

CITY OF MINNEAPOLIS

Staff Report on a Minimum Wage Policy

REPORT TO MINNEAPOLIS CITY COUNCIL

MAY 25, 2017

Charge from Council

Directing the Office of City Coordinator to work with stakeholders, review policies from other cities, review and incorporate results from the minimum wage study, and recommend a minimum wage policy to bring before the City Council Committee of the Whole by the second quarter of 2017

What We Heard: listening sessions

Business & neighborhood organizations

Cultural & ethnic communities

Listening sessions reached 550 people

Online survey with 1759 responses

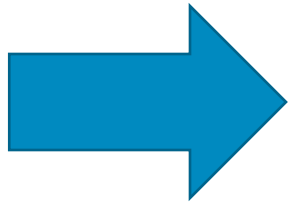
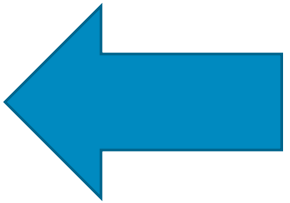
115 written comments and letters

Youth

Industry specific sessions

Jan 24	Latino Community
Jan. 25	Minneapolis Business Advisory Group
Jan 26	East African community
Jan 30	East Town Business Partnership
Feb 7	Native American community
Feb 14	Downtown Council/NE Chamber of Commerce
Feb 15	African American community
Feb 21	General public
Feb. 23	General public
Feb 26	Restaurant industry
Feb 27	Small/independent businesses
Mar 2	South Minneapolis community
Mar 3	Southeast Asian community
Mar 15	LynLake/Uptown/Whittier businesses
Mar 16	Minneapolis Youth Congress
Mar 24	Nonprofit workers

What We Heard: listening sessions



Majority of voices fell in between: we believe in doing right by our community, but are concerned about timing, ability for us to accommodate a new increase, and how it may impact specific categories of workers or businesses

- Should be a statewide solution
- Government should not tell businesses how to run their operations
- It'll hurt businesses, & restaurants in particular

- We can't afford to live and feed our families on current minimum wage – we need action now
- Where cities have acted, counties and states have followed
- This is one way to help address issues of affordability, particularly with housing



What We Heard: survey demographics

Employee Profile

- Largest group of respondents:
 - Food service - 25%
 - Non-profits - 12%
 - Government - 11%
 - Hospitality - 10%
 - Other = 14%, of which 36% were in education
- 70% do not receive tips or commission as part of their pay
- 79% work full-time
- 67% earn more than \$30,000 annually
- 57% said their hourly wage is more than \$15.00

Employer/Business Profile

- Food service, hospitality, and retail were the top responding industries and represent 63% of the employer respondents
- 73% have 49 employees or less, 38% have between 10 – 49 employees, and 35% have 9 employees or less.
- 55% employ workers that earn tips or commissions and 55% of their tipped or commissioned employees work part-time.

What We Heard: survey summary

50%: no exemptions based on business type or industry (though in other comments, exemptions for small businesses and nonprofits should be considered)

47% favored a statewide approach, 8% favored a Minneapolis only policy and 21% stated they were not in favor of a municipal minimum wage policy

Of the 409 respondents, 73% feel the policy should be phased in over 2 or more years

Feedback regarding whether or not tipped employees should be included in a policy was fairly equally mixed, which is similar to what was heard in community listening sessions

63%: strongly in favor or somewhat in favor of an increase in the current minimum wage

A number of respondents noted that using the \$500,000 revenue threshold to define large vs. small businesses was not an adequate way to classify businesses and that employer size should be calculated differently

Of those responding to how an increase in minimum wage would impact their business, 48% said they would have to decrease their workforce, 29% said it would not impact their workforce, 18% said they were unsure and 5% said it would increase their workforce

What We Heard: business surveys

Staff also received survey responses from several business associations:

Southwest Business Council

246 business respondents

61% said a raise to \$15 would be a *very negative* impact to their businesses

Lake Street Council

13 respondents

92% stated that an increased minimum wage would cause them to decrease their workforce

69% of respondents stated that if there was a policy change they would prefer that it be phased in

Minnesota Restaurant Association

Based on October 2016 snapshot of 83 locations

Average hourly earnings:

Cooks - \$13.67

Support: \$12.55

Tipped: \$28.51

Major Themes

Residents want a city in which they can have a quality of life that allows them to care for their families, be healthy, live in safe housing, pursue education and personal growth

Residents want a Minneapolis with thriving businesses, the opportunity for individuals to work, and some assurance that work leads to compensation sufficient for people to live well in their communities

There was overwhelming agreement that national or state policymaking would be a better approach on this issue, but also heard that as seen in other jurisdictions, where larger cities like Minneapolis lead, states often follow suit

Businesses concerned with the ability of the region to sustain a local minimum wage policy and the unintended consequences that could arise (hiring less workers, wage compression, reduction of hours, automation etc.)

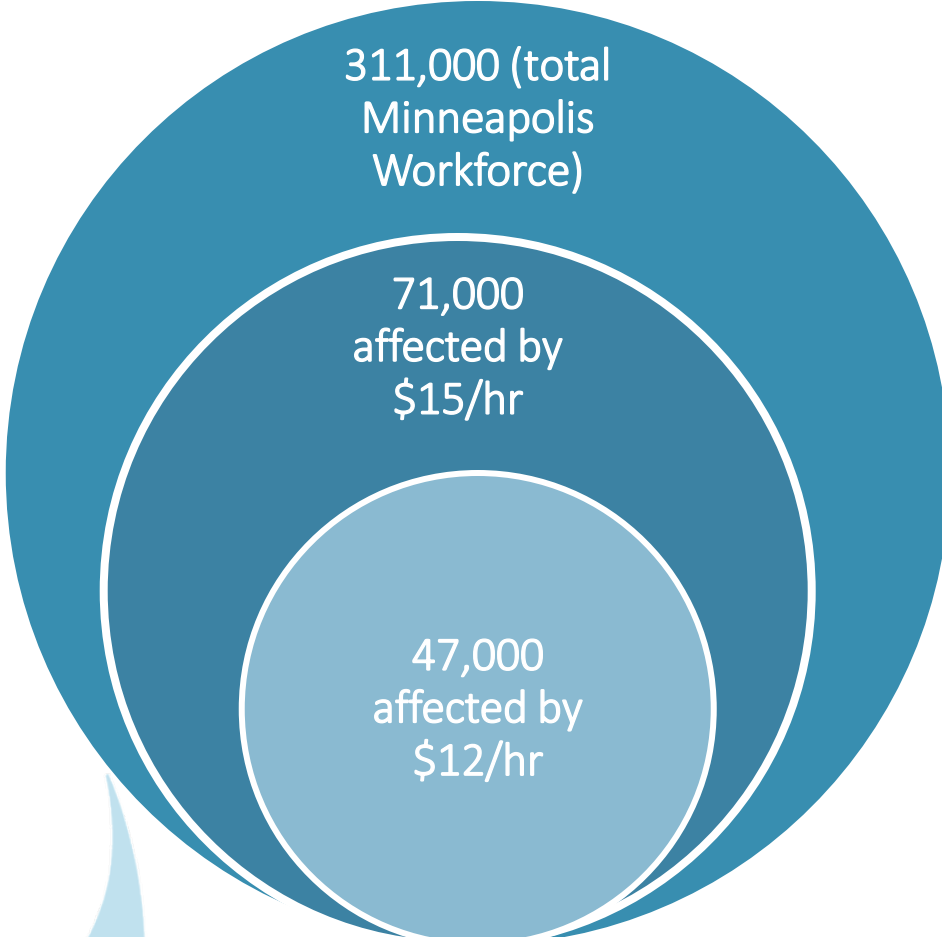
Businesses shouldn't be the only ones to bear the economic burden:
"communal issues require a communal response"

What We Learned

Shifting gears, we looked at what data was available:

- Wilkins Study
- Summaries of key policy studies and other sources
- Summary of peer municipal/county actions on minimum wage
- Minneapolis workforce and economy summary data
- Health impacts research (by Minneapolis Department of Health and others)
- Collection of all community input

What We Learned: Wilkins Study



311,000 (total
Minneapolis
Workforce)

71,000
affected by
\$15/hr

47,000
affected by
\$12/hr

Based on 2014 data, about 47,000 would be affected by an increase to \$12 per hour and about 71,000 would be affected by an increase to \$15 per hour – this was further broken down by key demographics:

- Latino workers: 39% would benefit from an increase to \$12/hr and 54% would benefit from an increase to \$15/hr
- Black workers, 27% would benefit from an increase to \$12/hr and 41% would benefit from an increase to \$15/hr
- White workers, 10% would benefit from an increase to \$12/hr and 17% would benefit from an increase to \$15/hr

Minimum wage earners in Minneapolis “often have at least some college education; are not currently in school; work at least 35 hours per week; and, are over age 25.”

What We Learned: Wilkins Study

SIMULATED RESULTS IN KEY AFFECTED INDUSTRIES

Industry	Minneapolis			
	\$12		\$15	
	Lower	Upper	Lower	Upper
Restaurants				
Total Employment	-1.85%	0% *	-3.35%	0% *
Total Employee Earnings	0% *	14.58%	0% *	27.72%
Retail				
Total Employment	-1.24%	0% *	-2.24%	0% *
Total Employee Earnings	0.00%	7.16%	0% *	13.31%
Health				
Total Employment	0% *	0% *	0% *	0% *
Total Employee Earnings	0% *	7.66%	0% *	14.26%

The study shows that in Minneapolis, the possible effects of a wage increase could mean an increase in wages up to 28% for some workers and possible employment loss of up to 3.3% for some industries.

What We Learned: other jurisdictions

Max wage:

<\$10: 6
\$10-\$12: 12
\$12-<15: 11
\$15: 21
>\$15: 1

Indexed to inflation:

47 Yes
4 No

Phase in periods:

<3 yrs: 10
3-5 yrs: 31
6-8 yrs: 10
Longer times based on size, type
of employee or industry

Tips as part of wage:

24 Yes
27 No

Carve out for business size:

13 Yes (but 9 are extended
phase in periods)
38 No

Carve out for youth:

26 Yes (but 10 are extended
phase in periods)
25 No

Fed MW: \$7.25/hr (tipped employees = \$2.13/hr; youth <20 = \$4.25/hr for first 90 days of employment)
MN State: \$9.50/hr (large)/\$7.75/hr (small) (\$7.75 youth (<18) and training wage (<20 and expires after first 90 days of employment))

What We Learned: other jurisdictions

2013	2014	2015	2016	2017
<ol style="list-style-type: none"> 1. Albuquerque (\$8.50) 2. Bernalillo Cty. (\$8.50) <p><u>Note:</u> Pre-2013: Santa Fe (\$9.50)</p>	<ol style="list-style-type: none"> 1. CT (\$10.10) 2. DC (\$15) 3. Montg. Cty. (\$11.50) 4. Pr. George's Cty. (\$11.50) 5. Santa Fe Cty. (\$10.66) 6. Seatac (\$15) 	<ol style="list-style-type: none"> 1. AR (\$8.50) 2. Emeryville (\$14.44-\$15) 3. Oakland (\$12.25) 4. Richmond, CA (\$13) 5. San Diego (\$11.50) 6. San Fran (\$15) 7. Sunnyvale (\$15) 8. Chicago (\$13) 9. MA (\$11) 10. Las Cruces (\$10.10) 11. VT (\$12.50) 12. Seattle (\$13-\$15) 	<ol style="list-style-type: none"> 1. Berkeley (\$15) 2. El Cerrito (\$15) 3. LA (\$15) 4. LA Cty. (\$15) 5. Malibu (\$15) 6. Mt. View: (\$15) 7. Palo Alto (\$15) 8. Pasadena (\$12-\$13.25) 9. San Jose (\$15) 10. Sta. Clara (\$11) 11. HI (\$10.10) 12. Portland, ME (\$10.68) 13. MI (\$9.25) 14. NY (\$12-50-\$15) 15. OR (\$12.50-\$14.75) 16. Tacoma (\$12) 	<ol style="list-style-type: none"> 1. Flagstaff (\$15.50) 2. AZ (\$12) 3. Cupertino (\$15) 4. Los Altos (\$15) 5. Milpitas (\$15) 6. San Leandro (\$15) 7. San Mateo (\$15) 8. CA (\$15) 9. CO (\$12) 10. Cook County (\$13) 11. Bangor (\$9.75) 12. ME (\$12) 13. St Louis (\$11) 14. WA (\$13.50)

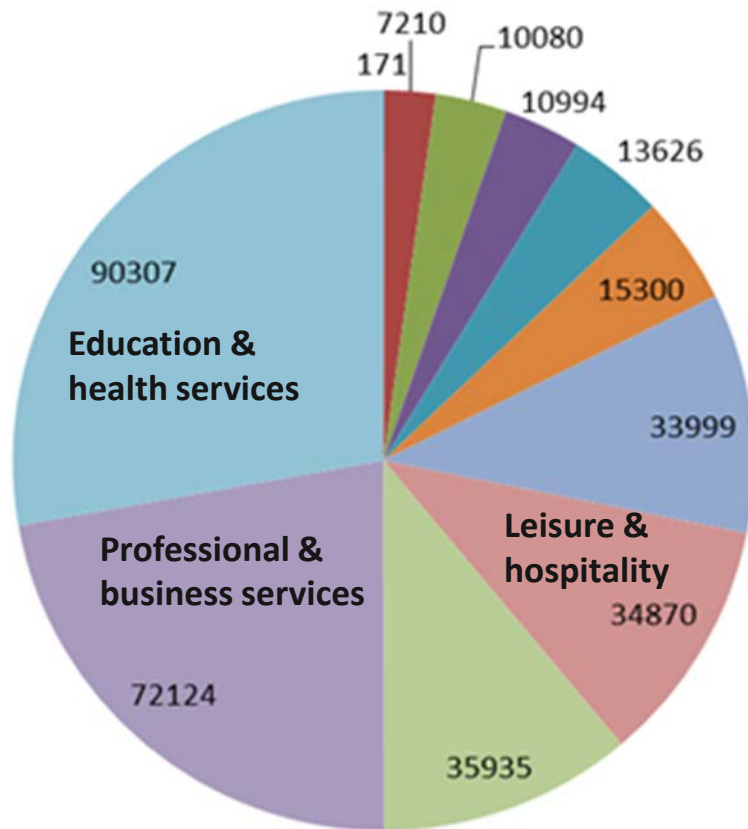
What We Learned: our economy

Industry Distribution of Minneapolis Jobs

2016, 3rd Quarter

Total = 324,620

Source: MN DEED/LMI



- 28% of all people of color working in Minneapolis are in healthcare
- 11% of all people of color working in Minneapolis are in education
- 9% of all people of color working in Minneapolis are in food service and accommodation (within leisure & hospitality)
- 7% of all people of color working in Minneapolis are in admin. support (within prof./business services)

A closer look: food service

1-25 employees

- Full servc. restaurants: 232 employers/2605 employees/\$8.46 avg. wage
- Lmted. service rests.: 244 employers/2728 employees/\$7.37 avg. wage
- Drinking places (w/ alcohol): 50 employers/638 employees/\$8.64 avg. wage
- Cafeterias/grills/buffets: 7 employers/60 employees/\$8.63 avg. wage
- Snack & nonalcoholic bev. bars: 48 employers/849 employees/ \$7.16 avg. wage

26-50 employees

- Full servc. restaurants: 94 employers/3351 employees/\$9.40 avg. wage
- Lmted. service rests.: 32 employers/1446 employees/\$7.73 avg. wage
- Drinking places (w/ alcohol): 25 employers/919 employees/\$8.19 avg. wage
- Snack & nonalcoholic bev. bars: <5 (no identifying data is available)

51-100 employees

- Full servc. restaurants: 63 employers/4301 employees/\$10.85 avg. wage
- Lmted. service rests.: 8 employers/583 employees/\$7.61 avg. wage
- Drinking places (w/ alcohol): <5 (no identifying data is available)
- Snack & nonalcoholic bev. bars: <5 (no identifying data is available)

101-250 employees

- Full servc. restaurants: 17 employers/2117 employees/\$11.65 avg. wage
- Lmted. service rests.: <5 (no identifying data is available)
- Drinking places (w/ alcohol): <5 (no identifying data is available)

Note: only 1 limited service restaurant >250

A closer look: non-hospital health care

1-25 employees

- Nursing care facilities: 7 employers/61 employees/\$15.57 avg. wage
- Home health care facilities: 23 employers/215 employees/\$10.95 avg. wage
- Assisted living facilities: 7 employers/167 employees/\$9.99 avg. wage
- Other residential facilities: 14 employers/142 employees/\$8.39 avg. wage

26-50 employees

- Nursing care facilities: <5 (no identifying data is available)
- Home health care facilities: 9 employers/299 employees/\$8.12 avg. wage
- Other residential facilities: <5 (no identifying data is available)

51-100 employees

- Nursing care facilities: <5 (no identifying data is available)
- Home health care facilities: 8 employers/554 employees/\$10.25 avg. wage
- Assisted living facilities: <5 (no identifying data is available)
- Other residential facilities: <5 (no identifying data is available)

101-250 employees

- Nursing care facilities: 9 employers/1375 employees/\$16.54 avg. wage
- Home health care facilities: 8 employers/1136 employees/\$11.05 avg. wage
- Assisted living facilities: <5 (no identifying data is available)
- Other residential facilities: <5 (no identifying data is available)

Note: <5 employers listed in the 251->500 categories for nursing care facilities 16

A closer look: nonprofits

1-25 employees

- All groups: 358 employers/1927 employees/\$22.48 avg. wage
- Religious organizations: 34 employers/185 employees/\$13.80 avg. wage
- Labor unions & organizations: 39 employers/358 employees/\$20.47 avg. wage
- Civic & social organizations: 55 employers/264 employees/\$15.05 avg. wage

26-50 employees

- All groups: 358 employers/1927 employees/\$22.48 avg. wage
- Religious organizations: <5 (no identifying data is available)
- Labor unions & organizations: 8 employers/269 employees/\$10.69 avg. wage
- Civic & social organizations: 7 employers/264 employees/\$12.20 avg. wage

51-100 employees

- All groups: 11 employers/1116 employees/\$22.77 avg. wage
- Religious organizations: <5 (no identifying data is available)
- Labor unions & organizations: <5 (no identifying data is available)
- Civic & social organizations: <5 (no identifying data is available)

101-250 employees

- All groups: <5 (no identifying data is available)
- Labor unions & organizations: <5 (no identifying data is available)
- Civic & social organizations: <5 (no identifying data is available)

What We Learned: our economy

- Fed. Poverty thresholds for 2017:
 - 1 person: \$12,060
 - 2 persons: \$16,240
- 1 person making \$7.80/hr earns \approx \$16,224 (about 8% of workers in Minneapolis or 40,000 per Wilkins Study)
- 1 person earning \$15/hr earns \approx 31,200 (23% of Minneapolis workers earn less than this per Wilkins Study)
- Living wage in Hennepin County per DEED:
 - Family of 2 adults (1 FT, 1 PT) + 1 child = \$19.80
 - Single person = \$15.25
 - Single adult + 1 child = \$29.87

What We Learned: topical studies

- **Widely varied and frankly, inconclusive** – in large part b/c local & regional economies are not based on a single variable – existing wage levels.
- **Economies are impacted by all sorts of different factors** like business and population growth, the trends of their particular industries, how quickly their region is embracing technology etc. For example, we heard a lot with the restaurant industry that a raise in minimum wage levels will lead to automation. The reality is that the industry has been having this conversation for over a decade now as technology has advanced and companies, particularly the fast-food industry, are looking for ways to lower their overhead and cater to a new breed of customers who are use to home delivery & app-based ordering.
- Not enough jurisdictions have studied actual impacts as most have started within last 2 years (42 out of 51/82%).

What We Learned: topical studies

- Univ. of Wash:
 - City's low-wage workers did relatively well , but largely because of strong economy
 - Also noted their results show only the short-run impact of Seattle's increase to a wage of \$11/hour and are not reflective of the full range of experiences for tens of thousands of individual workers
- 2011 CEPR study increase in San Fran (to \$8.50 at the time), Santa Fe and DC:
 - San Fran and Santa Fe results for fast food, food services, retail, and low-wage establishments show minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment
 - But wage increase in DC was too small to raise wages in fast food, food services, retail, and other low-wage establishments, and thus inconclusive
- NELP done several on cities, but many of those are academic and not based on actual impact of implementation.
- Card & Krueger did a study on fast-food industry in NJ and PA in 1994 based on increase from \$4.25 to \$5.05 so not directly comparable to current trends

What We Learned: health impacts

Numerous studies have linked economic status or disparity to health:

- 2016 study looked at premature mortality rates of New York City residents post \$15 increase and concluded “results are consistent with the pervasive robust links found between premature mortality and low life expectancy and poverty and low income found in numerous other studies.”
- 2017 study concluded an increase minimum wage by just a single dollar could reduce adolescent birth rates among 15-19 years olds by 2% - possibly about 5,000 fewer births to teen parents across the United States.

What We Learned: health impacts

Minneapolis Dept. of Health issued a policy paper in late 2016 that similarly highlighted the link between health and income:

- “The strongest predictors of health status are the factors that are known as social determinants of health. These factors include educational and employment opportunities, housing, transportation options, neighborhood safety, and access to recreation areas and food options that support a healthy lifestyle.”
- “Poverty is concentrated among people of color, children, people with lower educational attainment, and female-headed households. Policies that affect household income — especially among the lowest earners — could have a substantial benefit for city residents. Higher wages for some families may mean parents can work fewer jobs or hours....Better economic conditions for Minneapolis families mean longer and healthier lives, and ultimately more stable communities.”

In Summary...

- An increase in minimum wage will likely impact many of our low wage workers, particularly low wage workers of color.
- Peer cities and topical studies have been illustrative, but not conclusive: implementation is too early to really know impacts of a minimum wage increase.
- Businesses, particularly restaurants, have expressed great concern about moving forward with a municipal minimum wage policy and have urged us to think about particular considerations that would make implantation easier.
- While understanding that adopting a municipal wage policy will result in spreading additional costs to employers and customers, the continuing gap between the current state minimum wage and the actual cost of living and raising a family in the City is a significant ongoing_economic stressor to local workers and to our community that has a real social and public cost.

Recommendations: scope

Applies to:

- Employee: anyone who works in Minneapolis for any amount of time consistent with state law
- Employer: pending review from the City Attorney's Office, any business regardless of business location

Additional considerations may be adding clarifying language as in Oregon or adhering to exemptions in state law re min. wage that include casual babysitters, independent contractors, bona fide executive/administrative/professional personnel, independent state or federal employers etc.

Recommendations: wage level

Adoption of a universal or absolute wage level to be indexed to inflation after we've reached the initial target wage, with a range between \$12.49 (peer region index approach) - \$15 (current national trend)

For any wage level selected we also recommend a multi-year phased-in approach to allow for businesses of all sizes to accommodate and adjust to new minimum wage increases



Recommendations: phase-in period

Tiered phase-in at no less than 4 years, with longer phase-in for smaller businesses

Peer city research:

- 26 other jurisdictions phased in their policies between 3 and 4 years
- Additional 10 jurisdictions extended implementation timelines to 6-8 years for specific groups/ industries (tipped vs. non-tipped, small businesses vs. large, nonprofits and youth workers)
- Of the 15 jurisdictions that phased in their policies with an eye towards establishing a universal or absolute wage level
 - 3 (New York, Seattle and Oregon) allowed for a 3-tiered approach
 - 7 (all in CA) included a 2-tiered phase-in for smaller businesses
 - 6 allowed included a 2-tiered phase-in for non-tipped employees, youth or nonprofits

In our survey, 73% of respondents preferred a phase-in period of at least 2+ years

Recommendations: tipped wage level

One of our hardest decisions as we struggled with the issue: jurisdictions are split (27 or 53% opting not to include tips), community voices were split and it's a policy choice that has no "right" answer.

There is no consensus on the issue

- MN Restaurant Association did a sample survey that include 83 locations around the City based on October earnings – that showed average earnings of \$28.56/hour.
 - BUT: with over 830 restaurants, cafes, and bars in the area, this reflects only 10% of industry and perhaps not the entire range (high end to low end, pricewise)
- Bureau of Labor Statistics looked at data spanning almost 3 years (Nov 2012-May 2015). Results state median wage = \$8.98 and average wage = \$10.29.
 - BUT: this takes into account all restaurants in Minneapolis-St. Paul-Bloomington area, not just Minneapolis so wage numbers could be underrepresented
- Calculations from the Restaurant Opportunities Centers based on 2015 US Census Bureau data for food preparation and serving-related occupations estimate \$12/hour in Minneapolis as a median.

Additional considerations that make pinpointing an average wage difficult:

- Wages can vary from week to week and shift to shift so not everyone is able to make the same "minimum" amount
- Not all tips are recorded. Even credit card tips are hard to determine as they can be "cashed out" (distributed to servers at end of shift and may or may not end up in wage records filed)

Recommendations: tipped wage level

Ultimately persuaded by:

- Studies that spoke to uneven and difficult enforcement that put the onus on employees to claim lost wages
- Fact that our state legislature opted for a single wage system in 1984

Recommend tips not be included as wages for purposes of minimum wage



Recommendations: youth workers

- Also split down pretty even amongst jurisdictions
- Minneapolis youth labor force – any resident 16-19 years old working or looking for work is $\approx 22,000$
- The estimated unemployment rate for this demographic is considerably higher than other age demographic groups at about 27%
- Businesses often mentioned the need to include a training wage

We recommend following state guidelines and establish a training wage that may be paid to youth up to ages 20 years for no more than 90 days – most jurisdictions set this subminimum wage to 85% of the minimum wage

Recommendations: small business

Extend implementation for smaller and micro businesses, with an additional 1-2 years to reach the targeted minimum wage



Supplemental Recommendations

- Recommend housing enforcement with Civil Rights Department
- Annual evaluation of implementation results and monitoring of impacts on businesses and workers to ensure increases can be sustained by local economy and that we address any unintended consequences in a timely manner.
- Continue to provide small and entrepreneurial businesses with support so they remain economic drivers to our local economy.

THANK YOU!

We heard from businesses, workers, community members, and many others who all want a strong, inclusive, vibrant and healthy Minneapolis.