JOB KILLER

SB 3 (LENO) MINIMUM WAGE: ANNUAL ADJUSTMENT - OPPOSE

March 29, 2016

TO: Members, Assembly Committee on Appropriations

FROM: Jennifer Barrera, California Chamber of Commerce
Agricultural Council of California
Air Conditioning Trade Association
Alhambra Chamber of Commerce
American Pistachio Growers
Auburn Chamber of Commerce
CAWA – Representing the Automotive Parts Industry
California Agricultural Aircraft Association
California Ambulance Association
California Association of Health Services at Home
California Association of Bed and Breakfast Inns
California Association of Nurseries and Garden Centers
California Association of Winegrape Growers
California Attractions and Parks Association
California Building Industry Association
California Business Properties Association
California Citrus Mutual
California Cotton Ginners Association
California Cotton Growers Association
California Dairies, Inc.
California Farm Bureau Federation
California Fresh Fruit Association
California Grocers Association
California Hotel and Lodging Association
California Landscape Contractors Association
California League of Food Processors
California Manufacturers and Technology Association
California Restaurant Association
California Retailers Association
California Taxpayers Association
California Travel Association
Chamber of Commerce Alliance of Ventura and Santa Barbara Counties
Culver City Chamber of Commerce
El Dorado Hills Chamber of Commerce and California Welcome Center
Family Business Association of California
Greater Bakersfield Chamber of Commerce
Greater Fresno Area Chamber of Commerce
Greater Riverside Chambers of Commerce
Irvine Chamber of Commerce
Long Beach Area Chamber of Commerce

National Federation of Independent Business
Nisei Farmers League
North Orange County Chamber of Commerce
Official Police Garages Association of Los Angeles
Orange County Business Council
Oxnard Chamber of Commerce
Plumbing-Heating-Cooling Contractors Association of California
Redondo Beach Chamber of Commerce & Visitors Bureau
Roseville Chamber of Commerce
San Diego Regional Chamber of Commerce
Santa Clara Chamber of Commerce & Convention/Visitors Bureau
South Bay Association of Chambers of Commerce
Southwest California Legislative Council
The Greater Corona Valley Chamber of Commerce
Torrance Area Chamber of Commerce
Valley Industry & Commerce Association
Western Agricultural Processors Association
Western Carwash Association
Western Electrical Contractors Association
Western Growers Association
Western United Dairymen

SUBJECT: SB 3 (LENO) MINIMUM WAGE: ANNUAL ADJUSTMENT
OPPOSE – JOB KILLER

The California Chamber of Commerce and the organizations listed above respectfully **OPPOSE SB 3 (Leno)**, as amended March 28, 2016, which has been labeled as a **JOB KILLER**. **SB 3** will potentially impose a 50% increase in the minimum wage over the next six years for employers with more than 25 employees, which when combined with the most recent minimum wage increase that was fully implemented in January 2016, will be an 87% increase in the minimum wage in just 8 years. By 2023, **SB 3** will then increase the minimum wage according to national inflation, with no "off-ramps" if the economy is struggling or businesses are suffering from other increased cumulative costs. This unprecedented increase in the minimum wage will simply overwhelm many businesses that are already struggling with the current minimum wage increase and will limit job growth in this state.

Not All Regions of California Can Absorb An 87% Increase in the Minimum Wage:

Not all areas of California are enjoying the economic recovery. While California's overall unemployment rate is at 5.7%, there are still many regions of the state where the unemployment rate is 10% or higher. Imposing such a significant increase in the minimum wage on employers in these areas that are still trying to recover from the "Great Recession," will further inhibit job growth. If employers are not able to produce jobs under the current minimum wage of $10 an hour, they will not be able to afford to create jobs at a minimum wage of $15 an hour.

As evidenced by the 16 local jurisdictions in California who have adopted their own local minimum wage ordinances, regions that believe they can afford a higher minimum wage without impacting job growth or the local economy have done so. Notably, those regions in California with high unemployment rates have not. California should not impose a statewide 87% increase in the minimum wage that not all regions of California can afford in such a short time-frame. If $15 an hour is the ultimate goal, then this dramatic increase should be spread out over a longer period of time to allow employers in these regions that are still struggling, with an opportunity to adjust and absorb the increased costs.

The "Off-Ramps" to Suspend the Scheduled Minimum Wage Increases are Discretionary and Limited:

SB 3 includes potential "off-ramps" for suspending the scheduled minimum wage increases if the Department of Finance certifies that employment has declined and retail sales and use tax revenue has declined, or the budget will be in a deficit in the current fiscal year or subsequent two years. Once the Department of Finance certifies this information, the Governor has the *discretion* to suspend the minimum wage scheduled increase by a proclamation. The suspension is not mandatory and can only be utilized twice. Moreover, once the minimum wage reaches $15 an hour and is adjusted to national inflation, there is no "off-ramp" available.

Each of the factors listed above should individually justify an automatic suspension of the scheduled minimum wage increase. A decline in job growth or even no growth in the labor market should require an automatic suspension. A decline in state revenue or no increase in revenue should require an automatic suspension. Or, if the state revenue has not increased at the same rate as the next scheduled minimum wage increase, then the increase should be suspended. For example, starting in January 2019, the minimum wage increases by approximately 10% each year. If revenue does not simultaneously increase by 10% as well, then the next scheduled increase should be suspended. In order to protect California's economy, **SB 3** should have mandatory off-ramps when the job market or state revenue has declined, is stagnant, or not increasing at the same rate as the proposed minimum wage increase.

Raising the Minimum Wage Creates Job Loss for Untrained Workers and Those Who are New to the Job Market:

Imposing 50% increase in the minimum wage after AB 10 was just implemented in January 2016, will negatively impact economic recovery by either limiting available jobs, hours of work or, worse, creating further job loss, especially for vulnerable workers who are untrained and new to the job market.

A study published in January 2015 by Professor Jonathan Meer from Texas A&M and Jeremy West from MIT found that "increasing the minimum wage actually reduces the number of jobs available. Higher minimum wages lead to lower rates of job growth. Indeed, a ten percent increase in the minimum wage causes roughly half a percent point reduction in the rate of job growth, a very large effect". Professor Sabia echoed this same conclusion in his article that summarized the study he conducted in September 2013, titled "Minimum Wages, Cash Wages, and Poverty: New Evidence from the Great Recession Years," and found that minimum wage increases are likely to hurt low-skilled workers as the increases eliminate these jobs first.

An increase in the minimum wage also significantly impacts teenage employees who are new to the job and untrained. While California has an overall unemployment rate of 5.7%, California's teen unemployment rate for those employees who are 16-19 years old, is 20.7% (www.minimumwage.com). A March 2014 article in Forbes titled "Youth Unemployment Shows the Effects of a Minimum Wage that is Too High," supported this negative impact that an increase in minimum wage has on teen unemployment rates. In the article, which was analyzing the proposed federal minimum wage increase to $10.10 an hour, it concluded that while a "modest" increase in the minimum wage may only have a "modest" impact on some sections of the workforce, other sections of the workforce, such as youth, will experience a significant impact.

The negative impact an increase in the minimum wage can have on vulnerable workers of the labor market, is presumably why Seattle included "subminimum wage" rates for various groups including learners, apprentices, messengers, workers with a disability, and employees under 16 years old, when it increased its local minimum wage to $15 an hour. **SB 3** does not have any of these mitigating factors to reduce or eliminate the negative impact to these vulnerable workers, which will likely lead to their job loss or their inability to obtain employment.

Recent Study Suggests Increasing the Minimum Wage Does Not Target Those In Actual Need:

In his report, Professor Sabia also concludes that increasing the minimum wage does not actually target those individuals who are living in poverty. Based upon data received from the Census Survey of Income and Program Participation, Sabia found that only 13% of employees targeted by the proposed federal minimum wage increase lived in poverty. "[N]early two-thirds live in households with incomes over twice the poverty line, and over 40 percent live in households with income over three times the poverty line." Accordingly, increasing the minimum wage does not assist those actually living in poverty and could potentially harm them further if low-wage jobs are reduced due to the increase cost on businesses.

This same result was referenced by the Independent Institute when Oakland raised their minimum wage to $12.25. The Independent Institute referenced the reduced availability of child care from non-profits who cannot raise their prices due to the minimum wage increase, which has made it even more difficult for the low-wage worker to actually maintain a job. The Independent Institute further referenced the Wall Street Journal article in February 2015, titled "The Minimum Wage Stealth Tax on the Poor," and quoted "[v]irtually as much of the additional earnings of minimum-wage workers went to the highest-income families as to the lowest. Moreover, only about $1 in $5 of the addition went to families with children supported by low-wage earnings. As many economists already have noted, raising the minimum wage is at best a scattershot approach to raising the income of poor families."

For these reasons, we respectfully **OPPOSE SB 3** as a **JOB KILLER.**

cc: The Honorable Mark Leno
Camille Wagner, Office of the Governor
Eric Swanson, Assembly Republican Caucus
Chuck Nicol, Assembly Committee on Appropriations
Department of Industrial Relations
Labor and Workforce Development Agency
District Offices, Members, Assembly Committee on Appropriations