

Date: 3/24/15

Submitted in Econ. Dev. Committee

Council File No: 14-1371, 14-1371-S1, 14-1371-S2

Item No.: 1

Communication from the  
Economic Roundtable



## Los Angeles Rising: A City that Works for Everyone

Los Angeles City Council  
Economic Development Committee  
March 24, 2015

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### Why the Increase is Needed

Declining earnings in an expensive city

## Half of L.A.'s working-age residents in poverty have jobs

Low wages drive poverty as much as unemployment does

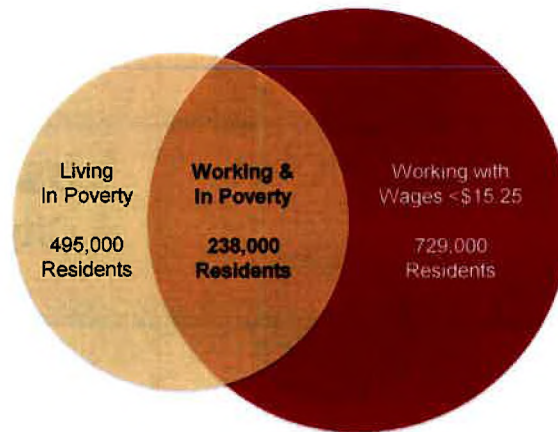
Source: Public Use Microdata Sample records from the 2009 to 2013 American Community Surveys. Data is for residents of the City of Los Angeles who are 18 to 64 years of age.



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## Employment and Poverty among City of Los Angeles Residents 16 to 64 Years of Age



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## Low-wage workers lost 32% of their buying power

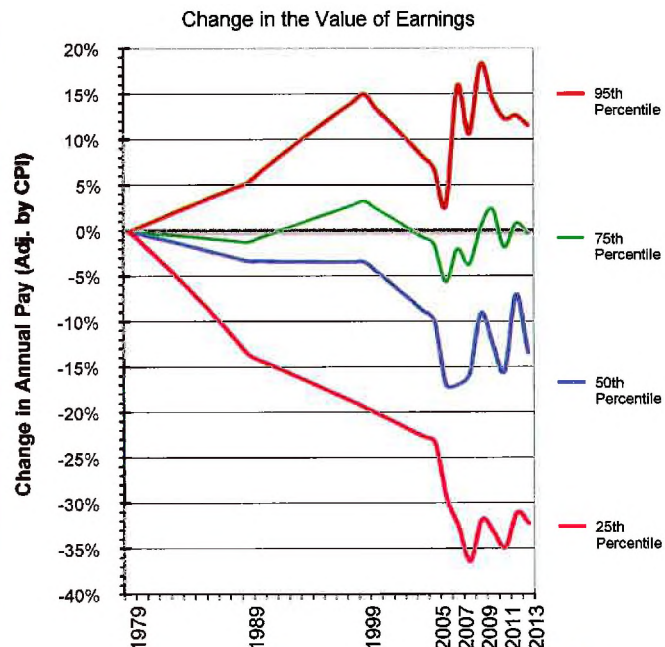
1. 32% for workers in the 25<sup>th</sup> percentile – the working poor
2. 13% for workers in the 50<sup>th</sup> percentile – the typical worker

Sources: Public Use Microdata Sample records from the 1980 to 2000 decennial censuses, and from the 2005 to 2013 American Community Surveys. Wages adjusted to 2014 dollars. Data is for residents of the City of Los Angeles who are full-time wage and salary workers. Full-time employment is at least 35 hours a week for at least 50 weeks a year. Workers with less than \$500 in annual earnings are excluded from the data.



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## 30% of low-wage workers are paid less than the minimum wage

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

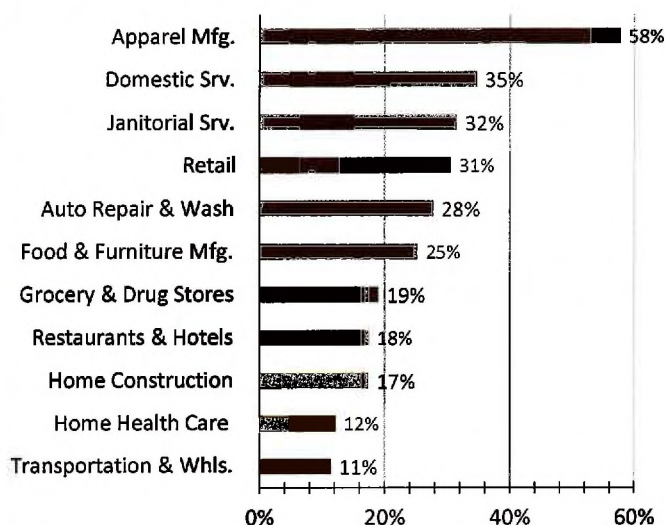
Source: Ruth Milkman et al. 2010, "Wage Theft and Workplace Violations in Los Angeles: The Failure of Employment and Labor Law for Low-Wage Workers." UCLA Institute for Research on Labor and Employment, p. 32



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Minimum Wage Violation Rates in Los Angeles



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## Positive Effects on Communities

Infusion of earnings into low-income neighborhoods and parallel wage increases in neighboring cities



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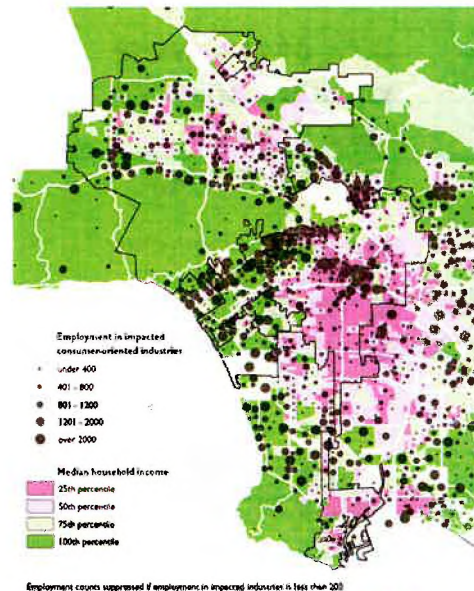
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## Most price increases will be paid in higher-income communities

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

Employment in low-wage service industries and median household incomes of residents



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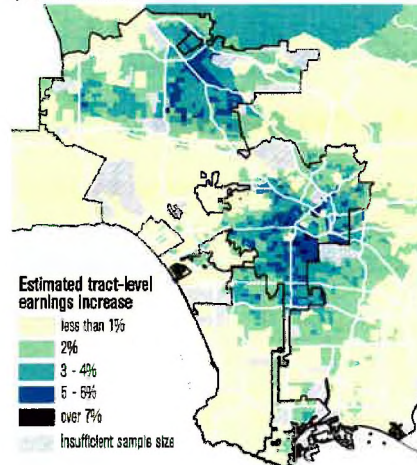


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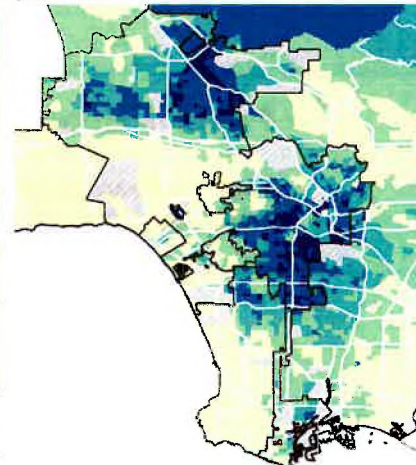
## \$15.25 minimum wage will increase to total earnings in low-income neighborhoods by 6% or more

Neighborhoods will be stronger markets as resident spending power grows

\$13.25 scenario



\$15.25 scenario



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**Higher wages in L.A. will cause businesses in neighboring cities to raise their wages to compete for qualified workers**

**Higher wages in L.A. will have spill-over benefits for residents working in neighboring cities**

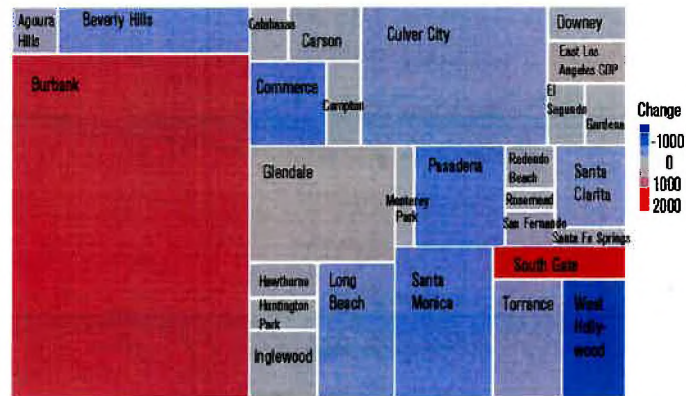
Source: Longitudinal Employer-Household Dynamics origin-destination and residence area files (2008-2011).



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**Neighboring cities where low-wage Los Angeles residents find the most jobs**



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## Identifying and Managing Impacts

Wage level, revenue level, profit level, size



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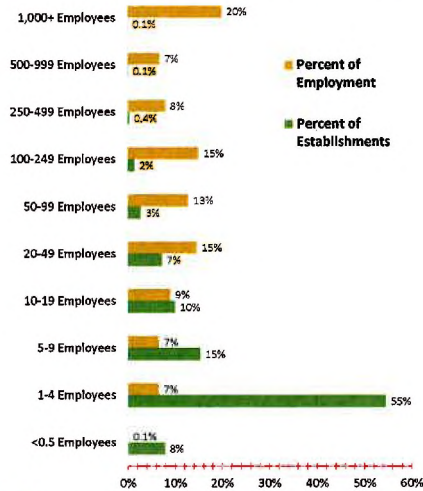


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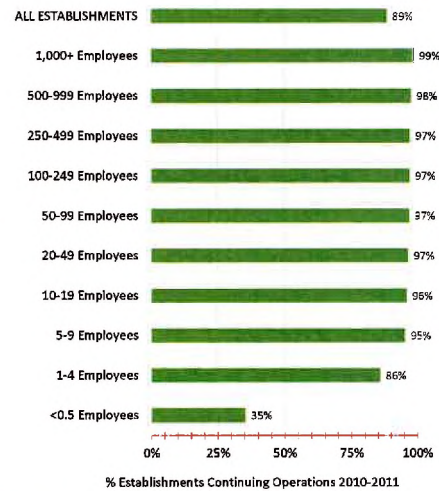


## Small employers have high start-up and closure rates Big employers provide most jobs and are more resilient

Establishments & Employment by Firm Size



One-Year Survival Rate by Establishment Size



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Source: ES-202 records for  
City of Los Angeles  
establishments, 2011.



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## 7 industries may be most sensitive to higher minimum wages

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

Industry resilience for adapting to  
higher wages is supported by:

- Strong consumer base
- Large employers
- New opportunities for start-ups and growth

Sources: Quarterly Census of Employment and Wages, ACS  
PUMS 2009-2013, IMPLAN economic modeling software and  
data for Los Angeles County 1999-2013



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Indicators of Industry Sensitivity to Minimum Wage Increases

| Industry                 | Jobs in City of Los Angeles Formal Economy |                                   |                    | LA City Resident Workers            |                                  | Los Angeles County Industries, Total Economy |                             |   | Most Sensitive |
|--------------------------|--------------------------------------------|-----------------------------------|--------------------|-------------------------------------|----------------------------------|----------------------------------------------|-----------------------------|---|----------------|
|                          | LA City jobs 2011                          | Annual job chg. as % of 1996 emp. | Average annual pay | % of workers paid less than \$15.25 | Wages as % of 2013 worker output | Profit per worker 2013                       | Value added per worker 2013 |   |                |
| ALL INDUSTRIES           | 1,572,622                                  | 0.2%                              | \$50,117           | 42%                                 | 90%                              | \$41,340                                     | \$300,059                   |   |                |
| Agriculture/Horticulture | 1,710                                      | 1.1%                              | \$92,353           | 74%                                 | 96%                              | \$21,921                                     | \$46,868                    |   |                |
| Mining, Extraction       | 1,277                                      | 6.8%                              | \$285,476          | 14%                                 | 24%                              | \$114,350                                    | \$243,762                   |   |                |
| Utilities                | 13,628                                     | 0.4%                              | \$108,478          | 7%                                  | 23%                              | \$175,464                                    | \$433,000                   |   |                |
| Construction             | 35,890                                     | 0.5%                              | \$50,752           | 48%                                 | 26%                              | \$16,727                                     | \$65,867                    |   |                |
| Other Non-Durable Mfg.   | 18,490                                     | -2.7%                             | \$59,700           | 43%                                 | 7%                               | \$16,728                                     | \$243,200                   |   |                |
| Food Manufacturing       | 10,260                                     | -1.6%                             | \$42,873           | 67%                                 | 13%                              | \$27,619                                     | \$90,931                    |   |                |
| Textile & Apparel Mfg.   | 29,196                                     | -3.8%                             | \$92,720           | 77%                                 | 28%                              | \$9,456                                      | \$46,488                    | ✓ |                |
| Durable Manufacturing    | 47,586                                     | -2.9%                             | \$64,407           | 40%                                 | 24%                              | \$34,996                                     | \$122,839                   |   |                |
| Wholesale Trade          | 68,661                                     | 0.0%                              | \$55,337           | 43%                                 | 28%                              | \$46,198                                     | \$155,204                   |   |                |
| Retail Trade             | 137,368                                    | 1.0%                              | \$59,143           | 57%                                 | 36%                              | \$15,689                                     | \$60,174                    |   |                |
| Transportation & Ware.   | 68,749                                     | -0.7%                             | \$54,840           | 41%                                 | 31%                              | \$21,443                                     | \$76,116                    |   |                |
| Information              | 67,060                                     | -2.4%                             | \$116,277          | 17%                                 | 21%                              | \$220,972                                    | \$325,106                   |   |                |
| Finance, Ins., Real Est. | 117,094                                    | -0.5%                             | \$104,257          | 25%                                 | 17%                              | \$77,537                                     | \$128,369                   |   |                |
| Professional Srv.        | 121,411                                    | 2.1%                              | \$91,996           | 16%                                 | 39%                              | \$46,154                                     | \$112,824                   |   |                |
| Temps, Guards, Janitors  | 87,668                                     | -0.6%                             | \$68,282           | 60%                                 | 32%                              | \$12,710                                     | \$46,533                    | ✓ |                |
| Educational Services     | 159,584                                    | 0.0%                              | \$56,873           | 30%                                 | 33%                              | \$4,176                                      | \$62,471                    |   |                |
| Hospitals, Physicians    | 122,677                                    | 1.2%                              | \$67,276           | 27%                                 | 31%                              | \$4,176                                      | \$82,854                    |   |                |
| Home Health Care         | 9,001                                      | 5.2%                              | \$90,797           | 61%                                 | 61%                              | \$9,655                                      | \$32,826                    | ✓ |                |
| Residential Nursing      | 26,562                                     | 0.8%                              | \$84,071           | 54%                                 | 62%                              | \$9,836                                      | \$40,932                    | ✓ |                |
| Nonprofits               | 80,389                                     | 1.1%                              | \$46,209           | 44%                                 | 52%                              |                                              | \$73,614                    |   |                |
| Child Day Care           | 5,987                                      | 2.9%                              | \$25,790           | 62%                                 | 50%                              | \$1,408                                      | \$82,830                    | ✓ |                |
| Entertainment            | 34,233                                     | 2.1%                              | \$110,228          | 32%                                 | 38%                              | \$28,819                                     | \$71,705                    |   |                |
| Hotels                   | 16,892                                     | -0.7%                             | \$82,887           | 51%                                 | 41%                              | \$19,610                                     | \$67,885                    |   |                |
| Restaurants & Bars       | 113,776                                    | 2.7%                              | \$19,882           | 71%                                 | 40%                              | \$7,974                                      | \$98,481                    | ✓ |                |
| Personal & Repair Srv.   | 87,460                                     | 9.1%                              | \$20,448           | 66%                                 | 28%                              | \$7,971                                      | \$44,233                    | ✓ |                |
| Government               | 99,748                                     | -0.3%                             | \$82,305           | 23%                                 | 78%                              |                                              | \$105,950                   |   |                |



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### Data dashboard for tracking minimum wage effects

- Business sales
- Employment
- Wages

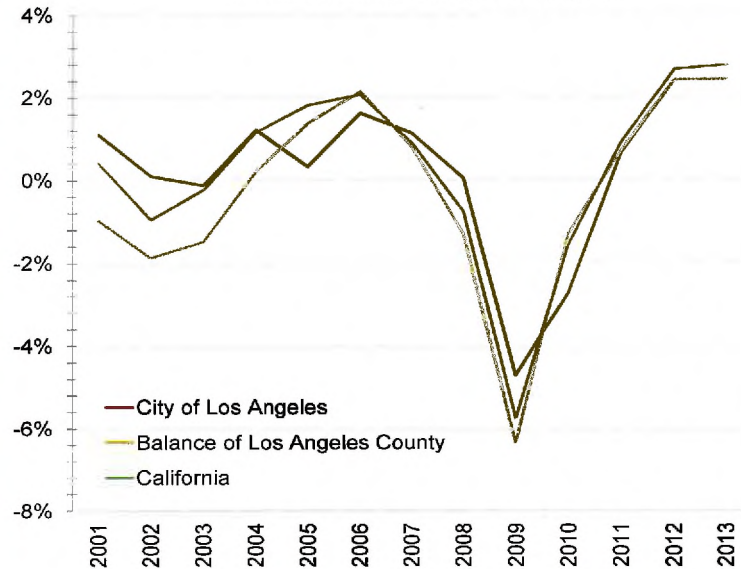
Data for monitoring available starting in year 2



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Annual Percentage Change in Employment



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### Data dashboard for tracking minimum wage effects

During the second year of wage increases, many sources of information will be available for validating or fine tuning increases for years 3 through 5

| Dash board Item | Details                            | Year 1 2015 | Year 2 2016 | Year 3 2017 | Year 4 2018 | Year 5 2019 |
|-----------------|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Sales & Revenue | Gross Receipts by Industry Sector  |             |             |             |             |             |
| Jobs            | Job Change by Industry Sector      |             |             |             |             |             |
| Wages           | Earnings Change by Industry Sector |             |             |             |             |             |

Data Sources: QCEW (ES-202), Board of Equalization, Census, County Business Patterns



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## Best practices for enforcement

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



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## Conclusions

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



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