

MOTION BY SUPERVISOR SHEILA KUEHL

June 23, 2015

On March 31, 2015, this Board took note of the fact that in Los Angeles County, 2.7 million residents live in poverty, defined by the California Poverty Measure as an annual household income of less than \$30,785 for a family of four. These residents, constituting 27% of the County’s overall population, represent an impoverished constituency the size of the City of Chicago, the third largest city in the nation, living in the midst of plenty.

The fact that many County residents, despite working full-time, earn too little in wages to cover even their bare necessities such as safe housing, healthy food, adequate clothing and basic medical care, is intolerable in a County that values equity and fair reward.

As of January 1, 2016, the statewide minimum wage will rise to \$10 an hour. But the income of a full-time minimum-wage worker will only increase to \$20,000 a year. In the County of Los Angeles, according to the most recent USC Casden Multifamily Forecast, four straight years of increases have raised the average rent to \$1,716 a month. This means that full-time minimum-wage earners, half of whom are women, could not even afford the average cost of keeping a roof over their family’s head, much

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less all their other expenses.

Since August 2014, there have been four studies from a variety of ideological perspectives attempting to assess the economic impacts of raising the minimum wage in the City of Los Angeles beyond that required by state law, and the City subsequently further commissioned a peer review of those studies. In March of 2015, our Board asked the Los Angeles County Economic Development Corporation (LAEDC) to undertake its own review and assessment of those four studies, with an added emphasis on gauging the potential effects on businesses and workers of raising the minimum wage in the County's unincorporated areas, and the fiscal impact on the County budget, where as many as 5,000 County employees, or roughly 5% of the County workforce, could also be covered by such an increase.

The LAEDC has finished its review of the literature and the analysis and methodology in the recent studies. Its report (final draft forthcoming) summarized the studies which agree on only one finding: that no loss of jobs is predicted, even by the most conservative study.

The LAEDC report does, however, contain a very significant and original element lacking in all earlier studies, which offers deeper and more persuasive insight into the likely economic impacts of raising the minimum wage in the County of Los Angeles than the earlier theoretical works with all their divergent and somewhat inconclusive findings.

The LAEDC commissioned an independently conducted survey of nearly 1,500 businesses randomly selected throughout the entire County, and confidentially asked them a series of 24 questions about the makeup of their workforce, and how their business decisions would be affected by an increase in the minimum wage. One thousand (1000) replied, a completion rate of 70% and a sampling error within +/- 3.2%;

the results have a 95% confidence level.

There is little argument that minimum-wage workers and their families will benefit from an increase in household income by raising their wage. Nor is there any dispute that increasing their purchasing power will help stimulate the local economy. But how much might these benefits be offset by negative economic impacts, such as reduced hours, layoffs, or an exodus of businesses to lower-wage jurisdictions?

Here the findings of this business survey, directly contradicting much of the rhetorical opposition to raising the minimum wage, are as striking as they are statistically significant. Consider:

- 0% of the employers surveyed said they planned to close their business due to raising the minimum wage
- Only 6% of employers thought it was even somewhat likely they would reduce the number of minimum-wage employees
- 71% of the employers thought it unlikely they would reduce the work hours of their minimum wage employees; only 2% thought it even somewhat likely
- 72% thought it unlikely they would invest in labor-saving or labor-replacing devices or processes; again, only 2% thought it even somewhat likely
- 66% of the employers thought it likely they would save money with the wage raise by reducing the cost of employee turnover
- 65% thought it unlikely they would move their business to a community with a lower minimum wage; 0% said it was likely they would move their business
- 66% of the employers said they are likely to increase their minimum wage to match wages paid by other cities or regions nearby
- 72% of the employers believe that their employees would be happier and more

productive if they are better paid

And who are these minimum-wage employees who would most benefit? Again, the survey findings belie the familiar rhetoric:

- 70.5% of minimum-wage workers are full-time employees
- Only 3.4% of minimum-wage workers are teenagers

In fact, the LAEDC study notes, “There is broad agreement...about the characteristics of the workers that are likely to be affected...almost 97% are adult workers with a median age of 33 years,” adding that the data “deviates markedly from the common belief that minimum wages are typically paid to teenagers.”

In sum, setting aside the theory and examining the actual thinking of businesspeople contemplating a significant minimum wage hike, we find that very few employers surveyed foresee substantial negative impacts from raising the minimum wage, and in fact a commanding percentage believe their businesses and employees will be better off in key respects. Moreover, those we would be helping are mostly adults struggling to support families in one of the most expensive regions of the country.

After much study and debate, the City of Los Angeles, representing 38% of the County population and almost 40% of the payroll jobs, recently adopted an increase in the hourly minimum wage beginning with \$10.50 on July 1, 2016, and rising to \$15.00 by July 1, 2020, indexed thereafter beginning in 2022 to an average inflation rate to ensure that the minimum wage retains its value and purchasing power in the future. Firms with fewer than 26 employees (businesses and nonprofits alike) will have an additional year to reach the same minimum wage levels, with a wage of \$10.50 by July 1, 2017, and rising to \$15.00 by July 1, 2021.

To minimize confusion, disruption and destructive cross-jurisdictional conflict and

competition for both workers and businesses, I believe that the County of Los Angeles should adopt the same minimum-wage plan developed for the City of Los Angeles, and encourage the County's other 87 incorporated cities to follow suit for a uniform, region-wide minimum-wage policy.

I, THEREFORE MOVE that the Board of Supervisors:

1. Direct the County Counsel to prepare and submit a Countywide Minimum Wage Ordinance for Board of Supervisors review in 45 days, which will establish a Countywide minimum wage with the provisions outlined below. The Countywide Minimum Wage Ordinance shall be applicable to employees of all agencies, including nonprofits and businesses, in the unincorporated areas of Los Angeles County, where the Board of Supervisors serves as the wage setting entity, as allowed under California law, and shall include:

- a. Beginning in 2016, the minimum wage in the County of Los Angeles will increase annually as follows for all employers (including nonprofits and businesses) with 26 or more employees:

i. July 1, 2016	\$10.50
ii. July 1, 2017	\$12.00
iii. July 1, 2018	\$13.25
iv. July 1, 2019	\$14.25
v. July 1, 2020	\$15.00

- b. Employers with fewer than 26 employees will have two years to prepare for the phase-in launch, and will then follow the rollout schedule below:

i. July 1, 2017	\$10.50
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- ii. July 1, 2018 \$12.00
- iii. July 1, 2019 \$13.25
- iv. July 1, 2020 \$14.00
- v. July 1, 2021 \$15.00

c. Beginning July 1, 2022, the minimum wage will increase annually based on the average Consumer Price Index over the previous 20 years. This rate will be determined by the County's Chief Executive Office and will be announced on January 1st of every year.

2. Direct the Interim Chief Executive Officer and the County Counsel to prepare and submit to the Board of Supervisors, within 45 days, a new Board Policy that will establish a minimum wage for employees of the County of Los Angeles, the region's largest employer. Implementation of minimum wage increases for County employees shall proceed on the rollout schedule below:

- i. July 1, 2016 \$10.50
- ii. July 1, 2017 \$12.00
- iii. July 1, 2018 \$13.25
- iv. July 1, 2019 \$14.25
- v. July 1, 2020 \$15.00