Los Angeles Rising:
A City that Works for Everyone

Los Angeles City Council
Economic Development Committee
March 24, 2015

Why the Increase is Needed

Declining earnings in an expensive city
Half of L.A.'s working-age residents in poverty have jobs

Low wages drive poverty as much as unemployment does

Source: Public Use Microdata Sample records from the 2009 to 2013 American Community Surveys. Data is for residents of the City of Los Angeles who are 16 to 64 years of age.

Low-wage workers lost 32% of their buying power

1. 32% for workers in the 25th percentile - the working poor
2. 13% for workers in the 50th percentile - the typical worker

Sources: Public Use Microdata Sample records from the 1990 to 2000 decennial censuses, and from the 2005 to 2013 American Community Surveys. Wages are in 2014 dollars. Data is for residents of the City of Los Angeles who are full-time wage and salary workers. Full-time employment is at least 35 hours a week for at least 50 weeks a year. Workers with less than $1500 in annual earnings are excluded from the data.
30% of low-wage workers are paid less than the minimum wage

Low-wage workers often experience wage theft by being paid less than the minimum wage.


Positive Effects on Communities

Infusion of earnings into low-income neighborhoods and parallel wage increases in neighboring cities.
Most price increases will be paid in higher-income communities

- Most low-wage service jobs are located in higher-income communities.
- Most low-wage service workers live in lower-income communities.

$15.25 minimum wage will increase to total earnings in low-income neighborhoods by 6% or more

Neighborhoods will be stronger markets as resident spending power grows.
Higher wages in L.A. will cause businesses in neighboring cities to raise their wages to compete for qualified workers. Higher wages in L.A. will have spill-over benefits for residents working in neighboring cities.


Identifying and Managing Impacts

Wage level, revenue level, profit level, size
Small employers have high start-up and closure rates
Big employers provide most jobs and are more resilient

7 industries may be most sensitive to higher minimum wages

1. Apparel manufacturing
2. Temps, guards, janitors
3. Home health care
4. Residential nursing
5. Child day care
6. Restaurants and bars
7. Personal and repair services

Industry resilience for adapting to higher wages is supported by:
- Strong consumer base
- Large employers
- New opportunities for start-ups and growth

Sources: Quarterly Census of Employment and Wages, ACS PUMS 2000-2013, IMPLAN economic modeling software and data for Los Angeles County 1989-2013

ECONOMIC ROUNDTABLE
Knowledge for the Greater Good | economr.org
Data dashboard for tracking minimum wage effects

- Business sales
- Employment
- Wages

Data for monitoring available starting in year 2

<table>
<thead>
<tr>
<th>Data dashboard for tracking minimum wage effects</th>
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<tbody>
<tr>
<td>During the second year of wage increases, many sources of information will be available for validating or fine tuning increases for years 3 through 5</td>
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<table>
<thead>
<tr>
<th>Dashboard Item</th>
<th>Details</th>
<th>Year 1 2015</th>
<th>Year 2 2016</th>
<th>Year 3 2017</th>
<th>Year 4 2018</th>
<th>Year 5 2019</th>
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<tbody>
<tr>
<td>Sales &amp; Revenue</td>
<td>Gross Receipts by Industry Sector</td>
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<td>Jobs</td>
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Data Sources: QCEW (ES-202), Board of Equalization, Census, County Business Patterns
Best practices for enforcement

1. Designate an enforcement agency
2. Revoke, suspend, and terminate city-issued business licenses, permits, and contracts
3. Create liens for unpaid wages
4. Post notices for employees and allow access to payroll records
5. Stiff Fines, Citations, and Penalties
6. Criminalize wage theft
7. Create a private right of action
8. Protect against retaliation
9. Fund outreach and education

Conclusions

1. Low-wage workers in L.A. need higher wages to survive
2. Higher minimum wages have the potential to be an engine for economic growth in L.A.’s low-income neighborhoods
3. Some businesses in low-wage industries will challenged to adapt their business models to pay higher wages
4. A data dashboard of information is available to track changes in sales, employment and wages in comparison to the balance of the county and California and flag potential problems
5. Recommendations:
   a. Adopt a $15.25 minimum wage in five annual increments
   b. Benchmark the minimum wage against the CPI
   c. Apply the wage standard to all wage and salary workers
   d. Have strong tools to enforce the wage