

EXECUTIVE SUMMARY

A STUDY BY:



IN PARTNERSHIP WITH:



MINIMUM WAGE & POVERTY IN SAN DIEGO


June 2014

The San Diego County Taxpayers Association, in partnership with the San Diego Regional Chamber of Commerce, produced a comprehensive analysis of minimum wage, poverty and related issues, including the potential impacts of raising the minimum wage in San Diego. The full study can be found at www.sdcta.org.


Finding #1

Many **small businesses** predict they will have to **downsize** and **cut hours** as a result of minimum wage increases.

Some businesses may benefit from increased purchasing power of low-wage workers. However, local businesses expressed several concerns including pressure to increase prices and reduce payroll. Harry Schwartz, co-owner of Ace Hardware Downtown, is concerned that the higher prices will push even more customers to online retailers. He is also reconsidering expansion plans in the City of San Diego.

A photograph of the interior of Studio Diner in Kearny Mesa, showing a long wooden bar with red leather stools and a server in the background.

Studio Diner in Kearny Mesa will have to compensate for upcoming minimum wage increases by increasing prices and downsizing.

A photograph of the interior of Phil's BBQ restaurant, showing a server in a black uniform and cap standing near a wooden chair.

Phil's BBQ predicts that downgrading its employee benefit package will be one of many steps it is forced to take to offset increased wages.

Finding #2

When **businesses are forced** to pay increased wages, most of **those dollars do not reach families living in poverty.**

Increasing the minimum wage is an inefficient tool for reducing poverty because the majority of low-wage workers do not live in low-income households. People living in poverty are the ones who are supposed to benefit from increases to the minimum wage, but relatively few do. Studies show less than 20 cents of each dollar in increased wages reach families living in poverty.

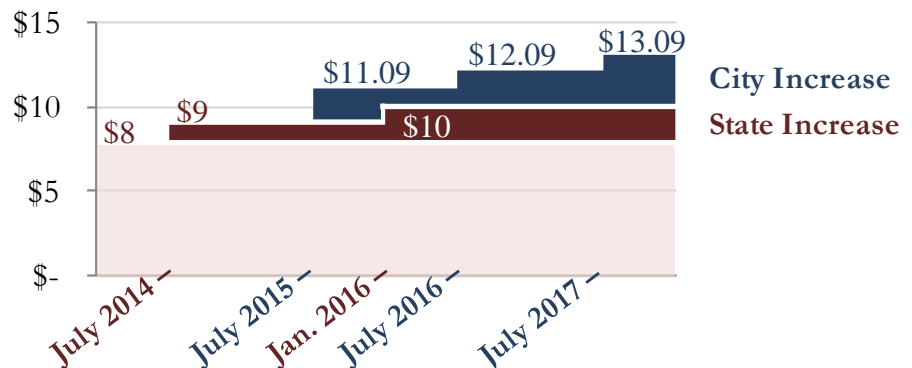


Finding #3

Sacramento is imposing **minimum wage increases totaling 38%.** The **proposal** before the **City Council** would commit to increase totaling **64%.**

Economists disagree about the effects of increasing the minimum wage and whether it will help people living below the poverty line. Many argue minimum wage hikes will result in job losses. The local economic impacts of the state's increase can provide insight specific to San Diego. **The San Diego City Council's proposal would commit to additional increases without a clear understanding of how our economy will react to the two State-imposed minimum wage hikes beginning in July 2014.**

If the proposal before the City Council is passed, the minimum wage will increase from \$8.00 to \$13.09 over three-year period.





Finding #4

The **minimum wage hike** proposal before the City Council is based on a **flawed study**.

The Center for Policy Initiatives (CPI) has calculated that \$13.09 is the hourly wage required to sustain a single adult on a “budget for no-frills living” in San Diego. The proposal before the City Council adopts this calculation.

However, the CPI calculation unreasonably incorporates the full cost of a one-bedroom apartment, even though many people opt to share two-bedroom apartments regardless of income level. Replacing the cost of a one-bedroom apartment with half the cost of a two-bedroom apartment – as reported from the same source – brings the wage needed to support a “budget for no-frills living” to \$11.24 per hour. Additionally, neighborhood-level data reveals opportunities for low-income workers to live on \$10.89 to \$10.99 per hour.

Monthly Costs in San Diego County

	Center for Policy Initiatives (CPI) Calculation 1-Bedroom Apartment	Studio Apartment	Shared 2-Bedroom Apartment
Housing	\$1,032	\$939	\$677
Food	\$270	\$270	\$270
Transportation	\$290	\$290	\$290
Healthcare	\$137	\$137	\$137
Miscellaneous	\$173	\$173	\$173
Taxes	\$402	\$402	\$402
Total Household Income Needed Monthly	\$2,305	\$2,211	\$1,949
Total Income Needed Yearly	\$27,655	\$26,532	\$23,388
Hourly Wage Needed When Working 40 Hours/Week	\$13.09	\$12.76	\$11.24

Sources: SDCTA, CPI, U.S. Department of Housing and Urban Development

Finding #5


Automation and **globalization** are depressing wages for low-skilled labor. **Workforce development** and **education** are **at the heart** of the wage issue.

Technology and automation have reduced the need for low-skilled employees. One study estimates that the U.S. economy has lost two million clerical jobs due to automation since 2007. **Another study estimates that approximately 47 percent of U.S. jobs are at risk of being replaced by computerization over the next two decades.** This means education and workforce development provide the best opportunities for adapting to our changing global economy.

Finding #6

Several steps must be taken to meaningfully **reduce poverty.**

Best practices for fighting poverty include staying the course on eradicating chronic homelessness, bolstering workforce development, and establishing State Earned Income Tax Credits. **Efforts to reduce poverty are most effective, and carry the fewest negative economic impacts, when several approaches are taken together.**



Ann Kinner owns Seabreeze Books and Charts off Rosecrans. She pays a part-time employee \$1 an hour above minimum wage to help run the shop. Ann anticipates having to cut this employee's hours or let her go when wages are increased.