

## **Contra Costa County's Proposed Minimum Wage Law: A Prospective Impact Study**

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### **Executive Summary**

The Ensuring Opportunity Campaign to Cut Poverty in Contra Costa has introduced a plan to establish a \$15 per hour minimum wage in Contra Costa County, California, by 2020. The proposal would phase in the minimum wage increase over five steps. This study examines the effects of the proposed minimum wage increase on Contra Costa workers and businesses (assuming that all of the cities in the county, as well as the county itself, enact the proposed law). Drawing on a variety of government data sources, we find the following:

**About 111,000 workers—or about 33 percent of Contra Costa's workforce—would receive a pay raise under the proposal.**

**Workers' hourly wage and annual income would rise, resulting in a total increase in aggregate earnings of \$418 million (in 2014 dollars) by 2020.**

- Hourly wages of affected workers would rise by an average of \$2.40.
- Average annual earnings would increase by about \$3,800 per year.

**Adults, workers of color, and working poor families would receive significant benefits.**

- We estimate that 94 percent of affected workers are in their twenties or older, and more than half of the workers receiving raises are in their thirties or older.
- Workers of color (black, Latino/a, Asian, and other) make up approximately two-thirds of the workers receiving raises.
- Workers of all education levels will benefit from the proposed increase, with less educated workers benefitting the most.
- Fully 89 percent of working poor families will receive a pay increase.
- Median annual earnings of affected workers are about \$16,200 (in 2014 dollars), which is 38 percent of the overall workforce median.

**The proposed minimum wage increase would have a moderate impact on restaurant operating costs and prices, and a negligible impact on prices in the rest of the economy.**

- More than half of all affected workers are employed in four industries: retail trade (19.9 percent), food services (17.9 percent), health services (9.4 percent), and administrative and waste management services (8.4 percent), a classification that includes building services contractors and employment agencies.
- Operating costs would increase by 6.9 percent for restaurants by 2020, 0.6 percent for retail, and 0.5 percent for the overall economy.

- Restaurant prices would increase by 6.0 percent by the time the law is fully implemented. A \$10 meal would increase by 60 cents, to a total of \$10.60. This increase would be spread over five years, ranging from 0.2 to 1.9 percent annually. There would be negligible price increases for the retail industry and the rest of the economy.
- While higher prices may reduce consumer demand, economic models suggest that this will be offset at the county level by the increased purchasing power of low-wage workers receiving the pay increase.
- The best economic research on past minimum wage increases does not find statistically significant effects on employment or hours worked. It is important to note, however, that the minimum wage increases studied in this broader literature were generally smaller in magnitude—and affected a smaller share of the workforce—than the laws recently passed in California and the proposal being contemplated by Contra Costa County.

**The size of the proposed minimum wage increase lies within the range of local minimum wage increases passed to date, as well as other measures of a local economy’s capacity to absorb higher wage standards.**

- Compared to existing state law, the proposal would raise Contra Costa’s minimum wage by 36 percent (in inflation-adjusted terms). The 27 local minimum wage laws passed to date have mandated increases ranging from 11.7 to 76.5 percent.
- The proposal would increase the minimum wage to 50.1 percent of the Contra Costa median full-time wage, well within the historical range of the ratio for the federal minimum wage to the national median full-time wage.
- Cities in Contra Costa would maximize the economic benefits and minimize the risk of adverse effects by coordinating in passing higher wage standards—if not for the County as a whole, at least for sub-regions of the County.

**In sum, we estimate that the proposed minimum wage increase would provide significant gains in income to Contra Costa’s low-wage workers and their families. Most businesses would be able to absorb the increased costs, and consumers would see a moderate increase in restaurant prices spread over five years. The proposal’s impact on overall employment is therefore not likely to be significant. However, since any prospective impact study has a level of inherent uncertainty, the actual effects of the proposed minimum wage law should be closely monitored during implementation.**

The full report can be accessed at <http://www.irle.berkeley.edu/cwed/briefs/2015-03.pdf>