



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: September 20, 2016

TO: Carolyn Lehr, City Manager

FROM: Charles S. Bryant, Community Development Director

SUBJECT: Minimum Wage Annual Review Status Report

STAFF RECOMMENDATION

Staff recommends that the City Council accept the following staff report as a preliminary informational report regarding the Minimum Wage Ordinance. This preliminary report is provided in advance of a more thorough annual review including original research, to be presented in November 2016.

BACKGROUND

In 2015, in an effort to help working households achieve economic security and acknowledging the higher relative cost of living in the San Francisco Bay Area, the City of Emeryville implemented the highest minimum wage established thus far in the State of California.

Based in part on the studies already conducted for other cities, the City Council directed staff to draft a proposed ordinance for discussion on February 17, 2015 modeled after the City of Oakland's ordinance. The first reading of the Minimum Wage Ordinance was on May 19, 2015, and the second reading was on June 2, 2015 and became effective on July 2, 2015.

Following this, staff notified businesses by placing information on the City's website, distributed materials (posters, official notices) and answered inquiries by phone, email and walk-in visits.

As required by the Minimum Wage Ordinance, a scheduled increase in the minimum wage rates took effect on July 1, 2016. Staff continues to respond to inquiries from employers and employees.

ANALYSIS

Economic Context

California leads the nation and Emeryville leads the state on minimum wage increases. As shown in Attachment 1, Emeryville's minimum wage exceeds minimums established in many cities across the nation. However, aside from the actual wage rate, there are variations in cities' implementation of local minimum wage ordinances that are worth noting. Some examples include Berkeley's exemption for nonprofits. A similar provision is included in the City of Los Angeles' ordinance, which allows nonprofits to pay new working interns 85% of the minimum wage for up to 480 hours or six months for job training. The City of Richmond's minimum wage ordinance allows employers that derive more than 50% of their income from transactions where goods and services produced in Richmond are shipped outside the city to pay an "intermediate" minimum wage, which is the midpoint between the state and city minimum wages. This ordinance also exempts businesses that pay for less than 800 hours of employee labor during any two-week period. As shown by these examples, many other cities are taking different approaches to minimum wage ordinances, and the variation across cities can be seen as reflective of the fact that cities and researchers are still determining effectiveness and impacts for businesses and workers.

In a July 27, 2016 Journalist's Resource (journalistsresource.org) column, *Minimum Wage: Updated Research Roundup on the Effects of Increasing Pay*, it is stated that research to-date supports the idea that raising the minimum wage has had varying effects on the economy, the worker and employers across the nation. The article includes the following observation:

"At the ground level, this all suggests that a small firm in a low wage region might, for example respond to an increase in the minimum wage by having the owner pick up more hours herself and cut back on an employee's overtime hours. A large firm might likewise try to squeeze more out of its salaried managers and hire more part time workers, to avoid benefit obligations. At the same time, because work has a social dimension - and is not purely an economic endeavor- many employees might keep their jobs at the higher mandated wages because of employer loyalty or trust, or the simple desire to avoid the complications of restructuring business operations...."

It appears that it will take some time to fully determine how minimum wage increases are achieving policy objectives.

Complaint Investigations and Noncompliance Enforcement

Staff has worked closely with the City Attorney to create official regulations and procedures (via an Administrative Instruction or “AI”), as well as Frequently Asked Questions (FAQs) for handling questions and complaints, and for establishing steps to achieve compliance. In addition, staff has worked with the City Attorney in conducting investigations and enforcement actions. The table below summarizes data regarding inquiries and complaint resolution activity over the past year. This does not include individual comment letters and emails from businesses that were received:

| | 2015 | 2016 (thru July 31) |
|--------------------------------|-------------|----------------------------|
| Number of Inquiries | 13 | 32 |
| Number of Complaints | 5 | 2 |
| Number of Closed Cases | 5 | 0 |
| Number of Pending Cases | 0 | 2 |

Upcoming Study of Ordinance Impacts

Staff has engaged Mills College Lokey School of Business (Mills) to conduct a survey of businesses to find out how the Ordinance has affected employment, business location, and prices among many other factors that affect business operations (see Attachment 2). Mills completed Oakland’s minimum wage survey, which provided Oakland stakeholders with a useful perspective on the impacts of minimum wage increases on the overall business climate as well as information regarding the benefits and challenges businesses face operating within the City of Oakland (see Attachment 3). The scope of work for the Emeryville survey is modeled after the Oakland survey. Although Mills’ work in Oakland was used as a starting point, the survey instrument for Emeryville will be enhanced and tailored to the needs of Emeryville’s unique circumstances, the sample size will be expanded from that used in Oakland, and an analysis will be provided based on data gathered.

In addition, staff has informally consulted with the economists from UC Berkeley’s Labor Center who have conducted studies for City of San Jose, Santa Clara, and Los Angeles. Staff continues to review nationwide and local studies to investigate the net effects of minimum wage ordinances on jobs, economic output and workers lives. A summary of this research review will be included in the annual review in November, accompanying the results of the Mills study.

FISCAL IMPACT

Staff anticipates an expenditure of approximately \$20,000 for the business survey to be conducted by Mills. There are sufficient funds budgeted for Professional Services in the Community Development Department to cover this expense.

PREPARED BY: April Shabazz, Management Analyst

REVIEWED BY: Chadrick Smalley, Economic Development and Housing Manager

APPROVED AND FORWARDED TO THE CITY COUNCIL OF THE CITY OF EMERYVILLE:



Carolyn Lehr, City Manager

Attachments:

1. Inventory of Local Minimum Wage Ordinances
2. Proposal from Mills College for Emeryville Minimum Wage Impact Study
3. Oakland Business Conditions Survey - July 2015