

CITY COUNCIL

CORRESPONDENCE



16 JAN 28 01:01 PM

CITY CLERK

January 27, 2016

Mayor Terry Tornek and Pasadena City Council
100 North Garfield Avenue
Pasadena, CA 91109

Re: Minimum Wage discussion

Dear Mayor Tornek and City Council Members,

The Pasadena Chamber of Commerce would like to submit the attached as public comment for your consideration during discussions on raising the minimum wage in Pasadena.

As you are aware, the Chamber has proposed an alternative that would increase the minimum wage to \$12.50 per hour by 2020. We determined this approach would be in the best interests of Pasadena, its citizens, workers, young people, businesses and our local economy.

Attached are the research, analysis, findings and material that we would like you to consider as you discuss raising Pasadena's minimum wage.

Thank you for your service to Pasadena.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Little". The signature is stylized and somewhat cursive.

Paul Little
President and Chief Executive Officer

Cc: M. Jomsky

Local Minimum Wage Analysis

LA City Council Management System File: 14-371 – Establishment of Minimum Wage in LA
SUMMARY: The new ordinance increasing the minimum wage in Los Angeles to \$15 an hour by 2020 will have both positive and negative effects upon the city, the surrounding area, and most importantly the citizens, depending upon the specific circumstances for various situations. Overall, it seems as though the effects will be more negative than positive.

STATUS: June 13th, 2015 – Signed into law by Mayor Eric Garcetti

ANALYSIS: The most significant stated benefits from an increased minimum wage are an increased living standard due to greater purchasing power and general economic stimulus from consumers having more disposable income to spend. However, these two benefits aimed at reducing poverty in Los Angeles are largely dependent upon many factors not changing. These include prices, employment numbers, affordable housing, and existing profit margins, among others.

Although consumers would seem to have greater purchasing power from an increased minimum wage, businesses will raise prices to help offset increased labor costs. This will serve to nullify consumers' increased purchasing power, should these consumers even keep their jobs in the first place. This includes general consumer goods, but also housing prices, as California's price of living continues to grow. In addition, this increased minimum wage law could be seen simply as an inflationary adjustment spread out over a period of five years. Prices may rise as a result of inflation over the same time period; coupled with price increases to offset increased labor costs, consumers may actually have reduced purchasing power when compared to before.

Businesses' labor costs will inevitably increase as a result of this law. The slow incremental wage increase is designed to help businesses by providing an adjustment period, but may ultimately still be harmful to some businesses. In addition, most firms operate with a wage ladder, meaning that all wages in the business must increase as a result of a higher minimum wage. Should costs exceed revenues, employees will either have their hours reduced or possibly even be laid off. Businesses would likely start with those at the bottom of the wage ladder, hurting those supposedly benefitting the most from a higher minimum wage. This affects small businesses, the main creator of new jobs in the economy, much more than larger businesses and corporations. These small businesses are more likely to employ minimum wage employees and are less flexible when it comes to managing increased costs.

Those workers in labor dependent industries with small profit-margins will be affected drastically. These businesses will be incentivized to mechanize and automate their work processes in order to reduce employee labor costs, reducing employment while also possibly resulting in reduced quality of goods. These can include jobs in manufacturing, for example.

Food services, nursing and residential care, and textile and apparel manufacturing will all be hit heavily by increased labor costs. Apparel and manufacturing businesses already outsource a large amount of labor to foreign labor markets due to higher labor costs in the United States: an increased minimum wage would only further hurt U.S. employees by reducing their overall employment.

Small businesses with fewer than 25 employees are already given an exemption allowing them one more year than larger businesses to implement these new minimum wage laws. Further exemptions may be necessary in order to support these groups during the adjustment period. Small businesses with lower profit-margins and non-profit groups may require additional support, diverting government resources from other possible avenues.

In addition, many unskilled workers will have a harder time finding employment opportunities, as businesses will be less incentivized to hire these workers at a higher wage rate. In addition, many retailers and restaurant businesses rely upon teenage, part-time workers. Having an increased minimum wage law would reduce businesses' incentives to hire these workers and prevent these young citizens from obtaining valuable early work experience, hurting them in the future. What is not often mentioned when discussing an increased minimum wage is the possible effect upon employee benefits and protections, such as pension and healthcare benefits. Increased wages may cause some employers to reduce or discontinue these protections that are valued much more highly than a simple wage increase, hurting those workers supposedly benefitting from a much higher minimum wage.

In addition to laying off workers, many local businesses may re-locate in order to escape the higher labor costs associated with Los Angeles' minimum wage law. This will result in reduced job growth in the city while also reducing the revenue stream for the city itself. This is relevant to Pasadena, as many of the surrounding cities may offer more attractive business locations based upon prospective labor costs stemming from a higher minimum wage. Should other cities not increase the minimum wage, those areas could attract some businesses to re-locate there in order to save on labor costs. However, it must still be economically viable to do so. Re-locating can be a costly process and not only results in multiple conventional costs, but also results in the loss of customers and similar associated costs.

RECOMMENDATION: Based on the above analysis, the proposed increase of minimum wage would seem to offer more drawbacks than benefits.

Although consumers would theoretically have more disposable income and possibly be able to increase their standard of living, this is contingent upon them retaining and maintaining the same level of employment while prices also remain the same. Because many businesses may have to adjust their employment practices and prices as a result of increased costs from an increased minimum wage, these employees may not actually benefit as much as originally thought. They may end up working fewer hours than before or even have their employment terminated in some cases.

Small businesses are an important part of any economy. They are the entities that will be most harmed by an increased minimum wage law, as their profit margins are generally smaller and their capabilities make it difficult to adjust to a large overall wage increase across the firm's entire wage ladder. This will result in reduced employment growth and make it more difficult for unskilled workers to find employment opportunities in the future.

This proposed minimum wage law is designed to reduce poverty in Los Angeles and provide an economic stimulus. However, it does not seem like an increased minimum wage law would accomplish this goal. Based on my above analysis, I recommend that the Pasadena Chamber of Commerce not adopt an increased minimum wage.

Sources:

Beacon Economics – Cost-Benefit Analysis: Los Angeles Minimum Wage Proposal (March 2015)

UC Berkeley Labor Center – Minimum Wage & Living Wage (Resource Page)

Los Angeles County Economic Development Corporation (LAEDC) – Considering Minimum Wage Policy in Los Angeles County: Reviewing Recent Research and Assessing Potential Implications (June 2015)

Minimum Wage Analysis

SUMMARY: The Pasadena Chamber of Commerce should not support a minimum wage increase in the city of Pasadena to \$15 per hour by 2020.

ANALYSIS:

1. Is raising the minimum wage to \$15 per hour by 2020 good for Pasadena and the members of the Pasadena Chamber of Commerce?

Raising the minimum wage to \$15 per hour by 2020 is not an economically sound decision for Pasadena and the members of the Pasadena Chamber of Commerce. Due to the underlying nature of employment in Pasadena, as well as the business environment in the city, the economic costs of raising the minimum wage will outweigh the economic benefits.

Pasadena and LA differ across a variety of economic indicators that signal that LA is a much more viable and realistic candidate for the \$15 minimum wage than Pasadena, and that Pasadena cannot simply follow their minimum wage plan. Firstly, LA residents have a median income per capita of \$27,000 and a median household income of \$55,000, while Pasadena compares at \$41,000 and \$68,000, respectively. LA residents spend an average of 47% of their income on rent, while in Pasadena, 40% of residents give 35% of their income. Finally, before the minimum wage hike in LA, 46% of workers were living under \$15 per hour, while only 15% of workers in Pasadena live under this wage. Additionally, more LA residents are on government assistance than Pasadena residents. Through this initial comparison, there are many more workers in LA that benefit and then contribute back to the LA economy through a wage increase, but in Pasadena, the effects on wage earners would be drastically different.

Finally, less than 15% of workers in Pasadena live in Pasadena, compared to 35% in LA. (2010 U.S. Census figures report that 13,745 workers in Pasadena reside in Pasadena.) The majority of Pasadena residents work elsewhere where the minimum wage may or not be \$15 per hour. As a cost-benefit analysis depends both on the impact to business and the response of those benefiting from the wage increase, Pasadena residents are likely to bear the burden of a minimum wage hike through increased costs to businesses, while limitedly benefiting from the effects of increased wages due to the limited amount of workers that live in Pasadena, and the small amount of workers making less than \$15.

2. What will be the potential impacts on local businesses?

While raising the minimum wage to \$15 may not be significant for some businesses within the Pasadena Chamber, such as larger, high wage and high profit retaining firms, for many local, smaller businesses that are relatively dependent on labor, raising the minimum wage becomes very significant. For example, in the non-profit sector, where there is less flexibility in shifting revenue due to reliance on grants or donations, layoffs will be inevitable in order to mitigate the high labor costs. Additionally, local businesses that have wage ladders may feel obligated to raise worker wages across the board to keep hierarchy of pay. Analyses have shown that this 'ripple effect' can add 150% of the cost of a minimum wage increase, which will greatly affect smaller local businesses. Overall, particularly with smaller, local businesses, wages are set in accordance with the businesses operating costs. Intervening in how a small local business sets its

wages can have large effects on the amount of employees it can continue to pay, as well as with other aspects of operation.

3. What will be the potential impacts on Pasadena's competitiveness to recruit and retain businesses? (Especially if our local competitors – Burbank, Glendale, Alhambra, Arcadia, Monrovia) do not increase the minimum wage there

Because the majority (85%) of Pasadena residents work outside the city, businesses in the city will not be able to successfully pass higher labor costs onto consumers that are receiving higher minimum wage. Thus, according to the Beacon Economics analysis, business will have two options – either change their structure of employment in order to keep up with the higher costs associated with labor, or move outside the city. Additionally, it is possible that since such a high percentage of Pasadena workers live outside Pasadena, they will receive these wage hikes from Pasadena, and they will pass off their increased earnings to other competing cities.

4. Should there be any exemptions?

a. If so, who and why?

There should be exemptions on training periods, nonprofits, small businesses, and if possible, restaurants that have employees that receive second incomes through tips. If a full exemption within these categories is not possible, Pasadena should follow the LA model and allow at least small businesses and non-profits to take extra time to phase in. For these three categories, it is often difficult to offset the costs of an increase in wages compared to larger more established companies. In addition, restaurants with high tip earners are included in potential exemptions because only 8% of Pasadena Chamber members are restaurants. This is a small percentage of businesses in Pasadena; therefore the impact of exemptions for restaurants will be small.

5. Who will benefit from the increase?

a. How and why?

Due to the nature of Pasadena employment, raising the minimum wage will grant financial gains to workers that should not be the focus of inequality policy issues. Pasadena has a widening inequality issue that cannot be ignored. In 2012, the richest 1/5th of Pasadena households earned 53% of the income, and the poorest 1/5th earn 2.3% of the income. A high percentage of these low-income workers are working outside the city. Thus, those that will be getting a raise inside the city will probably not be primary income earners, live in households with a total income greater than the median household, and will be households without children, according to the Beacon Economics study. So while there will be those that will benefit from an increase in wages, it will not help those that need it most – low wage earners that are most likely working outside the city of Pasadena in the first place. There will be, of course, modest benefits for low-income residents that do not lose their jobs.

6. Who will be hurt by the increase?

a. How and why?

Businesses that have high labor costs will be hurt by the increase. Nearly all Pasadena low-wage jobs that have high labor costs are in retail, restaurants, hotels, education and health care. According to the California Restaurant Association, labor costs currently account for about 40% of a restaurants operating costs, and a minimum wage increases to just \$13 per hour would represent an increase in labor costs to 60%. After the wage increases in 2007, 58% of restaurant

operators increased men prices and 41% reduced employee hours. However, considering that 11% of Pasadena Chamber members are businesses that would fall under those that would be the most hurt by this increase (restaurants, and small local retailers), Pasadena Chamber members will on the whole, not be a major portion of those that will be greatly affected by the increase. But, low income members of Pasadena that live in the city that will be working for these high-risk chamber members will be affected. Additionally, low-skilled workers will be affected by this increase. Due to the costs associated with raising wages on small businesses, many Pasadena residents will lose their jobs, and according to existing literature on minimum wage policy, low-skilled workers will generally be the first to face layoffs.

CONCLUSION:

To conclude, raising the minimum wage in the same way that LA is doing will not be good for the Pasadena Chamber Members nor the economy of Pasadena at large. Pasadena is structurally different in terms of employment to many cities that have instigated a wage hike (San Francisco, Los Angeles, Seattle, etc.) making the costs outweigh the benefits. I suggest a smaller wage hike, an extension of the phase in period, or an elimination of the minimum wage for non-profits and small businesses, or restaurants with tip earners in order to set a minimum compensation level in order to help low wage earners in Pasadena. It is important to not generalize in our implementation of minimum wages across the country. While \$15 per hour may work for some cities, each city is different in both the breakdown of industry and employment, and a minimum wage will affect each city very differently. While increasing the minimum wage will be important to combat income inequality in Pasadena's future, I do not propose that Pasadena can simply follow the structure of LA's minimum wage when the cities are so different.

Therefore, I do not think that the Pasadena Chamber of Commerce should support an increase of the minimum wage in Pasadena to \$15 per hour by 2020.

PASADENA MINIMUM WAGE INCREASE

First and foremost, do not enact a Pasadena Minimum Wage Ordinance without first thoroughly analyzing:

1. The nature of the workforce and the business sector in Pasadena,
2. The impacts the Ordinance would have on the workers and the various business sectors.

Because the size and composition of the lower wage workforce is very different in different jurisdictions, the impact and benefit (if any) of implementing a single higher minimum wage regime will vary. Consequently, the rationale for imposing a higher minimum wage in one jurisdiction is not a justification to impose and will not have the same effect, as imposing the same the same higher minimum wage in another jurisdiction.

Basic Economic Principle: When the cost of doing something is increased (such as employing workers at the very lowest end of the wage scale), less of it will be done. In this case, other things remaining the same, fewer employees at the proposed higher minimum wage rate will be employed.

Range of potential impacts: A minimum wage increase will result in at least one, or more likely a combination, of the following

- Fewer workers at the lowest end of the pay scale will be employed
- The price of the goods or services the low wage workers produce will be raised
- Lower wage workers will be required to be more productive (i.e., produce more in a given time)
- Incentives to automate and reduce the number of low wage workers will increase
- Business activity that requires the proposed more expensive low wage workers will decline or flee to a jurisdiction without the higher minimum wage

Job losses: Fewer workers will be asked to produce more because it will be required to justify paying those workers higher wages. Lower skilled or potential entry level workers will be most adversely affected; the very workers who an increase in the minimum wage is supposed to help. With more expensive labor, businesses will seek out more ways to eliminate jobs through automation, etc.

Wage ladder effect and total impact: Wages of workers earning more than the minimum would have to be raised to preserve a spread sufficient enough to reflect their greater productivity, skill, etc. The total impact on the cost of labor to a business could be a multiple of the increase in wages for just the workers at the bottom of the wage scale who would get an increase.

Increased costs to consumers: If demand for a product is strong enough, it may be possible for businesses to increase the prices of their goods to all consumers. Similar to inflation, this would have the same effect as reducing the income of everyone who did not directly benefit by having their wage increased.

Business profits squeeze and business flight: If the same number of workers are required to be paid more but they still produce the same amount of product, business profits will fall if prices for the product cannot be raised to fully offset the increased labor cost. Businesses will have an incentive to flee, to reduce operations, or not to expand operations in jurisdictions with a higher minimum wage.

Reduction in real estate values and tax revenue: If businesses cannot pass on to consumers the increased wage costs, businesses may have to reduce the rents they are willing to pay to offset the

higher low end wages that have to be paid. That in turn would lower real estate values and ultimately reduce real estate tax revenues.

Businesses most affected: Businesses that have larger numbers of lower wage or lower skill workers would be the most directly and adversely affected. Examples are retail, restaurants, various low skill service industries, and hospitality. Non-profits that employ many part-time workers in jobs at the lower end of the wage scale would also experience large adverse impacts.

Exemption: It would be irrational to not exempt jobs (principally restaurant service staff) in which tips are a major component of the worker's compensation.

Periodic adjustments: Do not incorporate a periodic CPI adjustment. If there is to be any adjustment, it should be the lower of CPI or the general increase in wages. Minimum wage workers should not get mandated pay increases that could be higher than the growth in workers' wages in general.

Minimum Wage Information

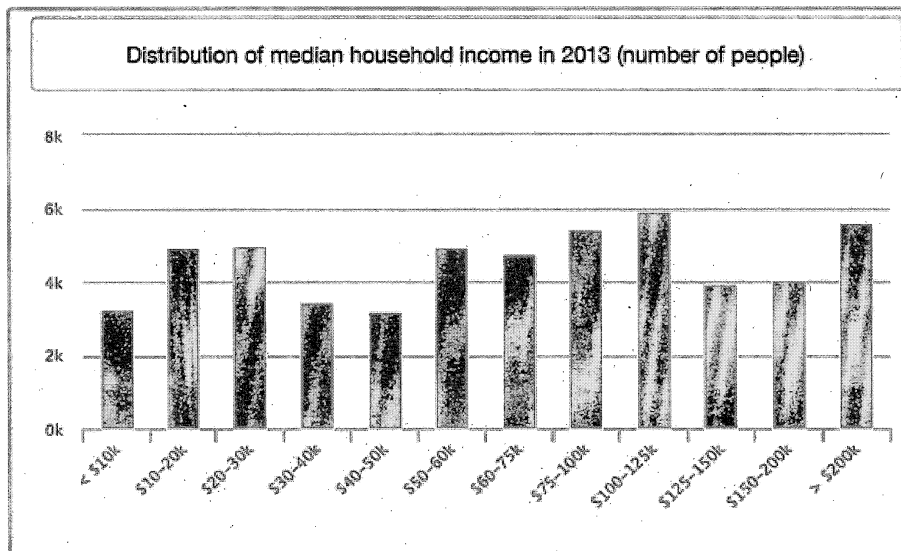
Presented by
Chamber of Commerce and Civic
Association of Pasadena

Pasadena Employment Information

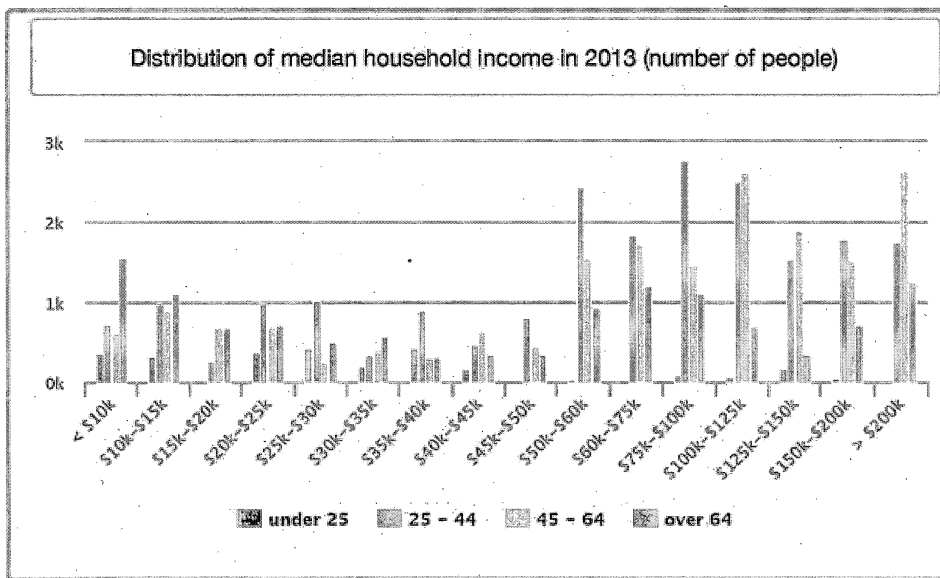
- Who works here?

Residents (2014 Census estimate)	Resident Workers (Those who live in Pasadena and work in Pasadena.)	Home Based Resident Workers	Estimated Resident Minimum Wage Workers (at 2.5x national average of 3.7%)	Total Employment (jobs) in Pasadena (City of Pasadena)	Minimum wage workers in Pasadena
140,888	13,700	2372	1048	100,000	15,000

Income distribution for Pasadena residents



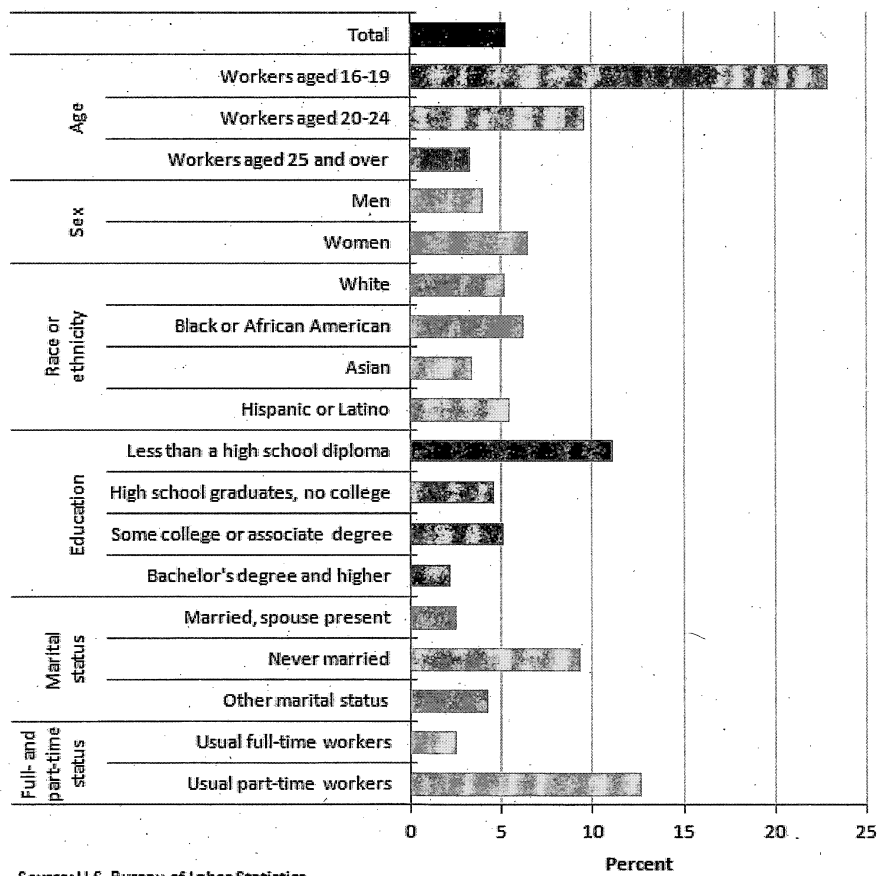
Income distribution by age – Pasadena residents



Median household income in Pasadena in 2013:
 Pasadena: \$68,172

Who makes minimum wage?

Percent of hourly paid workers with earnings at or below the prevailing Federal minimum wage by selected characteristics, 2011 annual averages

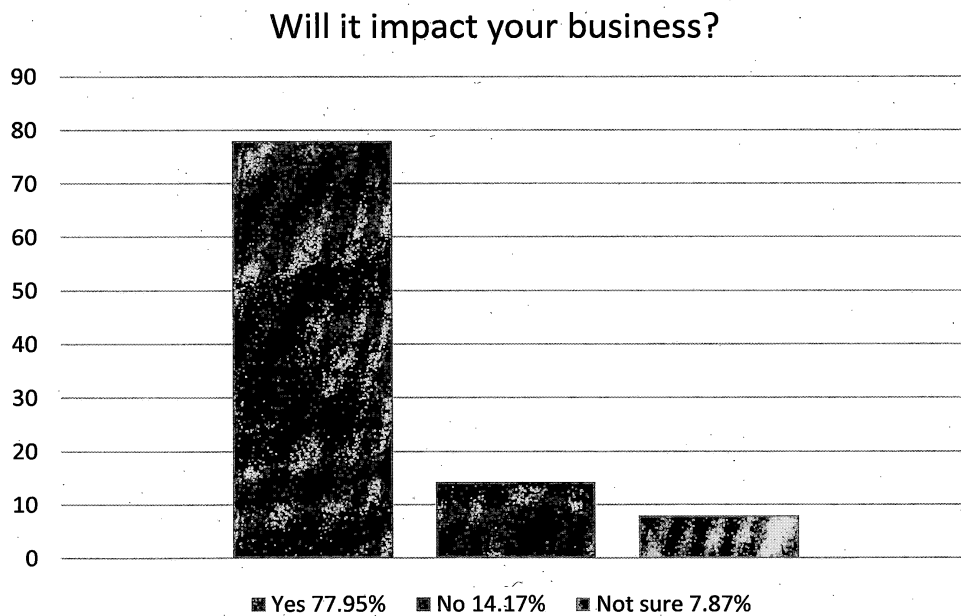


Source: U.S. Bureau of Labor Statistics

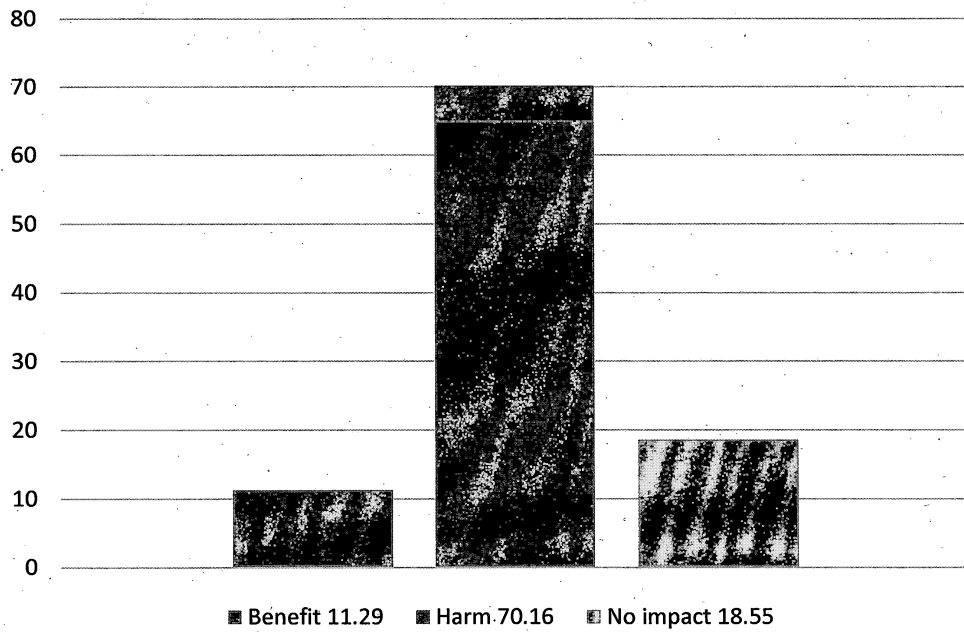
Pasadena Business Profile

Total Businesses (Census Bureau 2010)	Small locally and owned business	Non-profits (local) – estimate from Pasadena Community Report Card 2012
18,133	16,048	1050

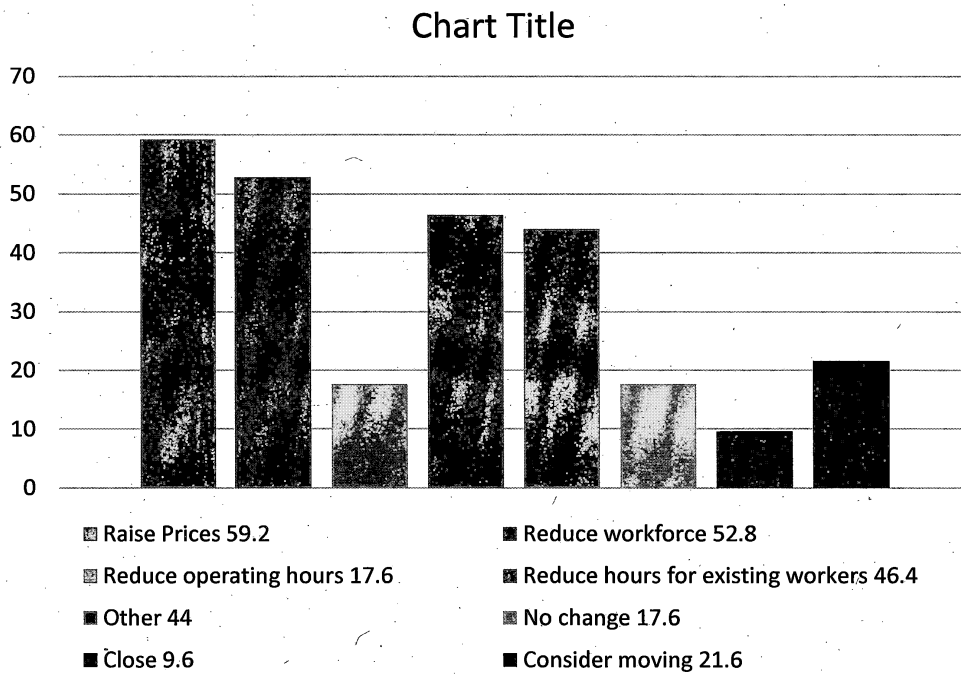
Chamber member response to Los Angeles minimum wage increase



How will it impact your business?

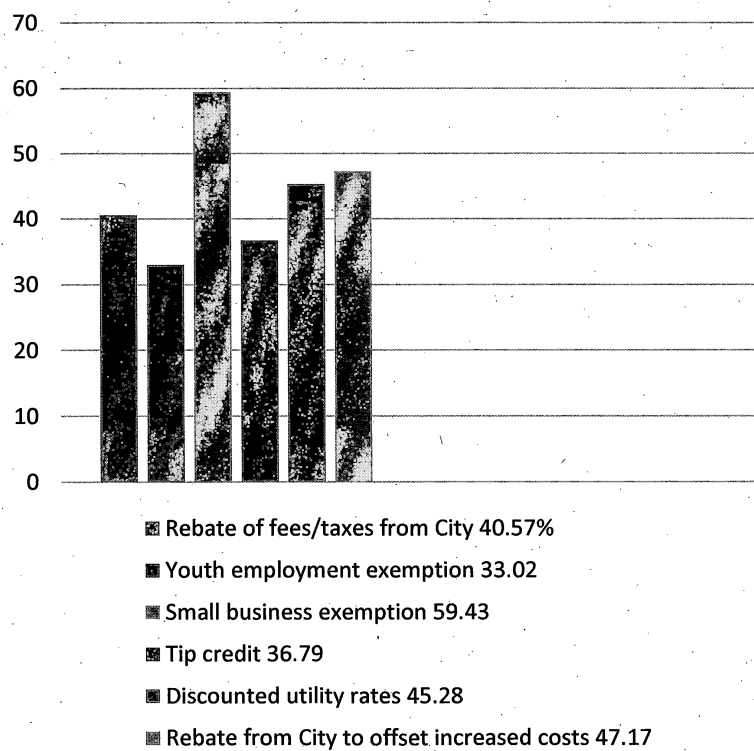


How will you adjust your business should the minimum wage increase?



- Note, multiple responses total to more than 100%

Possible mitigations from City



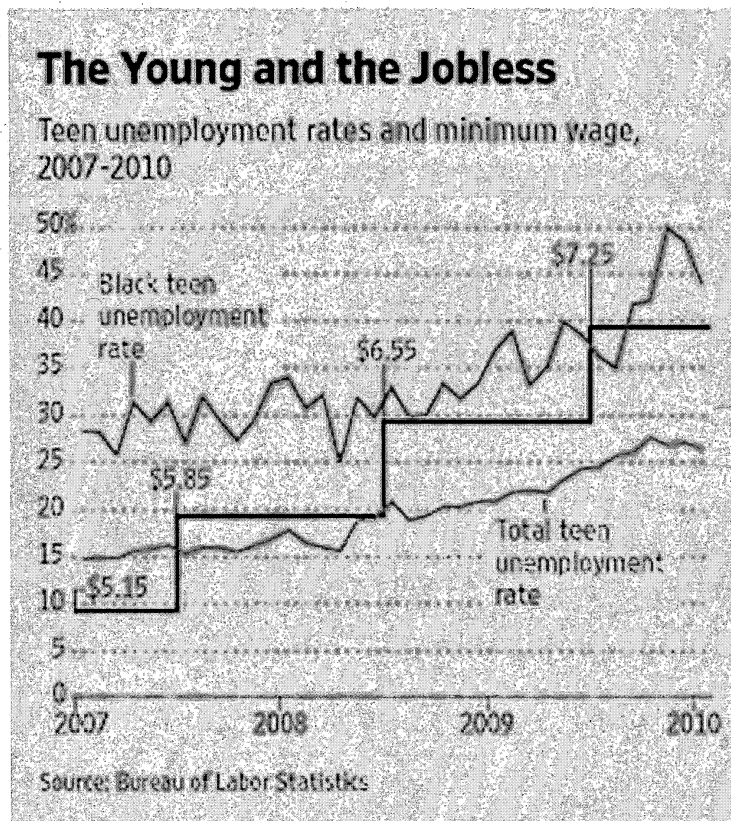
Note, multiple responses total to more than 100%

Industries most impacted

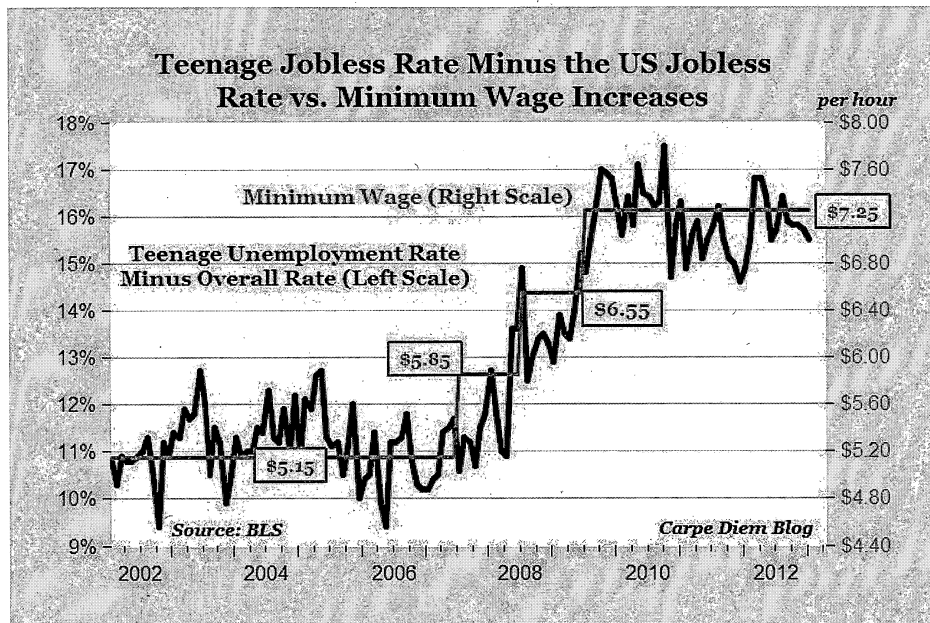
- **HOME HEALTH CARE** – set insurance and medical reimbursements for services – could leave clients without providers.
- **CHILD CARE AND EARLY CHILDHOOD EDUCATION**– student to caregiver ratios force wages down, can't raise costs to meet higher wages and state requirements – could make care unaffordable for working families.
- **SENIOR LIVING** – fixed income residents, costs rise significantly when wages rise. Estimates from providers are the increase would mean \$1250 more per month per unit – could force seniors to lower cost options.
- **RESTAURANTS** – tipped employees can make between \$25 and \$65 per hour now – can't raise prices enough to cover additional costs – will seek other options.
- **NON-PROFITS** – those dependent on state funds have seen drops in funding levels, fundraising has remained static – could result in diminished services to clients.
- **LOCAL RETAILERS** – dependent on part-time minimum wage employees and seasonal employees. Can't raise prices by the amounts that would be required to cover additional costs – would likely mean fewer employment opportunities.

Who is at risk?

Young people, especially minorities



Ten year comparison



Those with barriers to employment

- Formerly homeless
- Recently released felons
- Those with disabilities
- Former gang members

- Mark Loranger, president of Chrysalis, whose nonprofit helped 1600 poor or formerly homeless people find jobs in LA last year says, "They (clients) have difficulty in raising their budgets quickly enough to adapt to the rising costs of our services, which of course would be driven by the wages," Loranger told KPCC. "They have a fixed budget, and we'll work within that budget, but inevitably, that means fewer of our clients will be employed."
- "I was a gang member for over 20 years, I've been in prison. I was an addict," said Jermaine Smith, a "trainee" at Homeboy Industries. He'd just watched the full City Council cast a vote on raising the minimum wage. Part of his rehabilitation program at Homeboy Industries is working for minimum wage in the merchandising department. He says that's changed his life. "So I would be willing to cut my check in half to let the next man get the same opportunity."

Pasadena Chamber recommendations

- **DO AN ECONOMIC STUDY** particular to Pasadena. We are not Los Angeles and you need real information on Pasadena to inform any decision you may make.
- **FORM A WORKING GROUP OF STAKEHOLDERS** to research the issue and come forward with a recommendation for Pasadena.
- **NO CPI INCREASE**, saddling business with unfettered cost increases is an invitation to economic disaster.
- **EXEMPT THOSE EMPLOYEES WHO WILL BE HARMED**, such as youth, difficult to employ populations (felons, formerly homeless, etc.) so they have a fair chance at finding work as they transition back into the workforce.
- **CONSIDER THE TOTAL COMPENSATION MODEL** - exempt employees who make taxable earnings more than \$15 per hour through pay by the hour, piece rate, commissions, tips or other means.
- **IF YOU WON'T EXEMPT, FIND CONSIDERATION FOR SMALL, LOCALLY OWNED BUSINESSES AND NON-PROFITS** – UUT rebate, discounted utilities, general fund rebate of utility transfer, free business licenses.
- **WAIT FOR NOVEMBER BALLOT MEASURE** - The small increase in July, 2016, will have little impact. If measure passes then the state voters have dictated what minimum wage will be. If not, you can see if it would have passed in Pasadena and act accordingly.
- **IF YOU FEEL YOU MUST DO SOMETHING:**
- **TAKE IT ONE STEP AT A TIME** - Take it one step at a time – pass the first increase, then assess impacts before you do the next.
- **CONSIDER AN ALTERNATIVE MINIMUM WAGE** - \$15 per hour by 2020 could harm local businesses, employment opportunities and our economy, consider an increase to \$12.50 per hour by 2020 as an alternative that have less of a negative impact here.

Thank you
For your time.



As the City Council deliberates raising the minimum wage in Pasadena, the Pasadena Chamber would like to share some pertinent data and reports.

1. Minimum Wage and Youth Employment

Exemption from Minimum Wages Would Help Younger Workers by [Preston Cooper](#) | 1/06/2015 |

On New Year's Day, some twenty-one states across America increased their minimum wages, bringing the total number of states with minimum wages above the federal level to twenty-nine. While proponents of government wage-setting celebrated the increases, young people have reason to worry. Low-paying jobs can provide invaluable workplace experience to teenagers just starting their careers. Higher minimum wages limit the availability of these entry-level jobs, as employers are forced to hire fewer people for higher wages.

A little-known federal law designed to mitigate these negative effects is the youth minimum wage. The law allows employers to pay a subminimum wage of \$4.25 an hour (59 percent of the regular federal minimum of \$7.25 an hour) to workers under 20, for a period of up to 90 days. While this exception is a small one, it does provide a window of opportunity for young people who want to work but can't find jobs that match their skill sets and also pay the minimum wage or above.

Unfortunately, the real-world applicability of this law is complicated by state minimum wage laws. Many states are not waiting for Congress to raise the federal minimum wage—as we saw on New Year's Day, a large number are plowing ahead with their own state-level increases. Several states, however, have neglected to include an exemption for young workers, rendering the federal youth minimum wage obsolete.

Minimum Wage Increases, 2015

State	2014 Min. Wage	2015 Min. Wage	Change
Alaska*	\$7.75	\$8.75	12.9%
Arizona	\$7.90	\$8.05	1.9%
Arkansas	\$7.25	\$7.50	3.4%
Colorado	\$8.00	\$8.23	2.9%
Connecticut	\$8.70	\$9.15	5.2%
Delaware**	\$7.75	\$8.25	6.5%
District of Columbia***	\$9.50	\$10.50	10.5%
Florida	\$7.93	\$8.05	1.5%
Hawaii	\$7.25	\$7.75	6.9%
Maryland	\$7.25	\$8.00	10.3%
Massachusetts	\$8.00	\$9.00	12.5%
Minnesota****	\$8.00	\$9.00	12.5%
Missouri	\$7.50	\$7.65	2.0%
Montana	\$7.90	\$8.05	1.9%
Nebraska	\$7.25	\$8.00	10.3%
New Jersey	\$8.25	\$8.38	1.6%
New York	\$8.00	\$8.75	9.4%
Ohio	\$7.95	\$8.10	1.9%
Oregon	\$9.10	\$9.25	1.6%
Rhode Island	\$8.00	\$9.00	12.5%
South Dakota	\$7.25	\$8.50	17.2%
Vermont	\$8.73	\$9.15	4.8%
Washington	\$9.32	\$9.47	1.6%
West Virginia	\$7.25	\$8.00	10.3%

*Effective Feb. 25

** Effective June 1

***Effective Jul. 1

****Effective Aug. 1

Only nineteen states have a youth minimum wage at the federal youth minimum level of \$4.25. Not all of these youth minimum wages are created equal. Vermont, for example, limits youth minimum wage eligibility to full-time high-school students. Eight states have a youth wage between the federal youth rate and the regular federal rate, while twenty-three states plus the District of Columbia have a youth wage at or above the federal minimum wage of \$7.25 an hour.

The highest minimum wage for young people belongs to Washington State, which does not create an exemption for youth workers and subjects all employees in the state to the same minimum of \$9.47 per hour. The unemployment rate for teenagers in Washington State was 31 percent in 2013, almost 10 percentage points higher than the national rate. In Washington and other states with high minimum wages, young aspiring workers are finding themselves shut out of the labor force.

The link between higher minimum wages and youth unemployment is well-documented. A [2013 paper](#) by Texas A&M University professors Jonathan Meer and Jeremy West found that the negative effects of higher minimum wages on job growth are strongest for young workers—while seeing hardly any effect for workers over 35. A [December 2014 study](#) by University of California (San Diego) professors Jeffrey Clemens and Michael Wither concludes that increases in the minimum wage reduce the likelihood that low-wage workers will make it into the middle class, since higher minimum wages deprive many workers of jobs and experience.

Over half of workers who earn at or below the federal minimum wage are below the age of 25, meaning that unemployed youth would benefit immensely from programs that allow them to earn subminimum wages. Unfortunately, state laws do not reflect this reality.

Increasing youth employment should be a top priority for policymakers at the state and federal levels. The labor force participation rate among 16 to 24-year-olds in 2013 was 55 percent, and the Bureau of Labor Statistics projects this number to slip below 50 percent in 2022. Employers are increasingly looking for work experience rather than college major when hiring, making that first job all the more important for upward income mobility. Rather than “protecting” young workers from “unfairly” low wages, policymakers should recognize that low-paying jobs are the first stepping-stone for young people on the way to a better life.

It is not too late for states to add special minimum wages for youths or teens to their legislation. In addition, new state minimum wage legislation should include a youth minimum wage exemption in line with the federal law. At the national level, Congress should consider raising the age cap for the youth minimum wage and lengthening its 90-day limit, to allow as many young people as possible to take advantage of the law. While increasing the wages of America’s lowest-paid workers is an admirable goal, it shouldn’t come at the cost of massive youth unemployment and an out-of-reach first rung on the economic ladder.

Preston Cooper is a contributor to Economics21.

Minimum wages and youth unemployment by [Aspen Gorry](#)

Science Direct

Highlights

- This paper studies the effect of minimum wages on youth employment.
 - Minimum wages interact with young worker's ability to gain experience.
 - Minimum wages cause potentially large, non-linear increases in youth unemployment.
 - Minimum wages account for a 2.8 percentage point increase in youth employment for high school educated workers between 2006 and 2010.
 - Minimum wages can help explain differences in cross-country unemployment outcomes.
-

Abstract

This paper constructs a labor search model to explore the effects of minimum wages on youth unemployment. To capture the gradual decline in unemployment for young workers as they age, the standard search model is extended so that workers gain experience when employed. Experienced workers have higher average productivity and lower job finding and separation rates that match wage and worker flow data. In this environment, minimum wages can have large effects on unemployment because they interact with a worker's ability to gain job experience. The increase in minimum wages between 2007 and 2009 can account for a 0.8 percentage point increase in the steady state unemployment rate and a 2.8 percentage point increase in unemployment for 15–24 year old workers in the model parameterized to simulate outcomes of high school educated workers. Minimum wages can also help explain the high rates of youth unemployment in France compared to the United States.

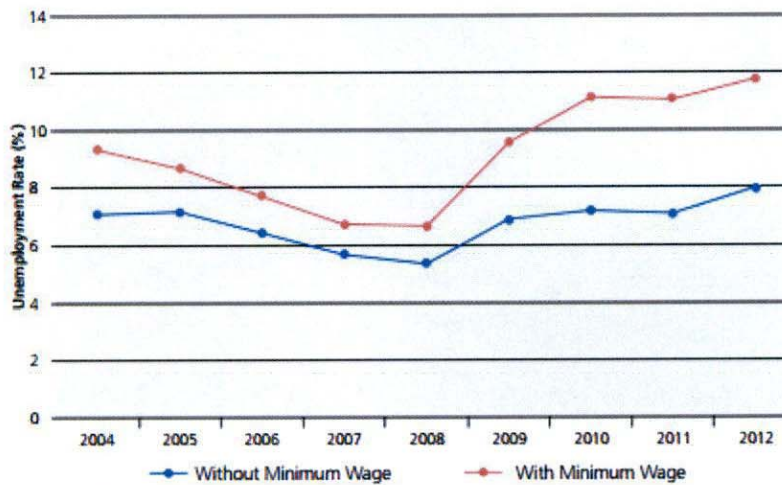
Let the Data Speak: The Truth Behind Minimum Wage Laws

By [Steve H. Hanke](#)

This article appeared in the April 2014 issue of [Globe Asia](#).

President Obama set the chattering classes abuzz after his recent unilateral announcement to raise the minimum wage for newly hired Federal contract workers. During his State of the Union address in January, he sang the praises for his decision, saying that “It’s good for the economy; it’s good for America.” As the worldwide economic slump drags on, the political drumbeat to either introduce minimum wage laws (read: Germany) or increase the minimums in countries where these laws exist — such as Indonesia — is becoming deafening. Yet the glowing claims about minimum wage laws don’t pass the most basic economic tests. Just look at the data from Europe (see the accompanying chart).

Average Unemployment Rate of E.U. Countries With & Without Minimum Wages

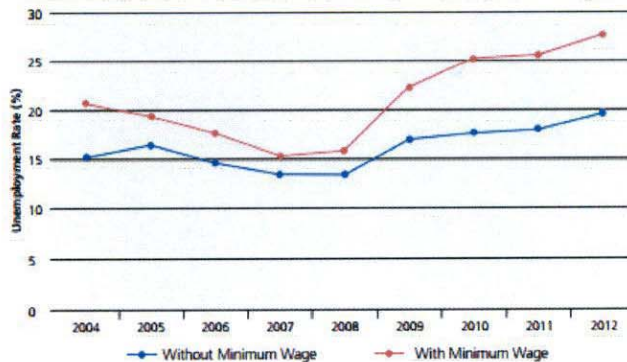


Sources: Eurostat (Unemployment rates - Annual Average), and calculations by Prof. Steve H. Hanke, The Johns Hopkins University.
 Note: The averages displayed in the chart are arithmetic means.

There are seven European Union (E.U.) countries in which no minimum wage is mandated (Austria, Cyprus, Denmark, Finland, Germany, Italy, and Sweden). If we compare the levels of unemployment in these countries with E.U. countries that impose a minimum wage, the results are clear. A minimum wage leads to higher levels of unemployment. In the 21 countries with a minimum wage, the average country has an unemployment rate of 11.8%. Whereas, the average unemployment rate in the seven countries without mandated minimum wages is about one third lower — at 7.9%.

This point is even more pronounced when we look at rates of unemployment among the E.U.'s youth — defined as those younger than 25 years of age (see the accompanying chart).

Average Youth Unemployment Rate of E.U. Countries With & Without Minimum Wages



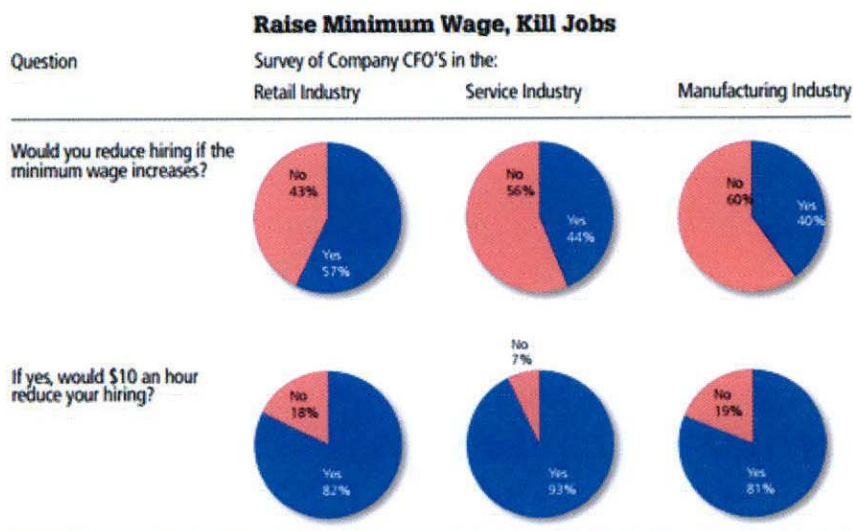
Sources: Eurostat (Unemployment rates - Annual Average; Age: Less than 25 years), and calculations by Prof. Steve H. Hanke, The Johns Hopkins University.
 Note: The averages displayed in the chart are arithmetic means.

In the twenty-one E.U. countries where there are minimum wage laws, 27.7% of the youth demographic — more than one in four young adults — was unemployed in 2012. This is considerably higher than the youth unemployment rate in the seven E.U. countries without minimum wage laws — 19.5% in 2012 — a gap that has only widened since the Lehman Brothers collapse in 2008.

So, minimum wage laws — while advertised under the banner of social justice — do not live up to the claims made by those who tout them. They do not lift low wage earners to a so-called “social minimum”. Indeed, minimum wage laws — imposed at the levels employed in Europe — push a considerable number of people into unemployment. And, unless those newly unemployed qualify for government assistance (read: welfare), they will sink below, or further below, the social minimum.

As Nobelist Milton Friedman correctly quipped, “A minimum wage law is, in reality, a law that makes it illegal for an employer to hire a person with limited skills.”

Dr. Jens Weidmann, President of Germany’s Bundesbank, must have heard Prof. Friedman and looked at these European data before he took on Chancellor Angela Merkel for proposing the introduction of a minimum wage law in Germany. In short, Dr. Weidmann said that this would damage Germany’s labor market and be a German job killer. He is right.



Sources: CFOsurvey.org. Prepared by: Prof. Steve H. Hanke, The Johns Hopkins University.

And, executives surveyed in the recently released Duke University/CFO Magazine Global Business Outlook Survey agree, too. Indeed, Chief Financial Officers from around the world were interviewed and a significant number of them concurred: a minimum wage increase in the United States — from the current \$7.25/hour to President Obama’s proposed \$10.10/hour — would kill U.S. jobs. The accompanying table shows what the CFOs had to say.

Perhaps, Prof. Friedman said it best when he concluded that “The real tragedy of minimum wage laws is that they are supported by well-meaning groups who want to reduce poverty. But the people who are hurt most by high minimums are the most poverty stricken.”

High mandated minimum wages will throw people out of work and onto the welfare rolls in cases where unemployment benefits exist. When it comes to welfare payments, they obey the laws of economics, too. Indeed, if something — like unemployment — is subsidized, more of it will be produced. When the data on unemployment benefits speak, they tell us that if the unemployed receive unemployment benefits, the chances that they will become employed are reduced. Those data also show that the probability of an unemployed worker finding employment increases dramatically the closer an unemployed worker comes to the termination date for receipt of his unemployment benefits. In short, when the prospect of losing welfare benefits raises its head, unemployed workers magically tend to find work.

The most important lesson to take away from allowing the minimum wage and unemployment benefit data to talk is that abstract notions of what is right, good and just should be examined from a concrete, operational point of view. A dose of reality is most edifying.

Steve H. Hanke is Professor of Applied Economics at the Johns Hopkins University in Baltimore, MD. He is also a Senior Fellow and Director of the Troubled Currencies Project at the Cato Institute in Washington, D.C. You can follow him on Twitter: @Steve Hanke

The Effects of the Minimum Wage on the Employment and Earnings of Youth by Robert H. Meyer, David A. Wise

NBER Working Paper No. 849

Issued in 1982

NBER Program(s): LS

The employment and earnings effects of the minimum wage are estimated by parameterizing an hypothesized relationship between underlying market employment and wage relationships versus observed wage and employment distributions in the presence of a legislated minimum. If there had been no minimum during the 1973-78 period, we estimate that employment among out-of-school men 16 to 24 would have been approximately 4 percent higher than it in fact was. Among young men 16 to 19 employment would have been about 7 percent higher and among those 20 to 24, 2 percent higher. Employment among black youth 16 to 24 would have been almost 6 percent higher than it was, as compared with somewhat less than 4 percent for white youth. Although it is sometimes argued that the adverse employment effects of the minimum are offset by increased earnings, we find virtually no earnings effect. Had the minimum not been raised over the 1973-78 period, inflation would have greatly moderated the adverse employment effects of the minimum, with approximately two-thirds of the potential employment gains from elimination of the minimum attained. The weight of our evidence is inconsistent with a general increase in youth wage rates with increases in the real

minimum. Our findings support the hypothesis that the effects of the minimum are concentrated on youth with sub-minimum market wage rates.

Minimum Wages and Youth Employment in France and the United States by John M. Abowd, Francis Kramarz, Thomas Lemieux, David N. Margolis

NBER Working Paper No. 6111

Issued in July 1997

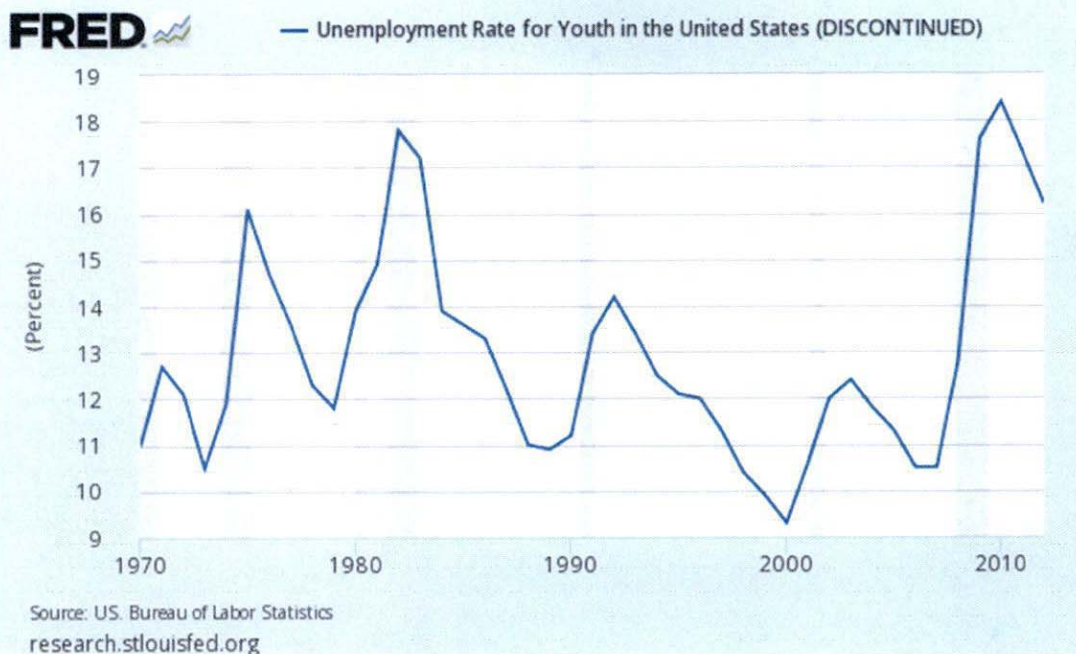
NBER Program(s): LS

We use longitudinal individual wage and employment data for young people in France and the United States to investigate the effect of intertemporal changes in an individual's status vis-...-vis the real minimum wage on employment transition rates. We find that movements in both French and American real minimum wages are associated with relatively important employment effects in general, and very strong effects on workers employed at the minimum wage. In the French case, albeit imprecisely estimated, a 1% increase in the real minimum wage decreases the employment probability of a young man currently employed at the minimum wage by 2.5%. In the United States, a decrease in the real minimum of 1% increases the probability that a young man employed at the minimum wage came from nonemployment by 2.2%. These effects get worse with age in the United States, and are mitigated by eligibility for special employment promotion contracts in France.

The Correlation Between Minimum Wage Increase and Youth Unemployment by Merrill Matthews | Publications | PolicyBytes

Minimum wage-increase critics assert that arbitrarily hiking the cost of labor has its largest negative impact on the least skilled workers, which tend to be younger people just entering the workforce. If that's true, we should be able to see some correlation between U.S. minimum wage increases and a rise in youth unemployment—and we do.

The accompanying Federal Reserve Bank of St. Louis graph tracks youth unemployment since 1970.



According to the [Bureau of Labor Statistics](#), Congress increased the minimum wage, which had been \$1.60, in 1974 (\$2.00), 1975 (\$2.10) and 1976 (\$2.30). Congress skipped 1977 and started a run of four successive years: 1978 (\$2.65), 1979 (\$2.90), 1980 (\$3.10) and 1981 (\$3.35). Correspondingly, youth unemployment began rising in 1974.

The next minimum wage increase came in 1990 (\$3.80) and 1991 (\$4.25). You will see on the graph that youth unemployment starts to rise in 1990 and peaks around 1992.

There was a minimum wage increase in 1996 (\$4.75) and 1997 (\$5.15), but youth unemployment continued a several-year decline, making this increase the anomaly.

The last minimum wage increase came in 2007 (\$5.85), 2008 (\$6.55) and 2009 (\$7.25), and so did an increase in youth unemployment.

Thus there is an identifiable correlation between minimum wage increases and rising youth unemployment. The 1996-7 anomaly is likely explained by strong economic growth, which can mitigate the damage normally caused by bad economic policies.

Interestingly, every recession since 1970—the gray areas in the chart—was preceded by a rise in youth unemployment. Indeed, rising youth unemployment looks like a leading indicator of a coming recession.

Now, correlation does not mean causation. There are a lot of factors that affect unemployment and recessions. But the minimum wage-increase/rising-unemployment correlation is so close that dismissing any connection is economic blindness or political spin.

Sanders: Youth unemployment a 'national tragedy'

By Rebecca Shabad - 06/08/15 03:27 PM EDT

Sen. Bernie Sanders (I-Vt.) on Monday called youth unemployment a “national tragedy.”

“It is beyond comprehension that we, as a nation, have not focused attention on the fact that millions of young people are unable to find work and begin their careers in a productive economy,” the senator, who's seeking the Democratic presidential nomination, said in a statement. “We cannot turn our backs on this national tragedy.”

Sanders pointed to an Economic Policy Institute study he requested that showed the real unemployment rate for black high school graduates, ages 17 to 20, was more than 51 percent during the 12 months ending in March. The jobless rate for Hispanics in that age group was just under 34 percent.

The study of Census data also found the real unemployment rate during that period for black college graduates, ages 21 to 24, was 23 percent. The rate for Hispanics was just over 22 percent and close to 13 percent for white college graduates.

Sanders said high unemployment among these demographic groups correlates to higher incarceration rates.

2. Minimum wage and unemployment:

Mises Institute (Austria): Yes, Minimum Wages Still Increase Unemployment

February 9, 2015 by Andrew Syrios

Raising the minimum wage has become the cause célèbre for many on the progressive left. Most notably, Seattle has passed a \$15 per hour minimum wage. In addition, California lawmakers are trying to pass a state-wide \$13 per hour minimum wage and President Obama is supporting the increase of the federal minimum wage from \$7.25 to \$10.10.

The general public has generally been pretty ignorant regarding economics, so it's understandable that many would fall for hollow populist appeals. However, a series of new studies on the minimum wage purport to show a low or non-existent impact on unemployment. Seventy-five notable economists even signed a petition to President Obama to raise the minimum wage.

This would seem at odds with basic economic theory. After all, demand curves are downward sloping, aren't they? At some point, an increase in the minimum wage has got to cost jobs. If the minimum wage was increased to \$100 per hour, obviously that would cost a lot of jobs. No one would disagree with this. So in that case, why wouldn't increasing it to \$10.10 per hour cost some jobs, right?

pleasant rhetoric these days, the effects on black employment, particularly black teenage employment, have been devastating. As Thomas Sowell observes,

In 1948 ... the unemployment rate among black 16-year-olds and 17-year-olds was 9.4 percent, slightly lower than that for white kids the same ages, which was 10.2 percent. Over the decades since then, we have gotten used to unemployment rates among black teenagers being over 30 percent, 40 percent or in some years even 50 percent.

It's hard to imagine that black unemployment was actually less than that of whites. But that is the effect minimum wage laws can have.5

Ending poverty and giving people additional income are praiseworthy goals, but there are no free lunches in this world. And trying to force prosperity through a minimum wage simply creates a whole host of negative and unintended consequences especially for those who are the most vulnerable.

Image source: iStockphoto.

- 1. Jonathan Meer and Jeremy West, "Effects of the Minimum Wage on Employment Dynamics," December 2013, pg. 1.
- 2. Bureau of Labor Statistics, Characteristics of Minimum Wage Workers, 2013, March 2014, pg. 1.
- 3. David Neumark and William Wascher, "Minimum Wage And Employment: A Review of Evidence From the New Minimum Wage Research," November 2006, pg. 2.
- 4. Jeffrey Clemens and Michael Wither, "The Minimum Wage and the Great Recession: Evidence on the Employment and Income Trajectories of Low-Skilled Workers," November 24, 2014, pg. 36.
- 5. In 1948 there was a minimum wage, but because of a high inflation during that decade, it was so low as to be irrelevant.

Latest Minimum Wage Research: Yup, Still Costs Jobs, Creates Unemployment

By Tim Worstall, Forbes

One of the less truthful things we get told by certain parts of the political class is that the minimum wage doesn't cause job losses. Among those who support a rise in the minimum wage this is as common in my native UK as it is in the US. George Osborne, nominally a conservative, has said that his national living wage won't produce job losses, various on the left in the US insist that the \$15 an hour minimum won't. There are of course those even more ill informed who insist that a more than doubling of the minimum cost of labour will actually increase employment but fortunately there's very few of those so ill-informed around.

However, when we look around at the actual research we find that the economists are much less chipper about it. It's generally agreed that modest rises in the minimum wage have modest effects. Especially when we look at total employment for the entire country this is so. The sort of effects we would predict, even from the gloomier models, are not the sort of numbers that we would be able to identify when looking at the national employment numbers. Recall that the

national employment numbers are reported with an error bar 100k people each way. You need a fairly large effect to overcome that sort of measurement laxity.

However, when we drill down and look at the numbers for the sectors we think will be most affected by the minimum wage there we can see that there is a disemployment effect. Again, modest rises have modest effects but when we look at the fast food industry, or teen employment, or employment of others disadvantaged for other reasons (say, black teen employment) we can actually see the effect, it's not lost in the noise of those whole economy numbers.

Which brings us to the latest paper by Jeffrey Clemens:

The Minimum Wage and the Great Recession: Evidence from the Current Population Survey

I analyze recent federal minimum wage increases using the Current Population Survey. The relevant minimum wage increases were differentially binding across states, generating natural comparison groups. I first estimate a standard difference-in-differences model on samples restricted to relatively low-skilled individuals, as described by their ages and education levels. I also employ a triple-difference framework that utilizes continuous variation in the minimum wage's bite across skill groups. In both frameworks, estimates are robust to adopting a range of alternative strategies, including matching on the size of states' housing declines, to account for variation in the Great Recession's severity across states. My baseline estimate is that this period's full set of minimum wage increases reduced employment among individuals ages 16 to 30 with less than a high school education by 5.6 percentage points. This estimate accounts for 43 percent of the sustained, 13 percentage point decline in this skill group's employment rate and a 0.49 percentage point decline in employment across the full population ages 16 to 64.

During the recession different states got hit less or more, hard or harder. We can use the housing market to estimate which got hit harder. During the recession the Federal minimum wage went up. But some states (and cities etc) already had minimum wages higher than one or other or even all of the Federal rises. We thus have a series of examples where some similar economies had rises in the minimum wage and others did not. If we look at the different effects in those different places then we can pull out of all of this the effect solely of the minimum wage rise, leaving the effects of the recession back there in the mass of data.

Finally, a change of 0.49% in the total employment rate is not going to be an easy thing to find in the general macroeconomic data: thus the general contention that modest changes have modest effects. However, a 5.6% change in the groups that's going to be the hardest hit, the ill educated and young, is not a modest change, even if it's a change to a modest portion of the economy. Yes, rises in the minimum wage do have unemployment effects. Thus, if we're actually worried about unemployment, which we morally should be, we should have a public policy of not raising the minimum wage.

Recommended by Forbes

Finally, a challenge to those I've called up at the top there ill informed. Those who insist that raising the minimum wage will actually *increase* employment. Well, during the last recession we did raise the minimum wage. So, where did all those extra jobs go? As far as I'm aware the general complaint is that the last recession saw the slowest recovery since whenever, with unemployment staying higher for longer than ever it has done. That's not exactly a result consistent with raising wages raising employment now, is it? So what is the explanation of that inconvenient fact?

International Journal of Humanities and Social Science

Vol. 4 No. 13; November, 2014

An Empirical Assessment of the Effects of Minimum Wage Increases on Unemployment during Democratic Governance in Nigeria by Aniekan Okon Akpansung, Department of Economics; Modibbo Adama, University of Technology, Yola, Nigeria

Abstract : Conventional economic theorizing posits that increases in minimum wages depress employment. Using Ordinary Least Squares estimating technique, Granger Causality, CUSUM and CUSUM Squares stability tests on Nigerian data during the democratic governance (1999 to 2012), we find that minimum wage was highly positively correlated with unemployment with correlation coefficient of 0.8328, but there was no evidence to support the existence of causality between minimum wage and unemployment. Empirical result suggests consistent evidence that minimum wage hikes were associated with increases in unemployment. It shows that a 1% increase in the federal minimum wage decreased employment by about 6.4 percent in the current year and 9.9 percent in the subsequent year. However, the null hypothesis of stability of the empirical results could not be rejected. Our finding implies that minimum wage hikes were detrimental to employment creation policy of the Nigerian government during her 13 years of democratic governance.

Concluding Remarks: In this paper, we have used the Ordinary Least Squares (OLS) estimating technique and the Granger Causality test to empirically examine the effects of minimum wage increases on unemployment during the 13 years democratic governance (1999 –2012) in Nigeria. The data stemmed from the Statistical Bulletins of the Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS) publications. With a mean minimum wage of N8108.18, unemployment rate averaged 13.69 percent during the period. Our main findings are that: (i) minimum wage was highly positively correlated with unemployment, money supply, real GDP, and least negatively related with inflation ii) real gross domestic product and inflation rate were insignificantly inversely related to unemployment; (iii) there was no evidence to support the existence of causality between minimum wage and unemployment; however the results provide evidence of unidirectional causalities running from unemployment (UNEM) to real gross domestic product (RGDP) at 1 percent level of significance; RGDP to money supply (MS) at 5 percent as well as from MS to minimum wage (MW) at 1 percent; (iv)

minimum wage hikes during the specified period were associated with increases in unemployment, especially in the lagged period; (v) a one (1) percent increase in the federal minimum wage decreased employment by about 6.4 percent in the current year and 9.9 percent in the subsequent year. Our finding implies that minimum wage hikes were detrimental to employment creation policy of the Nigerian government during her 13 years of democratic governance. Since minimum wage increase is found to be an employment - destruction policy as evidenced in our result, this paper recommends that government and labour leaders should always exercise restraints when deciding on increasing the minimum wages of the poor and low income employees.

As also remarked by Herr and Kazandziska (2011), this paper does not however claim to have found the philosopher's stone, but serves as a contribution to the burgeoning debate on minimum wage policy and its macroeconomic effects..

3. Minimum Wage and Poverty Rates

Do Minimum Wages Fight Poverty? By David Neumark, William Wascher

NBER Working Paper No. 6127

Issued in August 1997

NBER Program(s): LS

Abstract: The primary goal of a national minimum wage floor is to raise the incomes of poor or near-poor families with members in the work force. However, estimates of employment effects of minimum wages tell us little about whether minimum wages can achieve this goal; even if the disemployment effects of minimum wages are modest, minimum wage increases could result in net income losses for poor families. We present evidence on the effects of minimum wages on family incomes from matched March CPS surveys, focusing on the effectiveness of minimum wages in reducing poverty. The results show that over a one-to-two year period, minimum wages increase both the probability that poor families escape poverty and the probability that previously non-poor families fall into poverty. The estimated increase in the number of non-poor families that fall into poverty is larger than the estimated increase in the number of poor families that escape poverty, though this difference is not statistically significant. We also find that minimum wages tend to boost the incomes of poor families that remain below the poverty line. The evidence indicates that in the wake of minimum wage increases, some families gain and others lose. On net, the various tradeoffs created by minimum wage increases more closely resemble income redistribution among low-income families than income redistribution from high- to low-income families. Given these findings it is difficult to make a distributional or equity argument for minimum wages.

Survey of US Economists on a \$15 Federal Minimum Wage, Posted on November 18, 2015
by MinimumWage.com Team

Survey of US Economists on a \$15 Federal Minimum Wage

The University of New Hampshire Survey Center conducted a survey of economists for the Employment Policies Institute (EPI). The specific areas of interest are economists' opinions on a \$15 minimum wage. Invitation and reminder emails were sent to five hundred and fifty-five (555) US based economists from a list provided by EPI. EPI obtained the list in June 2015 from a database of roughly 1,400 prominent economists from around the world maintained by the Institute for the Study of Labor.

One hundred sixty-six (166) completed the survey between September 22 and October 16, 2015. The overall response rate for the survey was 30%. The following figures display survey results, the survey instrument can be found in Appendix A.

Key Findings

- Nearly three-quarters of these US-based economists oppose a federal minimum wage of \$15.00 per hour.
- The majority of surveyed economists believe a \$15.00 per hour minimum wage will have negative effects on youth employment levels (83%), adult employment levels (52%), and the number of jobs available (76%).
- When economists were asked what effect a \$15.00 per hour minimum wage will have on the skill level of entry-level positions, 8 out of 10 economists (80%) believe employers will hire entry-level positions with greater skills.
- When economists were asked what effect a \$15.00 per hour minimum wage will have on small businesses with fewer than 50 employees, nearly 7 out of 10 economists (67%) believe it would make it harder for them to stay in business.
- A majority of surveyed economists (71%) believe that the Earned Income Tax Credit (EITC) is a very efficient way to address the income needs of poor families; only five percent believe a \$15.00 per hour minimum wage would be very efficient.
- The economists surveyed are divided on the impact of a \$15.00 per hour minimum wage will have on poverty rates, as well as the impact it would have on the spending level for public programs such as the EITC, TANF, or others.
- At lower levels (under \$11.00 per hour) of proposed federal minimum wages, economists are divided largely by self-identified party identification as to an acceptable rate with a majority of Republicans and Independents who responded favoring lower minimum wages (\$7.50 per hour or less) and a plurality of Democrats who responded preferring a minimum wage between \$10.00 and \$10.50 per hour.

5. And finally, specific to Pasadena:

Why I Oppose a \$15 Minimum Wage in Pasadena

While a \$15 minimum wage law has obvious appeal to those who would like to do more to help the working poor in Pasadena and elsewhere, many economists who share that same goal, including myself, believe there are much better alternatives that don't end up hurting this very same group of workers. While a worker currently earning less than \$15 an hour will clearly gain from the minimum wage increase as long as she keeps her job and her working hours aren't reduced, in the longer run there are serious possible detrimental effects to a minimum wage increase of this magnitude, including a reduction in the future growth of jobs for low wage workers in Pasadena as well as a reduction in the on-the-job training that could otherwise accompany such jobs.

Readers will have no doubt heard the arguments advanced by some economists that a majority of studies have shown that the reduction in jobs that has resulted from the current minimum wage (and past increases in it) are quite modest, on the order of about a 3% reduction in employment for every 10% increase in the minimum wage. I actually do not quarrel with such consensus estimates. However, I would quickly note that these past studies have focused on increases in the minimum wage that are well below 50% of the median hourly wage; they have not dealt with increases of the magnitude proposed in Pasadena. That is why even *The Economist*, a respected weekly news magazine that supported Obama in the past two Presidential elections, recently characterized (in its July 23rd, 2015 edition) an increase in the minimum wage to \$15 per hour (or 77% of the median hourly wage) as "reckless". They wrote, "By moving towards sharply higher minimum wages, policymakers are accelerating into a fog. Little is known about the long-run effects of modest minimum wages. And nobody knows what big rises will do, at any time horizon." So, even if the job losses in the short run turn out to be relatively minor, over time the minimum wage increase can have two more serious detrimental effects on the plight of the working poor: 1) they can reduce the otherwise growth of new jobs for this group of low skilled workers as employers substitute more new technology (think of McDonald's) or locate to cities without a \$15 minimum wage; and 2) the jobs that are offered will provide less on-the-job training than they otherwise would. The latter effect is not often noted but is especially important to the future productivity of low skilled workers, since their lack of skills is the main culprit in their poor earnings prospects. Firms simply can't afford to pay these workers \$15 an hour AND to provide such on-the-job training. The reduction in the growth of jobs for these low skilled workers going forward will be magnified if there are surrounding cities that do NOT increase their minimum wage laws to \$15/hr.

These are some of the reasons that many economists who want to help the working poor favor the federal Earned Income Tax Credit (EITC), which is the most important policy at the federal level for aiding such workers. I favor the federal EITC as well as recent proposals by the State of California to offer its own state EITC to complement the federal policy. The EITC is better targeted at low income households than the minimum wage, and it relies on federal taxpayers to deliver the more than \$62.9 billion in benefits to 27.9 million families (as of 2011), *without the detrimental effects noted above*. My final argument is that unlike the EITC, an increase in the minimum wage penalizes the very groups that are currently helping low wage workers the most, namely the owners and customers of those firms that are currently employing such workers. How fair is that?

Robert L. Moore, Elbridge Amos Stuart Professor of Economics, Occidental College.

Flores, Valerie

To: Flores, Debra
Subject: RE: minimum wage

From: Kelly White [mailto:KWhite@villaesperanzaservices.org]
Sent: Wednesday, January 27, 2016 2:08 PM
To: City_Council
Subject: minimum wage

Dear council members:

Please reconsider the proposal of the Chamber of Commerce and the CRA when deciding to raise the minimum wage; Slow the process down and I am pleading that you consider going with the \$12.50 by 2020 in the City. Just as Long Beach has done.

As a nonprofit, we cannot not sustain programs that deliver crucial services to the developmentally disabled. We cannot raise our rates to accommodate and pay staff due to the fact the state has not given us an increase for our programs in over a decade. Where will these people go if we can't find staff to take care of them at what we can pay?.

There must be a way to do this as Pasadena has well over 1200 nonprofits in similar situations?

Thank you ,

Kelly



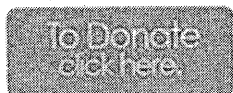
Kelly L. White MA, LMFT
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2060 E. Villa Street
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(626) 449-2919 ext. 112
KWhite@villaesperanzaservices.org



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Flores, Valerie

To: Flores, Debra
Subject: RE: minimum wage increase

From: Bernardo Godoy [<mailto:godoy.bernardo@yahoo.com>]
Sent: Wednesday, January 27, 2016 2:02 PM
To: City_Council; Hampton, Tyron; Wilson, Andy
Cc: Efrain Cabrera
Subject: Fw: minimum wage increase

Sent from Yahoo Mail on Android

On Wed, Jan 27, 2016 at 1:58 PM, Bernardo Godoy
<godoy.bernardo@yahoo.com> wrote:

To whom it may concern.

My name is Bernardo Godoy I live and work in the City of Pasadena. I manage a Restaurant call Cabrera's on Lake ave. we have 18 employees and I feel im not being represented by any of you. I dont make minimum wage now but i did 20 years ago when I joined the workforce back then. I know If this proposal goes through the cost of living will go up in this city and also rents. jobs will be lost and hours will have to be cut not to mantion residents of this city will have now to compite with incrising numbers of residents of near by citys that will travel many miles to make more dollars per hour in this city. I make 19 dollars per hour and I known for a fact that my hourly rate will not increase with the minimum wage increase and that will directly affect me. I want to stay living in this city but that do not seem likely if the increase you propose takes place. Please I urge you to reconsider and suport the CRA and Pasadena Chamber of Commerce proposed package. Please save jobs and save the thinning middle class.

Sent from Yahoo Mail on Android

Flores, Valerie

To: Flores, Debra
Subject: RE: minimum Wage

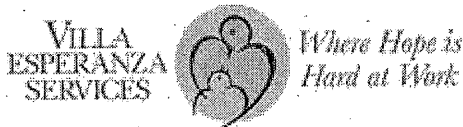
From: Kelly White [mailto:KWhite@villaesperanzaservices.org]
Sent: Wednesday, January 27, 2016 2:00 PM
To: City_Council
Subject: minimum Wage

Dear Council members

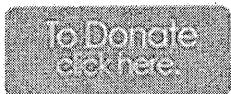
Please support the CRA and Pasadena Chamber proposed increase of \$12.50 over the next 5 years if minimum wage is to go up. Just as the city of Long Beach did.

I speak on behalf of a nonprofit CEO and the increase to \$15.00 would be most devastating to our agency since we can't raise our prices- we deal with state rates that have not been increased in the last decade. So please reconsider and slow the process down. Our individuals with developmental disabilities depend on staff to take care of them and we cannot compete with that increase.

Best, Kelly



Kelly L. White MA, LMFT
Chief Executive Officer
Villa Esperanza Services
2060 E. Villa Street
Pasadena, CA 91107
(626) 449-2919 ext. 112
KWhite@villaesperanzaservices.org



Providing Love, Care, and Hope for Individuals with Disabilities and their Families since 1961.

Please note that the information contained in this message (including attachments, if any) may be privileged and confidential and protected from disclosure. If you have received this message in error, please notify me immediately by reply e-mail and take all necessary steps to ensure permanent deletion. Thank you.

Flores, Valerie

From: Flores, Debra
Sent: Wednesday, January 27, 2016 5:58 PM
To: Flores, Valerie
Subject: FW: minimum wage increase

From: Bernardo Godoy [mailto:godoy.bernardo@yahoo.com]
Sent: Wednesday, January 27, 2016 1:59 PM
To: City Council; Wilson, Andy; thapton@cityofpasadena.net
Cc: Efrain Cabrera
Subject: minimum wage increase

To whom it may concern.

My name is Bernardo Godoy I live and work in the City of Pasadena. I manage a Restaurant call Cabrera's on Lake ave. we have 18 employees and I feel im not being represented by any of you. I dont make minimum wage now but i did 20 years ago when I joined the workforce back then. I know If this proposal goes through the cost of living will go up in this city and also rents. jobs will be lost and hours will have to be cut not to mention residents of this city will have now to compete with incrising numbers of residents of near by citys that will travel many miles to make more dollars per hour in this city. I make 19 dollars per hour and I known for a fact that my hourly rate will not increase with the minimum wage increase and that will directly affect me. I want to stay living in this city but that do not seem likely if the increase you propose takes place. Please I urge you to reconsider and suport the CRA and Pasadena Chamber of Commerce proposed package. Please save jobs and save the thinning middle class.

Sent from Yahoo Mail on Android

Flores, Valerie

To: Flores, Debra
Subject: RE: Mijares Restaurant

From: R-lene Delang [<mailto:rdelang@mijaresrestaurant.com>]
Sent: Wednesday, January 27, 2016 12:11 PM
To: City_Council
Subject: Mijares Restaurant
Importance: High

To Pasadena City Council,

Please refrain from any wage increases. The cost of doing business is full of challenges!

Thanks,
R-lene Mijares de Lang

Flores, Valerie

To: Flores, Debra
Subject: RE: Minimum Wage

-----Original Message-----

From: Angel Rosales [<mailto:angeltogos@yahoo.com>]
Sent: Tuesday, January 26, 2016 7:55 PM
To: City_Council
Subject: Minimum Wage

Dear Mayor Tornek, Vice Mayor Matsuda, and City Council Members:

I am writing in opposition to the proposed increase to \$15 an hour by 2020. My current employees are young adults, ranging between 15 and 23 years of age. While I believe that our current minimum wage is not enough to support a family, my employees are still dependent on their parents and are not relying on their paycheck in the same way that an older individual with a family would. Entry level positions in my establishment receive minimum wage, however, seasoned employees earn above minimum wage based on their responsibilities. When the minimum wage increases, I will have to increase everyone's wages.

I am in favor of a gradual increase in wages to \$12.50 per hour by 2020, but this simple increase is going to affect our prices and I will have to cut back on labor.

An increase in minimum wage will have a significant impact on my small business.

Respectfully,

Angel Rosales
TOGOS-Pasadena

Martinez, Ruben

Subject: FW: Against higher minimum wage

From: andrew lee [mailto:dickeyspasadena@gmail.com]

Sent: Tuesday, January 26, 2016 11:35 AM

To: City_Council; Hampton, Tyron; Wilson, Andy


Subject: Against higher minimum wage

Due the new \$10 min wage. We have had to raise prices once again. This will only hurt the customers and business of Pasadena and drive revenue else where.

Labor costs are all built in every business matrix. To keep the costs where it should to be profitable. Owners can only raise prices. higher prices doesn't help anybody.

Andrew Lee

Owner/Operator

Dickey's Barbecue Pit Pasadena 

2363 E. Colorado Blvd

Pasadena, CA 91107

main 626-993-2862

fax 626-993-2861

dickeyspasadena@gmail.com

www.dickeys.com



Jomsky, Mark

From: Rob Levy <Rob.Levy@homestreet.com>
Sent: Thursday, January 28, 2016 4:44 PM
To: City_Council; Jomsky, Mark
Cc: paul@pasadena-chamber.org
Subject: Minimum Wage in Pasadena

Good Afternoon,

My wife Leslie and I are the owners of The Raymond Restaurant in Pasadena. I have been hearing for some time that Pasadena was considering the Los Angeles city plan for a \$15 minimum wage but I have been hopeful that our city government would come to the conclusion that we need to support small business and business in general in our great city.

I believe that we need to view this as an opportunity to give Pasadena a competitive advantage by following a more reasonable course as proposed by our Chamber of Commerce. Following any other course, in particular the Los Angeles city plan for an accelerated higher minimum wage will cause new businesses to look at surrounding cities to build and create jobs and place undue pressure on the businesses that have helped to build our great city.

Ultimately, the higher wage plan will cost jobs and force small businesses like ours to re-evaluate our position and consider our ability to remain profitable long term.

Thank you for your consideration.

Rob Levy

Vice President

Sr. Loan Officer

251 S. Lake Avenue, Suite 130

Pasadena, CA. 91101

Direct: (626)404-4599

Toll Free: (888)762-5389

Fax (818)949-2086

Rob.Levy@homestreet.com

NMLS#493497

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Flores, Valerie

From: cityclerk
To: Morales, Margo
Subject: RE: Pasadena minimum wage

-----Original Message-----

From: McAustin, Margaret
Sent: Monday, January 25, 2016 12:13 PM
To: Kennedy, Mary B.
Cc: Morales, Margo
Subject: Re: Pasadena minimum wage

Thank you for your email in support of increasing the minimum wage. I will ensure your email is made part of the public record on this item.

> On Jan 25, 2016, at 9:59 AM, Kennedy, Mary B. <kennedym@caltech.edu> wrote:

>

> Dear Margaret McAustin

> I am a resident of your district (1164 E. Elizabeth St.) and I am writing to urge you to support the "\$15 by 2020" minimum wage law when it comes up for a vote on February 1. I will try to attend that meeting. (I have not previously attended a city council meeting in the 35 years that I have lived in Pasadena.) I believe this law is critical to maintain strong, diverse, economically vibrant city. We must not allow the concentration of wealth in the hands of so few people in our country to continue. The future of capitalism depends on our acting to reverse this trend.

> Thank you for all you do.

> Best regards,

> Mary Kennedy

>

>

>

> Mary B. Kennedy

> Davis Professor of Biology

> Division of Biology 216-76

> Caltech

> Pasadena, CA 91125

> E-mail: kennedym@its.caltech.edu

> Phone: 626-395-3923

> Website: <http://www.cco.caltech.edu/~mbklab/>

>

>

> "Man who says it can't be done, should not interrupt woman doing it." - Chinese Proverb (slightly edited)

>

>

>

Jomsky, Mark

From: Stewart Suckling <stewart@claudandco.com>
Sent: Thursday, January 28, 2016 4:22 PM
To: City_Council; Jomsky, Mark
Cc: 'Stewart Suckling'; claud@claudandco.com; 'Paul Little - Pasadena Chamber of Commerce'
Subject: re: Minimum Wage Increase

Dear City Council Members,

I am writing to you with concern about the minimum wage hike which I am totally against. In today's current business climate, especially in the state of California, raising the minimum wage is the wrong direction to go, especially for restaurants, even more so, sit down establishments and "mom n pop" places, during a time when the US economy is still struggling, along with the world economy.

Working in the most expensive state in the US, with a tax rate of 9%, workers compensation through the roof, EDD charging ridiculous fees to justify their entity's existence, doing the State Board of Equalizations job of collecting taxes, puts any businesses bottom line in jeopardy. Now, governing bodies want to hurt businesses even more by forcing them to increase their expenses by paying employees more, which in turn will increase workers compensation and all the other fees involved in operating a business.

Business owners can't increase the cost of our menu items without turning away customers, which puts our business in a position of potentially closing its doors and going out of business. Business revenue will stay the same or decrease, but it will not increase or help the bottom line. A wage increase is just making it harder for business to do business across the board.

In this entire debate, no one seems to mention that the minimum wage hike is relative. Inflation will go up, produce, rent, leases, household items will all increase and adjust for the minimum wage increase. So, in actuality, minimum wage workers and not making anymore, they are paying more for the same items and earning the same amount in the long run. The wage increase will decrease the amount a customer spends on entertainment and the amount of times they plan on going out.

I ask this, why is California now changing their minds on tax breaks only to the movie industry? Because California lost so much revenue. Now, you want to do the same thing with the restaurant business, tax them more and put them out of business, with revenue being lost everywhere. How is giving a tax break to one industry fair to anyone else doing business in California?

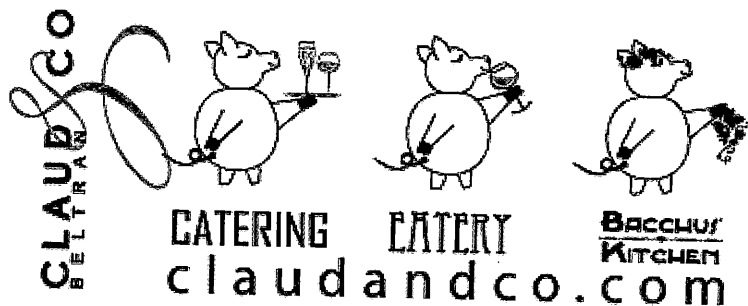
If the city of Pasadena and the state are serious about helping people, give the everyday businesses a tax break. Reduce workers comp., EDD, all these other areas. Give the working class a decent chance, because in the end, all we trying to do is feed our families.

Regards,

Stewart

Stewart Suckling
Co-owner

Cell: 626-675-5784



Claud & Co.
115 W. California Blvd., Pasadena CA 91105
Information (626) 340-9188
www.claudandco.com

Claud & Co. - Catering
1388 E. Washington Blvd., Pasadena CA 91005
Information (626) 340-9188
www.claudandcocatering.com

Claud & Co. - Bacchus' Kitchen
1384 E. Washington Blvd., Pasadena CA 91005
Reservations & Information (626) 594-6377
www.bacchuskitchen.com

Claud & Co. - Eatery
488 N. Allen Ave, Pasadena CA 91106
Reservations & Information (626) 688-7256
www.eateryonallen.com

Jomsky, Mark

From: Debbie Herbert <DHerbert@mvgh.org>
Sent: Thursday, January 28, 2016 5:25 PM
To: City_Council; Jomsky, Mark
Cc: Masuda, Gene
Subject: Minimum Wage in Pasadena

It is with deep regret that I cannot attend the City Council meeting on February 1st. I hope that this email will be taken into consideration. I am happy to schedule a discussion with anyone from the city at another time.

We are a non-profit, senior community, located on the corner of San Pasqual & El Nido Streets. We have been here since 1924 and have worked very hard to control costs so that we could remain an affordable housing option for qualified retirees of the Presbyterian Church (USA). Our residents would be on Medi-Cal and SSI, being subsidized by the tax dollars, if we did not exist. We also provide assisted living, skilled nursing and soon, memory care, to the surrounding community. The minimum wage issue is near and dear to our hearts.

This organization is VERY concerned about the looming increases in minimum wage. We are in total agreement with the move to \$10 an hour and this had only a minimal impact on our budget as we had very few employees making less than \$10 an hour. The move to \$15 an hour will have at least a \$500k budgetary impact. We are unable to reduce staffing levels in certain areas as we have state and federal minimums that must be met in assisted living and skilled nursing. Close to two thirds of our work force will be impacted by this change. A move to \$13.25 will still have a major impact, likely more than \$300k a year. We will have no choice but to pass these costs down to our residents in all levels of care; frail, seniors on fixed incomes.

Lawmakers need to take into account the fact that there will be unintended consequences as a result of such a large increase. Those who are currently making \$13.25 - \$15 will need to be increased as well to compensate for years of service, experience and education. In addition, there will be an increase in payroll taxes and other "costs of doing business".

For us, the minimum wage jobs are transitional in nature. They are typically filled by college students and those who are working on developing skills so that they can move up in rank. Raising the minimum wage to \$13.25 - \$15 an hour will eliminate these jobs as a training ground.

Please think long and hard about ALL aspects of this decision, not just about the individuals who will experience the increase in minimum wage.

Thank you for your time,

Deborah A. Herbert
Executive Director
Monte Vista Grove Homes
2889 San Pasqual St.
Pasadena, CA 91107
(626) 796-6135 ext. 415
(626) 796-9753 FAX
www.mvgh.org