



AGENDA REPORT

TO: FRED BLACKWELL
CITY ADMINISTRATOR

FROM: Rachel Flynn

SUBJECT: Supplemental Report on Minimum Wage
Ordinance

DATE: April 22, 2014

City Administrator
Approval

Date

4/29/14

COUNCIL DISTRICT: All

RECOMMENDATION

Staff recommends that the City Council review this supplementary information, in addition to the previously published staff report, in their consideration of:

An Ordinance Amending the Oakland Municipal Code to Establish a City Minimum Wage

REASON FOR SUPPLEMENTAL REPORT

Since the creation of the report addressing the proposed increase in the minimum wage, staff has received new information on efforts to raise the minimum wage in other cities, including a ballot initiative in San Francisco. **See Attachment A for a revised summary of Federal, State and local minimum wage policies, per the discussion below.** The Chamber of Commerce has also released initial survey results of Oakland businesses.

ANALYSIS

Neighboring Cities Minimum Wage Ordinance Updates

Richmond

The proposed ordinance to raise the minimum wage to \$12.30 an hour by 2017 was passed by the Richmond City Council on its first reading. However, at the second reading on April 15th, the City Council postponed adoption pending further study of the economic impacts.

Berkeley

In April 2013, Councilmembers in the City of Berkeley introduced a proposal to raise the minimum wage to \$13.34, consistent with the City's Living Wage. The proposal has been

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revisited at consecutive meetings and a revised ordinance will go before the City Council at a special meeting on May 1, 2014. Discussion on the measure will likely continue beyond that date.

The Berkeley Council proposal calls for staggering implementation for small businesses and non-profits: the minimum wage for employers of fewer than 50 people and for nonprofits would become \$10.74 per hour, increasing annually by fifty-five cents per hour until it is equal to the City's Living Wage. For employers of more than 50 people, the minimum wage will be set equal to the Living Wage, or \$13.34 per hour, plus an increase based on the Consumer Price Index (CPI) changing with the Living Wage in the future.¹

Berkeley's draft proposal also currently requires both large and small employers to provide a medical benefit equal to that required by the Living Wage Ordinance, starting June 30, 2015. The medical benefit in Berkeley's Living Wage ordinance is currently \$2.22 per hour.

While there are no current exemptions in Berkeley's draft ordinance, exemptions are under discussion to be consistent with the Living Wage ordinance. Exemptions may be added for participants of nonprofit job training programs, including youth enrolled in job training programs. Exemptions for tipped restaurant workers were discussed extensively, but are less likely to be included. While some Berkeley restaurants are asking for an exemption for tipped workers, the CA Labor Code and more recent Attorney General decisions state that tips cannot be considered as wages; therefore, no known wage differentials for tipped employees exist in California. Finally, the Berkeley Chamber of Commerce is asking for an exemption for businesses of ten or less employees.

On April 22nd, 2014, Mayor Tom Bates of Berkeley released a press release proposing a coordinated regional minimum wage increase to \$12.53 in 2016, with a staggered implementation beginning in July 2014.

San Francisco

San Francisco Mayor Ed Lee discussed a minimum wage increase in his State of the City address in January. On April 7th, a coalition of SEIU Local 1021, Alliance of Californians for Community Empowerment, and other organizations introduced a ballot initiative to raise the minimum wage to \$15 an hour. The minimum wage in San Francisco is currently \$10.74.

The ballot initiative includes staggered implementation based on business size. Businesses with fewer than 100 employees would have until 2017 to lift wages to \$15 an hour. They must raise

¹ http://www.ci.berkeley.ca.us/Clerk/City_Council/2014/04_Apr/Documents/2014-04--1_Item_24b_Minimum_Wage_Ordinance.aspx

wages to \$13 an hour by 2015 and \$14 by 2016. Companies with more than 100 employees must lift base wages to \$13 an hour by January 2015 and to \$15 an hour by 2016.

The Mayor has created a Task Force to make recommendations for raising the City's minimum wage. The Task Force met for the first time in April, and its recommendations are expected by mid-May.

Preliminary Results from Chamber of Commerce Survey

The Oakland Metropolitan Chamber of Commerce surveyed local businesses in March as to their opinions on different proposals to increase the minimum wage and their anticipated responses to an increased wage. Below is a brief summary of the preliminary survey results.

Overview of Surveyed Businesses

- Representatives from 142 Oakland businesses answered the survey (approximately half Chamber members, half non-Chamber members, all Oakland employers), representing companies that employ around 11,000 workers in Oakland.
- Top five responding industries:
 1. Restaurants (37)
 2. Non-profits (21)
 3. Professional e.g. legal, accounting, etc. (19)
 4. Hospitality (12)
 5. Food and beverage, non-restaurant (8)
- 75% of survey respondents were small and micro enterprises employing 50 people or less.
- 78% of respondents have employees that receive pay between \$8-12/hour and would therefore be impacted by most pending proposals.

Opinion on Minimum Wage Increase

- 36% (45) of respondents to this question support the status quo--the already signed-into-law state legislative increase to \$9 in July 2014 and \$10 by July 2016--while 40% (49) support some form of higher increase. Of those supporting a higher increase, 12% (15) support the current pending proposal of \$10.20, 19% (24) back the local ballot initiative for \$12.25, and 8% (10) support \$15 an hour. 14% back the proposed federal increase to \$10.10, followed by pegging to the Consumer Price Index (CPI). 10% of respondents were not sure which minimum wage increase was appropriate, but wanted to remain competitive vis-à-vis San Francisco.

- The majority of restaurants surveyed (63%, or 23) back the current status quo with California law. None of the restaurant respondents voiced support for the ballot initiative proposal of \$12.25/hour or a \$15/hour minimum wage.

Anticipated Response to a Minimum Wage Increase

- 55% (78) of respondents believe they will not benefit from an increase in the minimum wage.
- 81% (30) of restaurant respondents think they will not benefit from an increase in the minimum wage.
- 41% responded that an increase in the minimum wage would not necessitate changes to their business. 40% responded that they would increase prices. 29% anticipated reducing employee hours and 27% anticipated reducing staff. 15% felt they would attract and retain better employees with a higher minimum wage and 5% anticipated increased revenue. 5% anticipated closing locations, 5% anticipated relocating, and 17% would likely limit expansion. Respondents to this question could pick more than one answer.

For questions regarding this report, please contact Al Auletta, Program Manager, at 510-238-3752.

Respectfully submitted,



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Table of Minimum Wage Policies and Proposals

Jurisdiction	Min Wage	Notes
Federal	\$7.25	<ul style="list-style-type: none"> In State of the Union, President Obama proposed increase to \$10.10 for all federal contracts Reps. Harkin & Miller have introduced bill to make it \$10.10 per hour and peg to inflation (current minimum wage not pegged)
State	\$8.00 (to \$9 on July 1 and \$10 in 2016 – see note)	<ul style="list-style-type: none"> Gov. Brown signed AB 10 last year raising min. wage for CA to \$9 on July 1, 2014 and to \$10 on July 1, 2016 (a 25% increase) Senator Leno recently introduced <u>SB 935</u> to set the State's minimum wage at \$11 in 2015, \$12 in 2016 and \$13 in 2017 Beginning in 2018, adjusted annually for inflation
San Francisco	\$10.74	<ul style="list-style-type: none"> SF voters passed a 2003 ordinance pegging the minimum wage to inflation. Effective Jan 1, 2014, it is \$10.74. <u>On April 7, 2014, the Coalition for a Fair Economy, including SEIU 1021, proposed a ballot initiative to increase it to \$15 by 2016 and by 2017 for businesses with fewer than 100 employees.</u> <u>Mayor's Task Force will make recommendations in May.</u>
San Jose	\$10.15	<ul style="list-style-type: none"> Increased to \$10 with inflation index passed by City of San Jose voters Nov. 2012, and then adjusted annually for inflation.
Richmond	\$8.00	<ul style="list-style-type: none"> <u>Mayor proposed an ordinance increasing the minimum wage to \$9 effective immediately and phased in each year to \$12.30 an hour by 2017 Beginning in 2018, adjusted annually for inflation</u> <u>On the second reading of the ordinance on April 15, the City Council declined to approve it and asked for further study of the economic impacts.</u>
Berkeley	\$8.00	<ul style="list-style-type: none"> <u>Councilmembers introduced a proposal in April 2013, still under discussion, to set the minimum wage equal to the Living Wage, or \$13.34 per hour, starting June 30th, 2014 and increasing with the Consumer Price Index (CPI), with staggered implementation for employers of fewer than 50 people and nonprofits</u> <u>Starting June 30, 2015, all employers would be required to provide a medical benefit equal to \$2.22 per hour</u> <u>On April 22, 2014, Mayor Bates proposed a regional minimum wage increase to \$12.25, with staggered implementation</u>
Oakland	\$8.00 (to \$9 on July 1 and \$10 in 2016 per state law)	<ul style="list-style-type: none"> Oakland currently does not require anything more than the State minimum wage Oakland's minimum wage will go to \$9.00 on July 1 and to \$10 on July 1, 2016, consistent with State law. Oakland has a Living Wage Ordinance for City and Port contractors, which is currently \$13.75 (if no health benefits) and \$11.96 (if health benefits provided) Lift Up Oakland, a coalition of labor and community groups, is collecting signatures to place a \$12.25 minimum wage initiative on the November ballot The initiative also calls for allowing workers to earn at least five paid sick days