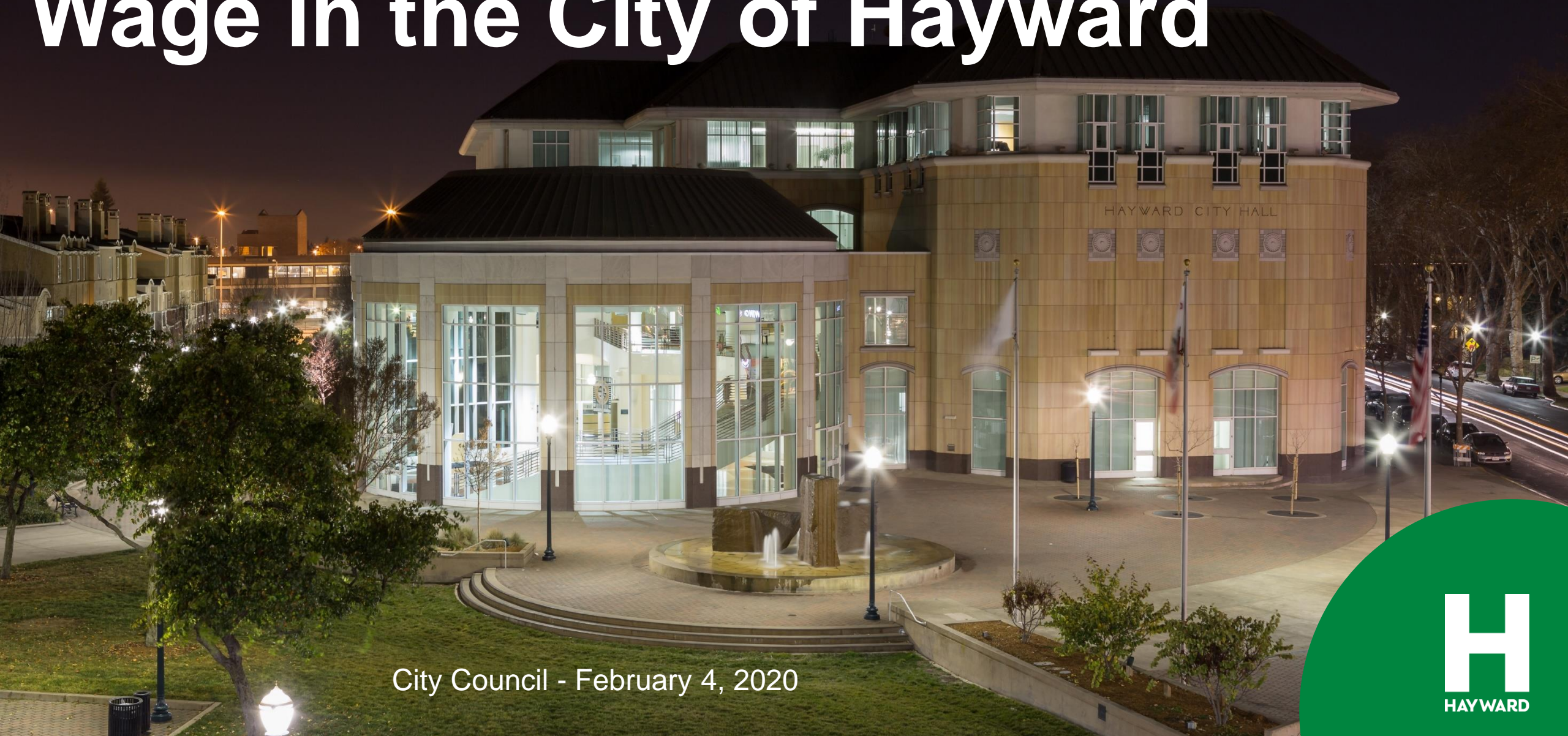


Acceleration of Statewide Minimum Wage in the City of Hayward



City Council - February 4, 2020



Recap from October 15, 2019 City Council Work Session

- Develop a minimum wage ordinance that accelerates the local minimum wage to \$15.00 per hour in Hayward faster than the State of California's minimum wage; and
- Explore exceptions and exemptions in the local minimum wage ordinance; and
- Seek business and community input on timing and the potential phasing of a local minimum wage increase.

State Minimum Wage

SB 3 - 2016

State of California Minimum Wage		
Effective Date	Employers w/ 25 Employees or Less	Employers w /26 Employees or More
January 1, 2020	\$12.00	\$13.00
January 1, 2021	\$13.00	\$14.00
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00
January 1, 2024	\$15.00 + CPI	\$15.00 + CPI

Local Minimum Wage Laws

- As of January 1, 2020, 51 local agencies across the country have enacted a local minimum wage ordinance higher than the federal or state law.
- 25 out of 100 cities in the Bay Area adopted ordinances to increase minimum wage faster than the State
- 6 out of 14 cities in Alameda County have adopted a Local Minimum Wage.

Alameda County Cities with Local Minimum Wage

Bay Area Cities Minimum Wage Increase Schedule						
Locality	2019 Rate	Date of Increase	2020 Rate	Date of Increase	2021 Rate	Date of Increase
CA – Small Business	\$11.00	1/1/2019	\$12.00	1/1/2020	\$13.00	1/1/2021
CA- Large Business	\$12.00	1/1/2019	\$13.00	1/1/2020	\$14.00	1/1/2021
Alameda	\$13.50	7/1/2019	\$15.00	7/1/2020	\$15.00	7/1/2021
Berkeley	\$15.59	7/1/2019	\$15.59 + CPI	7/1/2020	+ CPI	7/1/2021
Emeryville	\$16.30	7/1/2019	\$16.30 + CPI	7/1/2020	+ CPI	7/1/2021
Fremont	\$13.50	7/1/2019	\$15.00	7/1/2020	\$15.00 + CPI	7/1/2021
Oakland	\$13.80	1/1/2019	\$14.14	1/1/2020		
San Leandro	\$14.00	7/1/2019	\$15.00	7/1/2020		

Community Engagement & Outreach

DATE	ORGANIZATION	NUMBER OF ATTENDEES
October 16, 2019	United Merchants Association	6
October 16, 2019	Hayward Business Association	5
October 25, 2019	Latino Business Roundtable	20
November 1, 2019	Chamber Government Relations Council	18
November 7, 2019	DHIA Board Meeting	18
November 12, 2019	Community-Wide Meeting	3
November 20, 2019,	Business Community Meeting	7
November 21, 2019	Hayward Chamber of Commerce Board Meeting	12
November 21, 2019	Hayward Non-profit Alliance	8
November 21, 2019	Cal State University East Bay	2
December 3, 2019	Hayward Area Recreation District	2
December 11, 2019,	Business Community Meeting	8

- 109 Attendees for stakeholder meetings
- Information and the presentation was also shared with the Chabot College and Hayward Unified School District.
- Direct phone calls to over 50 of Hayward's oldest companies
- Email blasts to all Hayward businesses, interested parties regarding tonight's hearing.

Alternatives Presented

Effective Date	Current State of California Regulations		Alternative 1 July 2020 Implementation 25 or Less	Alternative 1 July 2020 Implementation 26 or more	Alternative 2 January 2021 Implementation 25 or Less	Alternative 2 January 2021 Implementation 26 or more
	25 or less	26 or more				
January 1, 2019	\$11.00	\$12.00	\$11.00	\$12.00	\$11.00	\$12.00
January 1, 2020	\$12.00	\$13.00	\$12.00	\$13.00	\$12.00	\$13.00
July 1, 2020			\$13.00	\$14.00		
January 1, 2021	\$13.00	\$14.00	\$14.00	\$15.00	\$14.00	\$15.00
January 1, 2022	\$14.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
January 1, 2023	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00

Summary of Feedback

1. The City should not move forward with a local minimum wage. Stay the course and follow the current State law.
2. If Local Minimum Wage is adopted, no July 1, 2020 increase. Continue with a \$2.00 an hour increase by January 1, 2021.
 - Businesses have already set prices, negotiated with suppliers, etc. for 2020.
 - Causes issues with employee yearly evaluations, calculated pay-roll deductions, and other personnel items.

Summary of Feedback - continued

3. Small businesses need to have an additional year to reach \$15.00, similar to the State law
 - Smaller operations generally have less flexibility in resources to accommodate the increase in pay
4. Concerns regarding wage compaction for longtime and up-line employees.
 - As the starting pay increases for new employees, businesses have to increase pay for long term employees and up-line employees to keep them at the same pay differentials. These increases can have a negative impact on the bottom-line of the business and force the business to cut hours, employees or close.
5. An increase of a dollar in hourly wage rates cost the business more than a dollar.
 - Additional costs such as taxes, insurance and social security increases the cost

Additional Data Research

As part of the outreach efforts, several participants asked for the City to provide impacts of wage increases on businesses, actual pay increases for employees, and number of businesses and employees impacted.

- Number of Business in the City of Hayward - 10,978
- Number of Employees employed by those businesses – 79,470 full and part time employees
- Number of Residents who both live and work in the City – 17,055 (10.8% of Hayward's population)
- Percentage of Workers earning Minimum Wage Statewide – 30%
- Estimated number of Minimum Wage Jobs in Hayward – 23,841 (79,470 x 30%)
- Estimated Number of Minimum Wage Jobs held by Hayward residents – 5,116 jobs

Actual Net Pay Increases for Employees

Approximately 23% increase in Net Pay vs. 25% increase in gross pay

Pay Rate	Hours per week	Gross Pay Bi -Weekly	Federal Tax Rate	Federal Tax Deduction	Social Security Deduction	Medicare	CA Tax Rate	CA Tax Deduction	State Disability Insurance	Total Deduction	Bi - Weekly Net Pay
\$12.00	20	\$480.00	6.95%	\$33.38	\$29.76	\$6.96	.71%	\$3.42	\$4.80	\$78.32	\$401.68
\$13.00	20	\$520.00	7.19%	\$37.40	\$32.24	\$7.54	.79%	\$4.10	\$5.20	\$86.48	\$433.52
\$15.00	20	\$600.00	7.83%	\$47.00	\$37.20	\$8.70	.98%	\$5.86	\$6.00	\$104.76	\$495.24
\$12.00	40	\$960.00	9.40%	\$90.20	\$59.52	\$13.92	1.46%	\$14.04	\$9.60	\$187.28	\$772.72
\$13.00	40	\$1,040.00	9.58%	\$99.67	\$64.48	\$15.08	1.60%	\$16.69	\$10.40	\$206.32	\$833.68
\$15.00	40	\$1,200.00	9.92%	\$119.00	\$74.40	\$17.40	2.05%	\$24.60	\$12.00	\$247.40	\$952.60

Impact of Wage Increases on Labor Costs

Actual Cost per Hour is approximately 15% higher than Paid Hourly Rate

Pay Rate	Hours per Week	Gross Pay	FUTA	SUTA	ETT	SS	Med	Gross Pay + Required Taxes	Actual Cost per hour
\$12.00	40	\$480.00	\$14.40	\$19.20	\$0.48	\$29.76	\$6.96	\$550.80	\$13.77
\$13.00	40	\$520.00	\$15.60	\$20.80	\$0.52	\$32.24	\$7.54	\$596.70	\$14.92
\$15.00	40	\$600.00	\$18.00	\$24.00	\$0.60	\$37.20	\$8.70	\$688.50	\$17.21

Proposed Ordinance

Effective Date	Current State of California Regulations		Proposed 25 or Less	Proposed 26 or more
	25 or less	25 or more		
January 1, 2019	\$11.00	\$12.00	\$11.00	\$12.00
January 1, 2020	\$12.00	\$13.00	\$12.00	\$13.00
January 1, 2021	\$13.00	\$14.00	\$14.00	\$15.00
January 1, 2022	\$14.00	\$15.00	\$15.00	\$15.00
January 1, 2023	\$15.00	\$15.00	\$15.00	\$15.00

- Implementation in January 1, 2021 with an initial \$2.00 per hour increase from previous rate.
- Small Businesses (25 or fewer employees) would be at \$14.00/ hour
- Large Businesses (26 or more employees) would be at \$15.00/ hour

Exceptions and Exemptions

- During all the outreach efforts, we received only **two** comments regarding exceptions or exemptions:
 - From for-profit businesses that receive funding from the State based on current minimum wage rates, asking for an exemption for businesses that rely on State funding to be exempt from the Local Minimum Wage Ordinance.
 - Small businesses be given an additional year to reach \$15.00 an hour.

Exceptions and Exemptions

- As part of proposed ordinance the only exemption proposed is the additional 1 year for **Small Businesses** to reach \$15.00 per hour.
 - The proposed ordinance defines a **Small Business** as those businesses with **25** or fewer employees. This definition is consistent with current State Minimum Wage Law.
 - The definition of a **Small Business** varies among different business programs.
 - The Affordable Care Act defines a small business as **50** employees or less
 - The Organization for Economic Cooperation and Development (OECD.org) defines small businesses as **100** employees or less.
 - The U.S. Small Business Administration (sba.gov) defines a small business as **500** employees or less.

Enforcement

- The proposed ordinance includes fines if a business is not compliant with the adopted local minimum wage law. The fines are based on the number of employees affected and the time that the business was out of compliance.
- Other local jurisdictions contacted have found that the amount of staff time and dollars required to enforce the local minimum wage usually exceeds the fines collected from small businesses.
- The State of California passed Assembly Bill 970 in 2015 which authorizes the Labor Commissioner and the Department of Industrial Regulations to investigate and enforce local minimum wage laws in addition to the State law.
 - Adopted to encourage smaller cities to pass minimum wage laws but to alleviate them of the burden of enforcement of the local law
- Staff recommends that enforcement of the local minimum wage ordinance be handled by the State Labor Commissioner if adopted

Next Steps - Outreach and Notification

- If the proposed ordinance is adopted, staff will begin the second phase of Outreach and Notification to businesses and employees.
- Businesses will need to be notified three months prior to ordinance effective date (October for a January increase)
 - All businesses will receive **6** notices: 3 mailed and 3 emailed notifications
- City's Minimum Wage webpage will be updated with current information on the Local Minimum Wage, FAQs and information for employees to file complaints
- Education sessions for both Employees and Businesses will be conducted leading up to the implementation

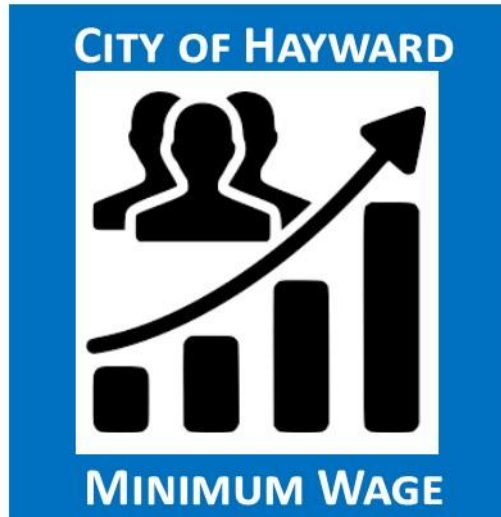
Recommendation

Adopt the proposed Ordinance to add Chapter 6 “Minimum Wage Ordinance” to the City of Hayward Municipal Code adopting an increase of the minimum wage for employees working within the City of Hayward to fifteen dollars (\$15.00) per hour by 2021 for large businesses and 2022 for small businesses. Small Businesses are defined as 25 or fewer employees.

Policy Alternatives:

- 1) Not move forward with a local minimum wage and simply follow the State law;
- 2) Consider the OECD definition of small business (or other definitions), which would be 100 employees or less, versus the current State Minimum Wage Law, which defines a small business as 25 employees or less
- 3) Consider exemptions for businesses that receive funding from the State and/or have their funding tied to the State Minimum Wage law.

Questions?



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