

# Effects of the 1998 California Minimum Wage Increase

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He is the author of many articles in leading labor economics and industrial relations journals including the *Journal of Labor Economics*, *Industrial and Labor Relations Review*, and the *Journal of Human Resources*. He is also co-author of the annual *Union Membership and Earnings Data Book: Compilations from the Current Population Survey* published by the Bureau of National Affairs. In addition, he is a co-author of the undergraduate labor economics text *Contemporary Labor Economics* as well as the forthcoming book *Pensions and Productivity*. He received his Ph.D. from Pennsylvania State University in 1987.

# Executive Summary

Based upon an analysis of Labor Department data, Dr. David Macpherson finds the 1998 California minimum wage hike from \$5.15 to \$5.75 per hour will cause more than 25,000 workers to lose job opportunities. As a consequence, California workers will lose approximately \$230 million in annual income. At the same time, minimum wage employers will see their labor costs rise by \$790 million per year in order to provide minimum wage workers an increase in average family income of only 2%.

On February 12, 1998, President Clinton proposed raising the federal minimum wage in two annual 50-cent increments, from \$5.15 to \$5.65 and then \$6.15 per hour. In support of this proposal, the President and others claim that minimum wage increases of such magnitudes do not cost jobs, and that the benefits of these increases accrue primarily to poor adults trying to raise families. With this legislative proposal on the table, it is instructive to read Dr. Macpherson's study of expected effects from California's statewide increase in its minimum wage from \$5.15 to \$5.75, which is effective March 1, 1998.

## Who will be affected?

Macpherson finds that fewer than one-fifth of the workers who will be affected by the minimum wage increase are the sole breadwinners in families with children. The annual family income of affected workers averages more than \$30,000, and in some localities, e.g., San Francisco, exceeds \$40,000. These income figures indicate that most minimum wage workers are members of families with multiple workers. Only one in five affected workers lives in a family with income of less than \$10,000.

Of affected workers, many are very young; 20% are teens aged 16-19 and an additional 23% are young adults aged 20-24; 27% are living with a parent or parents. More than half of affected workers have never been married.

## How will they be affected?

Of the 25,000 lost job opportunities resulting from the California increase, Hispanic workers will account for more than half. Almost half of the burden will be borne by workers with annual family incomes less than \$20,000, as well as workers under age 25. One-third of the lost jobs will be in the retail sector, and almost another third will be in the service sector. Geographically, more than half of the lost jobs will be in the Los Angeles area.

Dr. Macpherson estimates that the \$790 million in additional annual labor costs associated with the California minimum wage increase will fall disproportionately on retail employers (\$238 million) and service-sector employers (\$225 million), and on employers in the Los Angeles area (\$300 million).

Of the total income gains generated by the wage hike, only one dollar in five will go to workers living in families with incomes of less than \$10,000. Hence, the wage hike appears to be an inefficient policy tool for raising low-income workers out of poverty. The average increase in family income of affected workers will be a very modest 2.3%.

## Conclusion

This study demonstrates that increases in the minimum wage entail real consequences and costs. Even a 50-cent (or ten percent) increase can cause significant job loss and impose substantial costs on employers and job seekers. At the same time, such an increase does little to combat poverty, even among those that don't lose their jobs.

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## 1. Introduction

“Living wage” campaigns have emerged in nearly three dozen states and cities.<sup>1</sup> According to proponents, a living wage is approximately one-half of the average local or state wage. In an attempt to increase the wages of low-income workers so as to meet this goal, living wage supporters propose that states and municipalities mandate minimum wage rates greater than the federal minimum wage rate, which was \$5.15 per hour as of September 1, 1997.

This study examines in a variety of dimensions the effects of one such law. In California, the minimum wage will rise from \$5.15 to \$5.75 in March 1998. The study reaches several conclusions regarding this minimum wage increase. First, the workers affected by this increase tend to be much younger and less educated than the average California worker. Second, only one-fifth of the affected workers are the sole earners for families supporting one or more children. Third, the impact on family income will be modest—the average increase in the family income of these workers will be a very modest 2.3%. Fourth, the minimum wage increase is projected to cause 25,816 workers to lose their jobs, with one-third of the job losses in the retail trade industry. These workers will lose \$230 million in annual income. Fifth, the cost to employers will be substantial—estimated at \$790 million per year in additional labor costs.

The study is organized as follows: The data employed to calculate some of the consequences of a higher minimum wage are described in section 2, and a statistical portrait of the workers affected by the minimum wage increase is provided in section 3. The impact of the increase on the distribution of family income is discussed in section 4. An analysis of the employment effects of the minimum wage increase is presented in section 5, and an in-

vestigation of the cost to employers of the wage hike as well as the income loss to laid-off workers is reported in section 6. Lastly, section 7 provides a summary and conclusion.

## 2. The Data

To analyze the effects of the 1998 California minimum wage increase, data are drawn from the January 1995 through October 1997 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The CPS ORG has the important advantage of being a large and representative sample of the population.

The main sub-sample of the CPS ORG data employed here includes wage and salary workers who are residents of California, 16 years of age or older, and whose hourly wage is between \$5.15 and \$5.75 in March 1998 dollars.<sup>2</sup> Observations missing data necessary to compute the hourly wage, family income, or other relevant variables are deleted from the sample. The data appendix describes the calculation of the hourly wage variable and other data issues.

## 3. Who will be Affected by the Minimum Wage Increase?

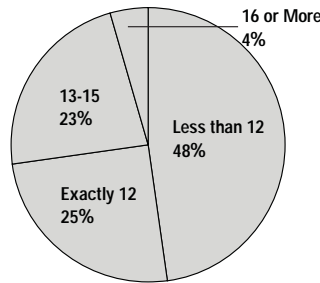
A vivid statistical portrait of the workers affected by the minimum wage increase (i.e., earning \$5.15-\$5.75 in March 1998 dollars) emerges from Table 1, which presents for such workers the means of demographic variables as well as the population size of subgroups. For comparison purposes, means for all

California workers and for all California residents who are 16 years of age and older are also included. The results reveal that a large fraction of workers affected by the higher minimum wage are young. In fact, 19.9% of affected workers are between 16 and 19 years of age, and an additional 23.3% are between 20 and 24 years of age. Thus, 43.2% of affected workers are 24 or younger. This amounts to 569,633 of the affected workers.

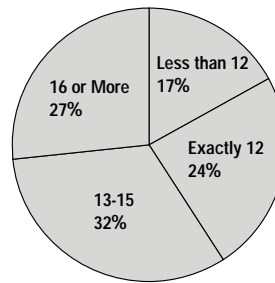
The affected workers differ from the average California resident on several other demographic characteristics. The affected workers are substantially less educated than the average Californian as nearly one-half (628,279 workers) have not graduated from high school. Also, they are much more likely to be never-married (52.6%) and Hispanic (53.2%) than the population as a whole.

Workers impacted by the minimum wage increase are less likely to be supporting a family than the typical California worker. For example, 26.8% of the workers (352,857) are living with their parent or parents, while only 10.6% of all California workers are in this category. Also, they are much less likely to be a dual earner in a married couple (22.4% versus 39.8%) than the typical California worker. Lastly, less than one-fifth are a single head or a single earner in a married couple supporting a family with children.

**Workers Affected by California's 1998 Minimum Wage Hike: Years of Schooling**



**All California Workers: Years of Schooling**

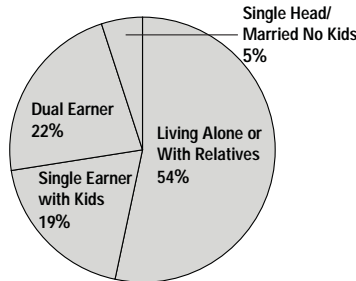


The family income of the affected worker is somewhat lower than the average California resident (\$30,586 versus \$46,509). However, less than 21% of the minimum wage workers are in families with an income of less than \$10,000. In fact, more than 52% are in families with an income of \$20,000 or more, suggesting that this increase in the California minimum wage does a poor job of targeting families living in poverty.

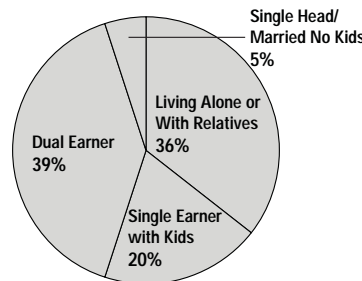
The affected workers are less involved in the labor market than the average California worker. More than 40% of the affected workers are employed part-time, while only 18% of all California employees work part-time. In addition, the affected workers are employed 2 fewer weeks per year than the typical worker.

The location of the affected workers differs from the typical California resident and worker. The affected workers are more likely to live in the Los Angeles-Long Beach PMSA (34.8%) than the average California resident (28.9%). On the other hand, they are much less likely to live in the San Francisco CMSA (13.1%) than the average California resident (21.2%).

**Workers Affected by California's 1998 Minimum Wage Hike: Family Status**

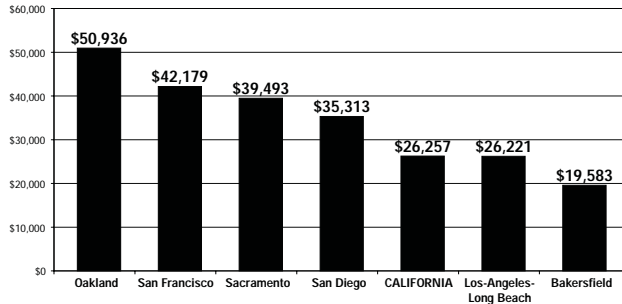


**All California Workers: Family Status**



As shown in Table 2, the family income of the affected workers varies substantially depending on the location in the state. Affected workers in the

### Workers Affected by California's 1998 Minimum Wage Hike: Average Family Income by Locality



San Francisco area have much higher family incomes than their counterparts in the Los Angeles area. For example, workers living in Oakland have a mean family income of \$50,936 while the corresponding figure for those living in Los Angeles-Long Beach is \$26,221.

## 4. What will be the Impact on the Distribution of Family Income?

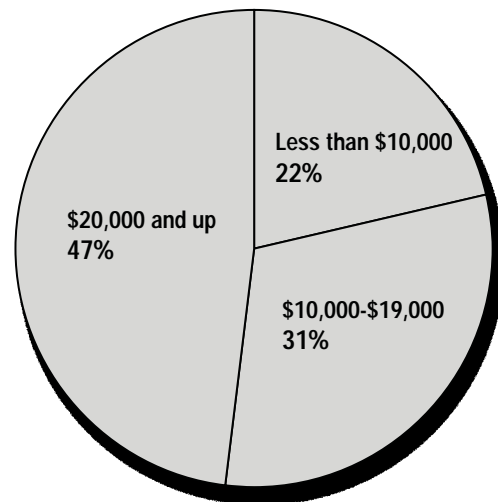
Table 3 provides calculations of the annual income increases for workers affected by the minimum wage increase as well as the resulting impact on family income. The top row shows the mean increase in annual income is only \$710. Since the average family income of the affected workers is \$30,586 per year, the resulting increase in average family income will be a very modest 2.3%.<sup>3</sup> The increase for workers with the median family income was 3.2%.

When the results are broken out by family income, they show the minimum wage increase is a blunt anti-poverty measure. The increase in family income will be \$732 (or a 13.0% rise) for persons

in families with less than \$10,000 of income. The next highest family income group (\$10,000-\$19,999) will receive a \$783 income increase. The family income increase is greater for these workers because they work two more hours per week than those in the lowest income category.

Column 5 of Table 3 presents the percentage share of the total income gains resulting from the minimum wage increase that accrue to workers in various family income groupings. The gains are roughly proportional to the percentages of af-

### Share of Gains From California's 1998 Minimum Wage Hike: Distribution by Family Income



ected workers in each grouping. For example, 20.7% of the affected workers live in families with incomes of less than \$10,000, a rough approximation of the poverty threshold for the typical family affected by the California minimum wage hike.<sup>4</sup> The share of total income gains going to these workers is only 21.5%. In other words, almost four-fifths of the total income gains will go to workers in families living above the poverty level.

## 5. How Many Workers will be Laid Off?

An important effect of the minimum wage increase is that some workers will lose their jobs because firms will no longer be able to profitably employ them. To estimate the job loss, the following procedure was used: First, the fractional wage gain due to the minimum wage increase is computed for each affected worker and then averaged across the sample. Second, the estimated fractional wage gain is used in the following formula to calculate the employment loss:

$$(1) \text{ Employment Loss} = \frac{\text{Fractional Wage Gain}}{\text{Affected Worker Employment}} * \text{Labor Demand Elasticity}$$

This study uses an estimate of labor demand elasticity (-0.22) for minimum wage workers reported by Neumark and Wascher (1997). An elasticity of -0.22 implies that a 10% increase in wages results in a 2.2% decrease in employment of the affected group.<sup>5</sup>

**25,816 Jobs Destroyed by California's 1998 Minimum Wage Hike: Distribution by Workers Age**

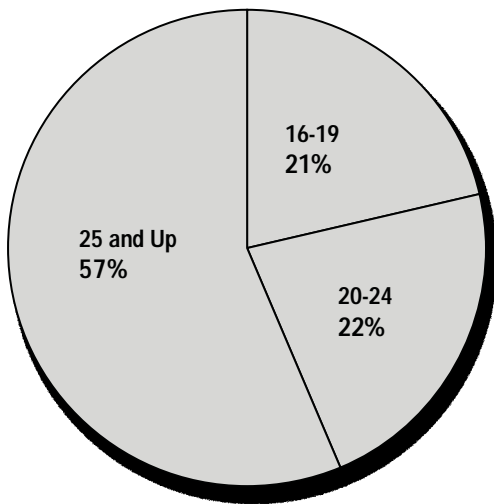
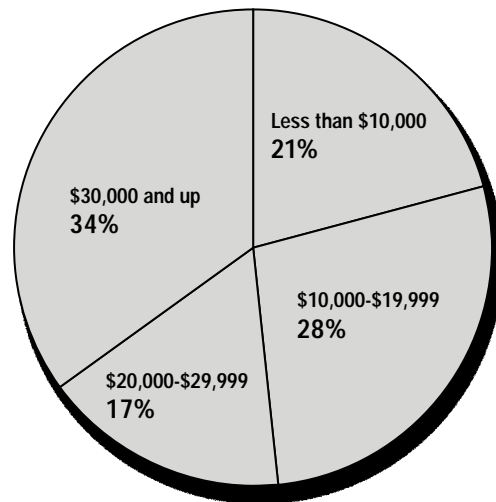


Table 4 presents the results of these calculations for all of the affected workers as well as subgroups of workers. Overall, the analysis indicates that 25,816 workers are projected to lose their jobs due to the minimum wage increase. The breakdowns by demographic groups and

**25,816 Jobs Destroyed by California's 1998 Minimum Wage Hike: Distribution by Workers Family Income**



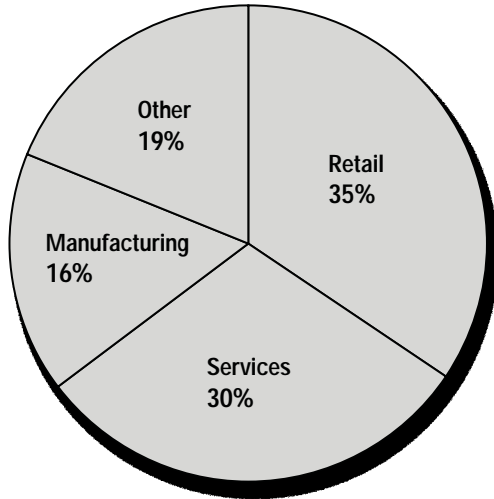
location are not surprising: 49% have not finished high school; 43% are under age 25; 48% have a family income below \$20,000 a year; and 54% are Hispanic. Slightly more than one-half of the job losses (13,567) will occur in the Los Angeles area and another 13.0% will occur in the San Francisco region.

The results by industry indicate that more than one-third of the job losses are projected to occur in the retail trade industry (8,900 jobs). This is not surprising since more than one-fifth of the workers in retail trade will be affected by this increase. Another 7,783 jobs, or 30% of the losses, are projected to occur for workers in the service industries.



## 25,816 Jobs Destroyed by California's 1998 Minimum Wage Hike:

Distribution by Industry



The findings by occupation show that about one-half of the losses are predicted to be for those in sales and service occupations. Another 28.5% will occur for those in blue-collar jobs.

## 6. What will be the Cost to Employers and the Income Loss to Laid-off Workers?

Another critical issue is the cost to employers from the minimum wage increase. These higher costs will be either passed on to consumers through higher prices or profits will be reduced for firms. Also, an important cost to workers is the loss in income due to the layoffs caused by the minimum wage increase.

These costs are calculated in the following manner: First, the increase in labor cost that would occur if no workers are laid off is calculated. This figure is estimated by multiplying the annual increase in

wages due to the minimum wage increase times the number of affected workers. Second, the lost income to workers (and thus reduction in labor cost) due to the layoffs is estimated.<sup>6</sup> This number is calculated by multiplying the number of workers who are projected to lose their jobs times their average wage before the minimum wage increase. Third, the net increase in labor cost to employers is calculated by taking the difference between the cost to employers if no layoffs occurred and the reduction in costs due to the layoffs of employees.

Table 5 presents the results of these calculations. The first row of the table indicates that if no layoffs occurred, then the cost of labor to employers would rise by \$1.02 billion. The projected worker layoffs of 25,816 will cause \$230 million of worker income to be lost. The net rise in the cost of labor to employers is estimated to be \$790 million.

The results by industry and location indicate these costs are clearly concentrated in certain industries and locations. In the retail trade industry, net labor costs will rise by \$238 million and the income of laid-off workers will be reduced by \$70 million. For the service industry, the net employer cost will rise by \$225 million and the income loss to displaced workers will be \$65 million. The net labor cost to employers in the Los Angeles-Long Beach area will rise by \$300 million, while laid-off workers will suffer an income loss of \$87 million. For the entire Los Angeles region, the employer costs will rise by more than \$400 million and laid-off workers are projected to have a \$125 million reduction in income.

## 7. Summary and Conclusions

This paper examines in a variety of dimensions the effects of the rise in the California minimum wage from \$5.15 to \$5.75 starting in March 1998. The study reaches several conclusions regarding this minimum wage increase. First, the workers af-

affected by this increase tend to be much younger and less educated than the average California worker. Nearly one-half of the impacted workers do not have a high school degree and more than two-fifths are under the age of 25. Second, only one-fifth of the affected workers are the sole earner for a family supporting one or more children. Third, the impact on family income will be minimal, raising the average family income of a minimum wage worker by a very

modest 2.3%. Fourth, the minimum wage increase is projected to cause 25,816 workers to lose their jobs, with one-third of the job losses in the retail trade industry. This will cause an annual income loss to these workers of \$230 million. Fifth, the cost to employers will be quite substantial. It will raise their labor costs by \$790 million per year, with the costs concentrated in the retail and service industries.

## Endnotes

<sup>1</sup> *The Minimum Wage Debate: Questions and Answers*, 3rd Ed. (Washington, D.C. Employment Policies Institute, 1997) 13-17.

<sup>2</sup> Hourly wages are adjusted for changes in the minimum wage and inflation and other data issues. See the data appendix for a more detailed explanation.

<sup>3</sup> These calculations are based on the assumption that all affected workers increase their wage to the new minimum wage of \$5.75 per hour. Hence, we are not allowing for noncompliance or exemptions from the law.

<sup>4</sup> The Earned Income Tax Credit (EITC) would bring a single worker supporting two children slightly above the poverty level for such a family.

<sup>5</sup> The average elasticity reported by a survey of labor economists at leading universities is -0.21. See Fuchs, Krueger and Poterba (1997).

<sup>6</sup> Workers may reduce this income loss if they are able to obtain employment in a job not covered by the minimum wage.

Employment Policies Institute. *The Minimum Wage Debate: Questions and Answers*, 3rd Ed. Washington, D.C.: Employment Policies Institute, 1997.

Fuchs, Victor R., Alan B. Krueger, and James M. Poterba. "Why Do Economists Disagree About Policy? The Roles of Beliefs About Parameters and Values." NBER Working Paper No. 6151, August 1997.

Hirsch, Barry T., and David A. Macpherson. *Union Membership and Earnings Data Book: Compilations from the Current Population Survey* (1997 edition). Washington, D.C.: Bureau of National Affairs, 1997.

Neumark, David and William Wascher. "The New Jersey-Pennsylvania Minimum Wage Experiment: A Re-Evaluation Using Payroll Records." *Econometrics and Economic Theory Papers*, Michigan State University, January 1998.

## References

## Data Appendix

## Hourly Wage

This study uses data from the January 1995 through October 1997 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The main sub-sample of the CPS data employed here includes wage and salary workers who are residents of California, 16 years of age or older, and whose hourly wage is between \$5.15 and \$5.75 in March 1998 dollars.

The hourly wage is constructed to account for problems caused by workers with variable hours, “top coded” or “capped” earnings, tips, commissions and overtime, inflation, and changes in the minimum wage.

The first step is to assign a wage for workers who don’t have these difficulties. Non-top coded workers who are paid by the hour and don’t receive tips, commissions or overtime are assigned their reported hourly earnings. For all non-hourly workers, the hourly wage is constructed by dividing usual weekly earnings (which includes tips, commissions and overtime pay) by usual hours worked per week.

The second step is to estimate usual weekly earnings for workers whose weekly earnings are top coded or capped at a maximum value. The CPS ORG files have a topcode of \$1,923 per week or about \$100,000 per year for year-round workers. If the earnings of topcoded workers were not adjusted, average earnings would be understated. To estimate the mean earnings of topcoded workers it is assumed that the upper tail of weekly earnings distribution follows a Pareto distribution. These estimated mean values for the CPS ORG files using this approach are presented in Hirsch and Macpherson (1997) by gender and year and are used in this study. The reported 1996 values are assigned for 1997 observations (the values change little from year to year).

The third step is to estimate usual weekly hours for workers who indicate their weekly hours are variable. This is calculated by using the results of a regression model based on a sample of workers that have non-missing data on usual hours worked. The model is estimated by gender and year and includes controls for hours worked in the prior week, full-time status, marital status, years of schooling, age, race and ethnic status, broad occupation, and broad occupation interacted with full-time status. The parameters from this regression model are then used to estimate the usual hours for those whose weekly hours are variable.

The next step is to assign a wage for hourly workers who receive tips, commissions, or overtime pay or are topcoded workers. In this case, their hourly wage is constructed by dividing usual weekly earnings (adjusted for topcodes) by usual hours worked (or estimated usual hours if usual hours is missing).

The last step is to adjust the wages of workers for inflation and changes in the minimum wage. Wages of workers are adjusted for inflation to March 1998 using the CPI-U (a 3% percent annual inflation rate is assumed for the period between October 1997 and March 1998). For workers whose inflation-adjusted wage is less than \$5.15 in September 1997 dollars, a wage of \$5.15 in March 1998 dollars is assigned. Workers whose wage at the time of the survey was less than the legal minimum wage were deleted from the sample. The minimum wage for California workers was \$4.25 between January 1995 and October 1996; \$4.75 between October 1996 and February 1997; \$5.00 between March 1997 and August 1997; and \$5.15 between September 1997 and October 1997.

## Family Income

Family income is reported as categorical variable in the CPS ORG and includes all sources of money income received in the prior 12 months. The income ranges are: less than \$5,000; \$5,000-\$7,499; \$7,500-\$9,999; \$10,000-\$12,499; \$12,500-\$14,999; \$15,000-\$17,499; \$17,500-\$19,999; \$20,000-\$24,999; \$25,000-\$29,999; \$30,000-\$34,999; \$35,000-\$39,999; \$40,000-\$49,999; \$50,000-\$74,999; and \$75,000 and up. To assign a dollar value to these categories, mean values of family income for persons in each income range was calculated from a sample of California residents in the March 1995 and 1996 CPS (which reports family income received in the prior year as a continuous variable). Very similar results occurred when a national rather than a California based sample was employed to generate the mean income values. The 1995 values are used for the 1995 observations, and the 1996 values for the 1996 and 1997 observations.

## Annual Income

Though the CPS ORG provides measures of hourly earnings and hours worked, it does not indicate the number of weeks worked per year. Thus, to generate annual income estimates for workers affected by the higher minimum wage, an alternative data source must be used and merged with the CPS ORG. Fortu-

nately, the April 1993 CPS provides such a measure and the mean usual weeks worked was calculated for all California workers earning \$5.15-\$5.75 per hour in March 1998 dollars.

## Location

The CPS ORG used 1983 Census metropolitan area identifiers for January 1995-May 1995 to provide substate location information. For the period of June 1995-August 1995, no metropolitan identifiers were provided. Since September 1995, the CPS ORG has used the 1993 Census metropolitan area identifiers. The location identifiers were made as time consistent as possible and the resulting measurement error is quite modest.

Since the months of June 1995-August 1995 contained no location information, these months were deleted from the sample when the substate analysis was conducted and the sample weights were adjusted accordingly. As a result, the total employment counts slightly differ for the substate and state-level analysis.

Table 1: Distribution of Workers Affected by the 1998 California Minimum Wage Increase

| Variable                          | Affected California Workers |            | All California Workers | California Residents Age 16+ |
|-----------------------------------|-----------------------------|------------|------------------------|------------------------------|
|                                   | Percent                     | Population |                        |                              |
| <b>Age:</b>                       |                             |            |                        |                              |
| 16 to 19                          | 19.9%                       | 261,997    | 4.6%                   | 7.4%                         |
| 20 to 24                          | 23.3%                       | 307,636    | 11.2%                  | 9.2%                         |
| 25 to 29                          | 12.4%                       | 162,832    | 13.6%                  | 10.3%                        |
| 30 to 39                          | 20.2%                       | 266,052    | 29.7%                  | 23.3%                        |
| 40 to 64                          | 22.0%                       | 290,249    | 39.3%                  | 35.5%                        |
| 65 to 99                          | 2.3%                        | 29,687     | 1.7%                   | 14.3%                        |
| <b>Average Age</b>                | <b>31.1</b>                 |            | <b>37.4</b>            | <b>42.3</b>                  |
| <b>Years of Schooling:</b>        |                             |            |                        |                              |
| 0 to 8                            | 22.8%                       | 300,572    | 8.2%                   | 10.7%                        |
| 9 to 11                           | 24.9%                       | 327,707    | 8.8%                   | 13.3%                        |
| 12                                | 25.0%                       | 330,161    | 23.8%                  | 24.6%                        |
| 13 to 15                          | 22.9%                       | 301,629    | 32.6%                  | 28.9%                        |
| 16 or more                        | 4.4%                        | 58,384     | 26.7%                  | 22.6%                        |
| <b>Average Years of Schooling</b> | <b>10.7</b>                 |            | <b>13.1</b>            | <b>12.6</b>                  |
| <b>Race:</b>                      |                             |            |                        |                              |
| White                             | 83.4%                       | 1,099,603  | 81.0%                  | 80.9%                        |
| Black                             | 4.7%                        | 61,411     | 6.4%                   | 6.6%                         |
| Asian                             | 8.5%                        | 112,289    | 10.3%                  | 10.4%                        |
| Other Race                        | 3.4%                        | 45,150     | 2.2%                   | 2.2%                         |
| <b>Ethnic Status:</b>             |                             |            |                        |                              |
| Hispanic                          | 53.2%                       | 701,517    | 28.5%                  | 26.7%                        |
| Non-Hispanic                      | 46.8%                       | 616,936    | 71.5%                  | 73.3%                        |
| <b>Gender:</b>                    |                             |            |                        |                              |
| Male                              | 49.9%                       | 657,742    | 54.6%                  | 49.0%                        |
| Female                            | 50.1%                       | 660,711    | 45.4%                  | 51.0%                        |
| <b>Marital Status:</b>            |                             |            |                        |                              |
| Married, Spouse Present           | 35.3%                       | 464,989    | 54.5%                  | 53.5%                        |
| Divorced, Separated, Widowed      | 12.2%                       | 160,227    | 15.3%                  | 18.6%                        |
| Never Married                     | 52.6%                       | 693,237    | 30.2%                  | 27.9%                        |
| <b>Family Status:</b>             |                             |            |                        |                              |
| Single Individual                 | 17.5%                       | 230,678    | 21.5%                  | NA                           |
| Single Head                       | 11.5%                       | 151,720    | 9.9%                   | NA                           |
| Single Head with no children      | 2.3%                        | 30,103     | 1.6%                   | NA                           |
| Single Head with 1 child          | 3.4%                        | 44,880     | 2.9%                   | NA                           |
| Single Head with 2 children       | 2.5%                        | 33,397     | 2.6%                   | NA                           |
| Single Head with 3+ children      | 3.3%                        | 43,340     | 2.7%                   | NA                           |
| Single Earner in Married Couple   | 12.8%                       | 169,088    | 14.7%                  | NA                           |
| Single Earner with no children    | 2.8%                        | 37,313     | 3.4%                   | NA                           |
| Single Earner with 1 child        | 2.0%                        | 26,191     | 2.1%                   | NA                           |
| Single Earner with 2 children     | 2.4%                        | 31,769     | 3.3%                   | NA                           |
| Single Earner with 3+ children    | 5.6%                        | 73,815     | 5.9%                   | NA                           |

Table 1, Continued

| Variable                      | Affected California Workers |                  | All California Workers | California Residents Age 16+ |
|-------------------------------|-----------------------------|------------------|------------------------|------------------------------|
|                               | Percent                     | Population       |                        |                              |
| Dual Earner in Married Couple | 22.4%                       | 295,901          | 39.8%                  | NA                           |
| Dual Earner with no children  | 4.6%                        | 61,263           | 10.4%                  | NA                           |
| Dual Earner with 1 child      | 3.2%                        | 41,986           | 6.3%                   | NA                           |
| Dual Earner with 2 children   | 4.4%                        | 58,637           | 8.8%                   | NA                           |
| Dual Earner with 3+ children  | 10.2%                       | 134,015          | 14.3%                  | NA                           |
| Living with Parents           | 26.8%                       | 352,897          | 10.6%                  | NA                           |
| Living with Other Relative    | 9.0%                        | 118,169          | 3.5%                   | NA                           |
| <b>Family Income:</b>         |                             |                  |                        |                              |
| < \$10,000                    | 20.7%                       | 269,598          | 6.8%                   | 11.7%                        |
| \$10,000-\$19,999             | 27.5%                       | 358,674          | 13.2%                  | 16.5%                        |
| \$20,000-\$29,999             | 16.9%                       | 220,586          | 14.1%                  | 15.0%                        |
| \$30,000-\$39,999             | 11.0%                       | 142,948          | 13.8%                  | 12.9%                        |
| \$40,000-\$49,999             | 6.5%                        | 84,242           | 11.0%                  | 9.3%                         |
| \$50,000-\$59,999             | 5.9%                        | 76,487           | 10.4%                  | 8.7%                         |
| \$60,000-\$74,999             | 4.0%                        | 52,446           | 10.4%                  | 8.3%                         |
| \$75,000 or more              | 7.6%                        | 99,665           | 20.3%                  | 17.6%                        |
| <b>Average Family Income</b>  | <b>\$ 30,586</b>            |                  | <b>\$ 52,181</b>       | <b>\$ 46,511</b>             |
| <b>Median Family Income</b>   | <b>\$ 22,081</b>            |                  | <b>\$ 44,127</b>       | <b>\$ 37,282</b>             |
| <b>Location:</b>              |                             |                  |                        |                              |
| Non-Metro/Small Metro Areas   | 6.4%                        | 84,677           | 5.3%                   | 5.9%                         |
| Los Angeles CMSA              |                             |                  |                        |                              |
| Los Angeles-Long Beach PMSA   | 34.8%                       | 460,691          | 28.3%                  | 28.9%                        |
| Riverside-San Bernardino PMSA | 6.8%                        | 90,589           | 7.6%                   | 8.0%                         |
| Orange County PMSA            | 9.5%                        | 125,578          | 9.5%                   | 8.8%                         |
| San Francisco CMSA            |                             |                  |                        |                              |
| Oakland PMSA                  | 3.4%                        | 44,453           | 7.2%                   | 6.8%                         |
| San Francisco PMSA            | 4.1%                        | 54,110           | 6.4%                   | 5.9%                         |
| San Jose PMSA                 | 3.8%                        | 50,013           | 6.3%                   | 5.6%                         |
| Other San Francisco PMSAs     | 1.8%                        | 23,335           | 3.1%                   | 2.9%                         |
| San Diego, MSA                | 8.2%                        | 108,030          | 8.3%                   | 8.2%                         |
| Sacramento, MSA               | 3.4%                        | 45,450           | 5.2%                   | 5.2%                         |
| Fresno, MSA                   | 3.2%                        | 41,857           | 2.7%                   | 2.6%                         |
| Bakersfield, MSA              | 2.8%                        | 37,355           | 1.8%                   | 1.8%                         |
| Stockton, MSA                 | 1.8%                        | 23,874           | 1.4%                   | 1.5%                         |
| Other MSAs                    | 10.2%                       | 135,124          | 6.9%                   | 7.7%                         |
| <b>Hours Per Week</b>         | <b>32.4</b>                 |                  | <b>38.5</b>            | <b>NA</b>                    |
| <b>Full-time</b>              | <b>58.8%</b>                | <b>775,250</b>   | <b>82.0%</b>           | <b>NA</b>                    |
| <b>Weeks Worked Per Year</b>  | <b>47.7</b>                 |                  | <b>50</b>              | <b>NA</b>                    |
| <b>Population</b>             |                             | <b>1,318,453</b> | <b>12,511,029</b>      | <b>23,837,428</b>            |
| <b>Sample Size</b>            |                             | <b>3,566</b>     | <b>33,747</b>          | <b>65,605</b>                |

Note: Data source is the January 1995-October 1997 CPS ORG. Affected workers are defined as those persons earning \$5.15-\$5.75 per hour in March 1998 dollars. All workers are defined as all wage and salary workers. Weeks worked based on a sample of workers derived from April 1993 CPS. All means are calculated using CPS sample weights.

**Table 2: Family Income of Affected California Workers by Location**

| Family Income     | Non-Metro-<br>Small Metro | Los Angeles-<br>Long Beach | Riverside-<br>San Bernardino | Orange<br>County | Oakland   | San<br>Francisco | San Jose  |
|-------------------|---------------------------|----------------------------|------------------------------|------------------|-----------|------------------|-----------|
| < \$10,000        | 16.3%                     | 22.8%                      | 15.9%                        | 20.4%            | 10.5%     | 11.4%            | 18.4%     |
| \$10,000-\$19,999 | 41.1%                     | 29.9%                      | 24.2%                        | 24.3%            | 9.0%      | 21.7%            | 14.4%     |
| \$20,000-\$29,999 | 13.6%                     | 19.2%                      | 22.0%                        | 16.6%            | 16.1%     | 16.8%            | 10.7%     |
| \$30,000-\$39,999 | 8.8%                      | 10.5%                      | 11.1%                        | 9.7%             | 12.6%     | 14.7%            | 7.9%      |
| \$40,000-\$49,999 | 10.3%                     | 4.7%                       | 3.8%                         | 7.1%             | 9.6%      | 8.4%             | 15.2%     |
| \$50,000-\$59,999 | 3.1%                      | 4.8%                       | 8.6%                         | 8.2%             | 15.2%     | 7.5%             | 11.8%     |
| \$60,000-\$74,999 | 2.5%                      | 3.3%                       | 5.6%                         | 4.5%             | 7.6%      | 3.3%             | 6.2%      |
| \$75,000 or more  | 4.3%                      | 4.8%                       | 8.7%                         | 9.2%             | 19.3%     | 16.2%            | 15.3%     |
| Mean              | \$ 26,257                 | \$ 26,221                  | \$ 33,812                    | \$ 33,993        | \$ 50,936 | \$ 42,179        | \$ 44,345 |
| Median            | \$ 17,145                 | \$ 17,253                  | \$ 22,194                    | \$ 22,194        | \$ 44,127 | \$ 31,954        | \$ 37,351 |

| Family Income     | Other San<br>Francisco | San Diego | Sacramento | Fresno | Bakersfield | Stockton | Other<br>MSAs |
|-------------------|------------------------|-----------|------------|--------|-------------|----------|---------------|
| < \$10,000        | 2.8%                   | 17.8%     | 17.2%      | 37.3%  | 30.2%       | 12.0%    | 30.7%         |
| \$10,000-\$19,999 | 16.7%                  | 28.7%     | 19.1%      | 25.0%  | 30.1%       | 28.2%    | 32.4%         |
| \$20,000-\$29,999 | 22.8%                  | 11.9%     | 13.7%      | 12.1%  | 22.4%       | 6.3%     | 15.0%         |
| \$30,000-\$39,999 | 16.1%                  | 11.8%     | 16.3%      | 2.5%   | 7.2%        | 20.1%    | 9.7%          |
| \$40,000-\$49,999 | 13.9%                  | 8.4%      | 9.5%       | 2.3%   | 3.9%        | 15.7%    | 3.7%          |
| \$50,000-\$59,999 | 4.5%                   | 5.8%      | 3.1%       | 6.1%   | 2.5%        | 9.4%     | 4.4%          |
| \$60,000-\$74,999 | 10.3%                  | 4.3%      | 8.2%       | 5.8%   | 2.3%        | 4.0%     | 1.6%          |

**Table 3: Income Increases for California Workers Affected by Minimum Wage Increase**

| Group                 | % in Class<br>Before<br>Increase | Annual<br>Income<br>Increase | % Increase<br>In Family<br>Income | % Share of<br>Total Income<br>Increase |
|-----------------------|----------------------------------|------------------------------|-----------------------------------|--|
| <b>All</b>            | <b>100</b>                       | <b>\$ 710</b>                | <b>2.3</b>                        | <b>100</b>                             |
| <b>Family Income:</b> |                                  |                              |                                   |  |
| < \$10,000            | 20.7%                            | \$ 732                       | 13.0%                             | 21.5%                                  |
| \$10,000-\$19,999     | 27.5%                            | \$ 783                       | 5.6%                              | 30.5%                                  |
| \$20,000-\$29,999     | 16.9%                            | \$ 745                       | 3.1%                              | 17.9%                                  |
| \$30,000-\$39,999     | 11.0%                            | \$ 671                       | 1.9%                              | 10.5%                                  |
| \$40,000-\$49,999     | 6.5%                             | \$ 609                       | 1.4%                              | 5.6%                                   |
| \$50,000-\$59,999     | 5.9%                             | \$ 577                       | 1.1%                              | 4.8%                                   |
| \$60,000-\$74,999     | 4.0%                             | \$ 628                       | 0.9%                              | 3.6%                                   |
| \$75,000 or more      | 7.6%                             | \$ 525                       | 0.4%                              | 5.7%                                   |

Note: Data source is the January 1995-October 1997 CPS ORG. Affected workers are defined as those persons earning \$5.15-\$5.75 per hour in March 1998 dollars. All means are calculated using CPS sample weights.

**Table 4: California Employment Levels and Job Losses by Sector**

| Group                      | Employment        |                     |                       | Percent<br>of all<br>Job Loss |
|----------------------------|-------------------|---------------------|-----------------------|-------------------------------|
|                            | All<br>Workers    | Affected<br>Workers | Projected<br>Job Loss |                               |
| <b>All</b>                 | <b>12,511,029</b> | <b>1,318,453</b>    | <b>25,816</b>         | <b>100.0%</b>                 |
| <b>Age:</b>                |                   |                     |                       |                               |
| 16-19                      | 569,834           | 261,997             | 5,489                 | 21.3%                         |
| 20-24                      | 1,398,764         | 307,636             | 5,772                 | 22.4%                         |
| 25-29                      | 1,704,975         | 162,832             | 3,192                 | 12.4%                         |
| 30-39                      | 3,711,892         | 266,052             | 5,194                 | 20.1%                         |
| 40-64                      | 4,910,883         | 290,249             | 5,584                 | 21.6%                         |
| 65-99                      | 214,681           | 29,687              | 585                   | 2.3%                          |
| <b>Family Income:</b>      |                   |                     |                       |                               |
| < \$10,000                 | 848,810           | 269,598             | 5,374                 | 20.8%                         |
| \$10,000-\$19,999          | 1,641,208         | 358,674             | 7,114                 | 27.6%                         |
| \$20,000-\$29,999          | 1,751,911         | 220,586             | 4,285                 | 16.6%                         |
| \$30,000-\$39,999          | 1,710,538         | 142,948             | 2,719                 | 10.5%                         |
| \$40,000-\$49,999          | 1,370,634         | 84,242              | 1,638                 | 6.3%                          |
| \$50,000-\$59,999          | 1,288,496         | 76,487              | 1,357                 | 5.3%                          |
| \$60,000-\$74,999          | 1,288,995         | 52,446              | 1,121                 | 4.3%                          |
| \$75,000 or more           | 2,525,573         | 99,665              | 1,936                 | 7.5%                          |
| <b>Gender:</b>             |                   |                     |                       |                               |
| Male                       | 6,829,259         | 657,742             | 12,586                | 48.8%                         |
| Female                     | 5,681,770         | 660,711             | 13,231                | 51.3%                         |
| <b>Race:</b>               |                   |                     |                       |                               |
| White                      | 10,134,758        | 1,099,603           | 21,527                | 83.4%                         |
| Black                      | 804,936           | 61,411              | 1,258                 | 4.9%                          |
| Asian                      | 1,289,907         | 112,289             | 2,199                 | 8.5%                          |
| Other Race                 | 281,428           | 45,150              | 832                   | 3.2%                          |
| <b>Ethnic Status:</b>      |                   |                     |                       |                               |
| Hispanic                   | 3,567,550         | 701,517             | 13,925                | 53.9%                         |
| Non Hispanic               | 8,943,479         | 616,936             | 11,891                | 46.1%                         |
| <b>Years of Schooling:</b> |                   |                     |                       |                               |
| 0 to 8                     | 1,025,014         | 300,572             | 5,923                 | 22.9%                         |
| 9 to 11                    | 1,095,440         | 327,707             | 6,676                 | 25.9%                         |
| 12                         | 2,972,718         | 330,161             | 6,468                 | 25.1%                         |
| 13 to 15                   | 4,079,125         | 301,629             | 5,715                 | 22.1%                         |
| 16 or more                 | 3,338,732         | 58,384              | 1,035                 | 4.0%                          |



Table 4, Continued

**Location:**

|                               |           |         |       |       |
|-------------------------------|-----------|---------|-------|-------|
| Non-Metro/Small Metro Areas   | 667,242   | 84,677  | 1,648 | 6.4%  |
| Los Angeles CMSA              |           |         |       |       |
| Los Angeles-Long Beach PMSA   | 3,546,083 | 460,691 | 9,243 | 35.8% |
| Riverside-San Bernardino PMSA | 950,352   | 90,589  | 1,834 | 7.1%  |
| Orange County PMSA            | 1,188,629 | 125,578 | 2,490 | 9.6%  |
| San Francisco CMSA            |           |         |       |       |
| Oakland PMSA                  | 904,977   | 44,453  | 889   | 3.4%  |
| San Francisco PMSA            | 800,163   | 54,110  | 1,097 | 4.2%  |
| San Jose PMSA                 | 786,920   | 50,013  | 923   | 3.6%  |
| Other San Francisco PMSAs     | 389,449   | 23,335  | 437   | 1.7%  |
| San Diego, MSA                | 1,038,145 | 108,030 | 2,015 | 7.8%  |
| Sacramento, MSA               | 647,125   | 45,450  | 840   | 3.3%  |
| Fresno, MSA                   | 341,964   | 41,857  | 805   | 3.1%  |
| Bakersfield, MSA              | 226,055   | 37,355  | 719   | 2.8%  |
| Stockton, MSA                 | 177,093   | 23,874  | 487   | 1.9%  |
| Other MSAs                    | 865,556   | 135,124 | 2,490 | 9.6%  |

**Industry:**

|   |           |         |       |       |
|---|-----------|---------|-------|-------|
| Agriculture                                 | 386,707   | 108,547 | 2,031 | 7.9%  |
| Mining                                      | 30,083    | 1,023   | 15    | 0.1%  |
| Construction                                | 571,434   | 31,770  | 572   | 2.2%  |
| Durable Manufacturing                       | 1,359,191 | 74,380  | 1,453 | 5.6%  |
| Nondurable Manufacturing                    | 792,055   | 136,116 | 2,797 | 10.8% |
| Transportation, Communication and Utilities | 904,967   | 27,399  | 541   | 2.1%  |
| Wholesale Trade                             | 557,905   | 39,762  | 752   | 2.9%  |
| Retail Trade                                | 2,010,420 | 453,221 | 8,900 | 34.5% |
| Finance, Insurance and Real Estate          | 784,757   | 27,890  | 527   | 2.0%  |
| Business and Repair Services                | 985,838   | 98,033  | 1,823 | 7.1%  |
| Personal Services                           | 487,350   | 101,660 | 2,057 | 8.0%  |
| Entertainment and Recreation Services       | 352,009   | 56,542  | 1,123 | 4.4%  |
| Other Professional Services                 | 2,691,069 | 141,939 | 2,780 | 10.8% |
| Public Administration                       | 597,244   | 20,171  | 445   | 1.7%  |

**Occupation:**

|  |           |         |       |       |
|--|-----------|---------|-------|-------|
| Executives, Administrators, and Managers           | 1,753,810 | 38,525  | 673   | 2.6%  |
| Professionals                                      | 1,883,690 | 38,934  | 716   | 2.8%  |
| Technicians  | 433,006   | 8,809   | 137   | 0.5%  |
| Sales Occupations                                  | 1,382,641 | 218,357 | 4,134 | 16.0% |
| Administrative Support Occupations                 | 1,972,404 | 101,387 | 1,987 | 7.7%  |
| Service Occupations                                | 1,735,037 | 415,752 | 8,563 | 33.2% |
| Farming, Forestry and Fishing Occupations          | 401,443   | 118,950 | 2,240 | 8.7%  |
| Precision Production, Craft and Repair Occupations | 1,186,048 | 58,883  | 1,080 | 4.2%  |
| Machine Operators, Assemblers and Inspectors       | 788,911   | 188,061 | 3,848 | 14.9% |
| Transportation and Material Moving Occupations     | 468,073   | 32,365  | 560   | 2.2%  |
| Handlers, Equipment Cleaners, Laborers             | 505,966   | 98,430  | 1,877 | 7.3%  |

**Table 5: Cost to Employers and Lost Income to CA Workers from Minimum Wage Increase**

| <b>Group</b>                                | <b>Rise in Labor<br/>Cost if no Layoffs<br/>of Workers</b> | <b>Lost<br/>Income due<br/>to Layoffs</b> | <b>Net Rise<br/>in Cost of Labor<br/>to Employers</b> |
|---|--|---|---|
| <b>All</b>                                  | <b>\$ 1,020,136,109</b>                                    | <b>\$ 230,493,777</b>                     | <b>\$ 789,642,332</b>                                 |
| <b>Industry:</b>                            |  |   |   |
| Agriculture                                 | \$ 105,519,007   | \$ 23,938,958                             | \$ 81,580,049   |
| Mining                                      | \$ 674,867   | \$ 124,118                                | \$ 550,749  |
| Construction                                | \$ 24,665,578  | \$ 5,455,685                              | \$ 19,209,893   |
| Durable Manufacturing                       | \$ 69,941,866  | \$ 15,595,138                             | \$ 54,346,728   |
| Nondurable Manufacturing                    | \$ 130,077,882   | \$ 29,079,178                             | \$ 100,998,704  |
| Transportation, Communication and Utilities | \$ 22,559,020  | \$ 5,167,893                              | \$ 17,391,127   |
| Wholesale Trade                             | \$ 32,454,498  | \$ 7,500,152                              | \$ 24,954,346   |
| Retail Trade                                | \$ 307,205,107   | \$ 69,613,312                             | \$ 237,591,795  |
| Finance, Insurance and Real Estate          | \$ 19,799,742  | \$ 4,509,517                              | \$ 15,290,225   |
| Business and Repair Services                | \$ 75,223,029  | \$ 16,930,574                             | \$ 58,292,455   |
| Personal Services                           | \$ 79,449,393  | \$ 17,847,090                             | \$ 61,602,303   |
| Entertainment and Recreation Services       | \$ 36,005,517  | \$ 8,245,392                              | \$ 27,760,125   |
| Other Professional Services                 | \$ 99,466,254  | \$ 22,409,626                             | \$ 77,056,628   |
| Public Administration                       | \$ 17,094,349  | \$ 3,831,033                              | \$ 13,263,316   |
| <b>Location:</b>                            |  |   |   |
| Non-Metro/Small Metro Areas                 | \$ 59,366,774  | \$ 13,523,605                             | \$ 45,843,169   |
| Los Angeles CMSA                            |  |   |   |
| Los Angeles-Long Beach PMSA                 | \$ 386,919,289   | \$ 86,840,368                             | \$ 300,078,921  |
| Riverside-San Bernardino PMSA               | \$ 67,834,607  | \$ 15,514,025                             | \$ 52,320,582   |
| Orange County PMSA                          | \$ 100,065,919   | \$ 22,546,459                             | \$ 77,519,460   |
| San Francisco CMSA                          |  |   |   |
| Oakland PMSA                                | \$ 30,268,833  | \$ 6,861,895                              | \$ 23,406,938   |
| San Francisco PMSA                          | \$ 44,856,423  | \$ 10,167,592                             | \$ 34,688,831   |
| San Jose PMSA                               | \$ 34,553,042  | \$ 7,802,708                              | \$ 26,750,334   |
| Other San Francisco PMSAs                   | \$ 17,123,856  | \$ 3,878,187                              | \$ 13,245,669   |
| San Diego, MSA                              | \$ 73,943,059  | \$ 16,825,651                             | \$ 57,117,408   |
| Sacramento, MSA                             | \$ 30,230,054  | \$ 6,825,111                              | \$ 23,404,943   |
| Fresno, MSA                                 | \$ 33,154,503  | \$ 7,540,074                              | \$ 25,614,429   |
| Bakersfield, MSA                            | \$ 31,290,442  | \$ 7,285,884                              | \$ 24,004,558   |
| Stockton, MSA                               | \$ 16,976,415  | \$ 3,766,725                              | \$ 13,209,690   |
| Other MSAs                                  | \$ 95,166,563  | \$ 21,805,855                             | \$ 73,360,708   |