum wage increase (and its effectiveness in mitigating the effects of increased labor costs) will be determined by the share of workers receiving the wage increase who live within the local area. A large majority (72.8 percent) of the workers in Contra Costa County also live within the county, and an even greater percent (79.8) of workers affected by the proposed minimum wage increase live in the county. Thus a majority of the increased spending by these workers and their families is likely to occur within the county’s borders, helping to stimulate the Contra Costa economy and offsetting any effects of increased labor costs.

Likewise, businesses in Contra Costa will also benefit from the minimum wage policies in San Francisco, Oakland, Emeryville, and Berkeley, given the large share of Contra Costa residents who work outside of the County. In 2013, 46.4 percent of employed Contra Costa residents commuted to jobs outside of the county.21

Income Patterns of Contra Costa Workers and Residents

In the previous section, we estimated that firms in highly-impacted industries—primarily restaurants—would pass on the majority of their cost increases to consumers in the form of modest price increases. It is therefore useful to analyze both the earnings of those who work in the local area and the incomes of area residents who make up the consumer base. As shown in Table 10 (page 20), Contra Costa residents working outside of the County earn more on average than those who work within the county. This pattern holds in all four Census sub-county regions, with Central Contra Costa showing the biggest difference in the incomes of its residents versus its workforce ($61,800 for residents and $45,600 for workers). Central Contra Costa also contains the majority of the county’s jobs (68.2 percent of total county employment).22

In nine of the ten Contra Costa cities with the largest workforces, the residents of those cities have higher incomes than the workers in the cities. Countywide, of the 26 cities with available income data for both residents and workers, 21 have a residential population that earns more than the workforce. Since demand for local services, especially restaurants, is driven more by the residents of an area than its workforce, this pattern may make it easier for the Contra Costa economy to bear modest price increases.
Table 10. Median Earnings in Contra Costa County Cities of Workers and Residents (all figures are in 2013 dollars)

<table>
<thead>
<tr>
<th>City/CDP</th>
<th>Median Earnings of Workers</th>
<th>Median Earnings of Residents</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contra Costa County</td>
<td>$40,800</td>
<td>$45,900</td>
<td>366,600</td>
</tr>
<tr>
<td>East Contra Costa</td>
<td>$28,500</td>
<td>$46,300</td>
<td>19,100</td>
</tr>
<tr>
<td>Antioch-Pittsburg</td>
<td>$31,800</td>
<td>$34,300</td>
<td>31,500</td>
</tr>
<tr>
<td>Central Contra Costa</td>
<td>$45,600</td>
<td>$61,800</td>
<td>254,100</td>
</tr>
<tr>
<td>West Contra Costa</td>
<td>$37,500</td>
<td>$39,300</td>
<td>62,000</td>
</tr>
<tr>
<td>Alamo CDP</td>
<td>$39,400</td>
<td>$81,500</td>
<td>3,300</td>
</tr>
<tr>
<td>Antioch city</td>
<td>$31,500</td>
<td>$36,200</td>
<td>21,100</td>
</tr>
<tr>
<td>Bay Point CDP</td>
<td>$28,900</td>
<td>$24,300</td>
<td>1,700</td>
</tr>
<tr>
<td>Brentwood city</td>
<td>$28,000</td>
<td>$48,700</td>
<td>13,200</td>
</tr>
<tr>
<td>Clayton city</td>
<td>$26,300</td>
<td>$71,200</td>
<td>1,700</td>
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<td>Concord city</td>
<td>$39,500</td>
<td>$40,600</td>
<td>55,000</td>
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<tr>
<td>Crockett CDP</td>
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<td>$51,200</td>
<td>1,300</td>
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<td>Danville town</td>
<td>$36,700</td>
<td>$85,500</td>
<td>13,100</td>
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<tr>
<td>Discovery Bay CDP</td>
<td>$25,400</td>
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<td>1,600</td>
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<td>El Cerrito city</td>
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<td>$48,400</td>
<td>6,900</td>
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<td>$54,100</td>
<td>4,700</td>
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<td>Kensington CDP</td>
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<td>700</td>
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<td>Lafayette city</td>
<td>$35,600</td>
<td>$81,300</td>
<td>10,100</td>
</tr>
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<td>Martinez city</td>
<td>$47,700</td>
<td>$51,100</td>
<td>16,500</td>
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<td>$27,300</td>
<td>$41,000</td>
<td>3,700</td>
</tr>
<tr>
<td>Orinda city</td>
<td>$44,000</td>
<td>$97,500</td>
<td>5,200</td>
</tr>
<tr>
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<tr>
<td>Pinole city</td>
<td>$23,700</td>
<td>$44,600</td>
<td>4,800</td>
</tr>
<tr>
<td>Pittsburg city</td>
<td>$32,500</td>
<td>$33,700</td>
<td>14,500</td>
</tr>
<tr>
<td>Pleasant Hill city</td>
<td>$31,200</td>
<td>$52,200</td>
<td>14,600</td>
</tr>
<tr>
<td>Richmond city</td>
<td>$41,600</td>
<td>$32,600</td>
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<td>Rodeo CDP</td>
<td>$53,400</td>
<td>$36,700</td>
<td>1,700</td>
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<td>San Pablo city</td>
<td>$22,200</td>
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<td>$60,800</td>
<td>$79,400</td>
<td>41,200</td>
</tr>
<tr>
<td>Vine Hill CDP</td>
<td>$62,400</td>
<td>$35,200</td>
<td>1,300</td>
</tr>
<tr>
<td>Walnut Creek city</td>
<td>$47,300</td>
<td>$61,100</td>
<td>53,600</td>
</tr>
</tbody>
</table>

Source: American Community Survey 5-Year Estimates 2009-2013 Tables B08521, B08121, and B08406
Effect on Sub-Regions of Contra Costa County

While the ACS does not provide information on place of work at the sub-county level, it does have more detailed data on place of residence. We can therefore estimate where the workers affected by the proposed minimum wage law live in Contra Costa County. However, we emphasize that these estimates only show where workers live, so it is not possible to draw any conclusions about impacts on businesses at the sub-county level.

Table 11 shows the distribution of affected workers by their place of residence, as well as the share of residents in each area that are estimated to receive a raise under the proposed minimum wage increase. Contra Costa workers who live in the western and eastern ends of the county will disproportionately benefit from the proposed increase. In the west, 47.1 percent of Contra Costa workers who live in Richmond, San Pablo, El Cerrito, and Hercules will receive a raise. To the east, 39.4 percent of Contra Costa workers living in Antioch, Brentwood, and Oakley will see their pay rise. Contra Costa workers living in the north-central area of the county are estimated to receive raises roughly in line with the county as a whole. Workers commuting into Contra Costa from other areas are less likely than the average Contra Costa worker to receive a pay increase.

**Table 11. Place of Residence of Workers Affected by Proposed Minimum Wage Policy**

<table>
<thead>
<tr>
<th></th>
<th>Percent of Covered Workers</th>
<th>Percent of Covered Workers Getting Raises</th>
<th>Percent of Region That Is Getting a Raise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richmond, San Pablo</td>
<td>11.6</td>
<td>16.7</td>
<td>47.1</td>
</tr>
<tr>
<td>Concord, Martinez, Pittsburg, Walnut Creek</td>
<td>37.8</td>
<td>39.3</td>
<td>34.0</td>
</tr>
<tr>
<td>Danville, San Ramon</td>
<td>6.6</td>
<td>3.6</td>
<td>17.6</td>
</tr>
<tr>
<td>Antioch, Brentwood, Oakley</td>
<td>16.7</td>
<td>20.2</td>
<td>39.4</td>
</tr>
<tr>
<td>Outside Contra Costa County</td>
<td>27.2</td>
<td>20.2</td>
<td>24.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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

Why Coordinate Among Cities?

Contra Costa County’s authority to set minimum wage standards is limited to unincorporated areas and County employees. Attaining the full workforce coverage assumed by the analysis in this research brief would therefore require action by each of the county’s cities as well as the county itself.

Coordination among the county’s cities to adopt the same minimum wage law would simplify compliance for businesses and enforcement of the laws. It would also maximize the positive economic effects from increased spending by low-wage workers and their families, as discussed above.

Most of the cities that have passed minimum wage laws to date have been larger cities, or small to mid-sized cities located in proximity to other cities with their own higher wage laws (for example, Mountain View and Sunnyvale, California, near San Jose). Other localities have acted together at the same time. For
example, in 2014, Montgomery County and Prince George’s County in Maryland passed minimum wage laws at the same time as neighboring Washington, DC. And six cities in Santa Clara County, including San Jose, recently agreed to explore coordinating minimum wage increases to $15 an hour.

Contra Costa already benefits from higher minimum wages in San Francisco and cities in Alameda County, as well as in Richmond. Given the size of the proposed minimum wage increase, cities in Contra Costa County would maximize the economic benefits and minimize the risk of adverse effects by coordinating in passing higher wage standards—if not for the county as a whole, at least within sub-regions of the county.

6. ADDITIONAL POLICY DESIGN QUESTIONS

In addition to setting wage levels and a phase-in schedule, policymakers contemplating a local minimum wage law are typically faced with several other policy design questions. In what follows, we give a brief overview of policy design questions surrounding enforcement, nonprofits and small businesses, treatment of total compensation, and teenage workers.

**Enforcement**

An essential element of the successful implementation of any local minimum wage law is robust enforcement, given the prevalence of wage theft in low-wage industries. Significant and extensive minimum wage violations have been documented in cities around the country. For example, in a large representative survey of low-wage workers in Los Angeles in 2008, 30 percent were found to have been paid below the minimum wage during the previous week, and 88 percent had at least one pay-related violation in the previous week (Milkman, Gonzalez, and Narro 2010). Effectively raising the minimum wage will require robust enforcement language in the law, creating a local enforcement agency, and implementing good enforcement practices and policies (see Yoon and Gebreselassie [2015] for a more in-depth treatment).

**Enforcement-Related Provisions in the Law Itself**

A standard set of enforcement provisions has emerged for California local minimum wage laws. This core legal framework commonly includes the following:

- **Private right of action:** This provision allows victims of wage theft to privately pursue their own court cases against employers, supplementing public enforcement resources. In addition, local ordinances include provisions awarding reasonable attorneys’ fees and costs to employees whose rights have been violated, a necessary provision to encourage attorneys to take cases.

- **Damages and penalties:** Employers have little incentive to comply with minimum wage laws if the only consequence of violation is payment of wages due (Meyer and Greenleaf 2011). Citations that carry penalties or fines, as well as “liquidated damages” (sums of money awarded to workers in addition to the underlying wages owed), increase the cost of noncompliance. Penalties that accrue over time can provide an incentive for speedier repayment.
Anti-Retaliation protection: Fear of employer retaliation is a significant reason that violations go unreported (Bernhardt et al. 2009). Most California local minimum wage ordinances include a rebuttable presumption of retaliation if an employer takes broadly defined “adverse action” against an employee who has recently asserted his or her rights (NELP 2011).

Notice posting and record keeping: California local minimum wage laws recognize the importance of informing employers and employees of the minimum wage. Cities must publish the updated minimum wage rates, and employers must post the minimum wage in relevant languages for workers to see. Employers are also required to keep payroll records and provide access to investigators as needed. In the absence of payroll records, an employee’s report of wages and hours is presumed to be correct.

Business license revocation: One strategy to increase compliance and prompt repayment included in most California local minimum wage ordinances is to involve other city and county departments or agencies in revoking or suspending business licenses and permits until any wage violation is remedied (NELP 2011). Consequences for employers convicted of wage theft or with unpaid wage claims can include being barred from winning city contracts, renting city-owned space, or receiving city business permits (Gleeson, Taube, and Noss 2014).

Wage liens: Even when a violation has been found and employers are ordered to provide back pay to workers, actual payment of wages is not guaranteed, and indeed in California only a fraction of wages found due are ever paid (Cho, Koonse, and Mischel 2014). A wage lien—a claim on property owned by the employer so that it cannot be sold without payment going to the worker—is one tool used to secure payment from recalcitrant employers found to owe back wages.

The Creation of an Enforcement Agency

Creating, funding, and staffing a local government office dedicated to enforcement is vital for implementing an effective law; the private bar is not enough to protect the rights of low-wage workers. A dedicated local office serves as a centralized place to educate workers and employers, receive complaints, investigate compliance, issue citations, and collect wages due. State and federal enforcement offices are already understaffed and struggle to provide robust investigations and timely collections (Government Accountability Office 2009; Su 2013), let alone deter wage theft with proactive enforcement and a credible expectation of a compliance check (Fine and Gordon 2010; Ichikawa and Smith 2014).

Cities with sufficient resources and administrative infrastructure should establish a local enforcement agency to realize the economic and social benefits from raising the minimum wage. However, many cities may be too small to create and fund an entire enforcement agency, while still having a vested interest in strong enforcement of their minimum wage law. Few proven models exist to guide small-city enforcement, so this largely unexplored policy terrain needs to be developed as smaller cities increasingly adopt local minimum wage laws. Here we briefly review several options; see Koonse, Dietz, and Bernhardt (forthcoming) for an in-depth discussion.

Small cities can simply choose to rely on state enforcement to investigate, adjudicate, and collect workers’ claims. But experience suggests that localities should not rely solely on state enforcement, both because of state resource constraints and because local knowledge—of businesses, industries, community groups,
and local officials—is a valuable tool in effective enforcement. Functions that small cities can perform include responding to workers’ claims and directing them to legal services groups and/or the state enforcement agency; educating and notifying employers about the city’s minimum wage law; funding and partnering with local community groups to conduct worker outreach and education; coordinating media campaigns to educate the public; and partnering with the state enforcement agency to strategize pro-active enforcement.

Contra Costa policymakers in particular might consider regional collaborations on enforcement. For example, two smaller cities in California (Sunnyvale and Mountain View) have contracted out enforcement of their minimum wage provisions to San Jose. Alternatively, several smaller cities may pool resources to fund a county-wide enforcement agency. Regional collaboration on enforcement will be easier if cities also align the content of their ordinances (i.e., the wage levels, the dates on which increases occur, phase-ins, and any exemptions).

**Best Enforcement Practices**

As cities and states experiment with increases in minimum wage, enforcement strategies are evolving to meet the challenges of 21st century workplaces given constrained funding. Strategies to consider at the local level include.

**Company-wide investigations**: When responding to a worker complaint, agencies should investigate the entire workplace on behalf of all workers. This allows the worker who came forward to remain anonymous for longer, which may provide some protection from retaliation. Because violations are rarely concentrated on a single employee, this approach allows investigators to recover back wages for more employees (Dietz, Levitt, and Love 2014).

**Proactive investigations**: Enforcement of wage and hour laws in many jurisdictions is solely complaint-driven, even though the most vulnerable and exploited workers are among the least likely to complain (Weil and Pyles 2005). In response, federal, state, and city enforcement offices are increasingly moving beyond a complaint-driven approach and engaging in targeted, proactive investigations of industries and employers (NELP 2011).

**Community partnerships**: Building trust with workers is fundamental to successful enforcement of labor laws. Many of the most vulnerable workers—low-wage workers from immigrant communities and communities of color—are wary of government institutions but do trust organizations within their community (Gleeson 2009). Enforcement agencies can leverage the complementary strengths of community-based organizations (CBOs) in order to increase effectiveness and reach. The linguistic, cultural, and industry knowledge within CBOs make them valuable partners in educating workers about their rights, building trust between workers and investigators, and providing knowledge of the particular industry dynamics at play (Fine 2014). San Francisco, Los Angeles, and Seattle have dedicated resources to fund outreach and education to workers and employers; Oakland and San Diego plan to do the same.
Nonprofits and Small Businesses

Nonprofit Organizations

As shown in Section 4 above, workers at nonprofits are less likely than the overall workforce to be affected by the proposed minimum wage law. However, nonprofits comprise a wide range of organizations. Some are large institutions (universities, hospitals, large services providers) that have sizeable annual budgets with varied funding streams and that are therefore able to absorb minimum wage increases. At the same time, other nonprofits may face real constraints on their ability to adjust to minimum wage increases. These are typically smaller nonprofits dependent on a few public funding streams that are fixed over the short or even medium term, and over which they have little leverage.

Local minimum wage policy offers an opportunity to address the problem of low-wage work in certain nonprofit service-providing sectors—a problem that impacts the well-being of both workers and program clients through the quality of care provided. Exempting groups of nonprofit organizations from a minimum wage increase, conversely, could have negative effects on the quality of care by increasing employee turnover. If certain nonprofits pay lower wages than the rest of the market, it will make it harder for them to attract and retain workers. But requiring higher wages without addressing the need to increase funding streams, or without providing sufficient phase-in time, is likely to result in cuts to services.

Ultimately, the solution is to increase public funding for the services provided by these nonprofits. We recognize that this is a difficult policy challenge, given the complex matrix of local, state, and federal funding streams for social services combined with budgetary constraints and the inevitable time lags involved in moving approval through the governmental process. An innovative solution is San Francisco’s C-Wages program, which provides County wage subsidies to child care centers and family child care providers that meet certain quality measures and enroll at least 25 percent of their children from low-income families. Funding for this program was increased to assist providers in meeting the city’s higher minimum wage in 2015. Cities can also engage with private philanthropy to help support nonprofit agencies through the transition; this should include both financial aid and technical assistance and management support in adjusting to the higher wage rate.

In the short term, it is likely some nonprofits will need a longer time period to adjust to the proposed minimum wage increase. San Francisco, Berkeley, and Santa Fe’s minimum wage laws have provided for slower phase-ins for nonprofit organizations. If Contra Costa policymakers decide to consider a longer phase-in schedule for some nonprofits, a key policy design question will be which nonprofits would qualify for the slower phase-in. We have not identified a robust test that differentiates nonprofit institutions with sufficient margins and diversified funding streams from nonprofits that will struggle to comply on the proposed timeline.24

Small Businesses

Several city minimum wage laws have provided slower phase-ins for small businesses. San Francisco’s 2003 law delayed implementation by one year for businesses with fewer than 10 employees. Santa Fe initially exempted small businesses (fewer than 25 employees) from its 2003 law, but in 2007 amended the law to cover all establishments regardless of size. Seattle’s 2014 law establishes slower phase-ins for
small businesses (defined as 500 or fewer employees); the phase-in schedule varies depending on total compensation. Three local laws exempt some small businesses altogether: Montgomery County’s 2013 law exempts businesses that employ fewer than two employees, Richmond’s 2014 law exempts employers who pay for less than 800 hours of employee labor during a given two-week period, and Kansas City’s 2015 law exempts businesses that employ 15 or fewer employees.

Several policy design questions should be considered if Contra Costa policymakers wish to implement a slower phase-in for small businesses. First, there is a lack of consistent definitions of “small businesses” in public policy, as evidenced in the above examples from other cities. A second consideration is whether to define businesses as firms or establishments. Large firms often operate via multiple small establishments (i.e., retail clothing stores or bank branches); therefore, a small business definition based on establishment size will erroneously include large national or multinational firms. We would therefore recommend a definition based on firm size. The same principle holds in the case of franchises—i.e., all franchises or other businesses owned by a given owner or group of owners should be counted toward firm size. Finally, economic theory suggests that wholesale exemptions based on firm size will result in perverse incentives, and so we generally do not recommend them. An alternative strategy is to seek ways to assist small businesses through the minimum wage implementation, including assisting access to small business loans and technical assistance and training.

**Total Compensation**

Four localities allow employers to include some or all of their payment of health benefits and child care benefits in the calculation of wages paid. Albuquerque’s and Bernalillo County’s minimum wage laws allow a health care or child care credit of $1.00 per hour, and Richmond allows a health care credit of up to $1.50 per hour. Santa Fe’s (2003) law states that the value of health and child care benefits are considered part of wages. Seattle allows certain forms of compensation to be counted during a phase-in period. Four cities (San Francisco, San Jose, Seattle, and Sunnyvale) allow commissions and/or non-discretionary bonuses to be counted as compensation. (Current California state law pre-empts localities from instituting a tip credit or excluding tipped workers, so we do not address tips here).

One rationale for including all or some of the costs of certain benefits in the wage calculation is to avoid creating an incentive for employers to cut benefits in order to meet the higher wage threshold. However, studies of past minimum wage increases have not found associated reductions in fringe benefits (Schmitt 2013), though it is difficult to predict with certainty whether this would change as a greater share of the workforce is affected by the policy. We estimate that just over a quarter (25.2 percent) of the workers who would receive wage increases under the proposal have health insurance through their own employer (see Table 4). More important, crediting health benefits towards a minimum wage creates challenges for policy design and enforcement. This includes determination of which health expenditures are eligible to be credited towards the wage rate and valuation of those expenditures.

The value of many benefits does not appear on worker’s paychecks, creating another substantial challenge for enforcement. We also know that large firms are more likely to provide benefits than small firms; counting total compensation would therefore mainly assist large firms.
Teens

Local minimum wage laws typically incorporate state definitions of which employees are covered by state minimum wage law. Four of the California cities with local minimum wage laws exempt subsidized summer or short-term youth employment programs. Two local ordinances, Montgomery and Prince George’s Counties, go beyond state law and exclude employees under the age of 19 who work no more than 20 hours per week. Bernalillo County exempts employees under age 16 and Kansas City exempts employees under age 18. California regulation allows for youth “learner” employees to be paid 85 percent of the minimum wage during their first 160 hours of employment in occupations in which the employee has no previous similar or related experience. When state or federal law has included a subminimum wage for teens, very few employers made use of it (Card and Krueger 1995).

The goal behind exempting young workers from minimum wage requirements is to avoid creating disincentives for hiring such workers. However, a large body of research suggests that the effect of minimum wage laws on teen employment is either negligible or very small. Moreover, we estimate that teens will constitute only 3 percent of workers affected by the Contra Costa proposal (see Table 4). On the downside, subminimum or training wages for teens may create an incentive to hire middle-class teenagers over low-wage adult workers in high-turnover industries such as food-fast restaurants. To summarize, it appears that differential treatment for teens beyond what is already permissible in California law is not necessary and may be counter-productive.

7. CONCLUSION

Drawing on a variety of government data sources, we estimate that 111,000 workers in Contra Costa County would benefit from the proposed minimum wage increase to $15.00 by 2020, with the average affected worker earning an additional $3,800 per year once the proposal is fully implemented. Our analysis of existing economic research suggests that businesses will adjust to increased operating costs mainly through reduced employee turnover, improved work performance, and a moderate increase in restaurant prices spread over five years. While higher prices may reduce consumer demand, economic models suggest that this will be offset on a County level by the increased purchasing power of low-wage workers receiving the pay increase. As a result, potential adverse effects on employment growth are likely to be outweighed by the stimulus benefits of the wage increases.

Any prospective impact study has a level of inherent uncertainty. This uncertainty is greater the farther into the future that we predict. While the proposed minimum wage increase in Contra Costa County lies within the range of other recent city laws, most of the existing economic research is based on state and federal minimum wage increases between 1990 and 2012 that did not reach levels now being considered. Therefore the actual effects of the proposed minimum wage law should be closely monitored during implementation.


ENDNOTES

1. U.S. Census Bureau, Local Area Unemployment Statistics.
2. Authors’ calculations based on ACS data.
3. U.S. Census Bureau, American Community Survey, 2007 and 2013, 1-Year Estimates, Table B08521. For 2007, earnings were adjusted to 2013 dollars using the average annual change for the past ten years of the San Francisco Oakland-San Jose Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
5. Using the ACS allows us to examine the wage distribution based on workers’ place of work as opposed to their place of residence. This is important in Contra Costa County, where 46.4 percent of residents worked outside of the county in 2013 (according to our analysis of the ACS data).
6. We assume that Medicaid-funded home health care workers would be covered by the proposed minimum wage increase, but the county would need to specifically raise their wages when enacting the proposal in order for them to be covered.
7. We assume a nominal wage growth rate of 2.4 percent, which is similar to the mid-range scenario projection we used in our prospective study of Los Angeles’ local minimum wage law (Reich, Jacobs, Bernhardt and Perry 2015). If a recession occurs and wage growth stalls, actual effects would be larger; conversely, if wage growth exceeds our projection, the effects of the proposed increase would be smaller.
9. Constant dollar values are calculated using the average annual change for the past ten years of the San Francisco-Oakland-San Jose Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
10. One exception is child care assistance, which does have a maximum income threshold that, once exceeded, results in the immediate loss of benefits. However, there is a substantial waiting list for child care assistance benefits, so any affected workers who lose eligibility are likely to be replaced by lower-wage workers not currently receiving benefits. Workers who are no longer eligible for Medi-Cal will be eligible for subsidized health care through Covered CA. While most families will come out well ahead financially, the change in costs for specific families will depend on income and health care utilization.
11. This analysis is based on data gathered before the full implementation of the Affordable Care Act.
12. See Reich, Jacobs, and Bernhardt (2014) for a more detailed literature review on the mechanisms by which businesses adjust to minimum wage increases.
13. Since workers often increase their wages by moving from one employer to another, we cannot assume that the correlation between wages and turnover indicates that low wages are causing higher turnover. However, policy experiments with living wages and minimum wages have provided the evidence needed to determine that wages do, in fact, affect turnover.

To determine the labor share of operating costs in retail trade and grocery stores, we use the U.S. Census Annual Retail Trade Reports, which provide data on retail sales, payroll costs, merchandise purchased for resale, and detailed operating expenses. We add operating expenses and purchases together to determine total operating costs. We add the costs of payroll taxes, employer paid insurance premiums, and employer benefits (excluding health insurance and retirement benefits) to annual payroll to estimate total labor costs. Health and retirement benefits are excluded since, unlike payroll taxes and workers’ compensation insurance, the costs of the benefits will not change if wages are increased. Dividing labor costs by operating costs gives us the labor share in retail trade. For the restaurant industry, we use industry data on gross operating surplus available from the Bureau of Economic Analysis Input-Output Account Data (Use Table, 2012, Before Redefinitions, Producer Value). We subtract gross operating surplus from sales to get total restaurant operating costs, and then proceed as was done for retail using the Annual Retail Trade Report to obtain labor cost data.

Table 7 shows the average of the low and high estimates. The low estimate uses the estimated increase in operating costs from Table 6, and assumes that 75 percent of those costs are passed through to consumers. The high estimate also uses that estimate for increases in operating costs, but assumes that 100 percent of the costs are passed through to consumers.

Aaron Yelowitz of the Employment Policies Institute found an increase in the probability of unemployment for low-skilled workers and evidence of replacement of low-skilled adults by teens in Santa Fe (Yelowitz 2005a, 2005b), as well as a decrease in teen work hours and no discernable effect on overall employment in San Francisco (Yelowitz 2012). There are serious flaws in both analyses, however. Higher wages are likely to increase labor supply, which can mechanically cause the unemployment rate to rise even when more people have jobs. Pollin and Wicks-Lim (2005) replicated Yelowitz’s first Santa Fe study and found no negative impact on employment. Furthermore, even if the reported results for each of his studies held, total compensation for teens and low-wage workers still would have increased because any employment or hours reductions would have been more than offset by the increase in hourly earnings (Pollin and Wicks-Lim 2005).

Businesses in Contra Costa will also benefit from the increased spending by residents who work in surrounding cities with local minimum wage laws (San Francisco, Oakland, Emeryville, San Jose, Sunnyvale, and Mountain View). For example, 28 percent of Contra Costa residents who do not work in the county are employed in San Francisco, and 47 percent are employed in Alameda County where Oakland, Berkeley, and Emeryville are located.

Berkeley is currently considering an increase in its minimum wage rate.

Authors’ analysis of ACS data.

U.S. Census Bureau, On The Map, 2011 ([http://onthemap.ces.census.gov](http://onthemap.ces.census.gov)).

Unfortunately, very little research exists to help estimate the ideal number of enforcement staff for a given city or geography. San Francisco, the city with the most robust enforcement regime, has approximately 20,000 low-wage workers per investigator. But this ratio should be treated only as a rough benchmark, because San Francisco has not been able to evaluate what proportion of total violations its agency is able to address.
24 The 2015 Los Angeles minimum wage law delays implementation for small businesses (25 or fewer employees) by one year, and allows nonprofits with more than 25 employees to apply for the delayed schedule. Criteria to qualify are any of the following: the CEO earns a salary less than five times the lowest wage paid by the nonprofit; the nonprofit is a transitional employer; the nonprofit is a childcare provider; or the nonprofit is funded primarily by City, County, State, or Federal grants or reimbursements.

25 See [http://murray.seattle.gov/minimumwage/#sthash.cYmSPbdt.dpbs](http://murray.seattle.gov/minimumwage/#sthash.cYmSPbdt.dpbs) for the full implementation schedule.

26 Cities that decide to credit health benefits will need to develop clear regulations governing these matters and should allocate sufficient administrative resources to assist employers and employees in understanding the rules and adjudicating disputes.


28 Federal law permits a 90-day subminimum wage for workers under the age of 20.
Institute for Research on Labor and Employment

irle.berkeley.edu

IRLE promotes multidisciplinary research on all aspects of the world of work and conducts numerous outreach programs. Its funding sources include the University of California, research grants and contracts, revenue from programs and publications, and contributions from individuals, businesses, unions, and community-based organizations.

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