


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: March 19, 2015

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Miguel A. Santana
City Administrative Officer



CITYWIDE MINIMUM WAGE STUDY

SUMMARY

At its meeting of October 28, 2014, the Economic Development Committee considered a Motion (Bonin-Buscaino-Martinez-Price-Koretz-Krekorian, CF# 14-1371, Attachment A) which would impose a living wage of \$13.25 for all employees working in the City by July 1, 2017. Motion further sought a study of impacts associated with increasing the minimum wage to \$15.25 by 2019. The Committee also considered a Motion (O'Farrell-Blumenfield-Krekorian-Martinez-Fuentes, CF #14-1371-S2, Attachment B) that instructed the City Administrative Officer and Chief Legislative Analyst to commission a study of minimum wage policies and issues to inform the Council's deliberations, including analysis of impacts on small businesses and non-profits.

Following public testimony and discussion, the Committee instructed the CAO and CLA to commission a study of the policy issues associated with the minimum wage proposals included in both Motions, as well as other issues identified by the Committee and included on the public record.

In response to Committee instructions, the CAO and CLA conducted a competitive bidding process to retain a consultant to prepare the required study. The process resulted in the selection of the Institute for Research on Labor and Employment (IRLE) at the University of California, Berkeley, to evaluate the following:

- a. How to establish a required minimum wage in the City of Los Angeles of \$13.25 by 2017, and then increase the minimum wage to \$15.25 an hour by 2019, to be followed by annual increases based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the Los Angeles metropolitan area ("Los Angeles-Riverside-Orange County, CA") which is published by the Bureau of Labor Statistics (i.e., evaluate the proposed timeline for minimum wage increases from implementation through 2019, with the intent to reach \$13.25 by 2017 and \$15.25 by 2019), as well as comment on other timeline implementation options;

- b. Provide a full analysis of the economic impact of this minimum wage proposal, including both the positive and negative effects on the City;
- c. Provide an analysis of the minimum wage proposal's effects on the local economy, including the number of people who would benefit from an increased wage and the potential for additional tax revenues;
- d. Provide an analysis of unintended consequences, including the reduction of workers benefits and hours;
- e. Provide an analysis on job creation and job/business retention;
- f. Identify specific industries that could experience negative impacts resulting from this proposal, and evaluate the pros and cons of categorical exemptions or other solutions to reduce potential negative impacts of the proposal on specific industries, including non-profits and small businesses. Provide clear definitions of the industries identified, including definitions of non-profits and small businesses;
- g. Provide an analysis for an option to establish a base and ceiling on automatic wage increases;
- h. Provide a review of options for the enforcement of a minimum wage ordinance;
- i. Provide a comparison of cost of living, demographics, and median wage in the City of Los Angeles versus other metropolitan areas; and,
- j. Provide comment on online communications included as part of the public record associated with C.F. 14-1371-S2, as well as issues identified during the City Council's Economic Development Committee, Motions introduced by Council, and other letters submitted for consideration prior to December 11, 2014.

The CLA and CAO are confident in the process that produced this study. The IRLE team has worked with City staff throughout this process to understand the issues raised by the Committee and included in the public record. In addition, the IRLE team met with local stakeholders to gather additional input and develop a local understanding of the issues. The report responds to the issues raised and presents its findings in a balanced manner. This report transmits the study prepared by IRLE as requested by the Economic Development Committee (Attachment C).

Additional Studies

In January 2015, the Chairman of the Economic Development Committee released a letter requesting that other organizations submit studies related to the proposed minimum wage policy. The intent was to receive additional input on the issue and ensure that the City Council has as much information and perspective as possible to inform policy consideration.

The City has received two reports as a result of this request:

- Beacon Economics has submitted "Cost-Benefit Analysis: Los Angeles Minimum

Wage Proposal”

- The Economic Roundtable has submitted “Los Angeles Rising: A City That Works for Everyone”

These reports are provided as Attachments D and E to this report for consideration.

Peer Review

In addition, the Chairman of the Economic Development Committee directed the CLA and CAO to commission a peer review of all studies submitted for Council consideration. The intent of the peer review is to provide the following:

1. Evaluate the data sources used in the studies submitted for reliability and applicability to the question of impacts of minimum wage as well as applicability to the City of Los Angeles.
2. Evaluate the methodologies used in studies and the applicability to the questions and to the City of Los Angeles. This evaluation should include a review of research and literature regarding these methodologies, separate from the studies under review.
3. Identify the theoretical underpinnings used in the studies and how they drive the final conclusions and recommendations.
4. Review issues raised by Motions, public record comments, and similar data requests submitted to the public record prior to December 11, 2014 and determine whether they were addressed by the submitted studies.
5. Follow up with authors of studies for clarification of issues not well explained in study.
6. Evaluate the relative strength of competing claims among the various studies under review.
7. Provide Council with questions, issues, methodologies, or data sources not dealt with adequately in studies; provide suggestions for additional analysis that may assist elected officials with minimum wage-related policy decisions.

An RFP was released to select a consultant to prepare the peer review. The City received two submissions in response to the RFP and the team of Drs. Till von Wachter and Jeffery Wegner, economists with UCLA and Rand, was selected to provide this study. The selected team will provide their peer review analysis by mid-April.

Public Hearing Process

The Economic Development Committee has scheduled a discussion of the Citywide minimum wage issue at their regular meeting to be held on Tuesday, March 24, 2015. Additional community-based meetings of the Committee are scheduled for Thursday, March 26 at the Watts Labor Community Action Committee Headquarters, 10950 S. Central Avenue; Tuesday, March 31 at Van Nuys City Hall, 6262 Van Nuys Blvd; and Thursday, April 2 at the Museum of Tolerance, 9786 W. Pico Blvd. It is anticipated that these discussions will help inform the Council as they deliberate the resulting policy decisions.

Attachment A Motion (Bonin-Buscaino-Martinez-Price-Koretz-Krekorian,
CF 14-1371)

- Attachment B Motion (O'Farrell-Blumenfield-Krekorian-Martinez-Fuentes,
CF 14-1371-S2)
- Attachment C "The Proposed Minimum Wage Law for Los Angeles: Economic Impacts
and Options" prepared by the Institute for Research on Labor and
Employment at the University of California, Berkeley, March 2015
- Attachment D Cost-Benefit Analysis: Los Angeles Minimum Wage Proposal by Beacon
Economics, March 2015
- Attachment E Los Angeles Rising: A City That Works For Everyone