



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh

SUBJECT: MINIMUM WAGE STUDY SESSION

DATE: April 14, 2016

Approved

Date

4/14/16

PURPOSE

The purpose of the Study Session is for the City's economic consultants to present the findings of a study on the economic impacts of a minimum wage increase in the City of San José and in Santa Clara County.

OUTCOME

The City Council will receive information on the economic impact of a minimum wage increase and will have the opportunity to ask questions of the City's consultants.

BACKGROUND

Consultant Selection

On September 15, 2015, the Mayor and City Council directed the City Manager to hire an independent, widely regarded economist/economics firm to study a potential increase in the minimum wage. Council identified a range of specific elements to be studied (<http://www.sanjoseca.gov/DocumentCenter/View/48616>).

OED staff established an Advisory Team that includes Bob Brownstein, Policy Director for Working Partnerships; Matt Mahood, President/CEO of the San Jose/Silicon Valley Chamber of Commerce; and Cupertino Council Member Rod Sinks, representing the Cities Association of Santa Clara County.

Following an RFP process, in December 2015 the City selected the Institute for Research on Labor and Employment (IRLE) at UC Berkeley. Additional details of the RFP process are described in an Information Memo dated December 18, 2015 (<http://www.sanjoseinfo.org/external/content/document/1914/2768661/1/12-18-15OED.PDF>).

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The Advisory Team also recommended the addition of a countywide employer opinion survey to collect information on how employers perceive a potential minimum wage increase. The City of San José is contracting independently with BW Research Partnership to conduct the survey.

Scope of Work

IRLE was directed to analyze the economic impacts on workers, businesses and consumers of a minimum wage increase, beginning on January 1, 2017 and increasing to \$15 per hour by January 1, 2019, for both the City of San Jose and for Santa Clara County. IRLE was also directed to provide a qualitative comparison to a minimum wage increase of \$20 per hour for the same time period and qualitative analysis of some policy options.

BW Research Partnership was directed to conduct a countywide employer opinion survey with a focus on industries that would be most impacted by a minimum wage increase.

The economic impact analysis and employer survey were conducted in January through March of this year. The model takes into account all local and state minimum wage policies in effect as of March 1, 2016.

Statewide Minimum Wage Increase

On April 4, Governor Brown signed Senate Bill 3 into law. This law will incrementally increase the state minimum wage from the current \$10 per hour to \$15 per hour between January 1, 2017 and January 1, 2022 for employers with 26 or more employees. Employers with 25 or fewer employees will have an additional year to adopt the scheduled increases. After January 1, 2023, future wage increases will be tied to inflation. The wage increase schedule may be temporarily suspended by the Governor if certain economic or budgetary conditions exist. The law maintains existing exemptions to state minimum wage law.

The state law establishes a new minimum wage “floor.” The City of San Jose and/or other Santa Clara County cities could choose to enact their own local ordinances that implement higher wages or faster schedules than the state.

During the study session, the consultants will address the implications of the state legislation on their analysis.

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Next Steps

The reports and presentations accompanying this study session provide the Mayor and Council with the main results of the minimum wage study. A detailed final report will be delivered in June 2016.

/s/

KIM WALESH

Deputy City Manager

Director of Economic Development

For questions please contact Michelle Thong, Business Development Officer, at (408) 535-8169.

Attachments:

- A) City Staff Summary of Minimum Wage Research Findings
- B) Summary of Key Findings: The Effects of a \$15 Minimum Wage by 2019 in Santa Clara County and the City of San Jose (Institute for Research on Labor and Employment)
- C) Santa Clara County Minimum Wage Employer Survey—Report (BW Research Partnership)
- D) Santa Clara County Minimum Wage Employer Survey—Powerpoint (BW Research Partnership)