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The Effects of a $15 Minimum Wage by 2019 in Santa Clara County and the City of San Jose

Summary of Key Findings

April 2016

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This report

- Provides an economic analysis of the effects of increasing minimum wages to $15 by 2019 in San Jose only and in all of Santa Clara County.
- Examines first the current economic context and then the effects of a $15 minimum wage on workers, businesses, and the economy.
- Assesses associated policy issues.
- The analysis in this report was completed before recent legislation raising the state minimum wage to $15 by 2023.

Key findings: San Jose

Increasing the minimum wage to $15 an hour by 2019 in San Jose would do the following:

- Increase earnings for 115,000 workers
- Raise average annual earnings of affected workers by 17.8 percent, or $3,000 (in 2014 dollars)
- Increase average prices in San Jose by 0.3 percent over three years
- Have a net effect on employment that is slightly negative at the city level (1,020 jobs) and close to zero at a ten county regional level

Key findings: Santa Clara County

Increasing the minimum wage to $15 an hour by 2019 in Santa Clara County would do the following:

- Increase earnings for 250,000 workers
- Raise average annual earnings of affected workers by 19.4 percent, or $3,200 (in 2014 dollars)
- Increase average prices in Santa Clara County by 0.2 percent over three years
- Have a net effect on employment that is slightly negative at the county level (1,450 jobs) and close to zero at a 10 county regional level

Economic context

The current economic situation in San Jose and Santa Clara County

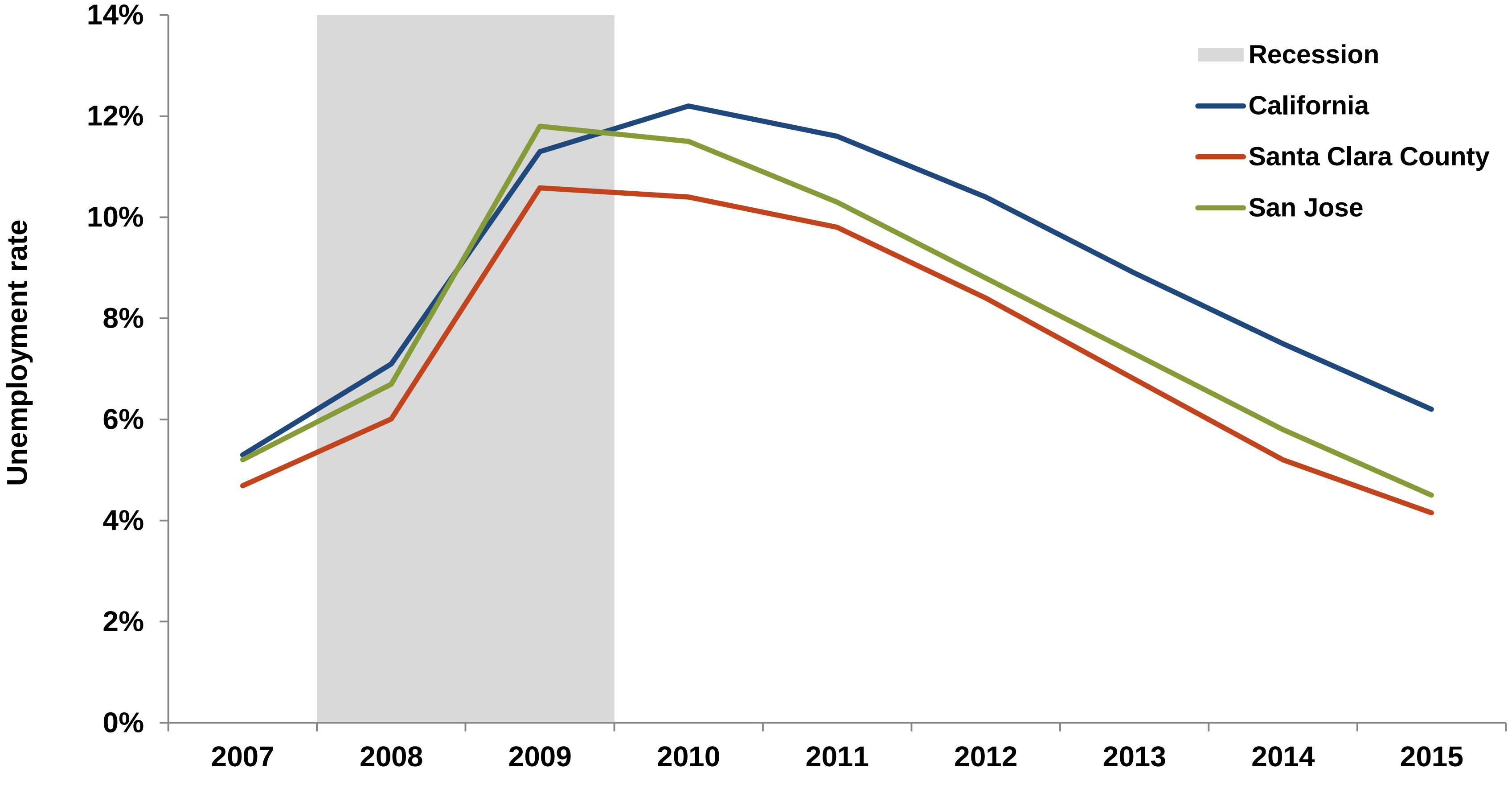
- Since 2009, unemployment, job growth and employment rates have continued to recover.

- Despite the economic recovery, median pay levels have continued to fall.

Unemployment rates are falling

Unemployment rates for San Jose and Santa Clara County have been falling since 2009 and are now below their pre-recession levels.

Annual unemployment rates, 2007-2015

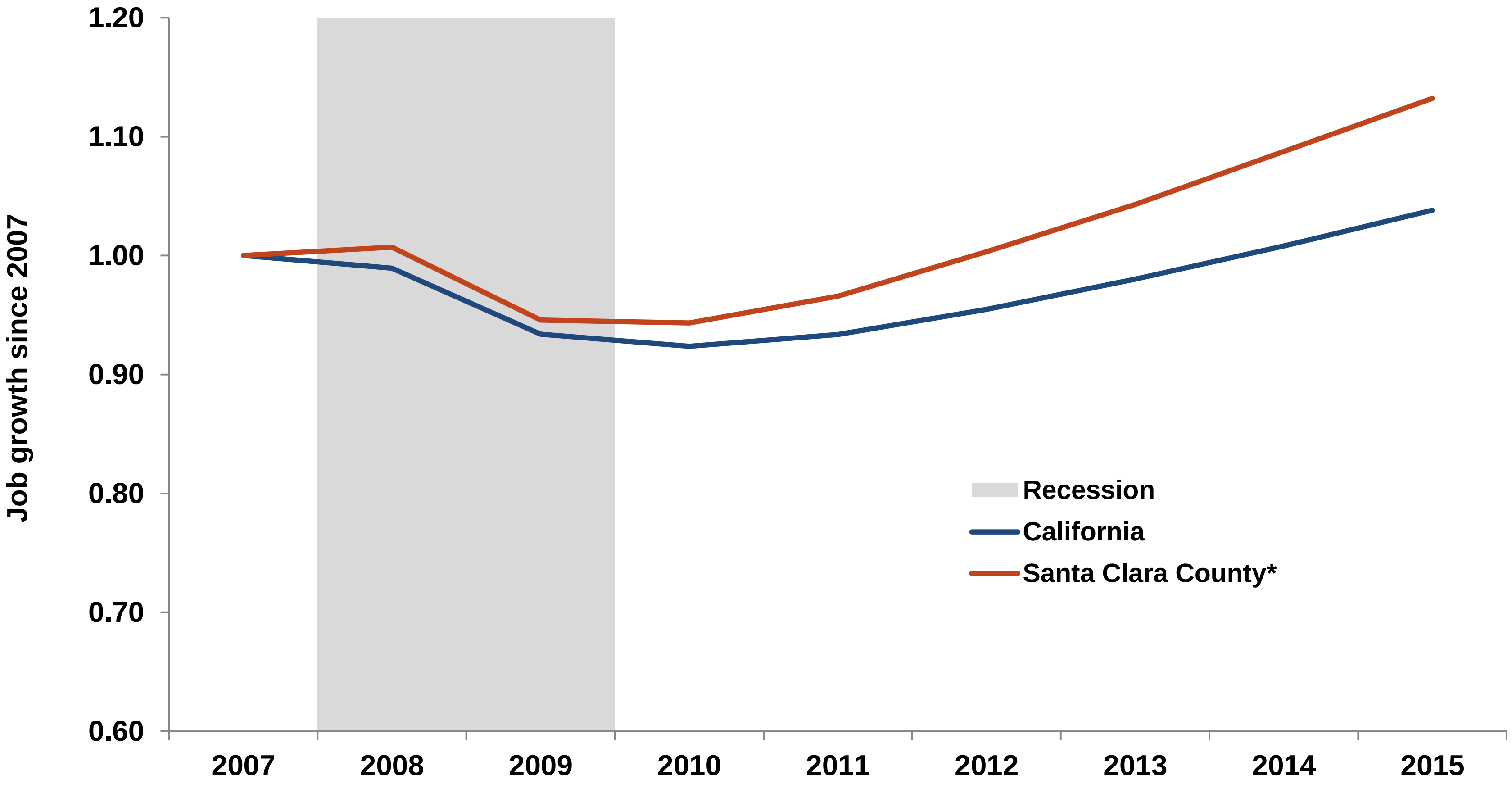


Sources: Annual unemployment rates are from the California Employment Development Department.

Job creation

Santa Clara County has outpaced California in job creation.

Job growth, California and Santa Clara County, 2007-2015

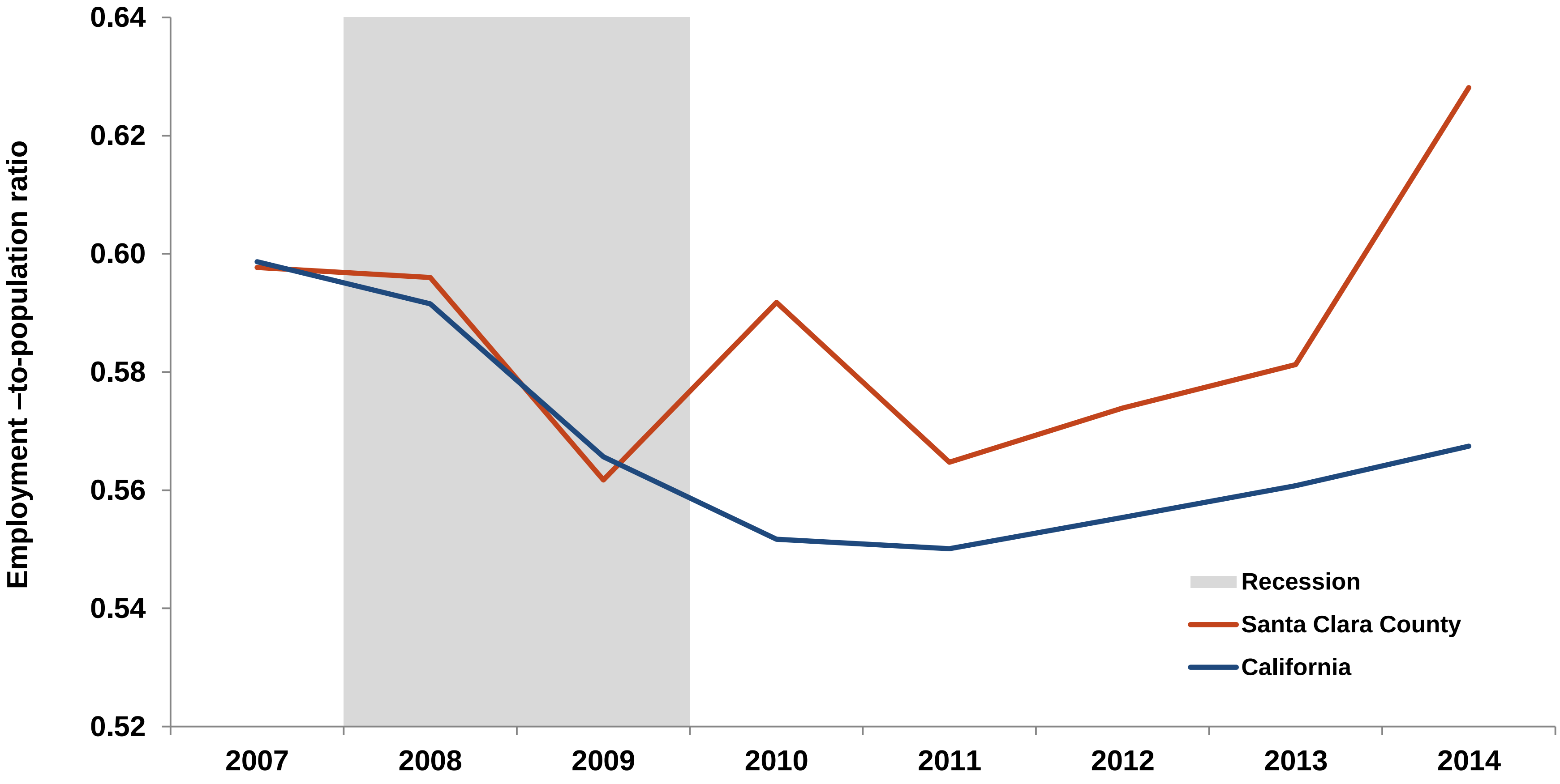


Source: Authors' calculation of growth in total nonfarm payrolls (annual averages) since 2007 are from Current Employment Statistics.
Note: *Data for Santa Clara County refers to the San Jose–Sunnyvale–Santa Clara MSA.

Higher employment rates

Over 62 percent of Santa Clara County residents are employed, compared to 57 percent for the state as a whole.

The employment rate (EPOPS), 2007-2014

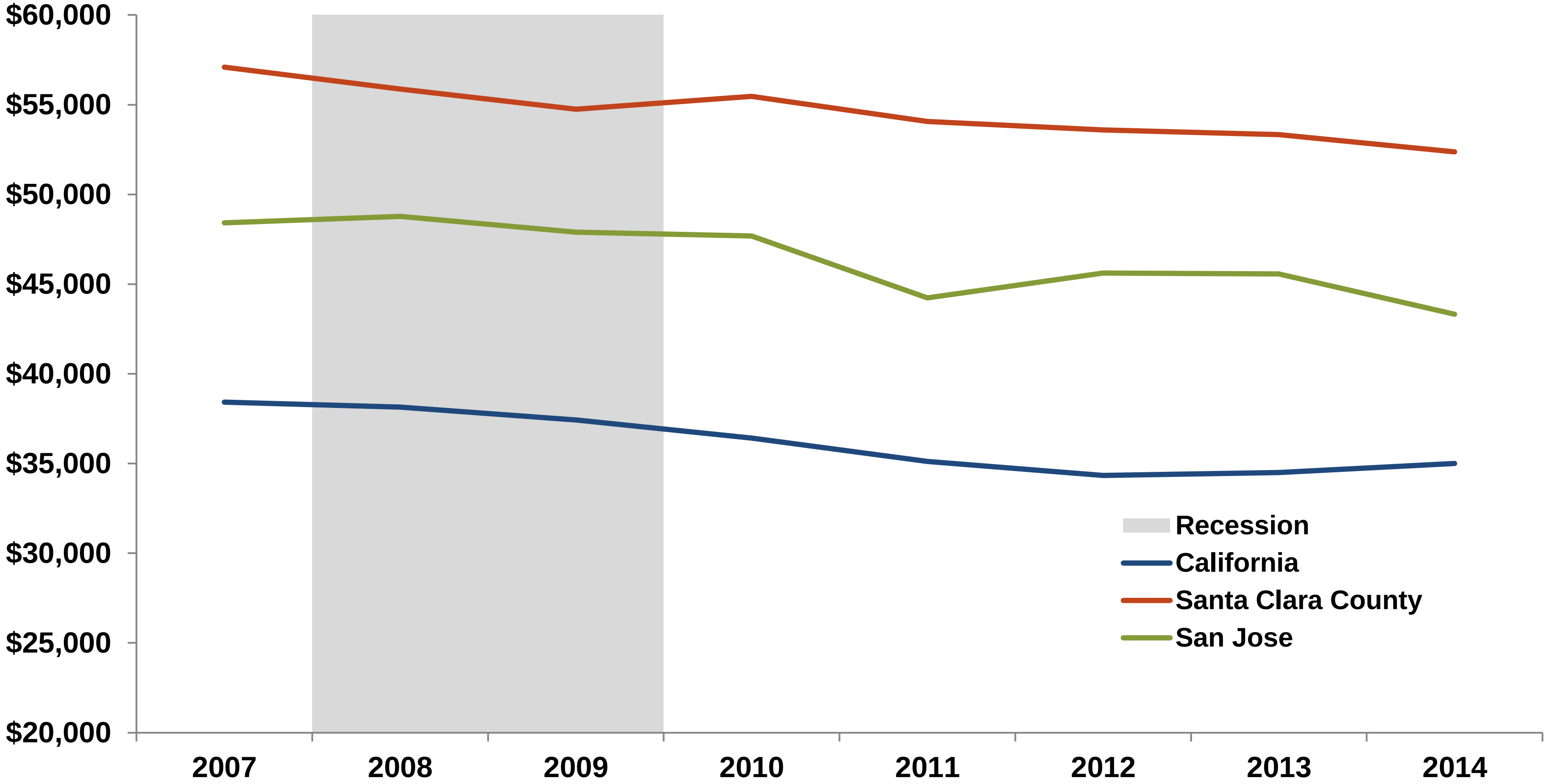


Sources: California state employment-to-population ratios are calculated using annual employment data from the CPS and annual population data from the U.S. Census. Santa Clara County ratios are calculated using annual employment data from EDD and annual population data from the U.S. Census.

Falling pay

Real median pay levels have continued to fall since 2007. However, median pay for people who work in Santa Clara County is 50 percent higher than in the state as a whole; median pay in San Jose is 21 percent higher than in the state.

Real median earnings, 2007-2014



Source: American Community Surveys 2007-2014.
Note: Median annual earnings for workplace geography are in real 2014 inflation-adjusted dollars for workers 16 years and over with earnings.

Two minimum wage scenarios

A. City of San Jose

B. Santa Clara County

Scenario A:
City of San Jose $15 by 2019

	2017	2018	2019
Baseline schedule*	$10.53	$10.76	$11.00
Scenario schedule	$12.00	$13.50	$15.00

* San Jose's minimum wage schedule as of March 1, 2016. It does not take into account the state minimum wage increase enacted on April 4, 2016. San Jose's minimum wage was indexed to the U.S. All Cities CPI-W. We estimate each year's minimum wage using the average annual increase in the CPI-W over the past 10 years.

Scenario B: Santa Clara County $15 by 2019

	2015 workforce	2017	2018	2019
Baseline schedules*				
San Jose & Sunnyvale	431,000	$10.53**	$10.76**	$11.00**
Palo Alto & Santa Clara City	211,000	$11.25**	$11.50**	$11.75**
Mountain View	84,000	$13.00	$15.00	$15.37**
Rest of Santa Clara County (state schedule)	180,000	$10.00	$10.00	$10.00
Scenario schedule				
Santa Clara County (except Mountain View)	906,000	$12.00	$13.50	$15.00

* The schedules used for this analysis were those that were in effect as of March 1, 2016. Proposals being considered by individual cities were not used. We do not take into account the state minimum wage increase enacted on April 4, 2016.
** Where minimum wages are scheduled to increase according to CPI, we estimate the increase using the average annual CPI increase over the past 10 years. Mountain View's minimum wage is indexed to the San Francisco CMSA CPI-W. All other cities are indexed to the U.S. All Cities CPI-W.

New California minimum wage

The new statewide law increases minimum wages to $15 an hour by 2022 for large businesses and 2023 for small businesses. Starting in 2024, the minimum wage will be indexed to the cost of living.

Schedule of California minimum wage increases

	State schedule		Scenario schedule
	Business with more than 25 employees	Businesses with 25 or fewer employees	
2017	$10.50	$10.00	$12.00
2018	$11.00	$10.50	$13.50
2019	$12.00	$11.00	$15.00
2020	$13.00	$12.00	$15.33*
2021	$14.00	$13.00	$15.68*
2022	$15.00	$14.00	$16.03*
2023	$15.00	$15.00	$16.38*

* The scenario schedule after 2019 is indexed using the average annual increase in the U.S. All Cities CPI-W over the past 10 years, which is 2.2%.

Impacts on workers

Estimating effects on workers

- We estimate baseline wages for each year taking into account existing local minimum wage laws in Santa Clara County and projected wage growth without the policy.

- Estimates include:
  - ***Directly affected workers***
    Workers who earn less than the new minimum wage.

  - ***Indirectly affected workers***
    Workers who earn between \$15 and \$17.50; these workers are predicted to receive wage increases as a result of a ripple effect.

Estimated impacts

In Scenario B, about 250,00 workers in Santa Clara County would receive wage increases—25 percent of the workforce. By 2019, these workers would receive an average wage increase of $3,200, a 19.4 percent increase in earnings.

Workforce impacts	San Jose	Santa Clara County[1]
Percent of eligible workforce receiving pay increases[2]	31.1%	25.3%
Total number of workers receiving increases	115,000	250,000
Number of workers affected directly[3]	92,000	198,000
Number of workers affected indirectly[4]	23,000	52,000
Average annual earnings increase for workers receiving increases (2014 dollars)[5]	$3,000	$3,200
Average percent annual earnings increase for workers receiving increases	17.8%	19.4%
Total aggregate increase in wages (2014 dollars)	$345 million	$800 million

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

[1] Santa Clara County impacts include those for the entire county, including San Jose.

[2] Eligible workers are those that work in the city/county where the new minimum wage policy is implemented.

[3] Directly affected workers earned between 50% of the old minimum wage and 100% of the new minimum wage.

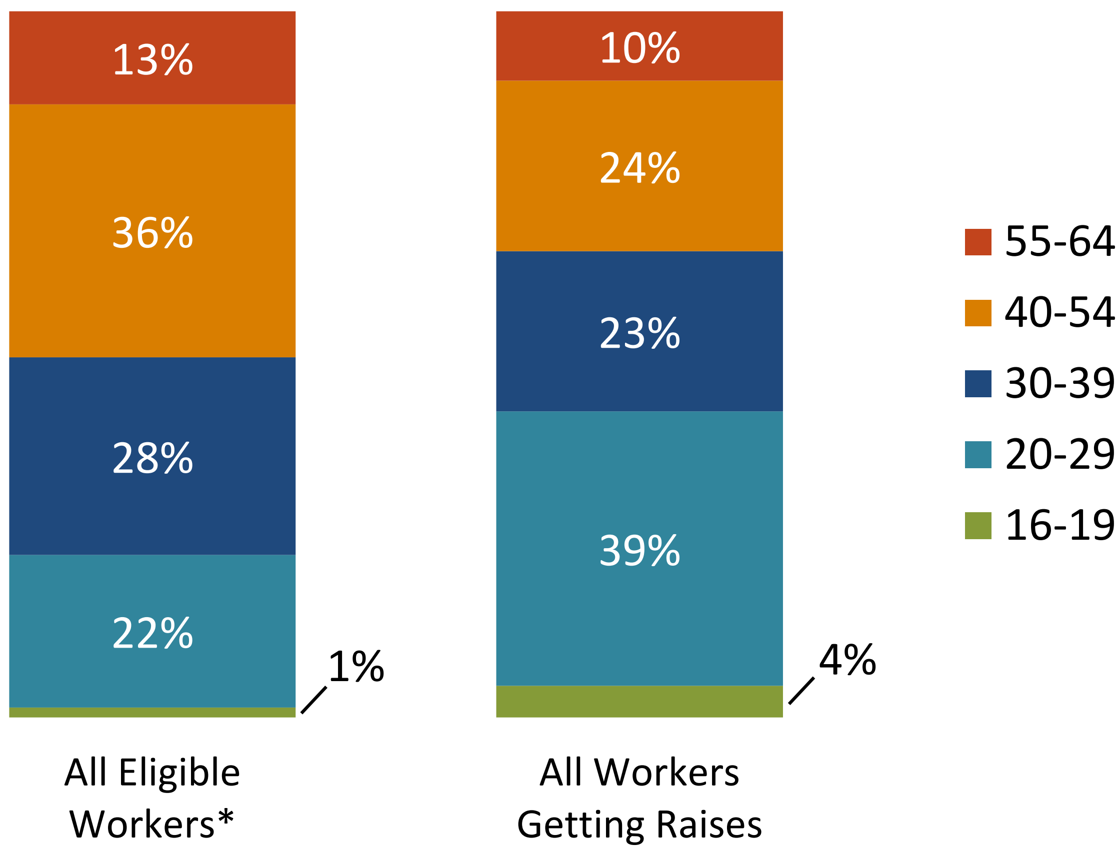
[4] Indirectly affected workers earned between 100% and 115% of the new minimum wage.

[5] Average annual earnings is per worker, not per job.

Age

96 percent of Santa Clara County workers receiving increases are over the age of 20, and 57 percent are over 30.

Santa Clara County workers by age group

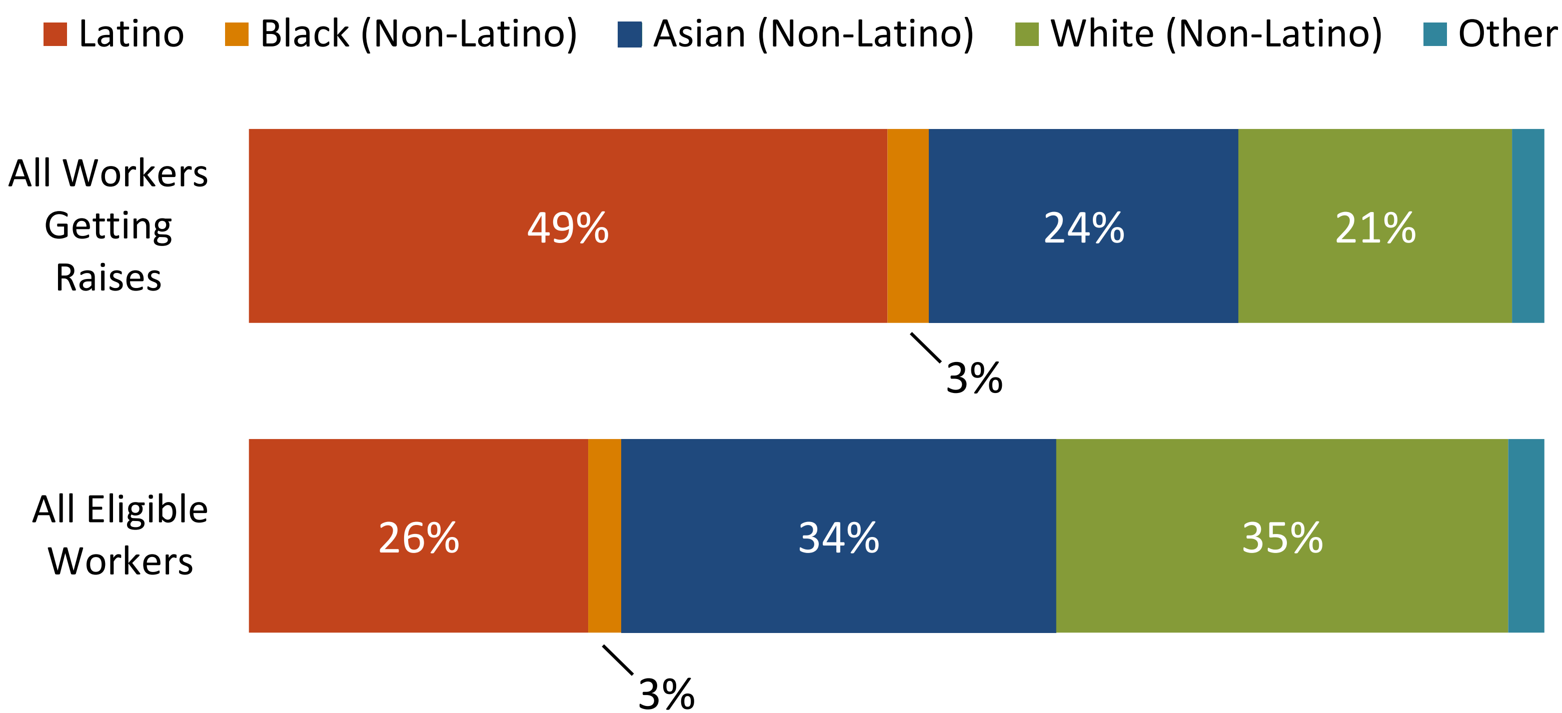


Source: Authors' analysis of ACS, OES, and QCEW data.
* Excludes federal and state employees, public education employees, and IHSS workers.

Race and ethnicity

Latino workers are more likely to benefit from a minimum wage increase. About 49 percent of the workers who would receive pay increases are Latino, compared with 26 percent for all workers.

Santa Clara County workers by race and ethnicity

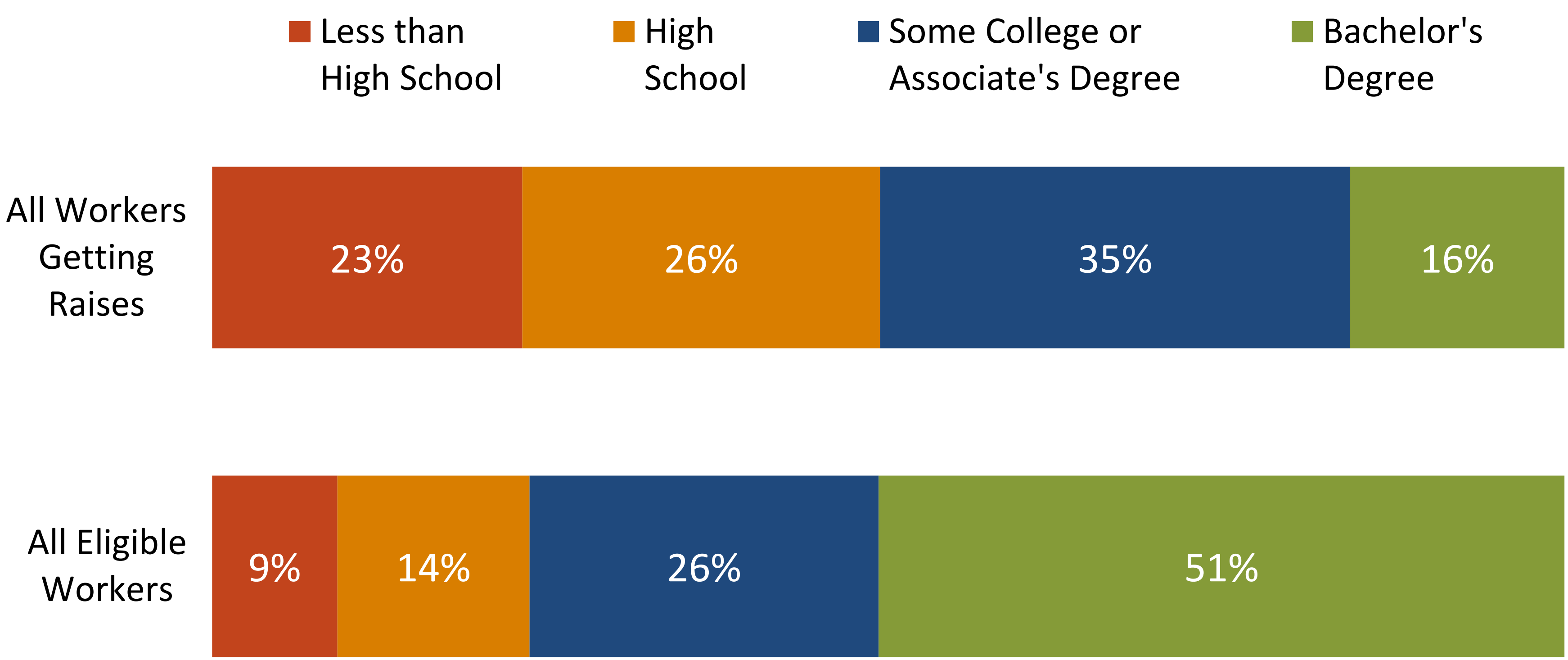


Source: Authors' analysis of ACS, OES, and QCEW data.

Education

Workers receiving pay increases have less schooling than the overall workforce. However, 51 percent have some college experience or higher.

Santa Clara County workers by education level

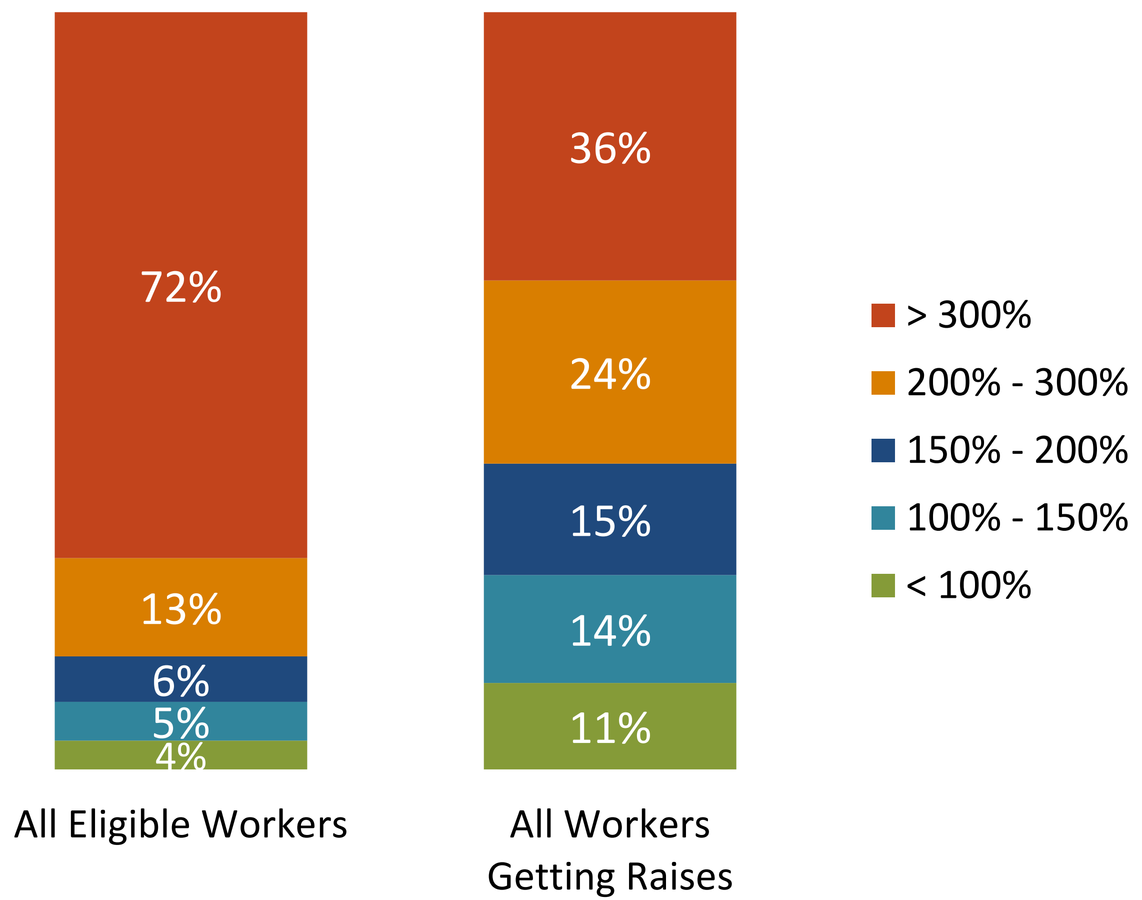


Source: Authors' analysis of ACS, OES, and QCEW data.

Family poverty level

Workers receiving pay increases are much more likely to live in families with incomes below the Federal Poverty Level (FPL). Forty percent of workers receiving increases live in families under 200 percent of the FPL.

Workers by family poverty level* – Santa Clara County



Source: Authors' analysis of ACS, OES, and QCEW data.
* The federal poverty threshold is based on family size, the number of children, and whether the head of household is under or over 65. In 2014, the threshold for a family of four with two children was $24,008.

Other characteristics

On average, affected workers contribute half of their family incomes; 34 percent have children.

Santa Clara County	All eligible workers	Workers getting raises
Median annual earnings (2014 dollars)	$59,500	$20,800
Average worker share of family income	60%	50%
Percent that work full-time	84%	65%
Percent with health insurance provided by employer	80%	53%
Percent that have children	45%	34%
Percent that are female	42%	49%

Impacts on businesses

Industry impacts

The three industries shown below account for over half of workers receiving increases in Scenario A and nearly half of all such workers in Scenario B.

	Scenario A: San Jose		Scenario B: Santa Clara County	
Industry	Percent of affected workforce	Percent of workers in the industry receiving an increase	Percent of affected workforce	Percent of workers in the industry receiving an increase
Restaurants	21.0%	77.8%	20.2%	71.0%
Retail	19.1%	46.8%	16.1%	44.4%
Administrative & waste management*	14.7%	50.7%	11.9%	47.6%

* Includes office administrative services, facilities support services, employment services, business support services, and waste management.

Increase in payroll costs

While wages rise by 16.4 percent for workers getting increases, those workers account for only 7.4 percent of total wages paid to workers in Santa Clara County. As a result, the increase in total wages for Santa Clara County workers is only 1.2 percent. Firms will realize savings due to reduced worker turnover, bringing the total increase in wages paid to 1.0 percent.

Total percent increase in affected workers' wages is 16.4%*

Affected workers' share of total wages is 7.4%

↓

Increase in total wages is 1.2%

↓

Increase in wages after accounting for turnover reduction savings is 1.0%

*Differs from average individual percent increase in wages reported on slide 17. Increase in wages reported on slide 17 is the average change per worker, not the average change in total wage bill.
All results shown for Santa Clara County.

Cost impacts

Payroll costs will increase by 1 percent across the entire economy, increasing operating costs and prices in Santa Clara County by 0.2 percent in 2019. Restaurant prices will increase by 2.9 percent and retail prices will increase by 0.2 percent, each by 2019.

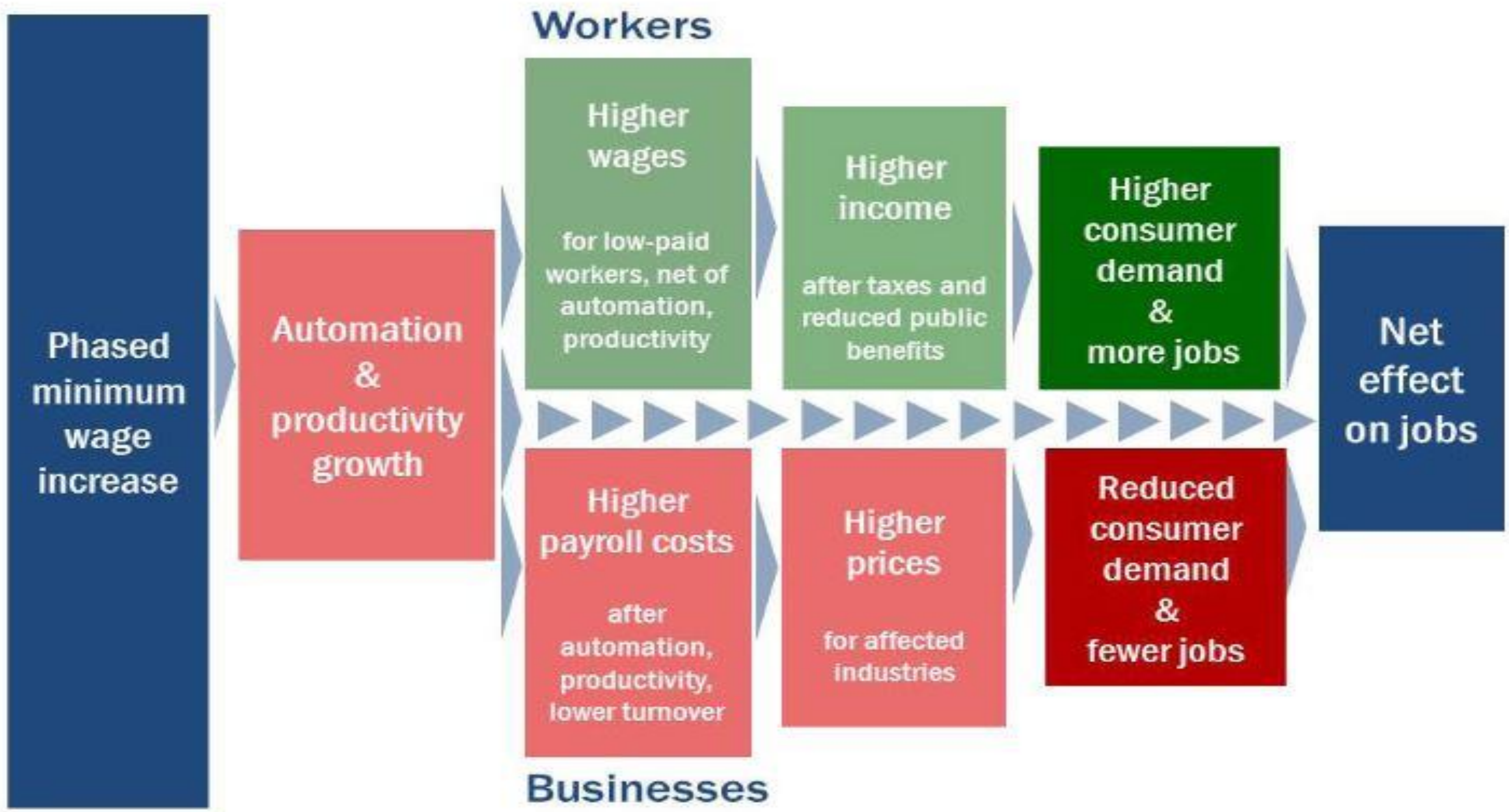
	A: San Jose	B: Santa Clara County
All		
Percent change in payroll costs	1.2%	1.0%
Labor costs as percent of operating costs*	22.1%	22.1%
Percent change in operating costs and prices**	0.3%	0.2%
Restaurants		
Percent change in payroll costs	10.2%	9.6%
Labor costs as percent of operating costs*	30.7%	30.7%
Percent change in operating costs and prices**	3.1%	2.9%
Retail		
Percent change in payroll costs	2.2%	2.1%
Labor costs as percent of operating costs*	10.8%	10.8%
Percent change in operating costs and prices**	0.2%	0.2%

* US Census Annual Wholesale Trade Report
** Numerous studies find that operating cost increases are passed through fully to prices. See: Ariel Pakes. 2016. "Empirical Tools and Competition Analysis: Past Progress and Current Problems." NBER Working Paper No. 22086.

Impacts on the economy

IRLE Minimum Wage Model

Higher wage costs are absorbed by employers through higher productivity, reduced worker turnover costs, and price increases. Higher wages increase consumer demand. The net effect on jobs reflects the balance among these different factors.



Source: UC Berkeley IRLE Minimum Wage Research Group.

Spending leakages

Some of the increased worker spending will take place outside the City of San Jose or Santa Clara County--since some workers commute in from other places. As a result, the economic benefits of the wage increase will be spread across the broader region from which workers commute.

- 35 percent of affected workers in San Jose live outside of the city.
- 16 percent of affected workers in Santa Clara County live outside of the county.
- The next slide accounts for these spending leakages.

Scenario A: San Jose

An increase to $15 by 2019 will reduce employment by 1,020 in San Jose but increase employment in the surrounding region by 980, resulting in a net loss of 140 jobs.

	Impact of Scenario A in San Jose City only	Additional impact in the rest of Santa Clara County & nine nearby counties	Total impact of Scenario A in SJ City, the rest of Santa Clara County and nine nearby counties
A. Cumulative reduction in wage bill due to automation and productivity gains			
Reduction in jobs from substitution effects and productivity gains	-1,190	n.a	-1,190
B. Scale effect: Cumulative reduction in consumer spending			
Reduction in consumer spending from price increase (millions)	-$107	n.a	-$107
Reduction in number of jobs due to the scale effect	-630	n.a	-630
Reduction in GDP due to the scale effect (millions)	-$71	n.a	-$71
C. Income effect: Cumulative increase in consumer demand			
Aggregate increase in consumer spending (millions)	$203	+$101	$304
Increase in number of jobs due to income effect	800	+880	1,680
Increase in GDP due to income effect (millions)	$91	+$106	$197
D. Cumulative net change in employment			
Net change in employment	-1,020	+980	-140
Net change in employment, as a percent of total employment	-0.3%	+0.3%	0.0%
Net change in GDP (millions)	$20	+$105	$125
Net change in GDP, as a percent of total GDP	0.0%	+0.1%	0.1%

Sources: Authors' calculations using the regional economic impact model IMPLAN.
Note: The nine nearby counties taken into account are: Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, San Benito, Contra Costa, San Joaquin, and Merced. All estimates are in 2019 dollars.

Scenario B: Santa Clara County

An increase to $15 by 2019 will reduce employment by 1,470 in Santa Clara County but increase employment in the surrounding region by 1,410, resulting in a net loss of 60 jobs.

	Impact of Scenario B in Santa Clara County only	Additional impact in nine nearby counties	Total impact of Scenario B in Santa Clara County, and nine nearby counties
A. Cumulative reduction in wage bill due to automation and productivity gains			
Reduction in jobs from substitution effects and productivity gains	-2,700	n.a	-2,700
B. Scale effect: Cumulative reduction in consumer spending			
Reduction in consumer spending from price increase (millions)	-$214	n.a	-$214
Reduction in number of jobs due to the scale effect	-1,240	n.a	-1,240
Reduction in GDP due to the scale effect (millions)	-$140	n.a	-$140
C. Income effect: Cumulative increase in consumer demand			
Aggregate increase in consumer spending (millions)	$601	+$103	$704
Increase in number of jobs due to the income effect	2,470	+1,410	3,880
Increase in GDP due to the income effect (millions)	$285	+$169	$454
D. Cumulative net change in employment			
Net change in employment	-1,470	+1,410	-60
Net change in employment, as a percent of total employment	-0.1%	+0.1%	0.0%
Net change in GDP (millions)	$144	+$170	$314
Net change in GDP, as a percent of total GDP	0.1%	+0.0%	0.1%

Sources: Authors' calculations using the regional economic impact model IMPLAN.
Note: The nine nearby counties taken into account are: Alameda, San Mateo, San Francisco, Santa Cruz, Monterey, San Benito, Contra Costa, San Joaquin, and Merced. All estimates are in 2019 dollars.

Policy issues

Minimum wage and teens

- California regulations allow 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.

- Of the 18 local minimum wage laws in California:
  - Most incorporate the above state regulation
  - 11 have no other special provisions for teens or learners
  - 4 exempt youth training programs operated by a non-profit corporation or government agency (Sacramento, Richmond, Berkeley, San Diego).
  - 1 exempts publicly subsidized job-training and apprenticeship programs for teens (San Francisco)
  - 2 extend the state learner provision to 480 hours or 6 months (Santa Monica, Long Beach)

Minimum wage and teens (continued)

- Teens make up 4 percent of workers affected by the increase.
- Teen unemployment is persistently higher than adult unemployment.
- In theory, a higher minimum wage could reduce the incentive for employers to hire less skilled workers, thus disadvantaging teens. Higher minimum wages might also draw more teen workers into the labor market, leading to an increase in teen employment.
- A large body of research suggests that the effect of minimum wage laws on teen employment is small, and may run in either direction.[1]
- Subminimum or training wages for teens may create an incentive to hire middle-class teens over low-wage adult workers from more disadvantaged backgrounds.

[1] See, for example, John Schmitt. 2013. "Why Does the Minimum Wage Have No Discernible Effect on Employment?" Washington, DC: Center for Economic and Policy Research. http://cepr.net/documents/publications/min-wage-2013-02.pdf

Transitional jobs programs

- Transitional jobs programs provide short-term, subsidized employment and supportive services through a non-profit organization to help participants overcome barriers to employment.
- Most minimum wage laws treat transitional jobs programs the same as other non-profit organizations.
- In Los Angeles and Santa Monica, participants in transitional jobs programs that meet specified criteria are exempted from the higher minimum wage for a maximum of 18 months.

Small business

- The new California minimum wage law (SB 3) and a number of the local laws provide an additional phase-in year for small businesses.

- “Small business” is commonly defined in these laws as 25 employees or fewer.

Higher wage level

- Setting a higher minimum wage (such as $20) is likely to:
  a) Increase the negative consumption effects caused by higher prices;
  b) Reduce the positive consumption effects caused by higher incomes (a greater portion of the higher incomes would leak into savings); and therefore
  c) Generate larger negative net employment effects.
- Outcomes at higher wage levels than previously studied are more uncertain

Impacts of a higher state minimum wage

- The higher state minimum wage will change the baseline for any local policy.
- This will reduce the impacts of the policy on each of the effects discussed in this report:
  - The policy will have a smaller effect on wages and prices;
  - As a result, the employment effects will be smaller.

Pay by occupation 2005-2015

	2005	2012	%change	2015	% change 12-15
All occs	$21.76	$25.71	18.2	$28.32	10.2
Managers	57.93	68.66	18.5	74.98	9.2
Software developers	46.73	55.80	19.4	67.90	21.7
Restaurant servers	7.90	9.15	15.8	11.50	25.7

Source: OES data, San Jose-Sunnyvale-Santa Clara metro area, May of each year.

San Jose metro area relative to CA

	San Jose metro	California
Cost of living, 2013 (U.S. = 100.0)	121.3	112.3
Median full-time wage (2016)	$32.06	$21.46
Ratio of $15 (in $2022) to median f-t wage	40.9%	61.9%

Sources: BEA, CPS and OES. Wage projections to 2022 based on 2.4 percent annual nominal wage growth.

Long-term effects

The research literature suggests that there may be downstream benefits from the proposed wage increase such as:

- Improved health outcomes for both workers and their children[1]
- Improved mental health[2]
- Increases in children's school achievement and cognitive and behavioral outcomes[3]
- Reduced public assistance expenditures[4]

[1]Paul J. Leigh and Juan Du. 2012. "Are Low Wages Risk Factors for Hypertension?" *European Journal of Public Health*, 22(6): 854-859. Kerris Cooper and Kitty Stewart. 2013. "Does Money Affect Children's Outcomes? A Systematic Review." Joseph Rowntree Foundation. http://www.jrf.org.uk/sites/files/jrf/money-children-outcomes-full.pdf
[2]Kerris and Cooper, Ibid.
[3]Aaron Reeves, Martin Mckee, Johan Mackenbach, Margaret Whitehead and David Stuckler. 2016. "Introduction of a National Minimum Wage Reduced Depressive Symptoms in Low-wage Workers: A Quasi-natural Experiment in the UK." *Health Economics* 1–17. DOI: 10.1002/hec.3336.
[4] See for example: Rachel West and Michael Reich. 2014. "The Effects of Minimum Wages on SNAP Enrollments and Expenditures." Center for American Progress. https://www.americanprogress.org/issues/economy/report/2014/03/05/85158/the-effects-of-minimum-wages-on-snap-enrollments-and-expenditures/

Conclusions and next steps

Interpretation of these results

- Higher wage costs would be absorbed through improved productivity, reduced worker turnover, and modest price increases.
- Net effects on employment would be very slightly negative at the city and county levels and close to zero at the regional level.
- The resulting improvement in living standards would outweigh the small effects on employment.

Upcoming detailed report, June 2016

- More detailed account of how San Jose and Santa Clara County would absorb an increase in the minimum wage to $15 over three years.
- Analysis of policy considerations.
- Qualitative discussion of the impact of an increase to $20 an hour.
- Full description of the underlying economic model.

Data sources

- American Community Survey (ACS) 2013 & 2014 One Year
- Quarterly Census of Employment and Wages (QCEW) Employment and Payroll Data 2015 Quarter 1
- LEHD Origin-Destination Employment Statistics

The Institute for Research on Labor and Employment (IRLE) is a research organization at UC Berkeley. Created in 1945, IRLE brings together faculty from multiple academic departments and supports interdisciplinary research about labor and employment relations. IRLE sponsors several community service programs and research centers.

This is a presentation from the Center on Wage and Employment Dynamics at IRLE. The Center on Wage and Employment Dynamics was established in June 2007 to provide a focus for academic and policy research on wage and employment dynamics in contemporary labor markets.

3B

Santa Clara County Minimum Wage Employer Survey

April 2016

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EXECUTIVE SUMMARY

BW Research Partnership, Inc. (BW Research) in collaboration with the City of San Jose and the Institute for Research on Labor and Employment (IRLE) developed and implemented a survey of over 500 (n=518) businesses In Santa Clara County. The purpose of the survey was to assess the attitudes, priorities and anticipated responses of Santa Clara County and City of San Jose businesses as they relate to a potential minimum wage increase.

The telephone and online survey was completed from February 17 to March 4, 2016 and the telephone survey was offered in English, Spanish and Vietnamese. The sampling plan for the survey was segmented by industry, firm size, and geography within Santa Clara County to ensure that a broad range of Santa Clara County businesses were included in the quantitative survey findings. Drawing on IRLE's research in comparable regions, the sampling plan was designed to reflect industries that are most likely be impacted by an increase in the minimum wage, and does not necessarily reflect the industry profile of the entire business community.

The majority of surveyed employers report that they will likely have to increase prices for customers, but that their employees will be more satisfied and productive under a minimum wage increase. Though the majority of surveyed employers agree that an increase in the minimum wage will positively impact the community, most also feel increasing the minimum wage will make it harder for new and emerging businesses. Impacted businesses more often selected "very likely" across all anticipated impacts compared to non-impacted industries, indicating that they agreed with both the positive and negative impacts of a minimum wage increase. Almost half of impacted businesses report that it is very likely their employees will be more satisfied and productive (46%) under a minimum wage increase, compared to 14% of non-impacted businesses. Forty-five percent of impacted businesses also report they will very likely increase prices given a minimum wage increase, compared 21% of non-impacted firms.

The survey found that both retail and food service firms are more likely to staff at least half of their workforce with employees at the current minimum wage, and are therefore more likely to be impacted by a minimum wage increase. Though these firms agree that their employees will be more satisfied and productive under a minimum wage increase, they also report that this will likely result in increased consumer pricing and a shift towards automation – firms will invest in technologies that reduce the need for labor. Food service firms were also particularly more likely to agree that an increase in the minimum wage will make it more difficult for companies to locate and grow new businesses in the region.

While participating Santa Clara County businesses indicated some concerns about the increased minimum wage, three out of four respondents stated they agreed (58%) or somewhat agreed (18%) with the statement "An increase in the minimum wage makes sense for our community, given our high cost of living." Only 14 percent of respondents disagreed (9%) or somewhat disagreed (4%) with the statement.

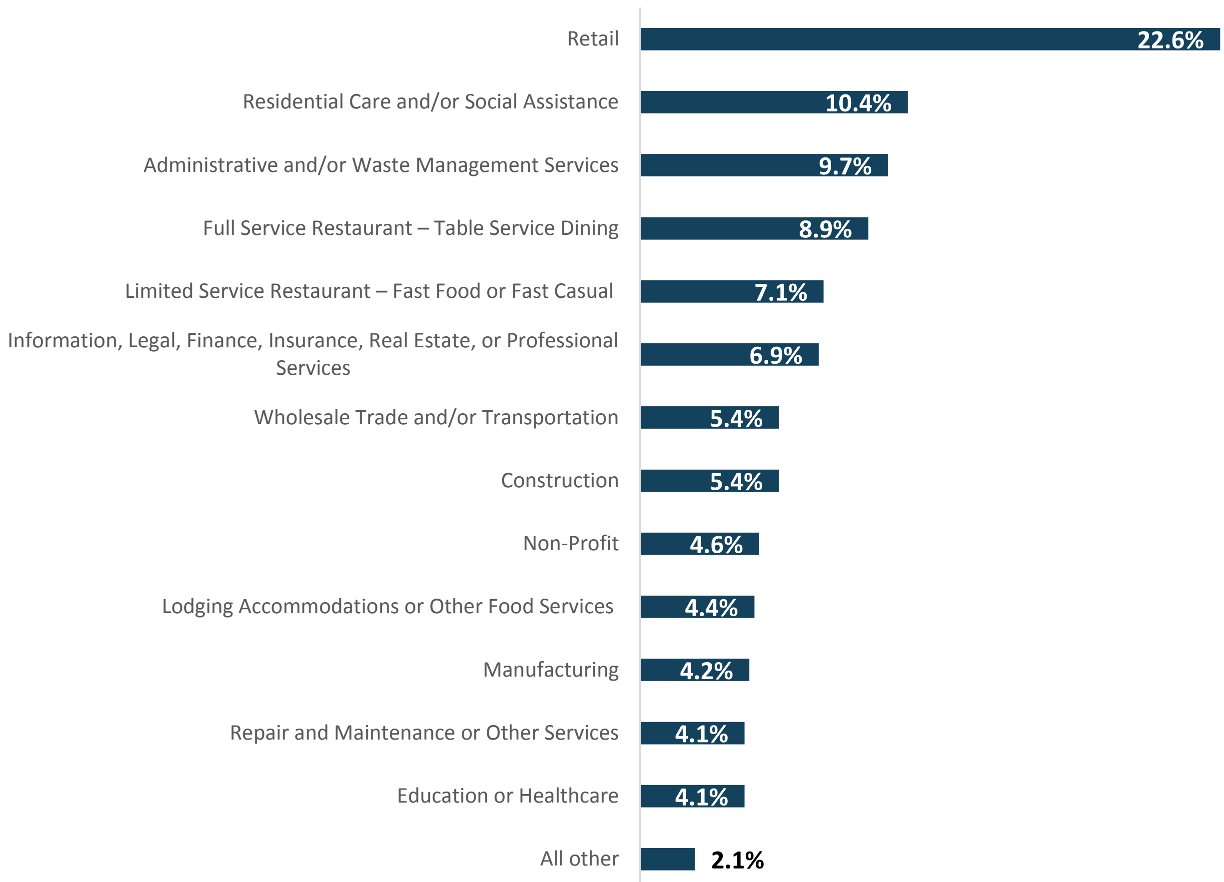
Minimum Wage – Impacted Employers and Industries

PROFILE OF SURVEY PARTICIPANTS

The impacted business community, those employers that are more likely to be affected by an increase in the minimum wage, is largely comprised of four sectors – retail, residential care and social assistance, administrative services and waste management, and food service.[1] Together, these industries represent over half (59%) of those employers that participated in the survey.

What industry or industries best describes the work that your firm is involved in and connected to?

Figure 1. Participating Business Industries



Businesses that participated in the survey were fairly evenly distributed in terms of how long they have had a business location in Santa Clara County. About three in ten firms (32%) have been in business in the area for under five years, another quarter report about five to ten years,

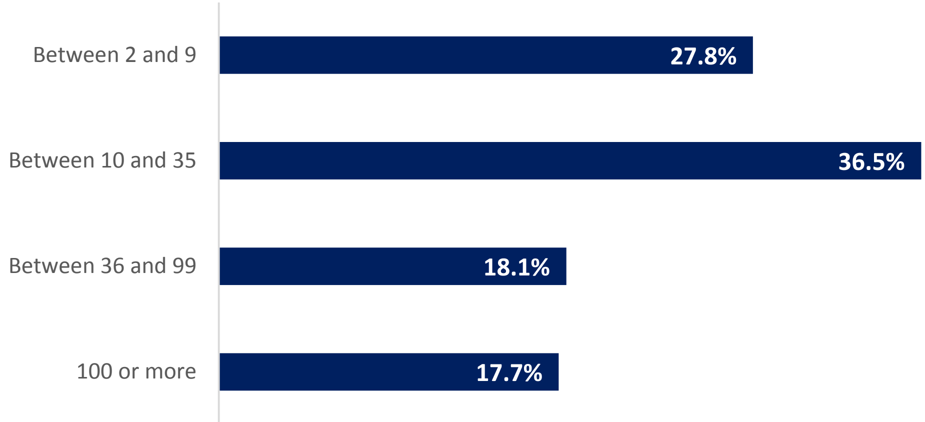
[1] Includes both full-service and fast food or fast casual restaurants

and roughly four in ten firms (43%) have been located in the County for ten years or more. See *Appendix B: Survey Toplines* for a detailed breakdown of respondents by length of business tenure in Santa Clara County.

By design of the sampling plan, participating businesses were evenly distributed between small, medium, and large firms. The largest chunk of firms have between 10 and 35 employees (37%), about three in ten employers also report either less than nine employees (28%) and almost two in ten reported 100 or more (18%).

Including all full-time and part-time employees, how many ***permanent, seasonal, and temporary*** *employees work at or from your location?*

Figure 2. Firm Size



Just under half of surveyed businesses (46%) expect to grow total employment at their current business location, while the other half expect employment to remain the same. Only three percent of surveyed firms project a decline in employment in the next 12 months. See *Appendix B: Survey Toplines* for a detailed breakdown of responses regarding projected growth for the next 12 months.

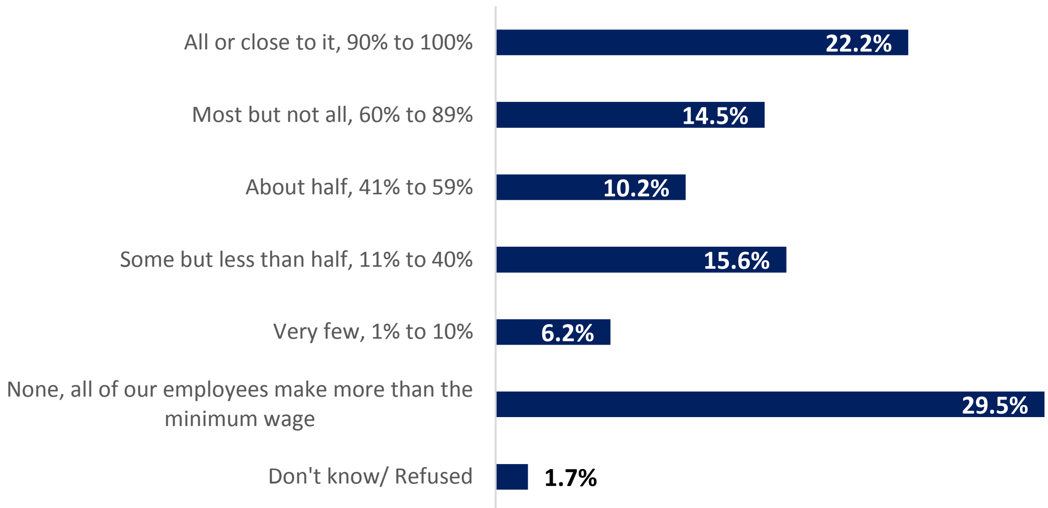
However, just over half of surveyed employers report that hiring had remained flat over the last 3 years, or 36 months. Fifty-three percent of firms note that employment across permanent, seasonal, and temporary workers has stayed the same in the last 3 years; three in ten firms did report employment growth during this time, with one in ten noting decline. See *Appendix B: Survey Toplines* for a detailed breakdown of responses regarding historical growth over the past 36 months.

CURRENT MINIMUM WAGE EMPLOYMENT

Participating businesses were next asked, what percentage of their current workforce makes at or within a dollar of the minimum wage. **Nearly half (47%) of respondents report that about half to all of their employees are paid a wage at or around the minimum wage ($10 to $11 an hour).** Surveyed firms could be split into three groups, those that do not hire anyone at the minimum wage (30%), those that hire less than half of their employees at the minimum wage (22%), and those with about half or more at minimum wage (47%).

*Thinking about the **current employees** at your location, approximately how many are paid a wage of $10 to $11 an hour?*

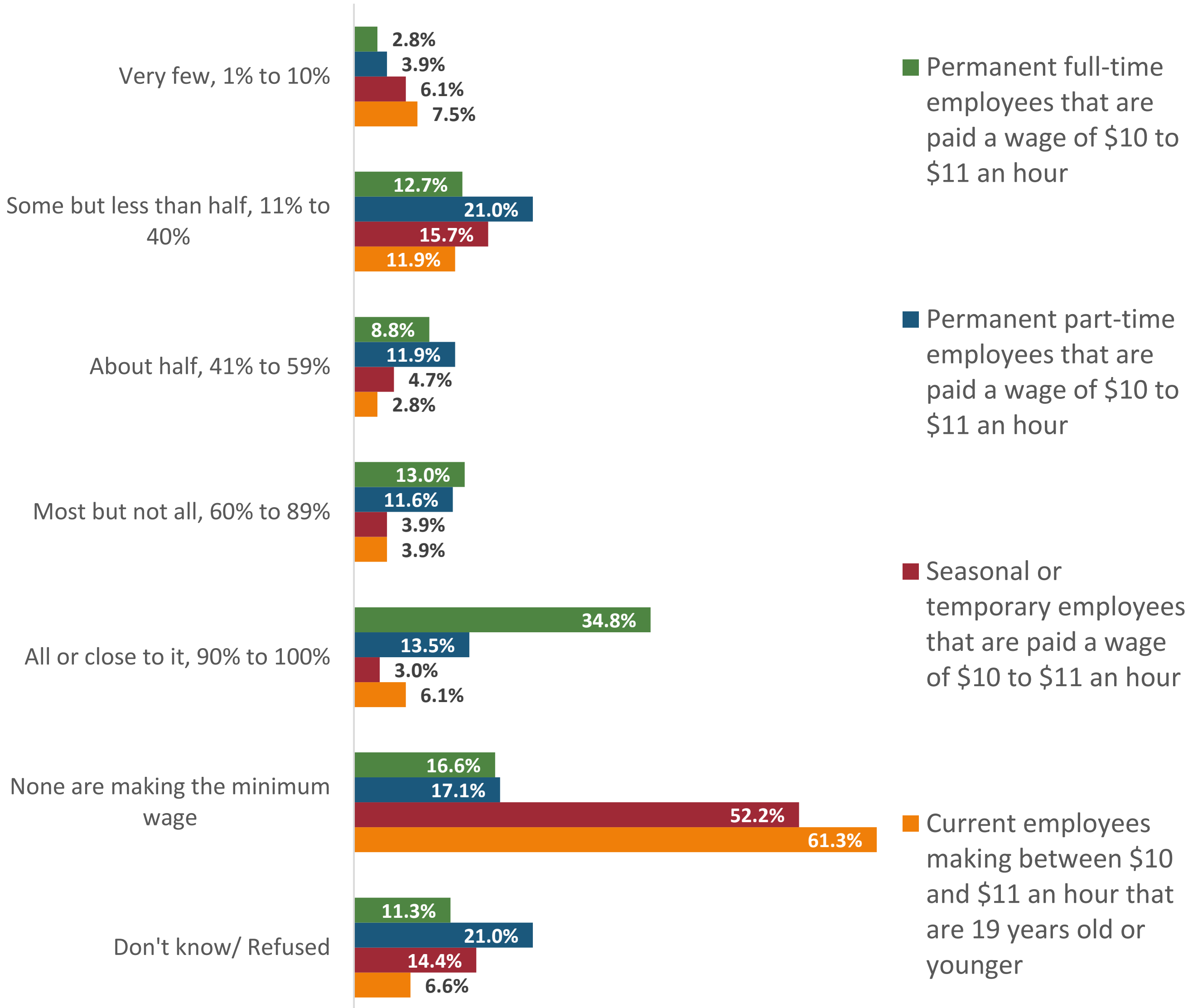
Figure 3. Employees that Earn $10 to $11 per Hour



Minimum wage employees across surveyed firms are more likely to be in permanent full- or part-time positions. Fifty-seven percent of firms report that about half to all of their permanent full-time employees are paid the minimum wage, and four in ten (37%) surveyed employers also reported that their permanent part-time employees earn the minimum wage. Very few minimum wage workers are seasonal employees or teenagers; six in ten employers (61%) report that they have no minimum wage employees that are 19 years old or younger, and just over half of surveyed firms (52%) also reported they have no minimum wage employees that are seasonal or temporary workers.

How many of your current employees making between $10 and $11 an hour are permanent, full-time workers; permanent-part time workers; seasonal or temporary workers; 19 years old or younger?

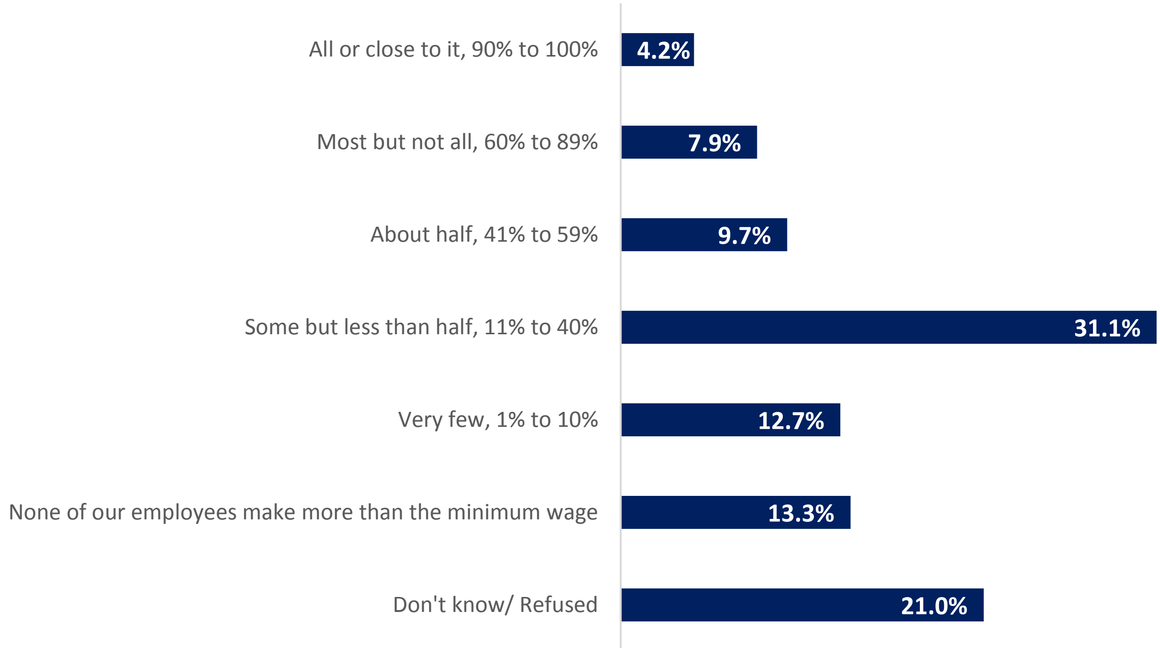
Figure 4. Employees that Earn $10 to $11 per Hour, by Employment Status and Age



Of those firms that provided an estimate of wages for this question, just over 50 percent indicated that some to about half (11 to 59 percent) of their employees earn between $11.01 and $15 an hour[2].

How many of your current employees make between $11.01 and $15 an hour?

Figure 5. Employees that Earn between $11.01 and $15 per Hour



[2] The proportion is derived based on the 79 percent of respondents that provided an estimate of their workforce that makes between $11.01 and $15 an hour.

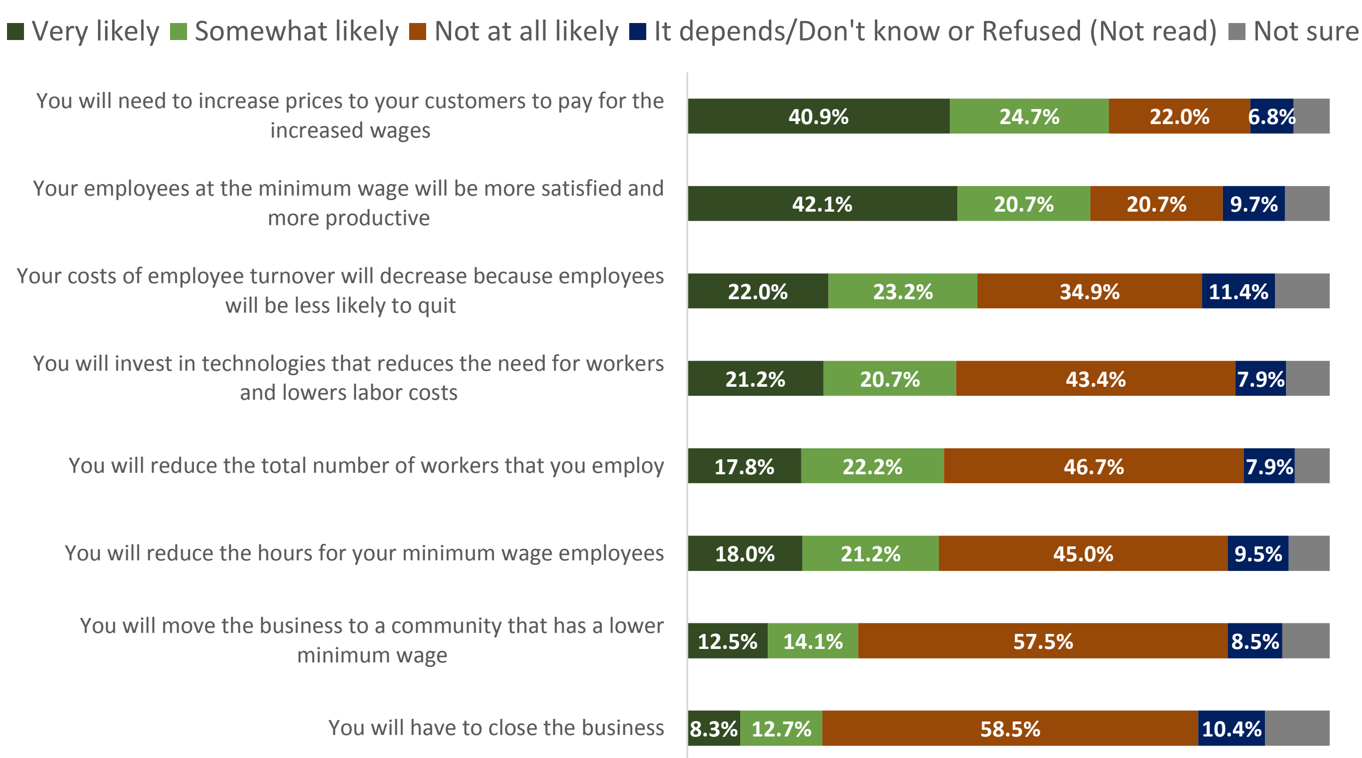
MINIMUM WAGE – STATED IMPACTS AND ATTITUDES

Participating businesses were asked how they would respond if the minimum wage in Santa Clara County was gradually increased to $15 an hour by 2019. Survey respondents were given different options, and asked how likely that scenario was for their business.

The majority of surveyed employers report that they will likely (very + somewhat likely) have to increase prices for customers, but that their employees will be more satisfied and productive given a minimum wage increase. Approximately two out of three firms (66%) reported that they will likely (very + somewhat) raise prices in order to pay for increased wages and just over three in five firms (63%) noted that employees will likely be more satisfied and productive with an increase in the minimum wage. About four in ten surveyed employers also believe a minimum wage increase will likely reduce employee turnover (45%), but increase likelihood of automation (42%) and generally reduce the number of employed workers (40%). The majority of survey participants indicated that it was not at all likely that they would move or close their business because of a minimum wage increase.

How likely are the following statements to occur at your business location, if the minimum wage in Santa Clara County is gradually increased to $15 an hour by 2019: very likely, somewhat likely, not at all likely, or not sure?

Figure 6. Minimum Wage Increase – Anticipated Impacts



The questions for anticipated impacts and employer attitudes were further analyzed by key segments within the surveyed business community. Of particular interest was the difference in opinion among "impacted and "non-impacted" business communities. Survey respondents were delineated by the degree of impact given a minimum wage increase based on their current minimum wage staffing. **Impacted businesses are defined as those that support any portion of their workforce at the current minimum wage or up to $15 an hour and they represent 84 percent of the survey respondents**. Non-impacted businesses are those that currently employ all of their workers above $15 an hour, and they represent eight percent of the survey respondents. The remaining eight percent of survey respondents did not respond to the inquiry regarding the portion of their workforce that makes between $11.01 and $15 an hour.

Impacted businesses more often selected "very likely" across all anticipated impacts compared to non-impacted industries. Almost half of impacted businesses report that it is very likely their employees will be more satisfied and productive (46%) under a minimum wage increase, compared to 14% of non-impacted businesses. Forty-five percent of impacted businesses also report they will very likely increase prices given a minimum wage increase, compared 21% of non-impacted firms.

Table 1. Anticipated Impacts by Impacted and Non-Impacted Businesses

		Very likely	Somewhat likely	Not at all likely	It depends/Don't know or Refused (DON'T READ)	Not sure
Your employees at the minimum wage will be more satisfied and more productive	Impacted	46.0%	21.6%	19.8%	7.4%	5.3%
	Not impacted	14.0%	7.0%	34.9%	34.9%	9.3%
You will reduce the total number of workers that you employ	Impacted	19.3%	25.3%	42.8%	7.6%	5.1%
	Not impacted	4.7%	4.7%	79.1%	9.3%	2.3%
You will reduce the hours for your minimum wage employees	Impacted	20.2%	23.7%	42.3%	8.0%	5.7%
	Not impacted	7.0%	7.0%	69.8%	14.0%	2.3%
Your costs of employee turnover will decrease because employees will be less likely to quit	Impacted	24.4%	24.6%	32.9%	10.1%	8.0%
	Not impacted	4.7%	11.6%	58.1%	20.9%	4.7%
You will have to close the business	Impacted	9.4%	14.0%	55.6%	10.8%	10.1%
	Not impacted	0.0%	4.7%	81.4%	11.6%	2.3%
You will need to increase prices to your customers to pay for the increased wages	Impacted	45.1%	26.2%	18.2%	5.7%	4.8%
	Not impacted	20.9%	9.3%	58.1%	9.3%	2.3%

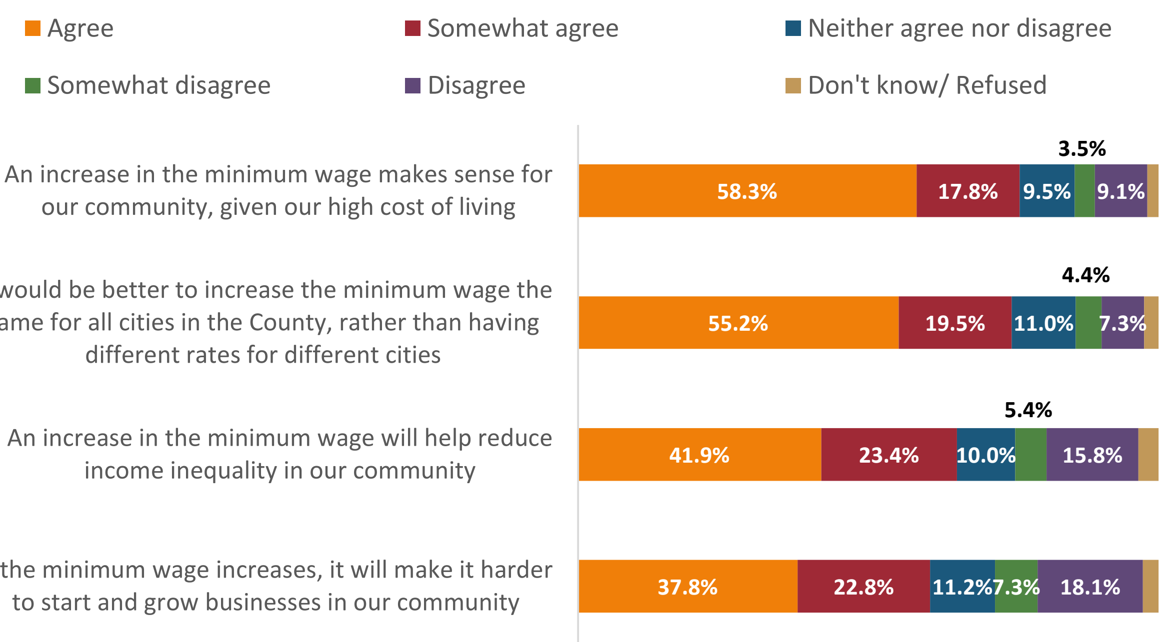
You will move the business to a community that has a lower minimum wage	Impacted	14.0%	15.2%	55.2%	9.2%	6.4%
	Not impacted	7.0%	2.3%	81.4%	7.0%	2.3%
You will invest in technologies that reduces the need for workers and lowers labor costs	Impacted	23.7%	21.1%	42.3%	6.2%	6.7%
	Not impacted	4.7%	11.6%	62.8%	18.6%	2.3%

Participating businesses were next asked their level of agreement with different statements regarding a minimum wage increase.

Though the majority of surveyed employers agree that an increase in the minimum wage will positively impact the community, most also feel increasing the minimum wage will make it harder for new and emerging businesses. Three-quarters of surveyed firms (76%) agree that a minimum wage increase makes sense for the community, especially given the region's high cost-of-living; in fact, 65% of employers also agree that increasing the minimum wage will alleviate income inequality. Despite this, six in ten firms (61%) also agree that if the minimum wage is increased, new businesses located in Santa Clara County will face more barriers to growth.

Please tell me whether you agree or disagree with each of the following statements. Here's the (first/next) one: ____________. (READ ITEM AND ASK:) Do you agree, somewhat agree, neither agree nor disagree, somewhat disagree, or disagree with the statement?

Figure 7. Minimum Wage Increase – Employer Attitudes



The majority of firms across both impacted and non-impacted business communities agree that an increase in the minimum wage makes sense given the cost of living and that a minimum wage increase would be best implemented at the county-level.

Table 2. Employer Attitudes by Impacted and Non-Impacted Businesses

		Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	Don't know/ Refused (DON'T READ)
An increase in the minimum wage will help reduce income inequality in our community	Impacted	41.1%	25.1%	10.3%	6.0%	15.2%	2.3%
	Not impacted	46.5%	14.0%	7.0%	2.3%	23.3%	7.0%
If the minimum wage increases, it will make it harder to start and grow businesses in our community	Impacted	39.8%	24.1%	11.5%	6.9%	15.9%	1.8%
	Not impacted	34.9%	14.0%	7.0%	7.0%	34.9%	2.3%
An increase in the minimum wage makes sense for our community, given our high cost of living	Impacted	57.7%	17.9%	10.3%	3.9%	9.0%	1.1%
	Not impacted	62.8%	14.0%	4.7%	0.0%	16.3%	2.3%
It would be better to have the same increase in the minimum wage throughout the County than to have different rates in different cities	Impacted	55.9%	20.2%	10.1%	5.1%	7.4%	1.4%
	Not impacted	58.1%	11.6%	14.0%	0.0%	11.6%	4.7%

How Manufacturing and Logistics Firms Responded

Though the sample size for Manufacturing and Logistics is relatively small (n=50), the following key findings illustrate relevant cross-tabulation data for these firms:

Manufacturing and Logistics have fewer current workers at the minimum wage. Just over a third (36%) of surveyed firms in these industries employ at least four in ten workers at $10 to $11 an hour, compared to 51% of all respondents.

These firms are less likely to agree with the benefits of increasing the minimum wage. Twenty-eight percent are very likely to agree that increasing the minimum wage would result in worker satisfaction and productivity, compared to 42% of all respondents.

Manufacturing and Logistics firms are also less likely to agree with the negative impacts of an increased minimum wage. Two in ten surveyed firms (20%) report that it is very likely a minimum wage increase would cause an increase in prices, compared to 41% of all respondents.

How Small Businesses Responded (35 employees or less at a location)

Small businesses account for 64% or 331 out of 515 survey participants. The following cross-tabs illustrate key findings from small businesses with 35 or less employees at their establishment location:

Small businesses have slightly fewer employees at the current minimum wage. Less than half (48%) of respondent small business firms employ 40% or more of their employees at $10 to $11 an hour, compared to 57% of firms with 36 or more employees.

Small businesses are less likely to agree with benefits resulting from an increased minimum wage. Thirty-eight percent report that it is very likely that a minimum wage increase would result in greater worker productivity and satisfaction, compared to 50% of surveyed firms with 36 or more employees.

Small businesses are also less likely to agree with the negative impacts of an increased minimum wage. One in ten note that it is very likely an increased minimum wage would result in them moving their business to a community with a lower minimum wage, compared to 18% of firms who have 36 or more employees.

APPENDIX A: SURVEY METHODOLOGY

A telephone and web survey of 518 Santa Clara County businesses was conducted for this study. The sampling plan was designed to represent those employers that were more likely to be impacted by an increase in the minimum wage.

Survey Design

Through an iterative process, BW Research worked closely with City of San Jose staff, IRLE (Institute for Research on Labor and Employment) staff and an advisory committee to develop a survey instrument that met the research objectives of the study. In developing the survey instrument, BW Research utilized techniques to overcome known biases in survey research and minimize potential sources of measurement error within the survey.

After the survey was finalized it was translated into Spanish and Vietnamese and offered in those languages, for the phone portion of the survey, for those business respondents that were not comfortable speaking English.

Sampling Method

BW Research developed a sampling plan by industry, employer size, and geography within Santa Clara County to reflect those businesses that were more likely to currently hire at a minimum wage and be impacted by a raise to the minimum wage. The sampling plan was based upon previous analyses[3] done by IRLE of industries that were more likely to currently hire or be impacted by an increase in the minimum wage.

To implement the sampling plan, a database of 8,604 Santa Clara County firms was acquired from InfoUSA for interviews over the phone and additional online web panels were secured for web completes. The sampling followed a detailed plan targeting industries at the two and three digit NAICS level and with developed quotas for firm size: 2 to 9 employees at a location, 10 to 35 employees at a location, 36 to 99 employees at a location, 100 or more employees at a location, and geography within Santa Clara County (within the City of San Jose and outside the City, but within Santa Clara County). Quotas were closed as they were filled by industry, size and geography within Santa Clara County.

Data Collection

Prior to beginning data collection, BW Research conducted interviewer training and also pre-tested the survey instrument to ensure that all words and questions were easily understood by the respondents. Telephone interviews were generally conducted from 9:00am to 4:30pm Monday through Friday. The data collection period was February 17, 2016 – March 4, 2016.

[3] Based upon previous research completed by IRLE on Contra Costa County, Oakland, Sacramento and San Francisco.

A web version of the survey was also developed and businesses in Santa Clara County were contacted through web panels.

A Note about Margin of Error and Analysis of Sub-Groups

The overall maximum margin of error for the survey, at the 95 percent level of confidence, is +/- 4.29 percent for questions answered by all 518 respondents, for the approximately 72,000[4] business locations with 2 or more employees in Santa Clara County. It is important to note that questions asked of smaller groups of respondents (such as questions that were only asked to firms based off their previous responses) as well as results presented separately for industry clusters will have a margin of error greater than +/- 4.29 percent, with the exact margin of error dependent on the number of respondents in each sub-group and the distribution of responses to a given question.

[4] Source: InfoUSA, March 2016

APPENDIX B: SURVEY TOPLINES

Screener Questions

A. Do you have a business location with at least one employee other than yourself in Santa Clara County, California?

56.6%	**Yes, we have a location in San Jose**
43.4%	**Yes, we have a location in Santa Clara County, but not San Jose**

SECTION 1 - Organization-Related Questions – Business PROFILE

For this survey, we will just be asking about the employees that work from or directly report to your current location.

1. How many years have you had at least one business location in Santa Clara County?

11.4%	**0 to 2 years**
20.5%	**more than 2 up to 5 years**
24.3%	**more than 5 up to 10 years**
18.3%	**more than 10 years up to 20 years**
25.1%	**more than 20 years**
0.4%	**(DON'T READ) Don't know/ Refused**

Next I would like to ask about the industry that is most important to your firm.

2. What industry or industries best describes the work that your firm is involved in and connected to?

22.6%	**Retail**
10.4%	**Residential Care and/or Social Assistance**
9.7%	**Administrative and/or Waste Management Services**
8.9%	**Full Service Restaurant – Table Service Dining**
7.1%	**Limited Service Restaurant – Fast Food or Fast Casual Dining**
6.9%	**Information, Legal, Finance, Insurance, Real Estate, or Professional Services**
5.4%	**Construction**
5.4%	**Wholesale Trade and/or Transportation**
4.6%	**Non-Profit**
4.4%	**Lodging Accommodations or Other Food Services (catering, banquet, etc.)**
4.2%	**Manufacturing**
4.1%	**Education or Healthcare**
4.1%	**Repair and Maintenance or Other Services**
2.1%	**All other**

3. Including all full-time and part-time employees, how many **permanent, seasonal and temporary** employees work at or from your location? [IF NEEDED: As of today, how many people work at or from your current location]

   12.9% Less than 5
   14.9% Between 5 and 9
   26.8% Between 10 and 24
   15.6% Between 25 and 49
   12.2% Between 50 and 99
   17.6% 100 or more

4. If you currently have [TAKE Q3 #] full-time and part-time **permanent, seasonal and temporary** employees at your location, how many more or how many fewer employees do you expect to have at your location 12 months from now?

   45.6% More
   3.3% Fewer
   49.8% Same number of employees
   1.4% (DON'T READ) Don't know/ Refused

Expected Employment in 12 months – Outliers Removed (*companies expecting to add 50 or more employees and an expected growth rate of 50% or higher*)
(Calculated by only examining businesses with both current and projected data)

	Current	12 months
n	454	454
Mean	126.09	129.49
Median	15.00	16.00
Total Employees	57,247	58,790
Change		1,543
% Growth		2.7%

[IF Q1>1 THEN ASK Q5, OTHERWISE SKIP]

5. Over the last three years, has your company grown, declined or stayed about the same in terms of permanent, seasonal and temporary employees at your current location? [If it has grown or declined, ask] By about how many people?

   31.4% Grown
   10.3% Declined
   53.0% Stayed the same

5.3% (DON'T READ) Don't know/ Refused

Reported employment growth over the last 36 months – Outliers Removed (*companies that added 50 or more employees with a growth rate of 50% or higher*)
(Calculated by only examining businesses with both current and past data)

	36 months ago	Current
n	346	346
Mean	119.63	129.45
Median	12.50	13.00
Total Employees	41,391	44,789
Change		3,398
% Growth		8.2%

SECTION 2 – MW BUSINESS PROFILE
Now I would like to ask about your organization's payment structure.

6. Thinking about the ***current employees*** at your location, approximately how many are paid a wage of $10 to $11 an hour?

6.2% Very few, 1% to 10%
15.6% Some but less than half, 11% to 40%
10.2% About half, 41% to 59%
14.5% Most but not all, 60% to 89%
22.2% All or close to it, 90% to 100%
29.5% None, all of our employees make more than $10 an hour the minimum wage
1.7% (DON'T READ) Don't know/ Refused

[IF Q6>0, ask Q7 – Q10 OTHERWISE SKIP TO Q11]

7. How many of your current employees making between $10 and $11 an hour are permanent, full-time workers? (n=362)

2.8% Very few, 1% to 10%
12.7% Some but less than half, 11% to 40%
8.8% About half, 41% to 59%
13.0% Most but not all, 60% to 89%
34.8% All or close to it, 90% to 100%
16.6% None of our permanent full-time employees make the minimum wage
11.3% (DON'T READ) Don't know/ Refused

8. How many of your current employees making between $10 and $11 an hour are permanent, part-time workers? (n=362)

3.9%	**Very few, 1% to 10%**
21.0%	**Some but less than half, 11% to 40%**
11.9%	**About half, 41% to 59%**
11.6%	**Most but not all, 60% to 89%**
13.5%	**All or close to it, 90% to 100%**
17.1%	**None of our permanent part-time employees make the minimum wage**
21.0%	**(DON'T READ) Don't know/ Refused**

9. How many of your current employees making between $10 and $11 an hour are seasonal or temporary workers? (n=362)

6.1%	**Very few, 1% to 10%**
15.7%	**Some but less than half, 11% to 40%**
4.7%	**About half, 41% to 59%**
3.9%	**Most but not all, 60% to 89%**
3.0%	**All or close to it, 90% to 100%**
52.2%	**None of our seasonal or temporary employees make the minimum wage**
14.4%	**(DON'T READ) Don't know/ Refused**

10. How many of your current workers making between $10 and $11 an hour are 19 years old or younger? (n=362)

7.5%	**Very few, 1% to 10%**
11.9%	**Some but less than half, 11% to 40%**
2.8%	**About half, 41% to 59%**
3.9%	**Most but not all, 60% to 89%**
6.1%	**All or close to it, 90% to 100%**
61.3%	**None of our minimum wage employees are 19 years old or younger**
6.6%	**(DON'T READ) Don't know/ Refused**

11. How many of your current employees make between $11.01 and $15 an hour?

12.7%	**Very few, 1% to 10%**
31.1%	**Some but less than half, 11% to 40%**
9.7%	**About half, 41% to 59%**
7.9%	**Most but not all, 60% to 89%**
4.2%	**All or close to it, 90% to 100%**
13.3%	**None of our employees make between $11.01 and $15 an hour**

21.0% (DON'T READ) Don't know/ Refused

SECTION 3 – Minimum Wage – Impact on Business
Now I would like to ask how an increase in the minimum wage would impact your business at the current location.

12. How likely are the following statements to occur at your business location, if the minimum wage in Santa Clara County is gradually increased to $15 an hour by 2019: very likely, somewhat likely, not at all likely or not sure?

RANDOMIZE

	Very likely	Somewhat likely	Not at all likely	(DON'T READ) DKNA/It depends	Not sure
A. Your employees at the minimum wage will be more satisfied and more productive	**42.1%**	**20.7%**	**20.7%**	**9.7%**	**6.9%**
B. You will reduce the total number of workers that you employ	**17.8%**	**22.2%**	**46.7%**	**7.9%**	**5.4%**
C. You will reduce the hours for your minimum wage employees	**18.0%**	**21.2%**	**45.0%**	**9.5%**	**6.4%**
D. Your costs of employee turnover will decrease because employees will be less likely to quit	**22.0%**	**23.2%**	**34.9%**	**11.4%**	**8.5%**
E. You will have to close the business	**8.3%**	**12.7%**	**58.5%**	**10.4%**	**10.0%**
F. You will need to increase prices to your customers to pay for the increased wages	**40.9%**	**24.7%**	**22.0%**	**6.8%**	**5.6%**
G. You will move the business to a community that has a lower minimum wage	**12.5%**	**14.1%**	**57.5%**	**8.5%**	**7.3%**
H. You will invest in technologies that reduce the need for workers and lowers labor costs	**21.2%**	**20.7%**	**43.4%**	**7.9%**	**6.8%**

13. Please tell me whether you agree or disagree with each of the following statements.

Here's the (first/next) one: ____________. (READ ITEM AND ASK:) Do you agree, somewhat agree, neither agree nor disagree, somewhat disagree, or disagree with the statement?

RANDOMIZE

	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	(DON'T READ) Don't know/ Refused
A. An increase in the minimum wage will help reduce income inequality in our community	**41.9%**	**23.4%**	**10.0%**	**5.4%**	**15.8%**	**3.5%**
B. If the minimum wage increases, it will make it harder to start and grow businesses in our community	**37.8%**	**22.8%**	**11.2%**	**7.3%**	**18.1%**	**2.7%**
C. An increase in the minimum wage makes sense for our community, given our high cost of living	**58.3%**	**17.8%**	**9.5%**	**3.5%**	**9.1%**	**1.9%**
D. It would be better to have the same increase in the minimum wage throughout the County than to have different rates in different cities	**55.2%**	**19.5%**	**11.0%**	**4.4%**	**7.3%**	**2.5%**

Since it sometimes becomes necessary for the project manager to call back and confirm responses to certain questions, I would like to verify your contact information.

A. First and Last Name___________________

B. Position__________________________

C. Phone_____________

D. Email ______________

E. Company Name___________________

F. Company Address (including City, State, Zip) ___________________

Those are all the questions I have.
Thank you very much for your time.

Santa Clara County Minimum Wage Employer Survey

A Study Conducted by BW Research Partnership

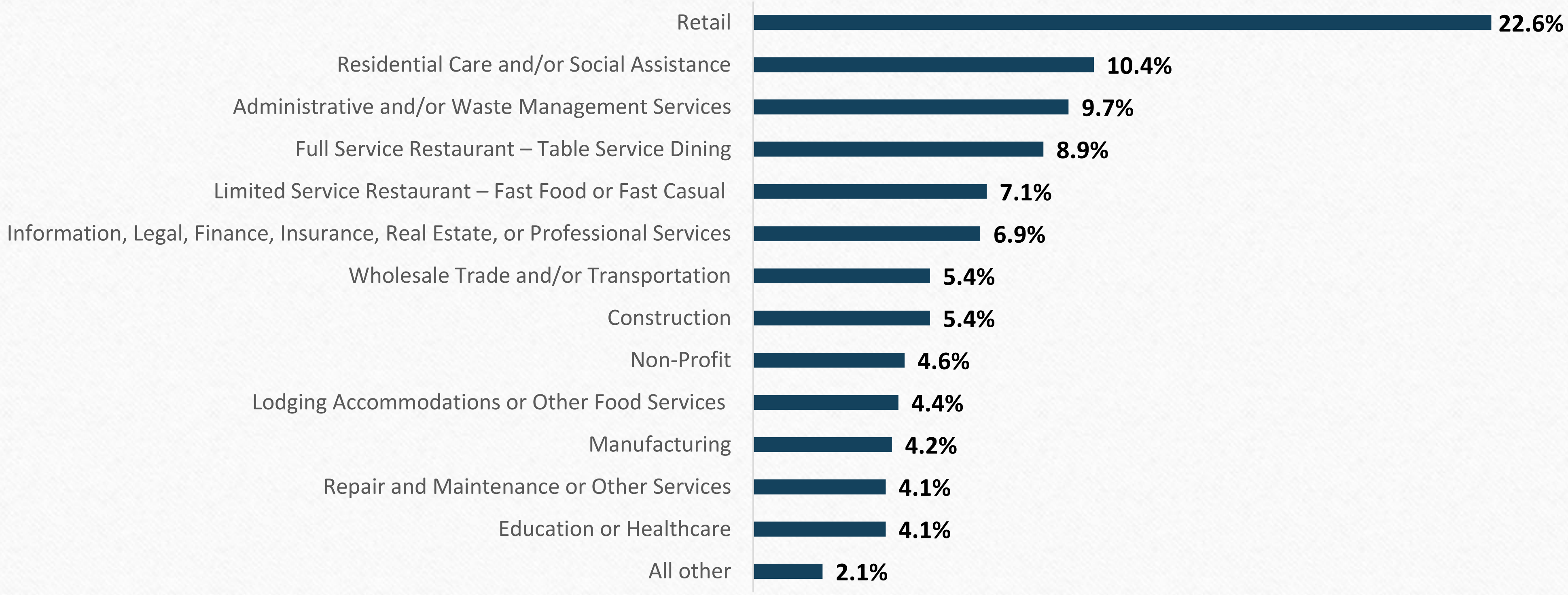
In Collaboration with City of San Jose and Institute for Research on Labor and Employment (IRLE)

April 2016

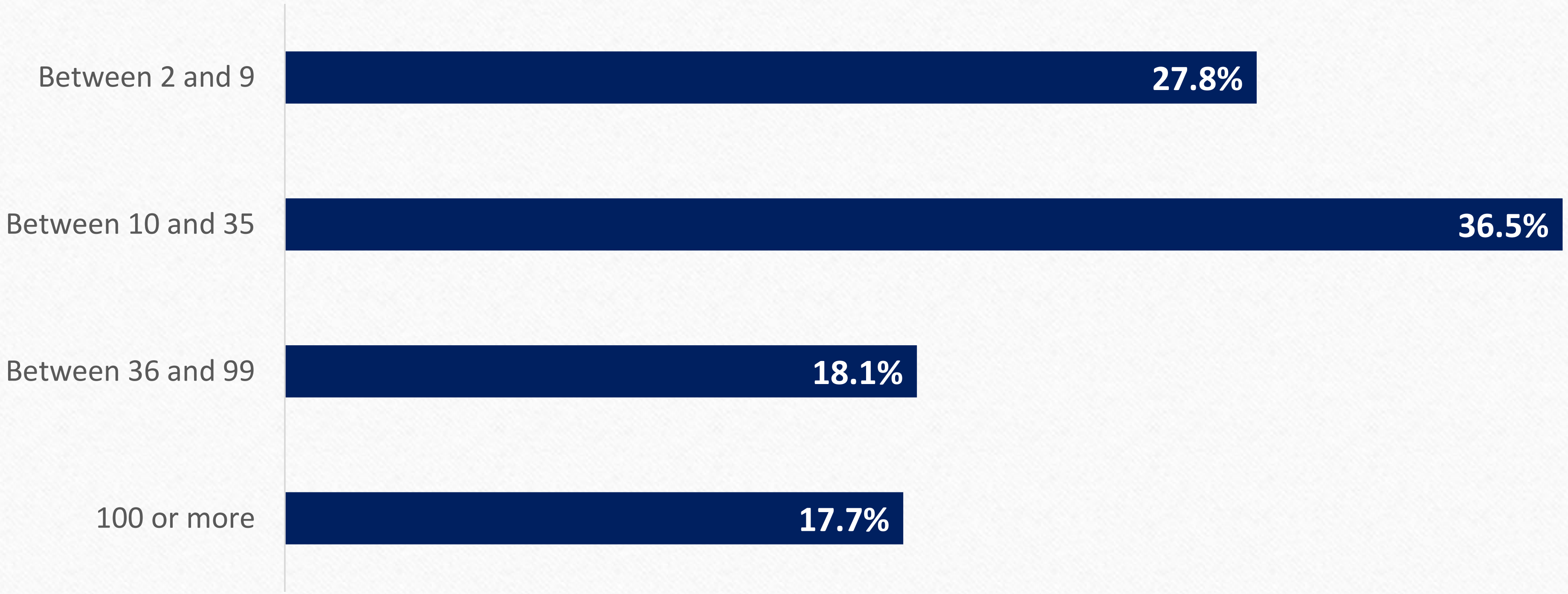
Methodology

- Sampling plan was based on industries **more likely to be impacted by a minimum wage increase**. Industry analysis was based on IRLE's research of four comparable regions
- Sample was stratified by industry, location size (# of employees at location), and geography within Santa Clara County
- 518 surveys were completed online and by telephone
  - Telephone survey included English, Spanish, and Vietnamese
- Margin of Error: +/- 4.29% at the 95% level of confidence

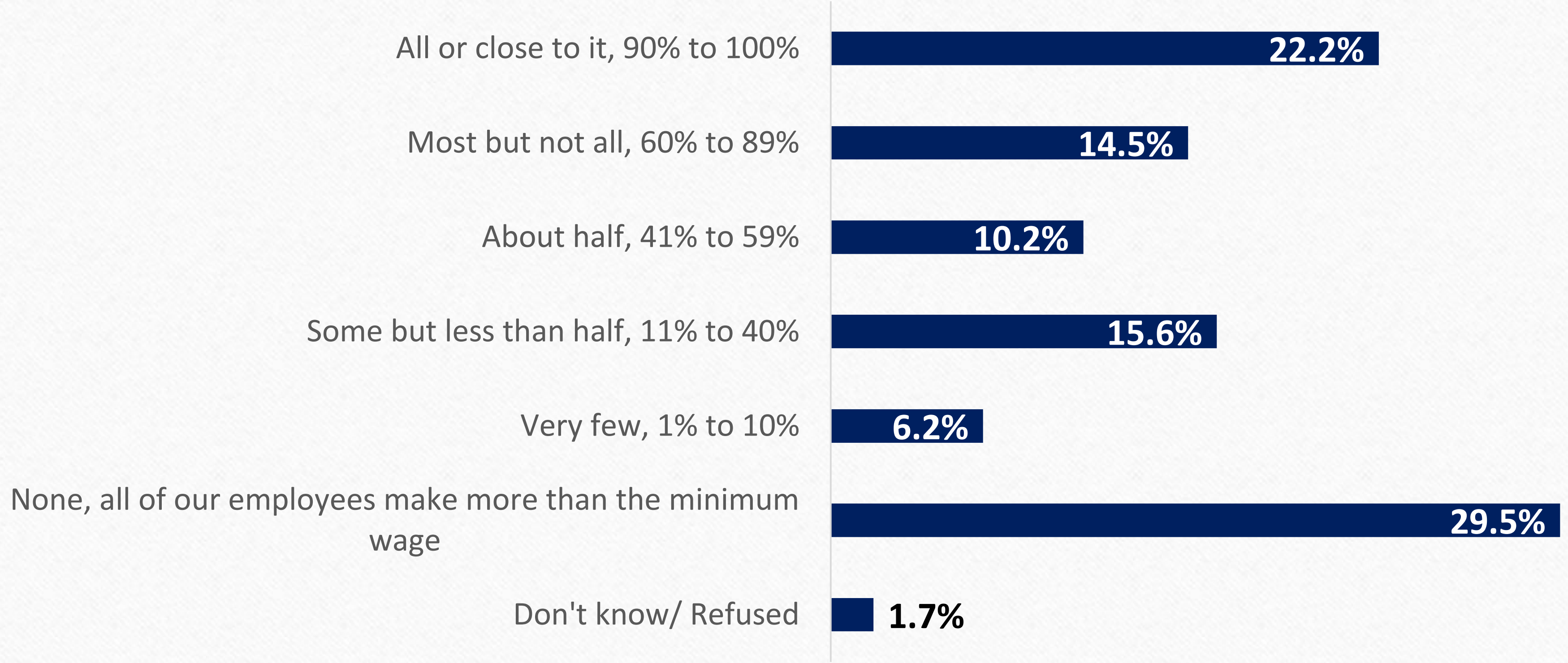
The impacted business community is largely comprised of four sectors – retail, residential care & social assistance, administrative & waste management, and food service.



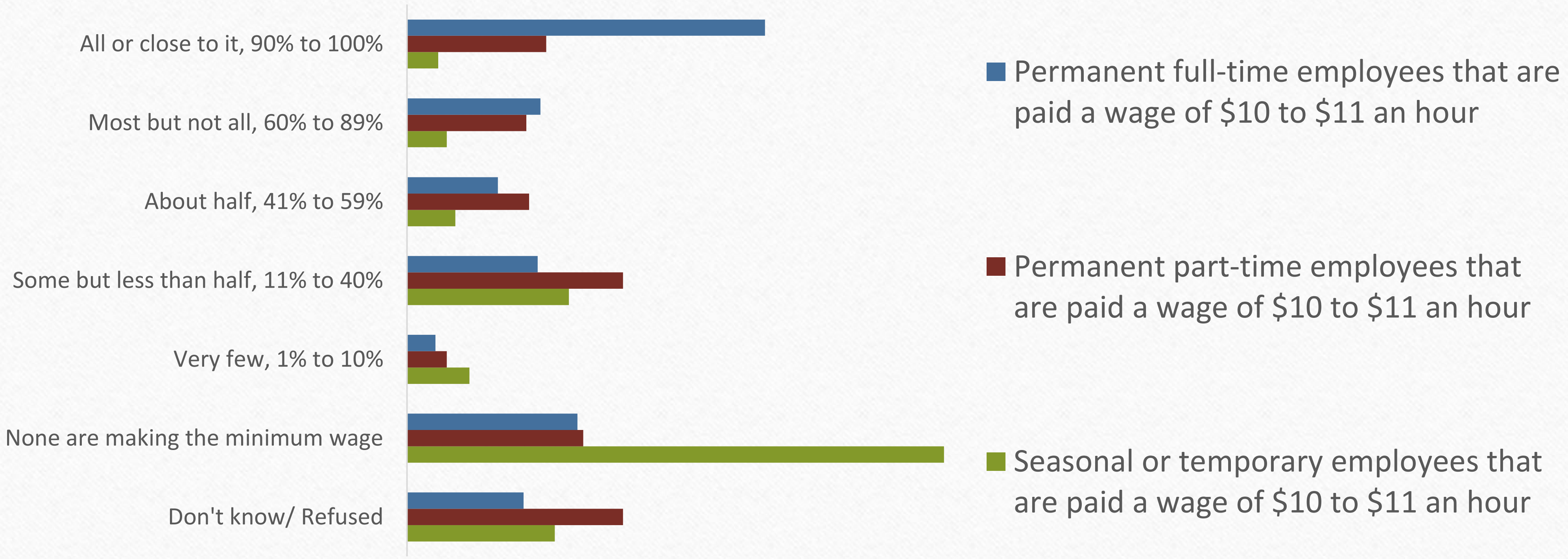
By sampling plan design, participating businesses were evenly distributed between small, medium, and large firms.



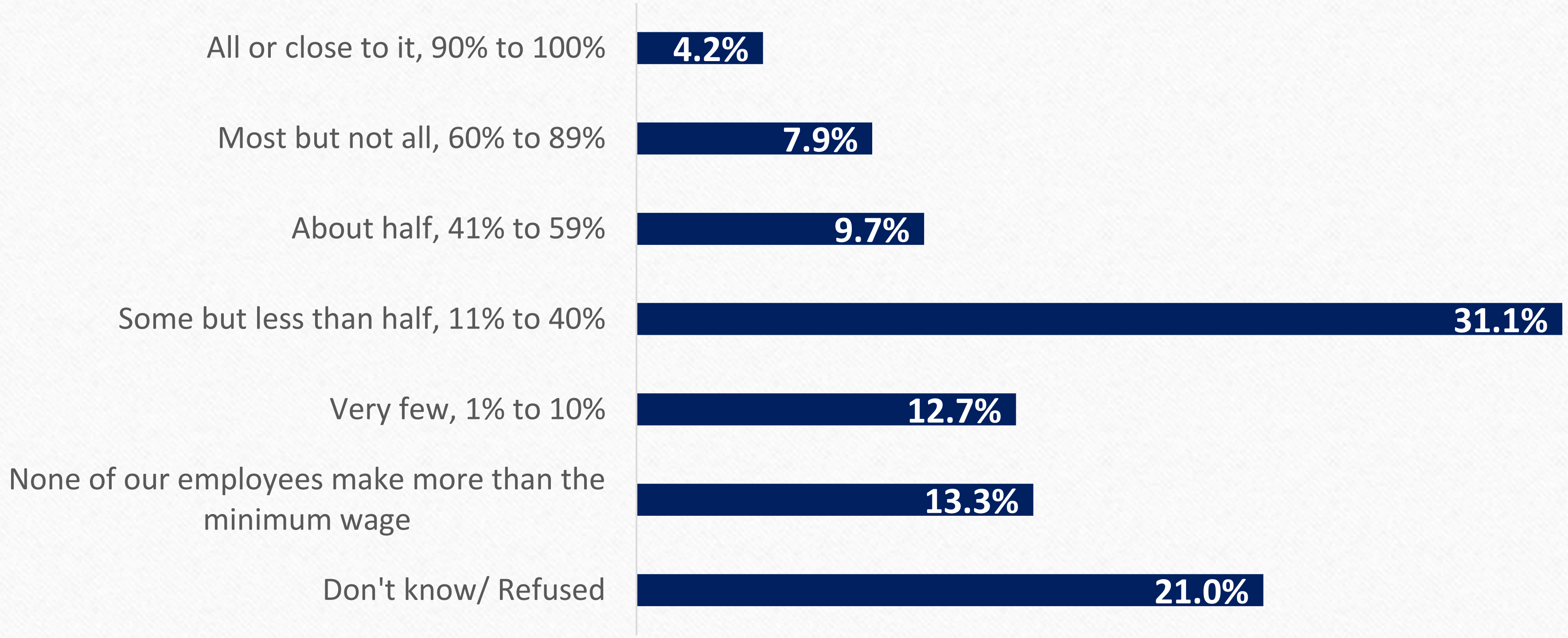
Nearly half (47%) of respondents report that about half to all of their employees are paid a wage at or around ($10 to $11 an hour) the minimum wage.



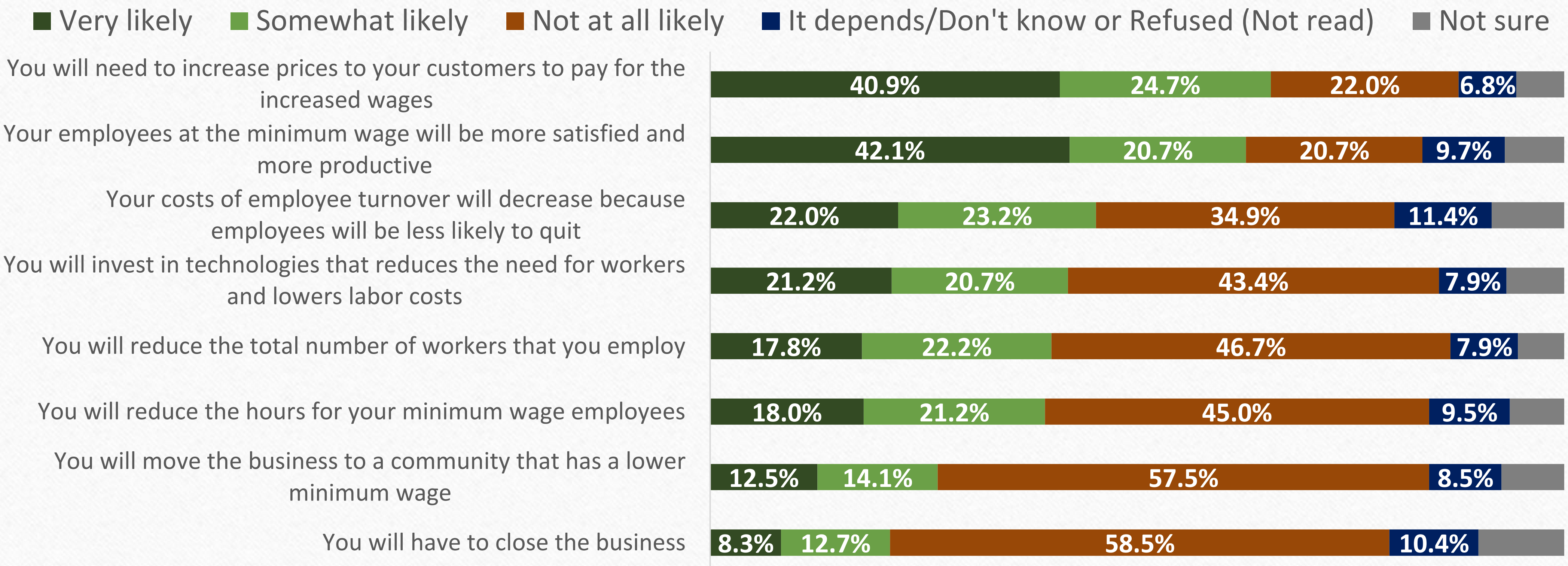
Minimum wage employees across surveyed firms are more likely to be employed in permanent full- or part-time positions.



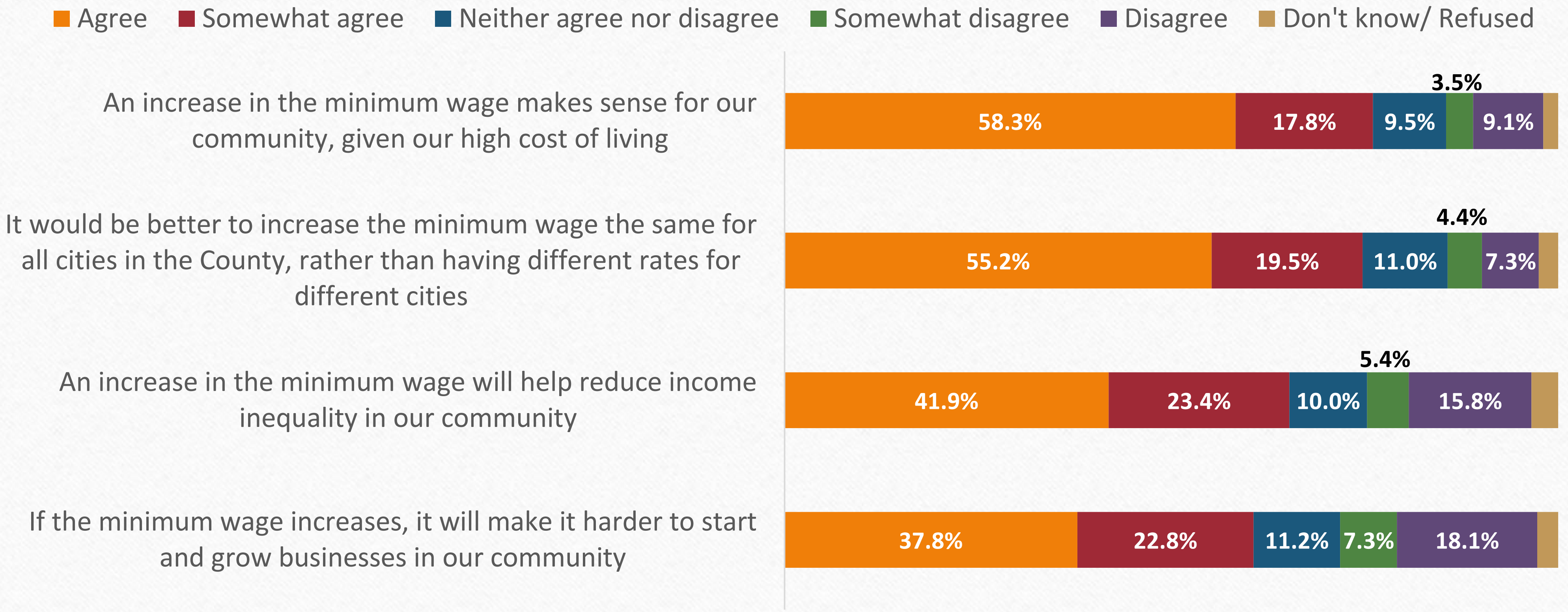
Of those firms that provided an estimate of wages between $11.01 and $15 an hour, over half indicated that between 11% and 59% of their employees earn wages in that interval.



The majority of surveyed employers report that they will likely have to increase prices for customers, but that their employees will be more satisfied and productive given a minimum wage increase.



Though the majority agree it will positively impact the community, most also feel increasing the minimum wage will make it harder to start new businesses.



Impacted vs. Non-Impacted Businesses: Key Finding

- The overwhelming majority of surveyed firms (84%) would be impacted by an increase in the minimum wage to $15 an hour.
- **Two in three impacted firms (68%) indicated their employees** would likely (very or somewhat) be more satisfied and productive with an increase in the minimum wage, compared to only one in five (21%) for non-impacted firms.
- **One in five (21%) non-impacted firms indicated they would be very likely to increase their prices** if the minimum wage increased to $15 an hour.
- Non-impacted firms were more likely to disagree (23%) with the statement "**An increase in the minimum wage will help reduce income inequality in our community**" than respondents from impacted firms (15%)

Small Business Findings (35 or less)

- The majority of surveyed firms had 35 or less employees (permanent, temporary or seasonal) at their establishment (location).
- **Slightly less current minimum wage employment**: Less than half (48%) of responding small business firms employed 40% or more of their employees at $10 to $11 an hour (36+ per establishment was 57%).
- **Less likely to agree with benefits of higher minimum wage** (38% indicated very likely that increase would increase worker satisfaction & productivity vs. 50% for 36+)
- **Less likely to agree with negative impacts** (10% indicated very likely that increase would have them move the business vs. 18% for 36+)

Manufacturing & Logistics Findings

- The sample size for Manufacturing & Logistics (M & L) business responses was relatively small (n=50) by design
- **Less current minimum wage employment**: Just over a third (36%) of responding M & L firms employed 40% or more of their employees at $10 to $11 an hour (Overall was 51%, Retail was 67%).
- **Less likely to agree with benefits of increased minimum wage** (28% indicated very likely that increase would increase worker satisfaction & productivity vs. 42% for all respondents)
- **Less likely to agree with negative impacts** (20% indicated very likely that MW increase would cause increase in prices vs. 41% for all respondents)

Overall Key Findings

- The majority of surveyed firms anticipate increasing prices
- However, most also believe their employees will be more satisfied and productive under a minimum wage increase
- Few firms think it is likely they will have to move or close business given an increase
- Three-quarters of firms agree that an increase in the minimum wage makes sense given the high cost of living
- The majority of surveyed firms believe a minimum wage increase will reduce income inequality in the region
- However, most also agree that it will be harder to start new businesses in the region

Santa Clara County Minimum Wage Employer Survey

A Study Conducted by BW Research Partnership

In Collaboration with City of San Jose and Institute for Research on Labor and Employment (IRLE)

April 2016

3D

Senate Bill No. 3

CHAPTER 4

An act to amend Sections 245.5, 246, and 1182.12 of the Labor Code, relating to labor.

[Approved by Governor April 4, 2016. Filed with Secretary of State April 4, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

SB 3, Leno. Minimum wage: in-home supportive services: paid sick days.

(1) Under existing law, the Healthy Workplaces, Healthy Families Act of 2014, an employee who, on or after July 1, 2015, works in California for the same employer for 30 or more days within a year from the commencement of employment is entitled to paid sick days, as specified. Existing law requires an employee to accrue paid sick days at the rate of not less than one hour per every 30 hours worked subject to specified use and accrual limitations. For the purposes of the act, an "employee" does not include a provider of in-home supportive services, as described.

This bill, on and after July 1, 2018, would entitle a provider of in-home supportive services who works in California for 30 or more days within a year from the commencement of employment to paid sick days, subject to specified full amount of leave time amounts and that rate of accrual. The bill would require the State Department of Social Services, in consultation with stakeholders, to convene a workgroup to implement paid sick leave for in-home supportive services providers and to issue guidance in that regard by December 1, 2017. The bill would authorize the department to implement that paid sick leave without complying with the Administrative Procedure Act.

(2) On and after July 1, 2014, existing law requires the minimum wage for all industries to be not less than $9 per hour. On and after January 1, 2016, existing law requires the minimum wage for all industries to be not less than $10 per hour.

This bill would require the minimum wage for all industries to not be less than specified amounts to be increased from January 1, 2017, to January 1, 2022, inclusive, for employers employing 26 or more employees and from January 1, 2018, to January 1, 2023, inclusive, for employers employing 25 or fewer employees, except when the scheduled increases are temporarily suspended by the Governor, based on certain determinations. The bill would also require the Director of Finance, after the last scheduled minimum wage increase, to annually adjust the minimum wage under a specified formula.

On or before July 28, 2017, and on or before every July 28 thereafter until the minimum wage is a specified amount for employers employing 26 or more employees, the bill would require the Director of Finance to annually determine, based on certain factors, whether economic conditions can support a scheduled minimum wage increase and certify that determination to the Governor and the Legislature. The bill would also require the State Board of Equalization to publish specified retail sales and use tax information on its Internet Web site to be used by the Director of Finance in making that determination.

On or before July 28, 2017, and on or before every July 28 thereafter until the minimum wage is a specified amount for employers employing 26 or more employees, in order to ensure that the General Fund can support the next scheduled minimum wage increase, the bill would also require the Director of Finance to annually determine and certify to the Governor and the Legislature whether the General Fund would be in a deficit in the current fiscal year, or in either of the following 2 fiscal years.

The people of the State of California do enact as follows:

SECTION 1. Section 245.5 of the Labor Code is amended to read:

245.5. As used in this article:

(a) "Employee" does not include the following:

(1) An employee covered by a valid collective bargaining agreement if the agreement expressly provides for the wages, hours of work, and working conditions of employees, and expressly provides for paid sick days or a paid leave or paid time off policy that permits the use of sick days for those employees, final and binding arbitration of disputes concerning the application of its paid sick days provisions, premium wage rates for all overtime hours worked, and regular hourly rate of pay of not less than 30 percent more than the state minimum wage rate.

(2) An employee in the construction industry covered by a valid collective bargaining agreement if the agreement expressly provides for the wages, hours of work, and working conditions of employees, premium wage rates for all overtime hours worked, and regular hourly pay of not less than 30 percent more than the state minimum wage rate, and the agreement either (A) was entered into before January 1, 2015, or (B) expressly waives the requirements of this article in clear and unambiguous terms. For purposes of this subparagraph, "employee in the construction industry" means an employee performing work associated with construction, including work involving alteration, demolition, building, excavation, renovation, remodeling, maintenance, improvement, repair work, and any other work as described by Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code, and other similar or related occupations or trades.

(3) An individual employed by an air carrier as a flight deck or cabin crew member that is subject to the provisions of Title II of the federal Railway Labor Act (45 U.S.C. Sec. 151 et seq.), provided that the individual is provided with compensated time off equal to or exceeding the amount established in paragraph (1) of subdivision (b) of Section 246.

(4) An employee of the state, city, county, city and county, district, or any other public entity who is a recipient of a retirement allowance and employed without reinstatement into his or her respective retirement system pursuant to either Article 8 (commencing with Section 21220) of Chapter 12 of Part 3 of Division 5 of Title 2 of the Government Code, or Article 8 (commencing with Section 31680) of Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code.

(b) "Employer" means any person employing another under any appointment or contract of hire and includes the state, political subdivisions of the state, and municipalities.

(c) "Family member" means any of the following:

(1) A child, which for purposes of this article means a biological, adopted, or foster child, stepchild, legal ward, or a child to whom the employee stands in loco parentis. This definition of a child is applicable regardless of age or dependency status.

(2) A biological, adoptive, or foster parent, stepparent, or legal guardian of an employee or the employee's spouse or registered domestic partner, or a person who stood in loco parentis when the employee was a minor child.

(3) A spouse.

(4) A registered domestic partner.

(5) A grandparent.

(6) A grandchild.

(7) A sibling.

(d) "Health care provider" has the same meaning as defined in paragraph (6) of subdivision (c) of Section 12945.2 of the Government Code.

(e) "Paid sick days" means time that is compensated at the same wage as the employee normally earns during regular work hours and is provided by an employer to an employee for the purposes described in Section 246.5.

SEC. 2. Section 246 of the Labor Code is amended to read:

246. (a) (1) An employee who, on or after July 1, 2015, works in California for the same employer for 30 or more days within a year from the commencement of employment is entitled to paid sick days as specified in this section.

(2) On and after July 1, 2018, a provider of in-home supportive services under Section 14132.95, 14132.952, or 14132.956 of, or Article 7 (commencing with Section 12300) of Chapter 3 of Part 3 of Division 9 of, the Welfare and Institutions Code, who works in California for 30 or more days within a year from the commencement of employment is entitled to paid sick days as specified in subdivision (e) and subject to the rate of accrual in paragraph (1) of subdivision (b).

(b) (1) An employee shall accrue paid sick days at the rate of not less than one hour per every 30 hours worked, beginning at the commencement of employment or the operative date of this article, whichever is later, subject to the use and accrual limitations set forth in this section.

(2) An employee who is exempt from overtime requirements as an administrative, executive, or professional employee under a wage order of the Industrial Welfare Commission is deemed to work 40 hours per

workweek for the purposes of this section, unless the employee's normal workweek is less than 40 hours, in which case the employee shall accrue paid sick days based upon that normal workweek.

(3) An employer may use a different accrual method, other than providing one hour per every 30 hours worked, provided that the accrual is on a regular basis so that an employee has no less than 24 hours of accrued sick leave or paid time off by the 120th calendar day of employment or each calendar year, or in each 12-month period.

(4) An employer may satisfy the accrual requirements of this section by providing not less than 24 hours or three days of paid sick leave that is available to the employee to use by the completion of his or her 120th calendar day of employment.

(c) An employee shall be entitled to use accrued paid sick days beginning on the 90th day of employment, after which day the employee may use paid sick days as they are accrued.

(d) Accrued paid sick days shall carry over to the following year of employment. However, an employer may limit an employee's use of accrued paid sick days to 24 hours or three days in each year of employment, calendar year, or 12-month period. This section shall be satisfied and no accrual or carryover is required if the full amount of leave is received at the beginning of each year of employment, calendar year, or 12-month period. The term "full amount of leave" means three days or 24 hours.

(e) For a provider of in-home supportive services under Section 14132.95, 14132.952, or 14132.956 of, or Article 7 (commencing with Section 12300) of Chapter 3 of Part 3 of Division 9 of, the Welfare and Institutions Code, the term "full amount of leave" is defined as follows:

(1) Eight hours or one day in each year of employment, calendar year, or 12-month period beginning July 1, 2018.

(2) Sixteen hours or two days in each year of employment, calendar year, or 12-month period beginning when the minimum wage, as set forth in paragraph (1) of subdivision (b) of Section 1182.12 and accounting for any years postponed under subparagraph (D) of paragraph (3) of subdivision (d) of Section 1182.12, has reached thirteen dollars ($13) per hour.

(3) Twenty-four hours or three days in each year of employment, calendar year, or 12-month period beginning when the minimum wage, as set forth in paragraph (1) of subdivision (b) of Section 1182.12 and accounting for any years postponed under subparagraph (D) of paragraph (3) of subdivision (d) of Section 1182.12, has reached fifteen dollars ($15) per hour.

(f) An employer is not required to provide additional paid sick days pursuant to this section if the employer has a paid leave policy or paid time off policy, the employer makes available an amount of leave applicable to employees that may be used for the same purposes and under the same conditions as specified in this section, and the policy satisfies one of the following:

(1) Satisfies the accrual, carryover, and use requirements of this section.

(2) Provided paid sick leave or paid time off to a class of employees before January 1, 2015, pursuant to a sick leave policy or paid time off

policy that used an accrual method different than providing one hour per 30 hours worked, provided that the accrual is on a regular basis so that an employee, including an employee hired into that class after January 1, 2015, has no less than one day or eight hours of accrued sick leave or paid time off within three months of employment of each calendar year, or each 12-month period, and the employee was eligible to earn at least three days or 24 hours of sick leave or paid time off within nine months of employment. If an employer modifies the accrual method used in the policy it had in place prior to January 1, 2015, the employer shall comply with any accrual method set forth in subdivision (b) or provide the full amount of leave at the beginning of each year of employment, calendar year, or 12-month period. This section does not prohibit the employer from increasing the accrual amount or rate for a class of employees covered by this subdivision.

(3) Notwithstanding any other law, sick leave benefits provided pursuant to the provisions of Sections 19859 to 19868.3, inclusive, of the Government Code, or annual leave benefits provided pursuant to the provisions of Sections 19858.3 to 19858.7, inclusive, of the Government Code, or by provisions of a memorandum of understanding reached pursuant to Section 3517.5 that incorporate or supersede provisions of Section 19859 to 19868.3, inclusive, or Sections 19858.3 to 19858.7, inclusive of the Government Code, meet the requirements of this section.

(g) (1) Except as specified in paragraph (2), an employer is not required to provide compensation to an employee for accrued, unused paid sick days upon termination, resignation, retirement, or other separation from employment.

(2) If an employee separates from an employer and is rehired by the employer within one year from the date of separation, previously accrued and unused paid sick days shall be reinstated. The employee shall be entitled to use those previously accrued and unused paid sick days and to accrue additional paid sick days upon rehiring, subject to the use and accrual limitations set forth in this section. An employer is not required to reinstate accrued paid time off to an employee that was paid out at the time of termination, resignation, or separation of employment.

(h) An employer may lend paid sick days to an employee in advance of accrual, at the employer's discretion and with proper documentation.

(i) An employer shall provide an employee with written notice that sets forth the amount of paid sick leave available, or paid time off leave an employer provides in lieu of sick leave, for use on either the employee's itemized wage statement described in Section 226 or in a separate writing provided on the designated pay date with the employee's payment of wages. If an employer provides unlimited paid sick leave or unlimited paid time off to an employee, the employer may satisfy this section by indicating on the notice or the employee's itemized wage statement "unlimited." The penalties described in this article for a violation of this subdivision shall be in lieu of the penalties for a violation of Section 226. This subdivision shall apply to employers covered by Wage Order 11 or 12 of the Industrial Welfare Commission only on and after January 21, 2016.

(j) An employer has no obligation under this section to allow an employee's total accrual of paid sick leave to exceed 48 hours or 6 days, provided that an employee's rights to accrue and use paid sick leave are not limited other than as allowed under this section.

(k) An employee may determine how much paid sick leave he or she needs to use, provided that an employer may set a reasonable minimum increment, not to exceed two hours, for the use of paid sick leave.

(*l*) For the purposes of this section, an employer shall calculate paid sick leave using any of the following calculations:

(1) Paid sick time for nonexempt employees shall be calculated in the same manner as the regular rate of pay for the workweek in which the employee uses paid sick time, whether or not the employee actually works overtime in that workweek.

(2) Paid sick time for nonexempt employees shall be calculated by dividing the employee's total wages, not including overtime premium pay, by the employee's total hours worked in the full pay periods of the prior 90 days of employment.

(3) Paid sick time for exempt employees shall be calculated in the same manner as the employer calculates wages for other forms of paid leave time.

(m) If the need for paid sick leave is foreseeable, the employee shall provide reasonable advance notification. If the need for paid sick leave is unforeseeable, the employee shall provide notice of the need for the leave as soon as practicable.

(n) An employer shall provide payment for sick leave taken by an employee no later than the payday for the next regular payroll period after the sick leave was taken.

(o) The State Department of Social Services, in consultation with stakeholders, shall convene a workgroup to implement paid sick leave for in-home supportive services providers as specified in this section. This workgroup shall finish its implementation work by November 1, 2017, and the State Department of Social Services shall issue guidance such as an all-county letter or similar instructions by December 1, 2017.

(p) Notwithstanding the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the State Department of Social Services may implement, interpret, or make specific this section by means of an all-county letter, or similar instructions, without taking any regulatory action.

SEC. 3. Section 1182.12 of the Labor Code is amended to read:

1182.12. (a) Notwithstanding any other provision of this part, on and after July 1, 2014, the minimum wage for all industries shall be not less than nine dollars ($9) per hour, and on and after January 1, 2016, the minimum wage for all industries shall be not less than ten dollars ($10) per hour.

(b) Notwithstanding subdivision (a), the minimum wage for all industries shall not be less than the amounts set forth in this subdivision, except when the scheduled increases in paragraphs (1) and (2) are temporarily suspended under subdivision (d).

(1) For any employer who employs 26 or more employees, the minimum wage shall be as follows:

(A) From January 1, 2017, to December 31, 2017, inclusive,—ten dollars and fifty cents ($10.50) per hour.

(B) From January 1, 2018, to December 31, 2018, inclusive,—eleven dollars ($11) per hour.

(C) From January 1, 2019, to December 31, 2019, inclusive,—twelve dollars ($12) per hour.

(D) From January 1, 2020, to December 31, 2020, inclusive,—thirteen dollars ($13) per hour.

(E) From January 1, 2021, to December 31, 2021, inclusive,—fourteen dollars ($14) per hour.

(F) From January 1, 2022, and until adjusted by subdivision (c)—fifteen dollars ($15) per hour.

(2) For any employer who employs 25 or fewer employees, the minimum wage shall be as follows:

(A) From January 1, 2018, to December 31, 2018, inclusive,—ten dollars and fifty cents ($10.50) per hour.

(B) From January 1, 2019, to December 31, 2019, inclusive,—eleven dollars ($11) per hour.

(C) From January 1, 2020, to December 31, 2020, inclusive,—twelve dollars ($12) per hour.

(D) From January 1, 2021, to December 31, 2021, inclusive,—thirteen dollars ($13) per hour.

(E) From January 1, 2022, to December 31, 2022, inclusive,—fourteen dollars ($14) per hour.

(F) From January 1, 2023, and until adjusted by subdivision (c)—fifteen dollars ($15) per hour.

(3) For purposes of this subdivision, "employer" means any person who directly or indirectly, or through an agent or any other person, employs or exercises control over the wages, hours, or working conditions of any person. For purposes of this subdivision, "employer" includes the state, political subdivisions of the state, and municipalities.

(4) Employees who are treated as employed by a single qualified taxpayer under subdivision (h) of Section 23626 of the Revenue and Taxation Code, as it read on the effective date of this section, shall be considered employees of that taxpayer for purposes of this subdivision.

(c) (1) Following the implementation of the minimum wage increase specified in subparagraph (F) of paragraph (2) of subdivision (b), on or before August 1 of that year, and on or before each August 1 thereafter, the Director of Finance shall calculate an adjusted minimum wage. The calculation shall increase the minimum wage by the lesser of 3.5 percent and the rate of change in the averages of the most recent July 1 to June 30, inclusive, period over the preceding July 1 to June 30, inclusive, period for the United States Bureau of Labor Statistics nonseasonally adjusted United

States Consumer Price Index for Urban Wage Earners and Clerical Workers (U.S. CPI-W). The result shall be rounded to the nearest ten cents ($0.10). Each adjusted minimum wage increase calculated under this subdivision shall take effect on the following January 1.

(2) If the rate of change in the averages of the most recent July 1 to June 30, inclusive, period over the preceding July 1 to June 30, inclusive, period for the United States Bureau of Labor Statistics nonseasonally adjusted U.S. CPI-W is negative, there shall be no increase or decrease in the minimum wage pursuant to this subdivision on the following January 1.

(3) (A) Notwithstanding the implementation timing described in paragraph (1) of this subdivision, if the rate of change in the averages of the most recent July 1 to June 30, inclusive, period over the preceding July 1 to June 30, inclusive, period for the United States Bureau of Labor Statistics nonseasonally adjusted U.S. CPI-W exceeds 7 percent in the first year that the minimum wage specified in subparagraph (F) of paragraph (1) of subdivision (b) is implemented, the indexing provisions described in paragraph (1) of this subdivision shall be implemented immediately, such that the indexing will be effective on the following January 1.

(B) If the rate of change in the averages of the most recent July 1 to June 30, inclusive, period over the preceding July 1 to June 30, inclusive, period for the United States Bureau of Labor Statistics nonseasonally adjusted U.S. CPI-W exceeds 7 percent in the first year that the minimum wage specified in subparagraph (F) of paragraph (1) of subdivision (b) is implemented, notwithstanding any other law, for employers with 25 or fewer employees the minimum wage shall be set equal to the minimum wage for employers with 26 or more employees, effective on the following January 1, and the minimum wage increase specified in subparagraph (F) of paragraph (2) of subdivision (b) shall be considered to have been implemented for purposes of this subdivision.

(d) (1) On or before July 28, 2017, and on or before every July 28 thereafter until the minimum wage is fifteen dollars ($15) per hour pursuant to paragraph (1) of subdivision (b), to ensure that economic conditions can support a minimum wage increase, the Director of Finance shall annually make a determination and certify to the Governor and the Legislature whether each of the following conditions is met:

(A) Total nonfarm employment for California, seasonally adjusted, decreased over the three-month period from April to June, inclusive, prior to the July 28 determination. This calculation shall compare seasonally adjusted total nonfarm employment in June to seasonally adjusted total nonfarm employment in March, as reported by the Employment Development Department.

(B) Total nonfarm employment for California, seasonally adjusted, decreased over the six-month period from January to June, inclusive, prior to the July 28 determination. This calculation shall compare seasonally adjusted total nonfarm employment in June to seasonally adjusted total nonfarm employment in December, as reported by the Employment Development Department.

(C) Retail sales and use tax cash receipts from a 3.9375-percent tax rate for the July 1 to June 30, inclusive, period ending one month prior to the July 28 determination is less than retail sales and use tax cash receipts from a 3.9375-percent tax rate for the July 1 to June 30, inclusive, period ending 13 months prior to the July 28 determination. The calculation for the condition specified in this subparagraph shall be made as follows:

(i) The State Board of Equalization shall publish by the 10th of each month on its Internet Web site the total retail sales (sales before adjustments) for the prior month derived from their daily retail sales and use tax reports.

(ii) The State Board of Equalization shall publish by the 10th of each month on its Internet Web site the monthly factor required to convert the prior month's retail sales and use tax total from all tax rates to a retail sales and use tax total from a 3.9375-percent tax rate.

(iii) The Department of Finance shall multiply the monthly total from clause (i) by the monthly factor from clause (ii) for each month.

(iv) The Department of Finance shall sum the monthly totals calculated in clause (iii) to calculate the 12-month July 1 to June 30, inclusive, totals needed for the comparison in this subparagraph.

(2) (A) On or before July 28, 2017, and on or before every July 28 thereafter until the minimum wage is fifteen dollars ($15) per hour pursuant to paragraph (1) of subdivision (b), to ensure that the state General Fund fiscal condition can support the next scheduled minimum wage increase, the Director of Finance shall annually make a determination and certify to the Governor and the Legislature whether the state General Fund would be in a deficit in the current fiscal year, or in either of the following two fiscal years.

(B) For purposes of this subdivision, deficit is defined as a negative balance in the Special Fund for Economic Uncertainties, as provided for in Section 16418 of the Government Code, that exceeds, in absolute value, 1 percent of total state General Fund revenue and transfers, based on the most recent Department of Finance estimates required by Section 12.5 of Article IV of the California Constitution. For purposes of this subdivision, the estimates shall include the assumption that only the minimum wage increases scheduled for the following calendar year pursuant to subdivision (b) will be implemented.

(3) (A) (i) If, for any year, the condition in either subparagraph (A) or (B) of paragraph (1) is met, and if the condition in subparagraph (C) of paragraph (1) is met, the Governor may, on or before August 1 of that year, notify the Legislature of an initial determination to temporarily suspend the minimum wage increases scheduled pursuant to subdivision (b) for the following year.

(ii) If the Director of Finance certifies under paragraph (2) that the state General Fund would be in a deficit in the current fiscal year, or in either of the following two fiscal years, the Governor may, on or before August 1 of that fiscal year, notify the Legislature of an initial determination to temporarily suspend the minimum wage increases scheduled pursuant to subdivision (b) for the following year.

(B) If the Governor provides notice to the Legislature pursuant to subparagraph (A), the Governor shall, on September 1 of any such year, make a final determination whether to temporarily suspend the minimum wage increases scheduled pursuant to subdivision (b) for the following year. The determination to temporarily suspend the minimum wage increases scheduled pursuant to subdivision (b) for the following year shall be made by proclamation.

(C) The Governor may temporarily suspend scheduled minimum wage increases pursuant to clause (ii) of subparagraph (A) no more than two times.

(D) If the Governor makes a final determination to temporarily suspend the scheduled minimum wage increases pursuant to subdivision (b) for the following year, all dates specified in subdivision (b) that are subsequent to the September 1 final determination date shall be postponed by an additional year.

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Varsity Contract start date	Area 1L Rates	Varsity Pay rate	CA minimum wage increase to $9 effective 7-1-14	CA minimum wage increase to $10 effective 1-1-16	CA minimum wage increase to $10.50 effective 1-1-17	Year 4 Master wage rate $13.69 effective 1-1-18
1/18/2014	Start: $8.50	$ 8.75	$9.25			
1/1/2015	Year 1: $8.75	$ 9.25				
1/1/2016	Year 2: $9.00	$ 10.25		$10.25		
1/1/2017	Year 3: $9.75	$ 10.75			$10.75	
1/1/2018	Year 4 Master Wage Rate Area 1A/B: $13.69					$13.69

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Minimum Wage Rates for Santa Clara County Cities

	2017	2018	2019
San Jose	$10.53	$10.76	$11.00
Palo Alto & Santa Clara City	$11.25	$11.50	$11.75
Mountain View & Sunnyvale	$13.00	$15.00	$15.37
Rest of Santa Clara (States)	$10.50	$11.00	$12.00
Santa Clara County - scenario	$12.00	$13.50	$15.00