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

ECONOMIC ROUNDTABLE

UCLA LABOR CENTER

IRLE

Los Angeles Rising:
A City that Works for Everyone

Los Angeles City Council
Economic Development Committee
March 24, 2015

Why the Increase is Needed

Declining earnings in an expensive city

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

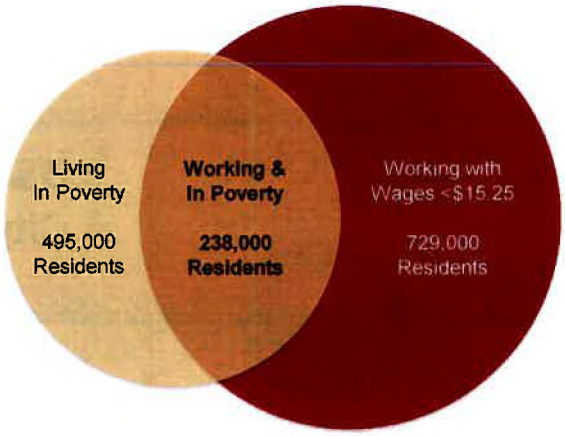
Low wages drive poverty as much as unemployment does

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

ECONOMIC ROUNDTABLE

Knowledge for the Greater Good | economicrt.org

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



UCLA LABOR CENTER

IRLE

Low-wage workers lost 32% of their buying power

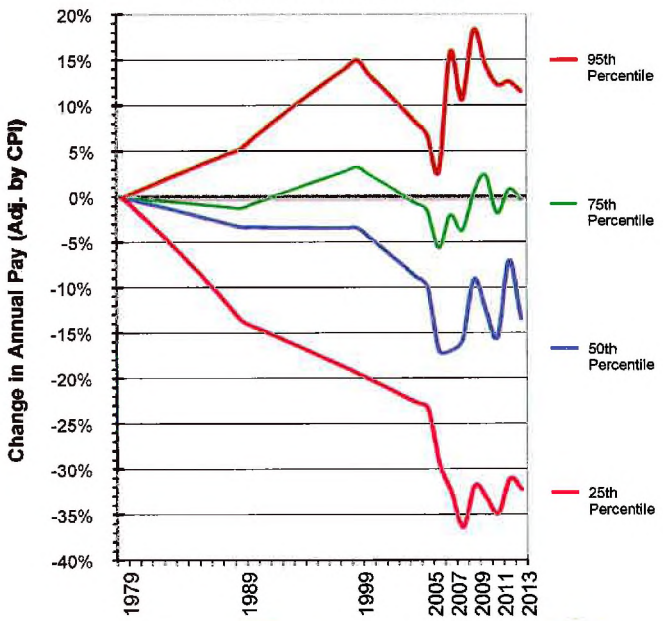
1. 32% for workers in the 25th percentile – the working poor
2. 13% for workers in the 50th percentile – the typical worker

Sources: Public Use Microdata Sample records from the 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.

ECONOMIC ROUNDTABLE

Knowledge for the Greater Good | economicrt.org

Change in the Value of Earnings



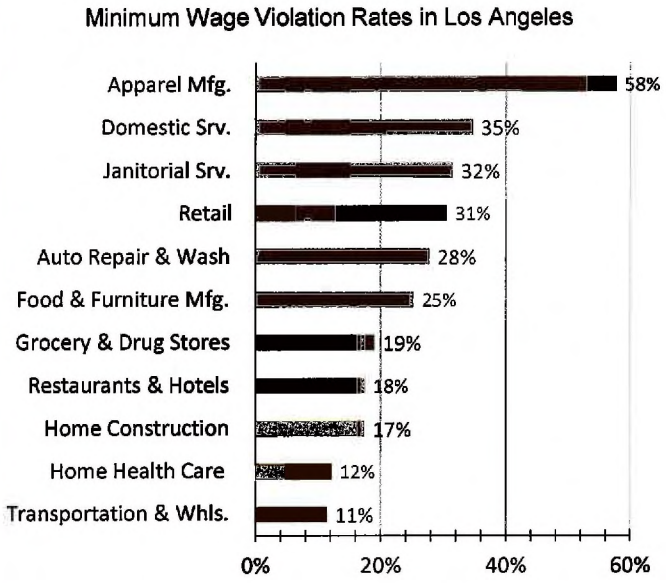
UCLA LABOR CENTER

IRLE

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



ECONOMIC ROUNDTABLE
Knowledge for the Greater Good | economicrt.org

UCLA LABOR CENTER

IRLE

Positive Effects on Communities

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

ECONOMIC ROUNDTABLE
Knowledge for the Greater Good | economicrt.org

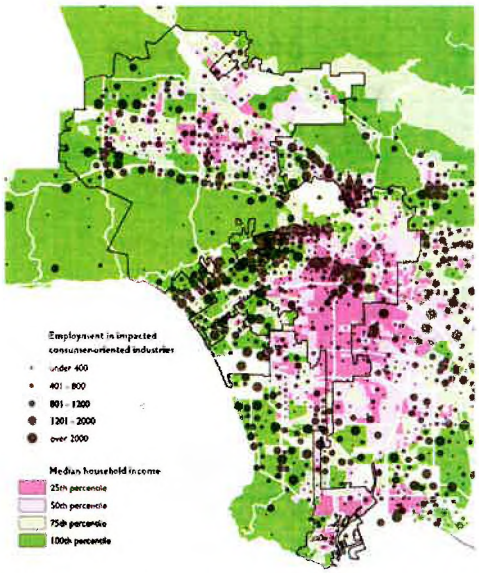
UCLA LABOR CENTER

IRLE

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



Employment counts suppressed if employment in impacted industries is less than 200

ECONOMIC ROUNDTABLE
Knowledge for the Greater Good | economicrt.org

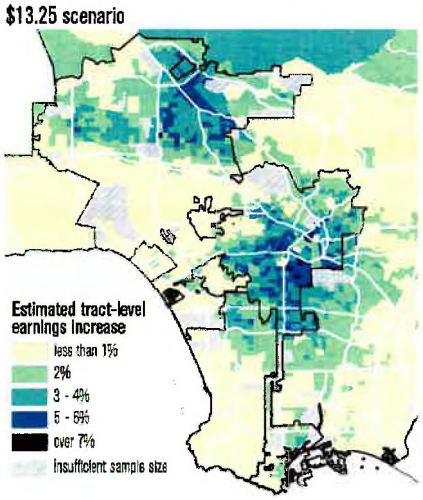
UCLA LABOR CENTER

IRLE

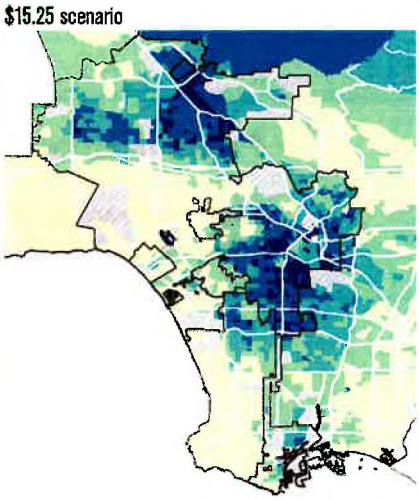
$15.25 minimum wage will increase to total earnings in low-income neighborhoods by 6% or more

Neighborhoods will be stronger markets as resident spending power grows

$13.25 scenario



$15.25 scenario



ECONOMIC ROUNDTABLE
Knowledge for the Greater Good | economicrt.org

UCLA LABOR CENTER

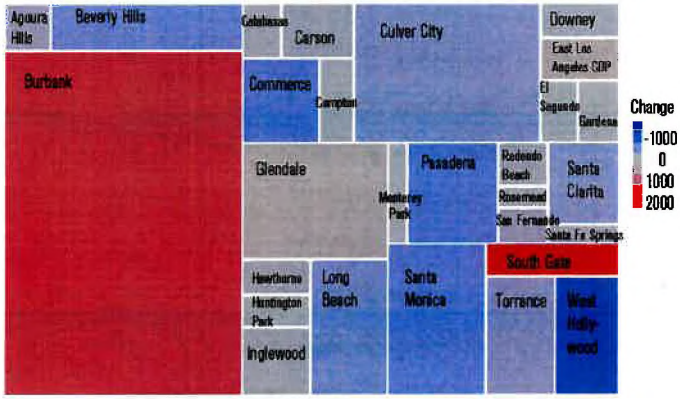
IRLE

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).

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

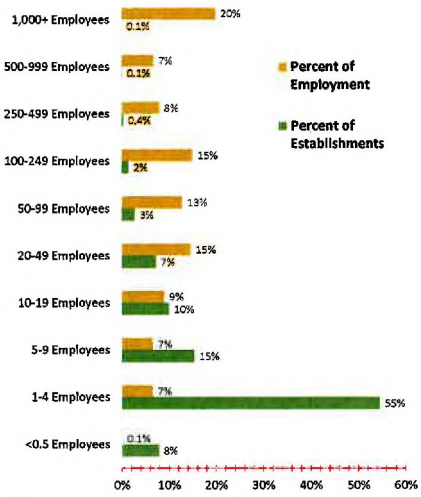


Identifying and Managing Impacts

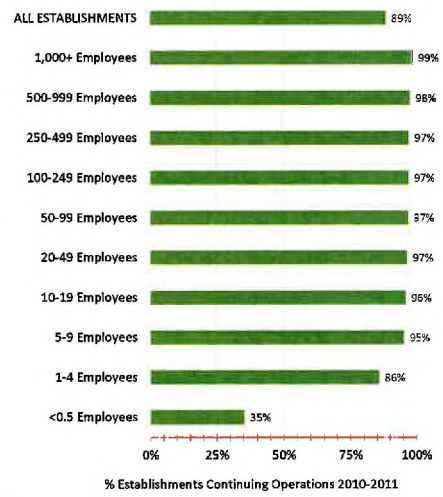
Wage level, revenue level, profit level, size

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

Establishments & Employment by Firm Size



One-Year Survival Rate by Establishment Size



ECONOMIC ROUNDTABLE

Knowledge for the Greater Good | economicrt.org

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

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 1998-2013

Indicators of Industry Sensitivity to Minimum Wage Increases

	Jobs in City of Los Angeles Formal Economy			LA City Resident Workers	Los Angeles County Industries, Total Economy			
Industry	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 output	Profit per worker 2013	Value added per worker 2013	Most Sensitive
ALL INDUSTRIES	1,572,622	0.2%	$60,117	42%	30%	$41,340	$100,059	
Agriculture/Horticulture	1,710	1.1%	$32,353	74%	36%	$21,921	$46,866	
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	$433,600	
Construction	35,890	0.5%	$50,752	48%	26%	$16,727	$65,867	
Other Non-Durable Mfg.	19,490	-2.7%	$59,700	43%	7%	$16,728	$243,200	
Food Manufacturing	10,269	-1.8%	$42,873	67%	13%	$27,619	$90,931	
Textile & Apparel Mfg.	29,196	-3.8%	$32,720	77%	28%	$3,436	$46,484	✓
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	$155,264	
Retail Trade	137,368	1.0%	$33,143	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%	$91,936	16%	39%	$46,154	$112,824	
Temps, Guards, Janitors	87,668	-0.6%	$28,282	80%	52%	$12,710	$45,653	✓
Educational Services	159,584	0.0%	$56,373	30%	33%	$4,175	$52,471	
Hospitals, Physicians	122,677	1.2%	$67,276	27%	51%	$4,176	$82,854	
Home Health Care	9,001	5.2%	$30,797	61%	61%	$8,855	$32,826	✓
Residential Nursing	26,562	0.8%	$34,071	54%	62%	$5,836	$40,932	✓
Nonprofits	60,399	1.1%	$46,209	44%	52%		$75,614	
Child Day Care	5,987	2.9%	$25,780	62%	50%	$5,406	$32,850	✓
Entertainment	34,233	2.1%	$110,228	32%	38%	$28,819	$73,705	
Hotels	16,892	-0.7%	$82,887	51%	41%	$19,610	$67,888	
Restaurants & Bars	113,776	2.7%	$19,882	71%	40%	$7,974	$38,481	✓
Personal & Repair Srv.	87,460	9.1%	$20,448	66%	28%	$7,975	$48,253	✓
Government	99,748	-0.3%	$82,308	23%	78%		$105,950	

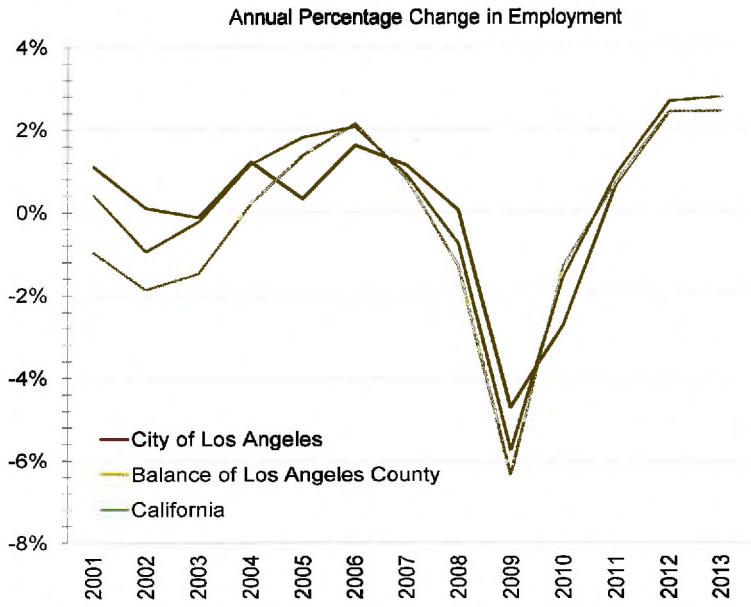
ECONOMIC ROUNDTABLE

Knowledge for the Greater Good | economicrt.org

Data dashboard for tracking minimum wage effects

- Business sales
- Employment
- Wages

Data for monitoring available starting in year 2



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

Best practices for enforcement

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

Conclusions

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