



Ensuring Opportunity: The Campaign to Cut Poverty in Contra Costa County

Increasing the Minimum Wage:

Creating Economic Opportunity for All County Residents

What is the Contra Costa Minimum Wage Initiative?

As the national economy slowly climbs out of recession, only a small percentage of the population is seeing the benefits of this recovery. The current state minimum wage of \$9.00/hour has not kept pace with inflation, despite sustained increases in worker productivity.

A national movement has been building in support of minimum wage increases. Twenty-nine states now have a minimum wage that is higher than the federal minimum.

In Contra Costa, a county-wide minimum wage increase is being sought in all jurisdictions (including cities and unincorporated areas) to ensure the economic benefits are distributed throughout all communities.

Who is leading the initiative?

The Contra Costa Minimum Wage Initiative is being coordinated by **Ensuring Opportunity: The Campaign to Cut Poverty in Contra Costa County**, which is a long-term, cross-sector, collaborative effort to alleviate poverty in our community. Ensuring Opportunity is supported by public and private human service providers, faith-based institutions, business and labor organizations, community members and policy makers. One of the Campaign's early priorities is to raise the minimum wage county-wide. While we understand that there is no single, quick-fix solution to poverty, we also know that any sustainable approach will start by increasing baseline incomes so that local workers are paid fairly and can support their families.

Why do we need an increase in the minimum wage?

Between the end of World War II and the late 1960s, productivity and wages both grew steadily, but not in tandem. Had the minimum wage of 1968 simply stayed even with inflation, it would be more than \$10 per hour today. But the typical worker is also about twice as productive now as in 1968. Adjusted for this increase in productivity, the minimum wage would be at least \$19 per hour.

California has a robust economy, but our state also has the highest rate of poverty in the nation, with nearly a quarter of residents living below the Federal Poverty Line. Of those living in poverty, nearly one in three is a child.

A more accurate measure of poverty is the **Self Sufficiency Standard**. Developed by the Insight Center for Community Economic Development, the Self Sufficiency Standard measures the real cost of living in each county, adjusted for variations in family size, children's ages and the local cost of food, housing and other items essential for survival.

- The Contra Costa Self-Sufficiency Standard is **\$17/hour for full-time work**, or \$71,711 for a family with two adults and two children.
- The **current minimum wage in Contra Costa is \$9/hour**. A family of four, with both adults working full-time at minimum wage, earns \$37,440 annually. Contrary to stereotype, most low-wage workers aren't young teenagers; they're the major breadwinner for their family, and many of them are women.

- In Contra Costa, **26% of households are currently living below the Self Sufficiency Standard**. To make ends meet, these families often must go without basic necessities or choose between food, shelter, medicine and other essentials, just to make ends meet.
- Nationwide, **the income gap is growing**. The share of total after-tax income received by the top 1% of the population in households with the highest income more than doubled between 1979 and 2007, whereas the share received by low- and middle-income households declined.
- Contra Costa has the fifth-highest median family income in the state. Our county also has large numbers of **retail and service jobs**. Although these types of jobs are projected to be the fastest growing sectors of the economy, they are generally low-wage positions.

Contra Costa County is therefore positioned to be a leader in both implementing and benefiting from the nation's first county-wide minimum wage increase.

What are the benefits of increasing the minimum wage?

Increasing the minimum will benefit low-income workers in immediate and significant ways. It will also benefit county residents of all income levels. Research has shown that:

- Putting more money in the pockets of low-wage workers – who are likely to spend it on immediate household needs – will benefit working families and give the **overall local economy** a boost.
- A wage increase will help move working families toward an income sufficient to sustain their household. This **greater financial stability** will result in the need for fewer public subsidies, which will benefit all taxpayers.
- Higher wages will **improve health and wellness** for thousands of Contra Costa's low-income families. Studies in economics and epidemiology link low income to health problems including diabetes, heart disease, arthritis, and premature mortality.
- Higher income will **improve children's learning** because it enables their parents to provide better living conditions and learning materials, adequate food, and high-quality child care.
- Low-income families will also have more money to spend on **health and education**, which reduces the risk for incarceration and long-term dependence on public benefits.
- The overall economy benefits through **increased consumer spending and increased tax revenue**.
- More than seven in ten leading economists agree that the **benefits of raising the minimum wage** outweigh the costs.

Won't raising the minimum wage hurt businesses due to the higher cost of doing business?

- Research has shown that higher wages benefit employers by motivating employees to work harder, attracting more capable workers, reducing turnover, increasing productivity, and enhancing customer service.
- An MIT study published in the Harvard Business Review shows that major retailers who pay employees higher wages enjoy higher sales revenue than their low-wage counterparts. Examples:
 - The starting wage at Trader Joe's is double that of many competitors, yet sales revenue per square foot is three times higher than average U.S. supermarkets.
 - Costco's starting wage in all states is \$11.50; CEO Craig Jelinek supports a federal minimum wage increase and argues that creating productive loyal employees through better wages pays off in increased long term profit.

Won't raising the minimum wage reduce employment?

- A study by the Center for Economic Policy and Research examined the past twenty years of minimum wage increases and found no negative effect on job growth.
- Another study, published in the Harvard Business Review in 2012, looked at fast food restaurant employment on both sides of the New Jersey and Pennsylvania border after New Jersey raised its minimum wage. The economists found that fast-food restaurant employment actually increased in New Jersey.
- When the federal minimum wage was increased in 1966, some business owners predicted millions of job losses. In fact, there were more job gains over the next four years than in any comparable period in American history.

Won't small businesses suffer the most?

- Two out of every three low-wage workers are employed by companies with more than 100 employees – not by small businesses.
- A study by the National Federation of Independent Businesses found that small business owners are most concerned that their customers earn too little; they believe that higher wages will result in increased consumer spending in local economies.
- Low-income families spend 60% of their income on food, clothing, and housing. These are immediately-consumed goods that benefit the local economy.
- The Economic Policy Institute estimated that a federal minimum wage of \$10/hour that is indexed to inflation would, over three years, generate upwards of \$30 billion in new economic activity and 140,000 new full-time jobs.

What about restaurants?

- An economic analysis of the San Francisco minimum wage increase found that restaurant prices will increase by 2.7% by the time the minimum wage reaches \$15/hour.
- As an example: a meal currently costing \$10 will increase to \$10.27 – a small difference that most consumers won't even notice.

Many Bay Area cities have already enacted minimum wage increases

- In November 2012, San Jose voters approved an increase to \$10/hour plus an annual increase for cost of living (currently \$10.30/hour).
- Berkeley and Richmond adopted minimum wage laws in mid-2014. Berkeley's will increase to \$12.53/hour by 2016; Richmond's will grow to \$12.32/hour by 2017.
- Oakland and San Francisco voters approved minimum wage increases in November 2014. Oakland's will increase from \$9 to \$12.25/hour starting March 2014; San Francisco's will increase \$15/hour by 2018.
- Sunnyvale and Mountain View also enacted minimum wage increases in 2014, with a regional goal of \$15/hr. by 2018.
- Emeryville is the most recent city to increase the minimum wage, to \$16/hour by 2016.

Resources: The information contained in this fact sheet has been compiled from various research including the Congressional Budget Office, the National Conference of State Legislatures, The Working Poor Families Project, Business Insider, the Center for Economic and Policy Research, the UCB Center for Labor and Research, and RealTime Economic Issues Watch. To see the full resource list, please go to: www.cutpovertycc.org/.