



North Bay Jobs with Justice ♦ Minimum Wage Q&A ♦ January 2019

## Questions and Answers: North Bay \$15 An Hour Citywide Minimum Wage Campaign

North Bay Jobs with Justice and the Alliance for a Just Recovery (AJR), a coalition of labor, environmental, faith, and immigrant rights organizations is proposing that the cities of Sonoma, Sebastopol, Novato, Petaluma, Cotati, and Santa Rosa implement \$15 an hour (by 2020) citywide minimum wage laws to establish a regional minimum wage higher than the State of California's.\*

### What is the problem?

- According to a new report by Jesus Guzman, "The State of Working Sonoma County 2018," 20 percent of all Sonoma County residents and 40 percent of Latino residents belong to working poor families earning annual incomes of less than \$50,200, with at least one member reporting income from work.
- From 1979-2016 inflation-adjusted wages remained flat for the bottom 60 percent of the county's workforce, while wages for the lowest 20 percent dropped by 11 percent.<sup>1</sup>
- Thirty percent of Sonoma County workers earn less than \$14 an hour.<sup>2</sup>
- According to the California Budget and Policy Project (CBPP), a living or self-sufficiency wage for Sonoma County in 2017 was \$23 an hour yet three-quarters of the new jobs created in the county between 2014 and 2024 will pay less than a livable wage.<sup>3</sup>
- Between 2000 and 2016 median rents in Sonoma County increased by 25 per cent, while median annual renter incomes increased by only 9 percent.
- Nearly one in two Sonoma County renter households are rent burdened and pay more than 30 percent of their gross monthly income for rent; one quarter are severely rent burdened and pay more than 50 percent for rent.
- In 2018 a Sonoma County renter needed to earn an hourly wage of \$35.44 to afford the fair market rent for a two-bedroom apartment (and to spend no more than 30 percent of their gross monthly income for housing costs). A minimum wage worker needed to work multiple jobs and 128 hours a week to afford the fair market rent for a two-bedroom apartment in Sonoma County.<sup>4</sup>

### What is the California minimum wage?

- The California minimum wage in 2019 is \$11.00 an hour for businesses with less than 25 employees and \$12.00 an hour for businesses with more than 26 employees. The California minimum wage for will be incrementally phased-in to \$15 an hour for all employers by 2023 and then increased annually in 2024 based upon the rising cost of living (COLA).<sup>5</sup>

## What is a citywide minimum wage law?

- A citywide minimum wage law covers all workers employed at least 2 hours a week at a workplace or home inside the city limits. Federal, state, and county employees are excluded by law, as are student learners for the first 160 hours of employment and certain disabled workers.<sup>6</sup>

## What are proponents of \$15 citywide minimum wage proposing, and how many workers will receive a wage increase in each city?

- North Bay Jobs with Justice and the Alliance for A Just Recovery is proposing a citywide minimum wage law for the above cities phased in by 2020 in two steps: \$12.75 an hour by July 1, 2019, and \$15.00 an hour by July 1, 2020. On July 1, 2021, the citywide minimum wage will be adjusted annually based upon the increase in the cost of living.
- Based upon calculations by the UCB Labor Center the number of workers receiving a wage increase in each city is as follows:<sup>7</sup>

Santa Rosa: 25,000

Petaluma: 9,000

Novato: 9,000

Sonoma: 2,000

Sebastopol: 1,000

## What other California cities and regions have implemented citywide minimum wage laws?

Twenty-four California cities have implemented citywide minimum wage laws higher than the state minimum wage, including:<sup>8</sup>

- The City and County of San Francisco, \$15 an hour by 2018;
- The cities of San Jose, Santa Clara, Palo Alto, Los Altos, Milpitas, Mountain View, Sunnyvale and Cupertino, \$15 an hour by 2019;
- The Cities of San Mateo, Belmont, Daly City and Redwood City, \$15 citywide minimum wage by 2020, and more cities in San Mateo County are expected to pass similar laws;
- The City of Los Angeles and cities of Long Beach, Pasadena, Malibu, and Santa Monica and the County of Los Angeles, \$15 an hour by 2020.

## What are the characteristics of workers receiving a pay raise?

- According to a report by the UCB Labor Center, 27 percent of white workers, 51 percent of Latino workers, 46 percent of immigrant workers, and 50 percent of women workers will receive pay increases.
- Seventy-two percent of workers receiving a pay raise belong to working poor families earning less than \$50,200 a year.
- The median age of workers receiving a pay increase is 33, and on average, affected workers contribute more than half of their family's income.<sup>9</sup>

## How much will the annual incomes of affected workers increase?

- By 2020 the annual income of affected workers will increase by \$2900. For most low-wage workers the increased income will help to pay for spiraling rents that jumped by 35 percent immediately after the Tubbs fire in October 2017.<sup>10</sup>

## Who are minimum wage employers? What is their financial position?

- According to the National Employment Law Project, two-thirds of minimum wage workers are employed by large businesses with more than 100 employees.
- The top 50 low-wage employers include Wal-Mart, Target, Taco Bell, McDonald's, Subway, Burger King, Starbucks, Wendy's, Sodexo, and Dollar Tree. These companies have not only recovered from the Great Recession of 2007-2009, but are earning higher revenues than prior to the recession and in 2012 paid their CEOs, on average, \$9.4 million annual compensation.<sup>11</sup>
- Corporate profits are now the largest share of Gross National Product while wages are the lowest share of GNP since 1973.<sup>12</sup>
- Between 1979 and 2013 productivity increased by 89 percent for California workers but median hourly compensation (both wages and benefits) for nonsupervisory production workers increased by only 3 percent adjusted for inflation.<sup>13</sup>

## How will raising the minimum wage affect the local economy?

- Raising the minimum wage does not lead to higher unemployment. Most economists now agree that modest incremental increases in the minimum wage have no discernible effect on employment. In 2003 San Francisco implemented the first citywide minimum wage law at \$8.50 an hour. Subsequent research demonstrated no negative impacts on restaurant employment; substantial worker pay raises; and less than 5 percent price increases by restaurants.<sup>14</sup>
- Because low-wage workers tend to spend increased earnings locally on basic necessities, a minimum wage increase will stimulate the local economy, spur greater business activity, particularly for small businesses, and create new jobs to meet increased consumer demand.
- According to the Federal Reserve Bank of Chicago, every \$1.00 in hourly wage increase for a minimum wage worker results in \$2800 in new consumer spending by his or her household over the following year.<sup>15</sup>

## Will increasing the minimum wage result in substantial price increases by businesses?

- A 2015 study by University of Massachusetts economists estimated that fast-food giants like McDonald's could adjust to a \$15 an hour minimum wage phased in over four years without cutting profits, by increasing prices by 3 percent per year (15 cents annually per Big Mac) and by realizing cost savings from declining employee turnover and increased worker productivity.<sup>16</sup>
- In November 2012 voters in the City of San Jose approved a citywide minimum wage ordinance that increased the city's wage floor by 25 percent from \$8 to \$10 an hour in March 2013. Two University of California Berkeley economists compared price data from 884 San Jose limited and full-service restaurants six months prior to the implementation of the \$10 citywide minimum, and six months afterwards. Overall restaurants responded to the wage hike by increasing prices, on average, by 1.45 percent.<sup>17</sup>

- UC Berkeley Labor Center researchers estimate that implementing a \$15 an hour minimum wage (by 2020) in the North Bay will increase restaurant-operating costs by 2.1 percent and will yield a cumulative 1.8 percent price increase by North Bay restaurants.<sup>18</sup>

## How do the taxpayers benefit?

- By raising the minimum wage fewer workers will receive public assistance such as Food Stamps, Medi-Cal, and Section 8 affordable housing, etc.
- From 2007-2012 the average annual expenditures for public assistance to California low waged workers and their families by local, state and federal government was \$14.3 billion.<sup>19</sup>

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For more information please see [NorthBayJobswithJustice.org](http://NorthBayJobswithJustice.org)

*\*The Alliance for A Just Recovery (AJR) includes: North Bay Jobs with Justice, North Bay Labor Council, North Bay Organizing Project, Sonoma County Conservation Action, 350Sonoma, Democratic Socialists of America North Bay, Sonoma County Transportation and Land Use Coalition, Transition Sonoma Valley, Graton Day Labor Center, Sonoma County Democratic Party, Greenbelt Alliance, Christ Church United Methodist, Sonoma Valley Housing Group, and Friends of Public Banking Santa Rosa. The Sierra Club is not a formal member of the AJR but the club supports all the policy recommendations in the AJR's 'common agenda for a just, equitable, and sustainable recovery.*

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