

The Effects of the Proposed California Minimum Wage Increase

October 2000

The Employment Policies Institute is a nonprofit research organization dedicated to studying public policy issues surrounding employment growth. In particular, EPI research focuses on issues that affect entry-level employment. Among other issues, EPI research has quantified the impact of new labor costs on job creation, explored the connection between entry-level employment and welfare reform, and analyzed the demographic distribution of mandated benefits. EPI sponsors nonpartisan research which is conducted by independent economists at major universities around the country.

Dr. David Macpherson is Professor of Economics and Research Director of the Pepper Institute on Aging and Public Policy at the Florida State University. His specialty is labor economics. His current research interests include pensions, discrimination, industry deregulation, labor unions and the minimum wage.

Dr. Macpherson's research has appeared in the nation's most respected economics and industrial relations journals, including the *Journal of Labor Economics*, *Industrial and Labor Relations Review* and the *Journal of Human Resources*. 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.

The Effects of the Proposed California Minimum Wage Increase

Table of Contents

I. Introduction	1
II. The Data	2
III. Who Would be Affected by the Minimum Wage Increase?	2
IV. What Would be the Impact on the Distribution of Family Income?	3
V. How Many Workers Would Lose Their Jobs?	3
VI. What Would be the Cost to Employers and the Income Loss to Workers Losing Jobs?	4
VII Summary and Conclusions	5
Endnotes	5
References.....	6
Data Appendix	6-7

Tables

Table 1. Distribution of Workers Affected by the Proposed California Minimum Wage Increase	8-10
Table 2. Family Income of Affected California Workers by Location	11
Table 3. Income Increases for California Workers Affected by Minimum Wage Increase	12
Table 4. California Employment Levels and Job Losses by Sector	13-15
Table 5. Cost to Employers and Lost Income to California Workers of Minimum Wage Increase	15-16

The Effects of the Proposed California Minimum Wage Increase

1. Introduction.

“Living wage” laws have been enacted in more than fifty states and cities.¹ These laws force employers to pay wages above the federal minimum wage based on some definition of the needs of a hypothetical family, usually a family of four. In an attempt to increase the income of low-wage workers, living wage supporters have proposed state minimum wage levels greater than the federal minimum wage of \$5.15.

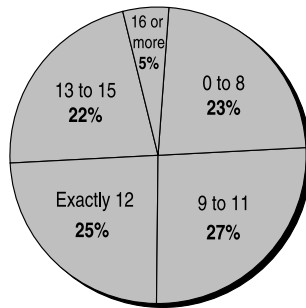
This paper examines in a variety of dimensions the effects of one such proposal. In California, the minimum wage is proposed to rise from \$5.75 to \$6.25 in January 2001 and to \$6.75 in January 2002. The study reaches several conclusions regarding this proposed minimum wage increase. First, the workers who would be affected by this proposed increase tend to be much younger and less educated than the average California worker. Second, less than one-quarter of the affected workers

are the sole earner for a family supporting one or more children. Third, the impact on family income would be modest. The average increase in the annual income of minimum wage workers would be only \$1,002.

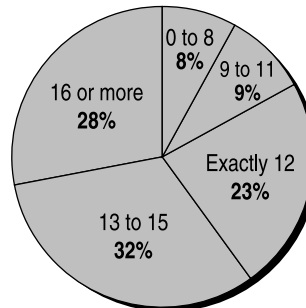
This would increase the average family income of these workers by a very modest 3.0%. Fourth, the minimum wage increase is projected to cause 32,124 workers to lose their jobs, with more than one-third of the job losses coming in retail trade. Job loss would cause an annual income loss to low-wage workers of \$331 million. Fifth, the cost to employers would be substantial. The wage increase (net of job loss) is estimated to raise their labor costs by more than \$1 billion per year.

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

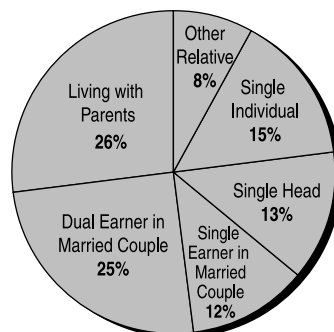
Workers Affected by California's Proposed \$5.75 to \$6.75 Minimum Wage Increase – Years of Schooling



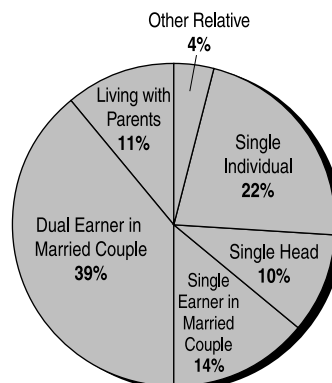
All California Workers Years of Schooling



Workers Affected by California's Proposed \$5.75 to \$6.75 Minimum Wage Increase – Family Status



All California Workers Family Status



in section 5, and an investigation of the cost to employers of the wage hike as well as the income loss to workers losing their jobs is reported in section 6. Lastly, section 7 provides a summary and conclusion.

2. The Data.

To analyze the effects of the proposed California minimum wage increase, data are drawn from the January 1997 through December 1999 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.

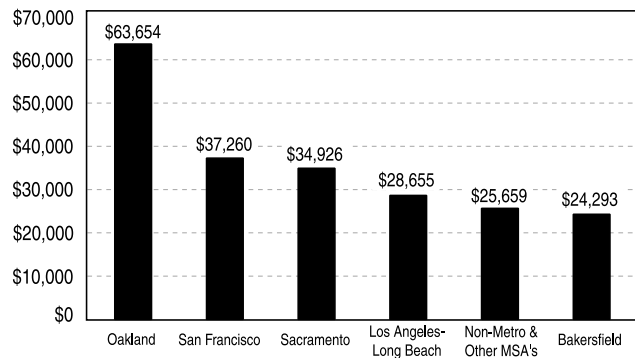
The main sub-sample of the CPS ORG data employed here includes wage and salary workers who are residents of California, are 16 years of age or older, and whose hourly wage is between \$5.75 and \$6.75 in January 2002 dollars.² Observations missing data necessary to compute the hourly wage, family income, 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 Would be Affected by the Minimum Wage Increase?

A vivid statistical portrait of the workers affected by the minimum wage increase (i.e., earning \$5.75-\$6.75 in January 2002 dollars) emerges from Table 1, which presents the means of demographic variables for such workers. For comparison purposes, means for all California residents and workers 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, 19.2% of affected workers are between 16 and 19 years of age, and an additional 21.2% are between 20 and 24 years of age. Thus, 40.4% of affected workers are 24 or younger. By contrast, only 16.8% of all California residents are in this age group.

The affected workers differ from the average California resident on several other demographic charac-

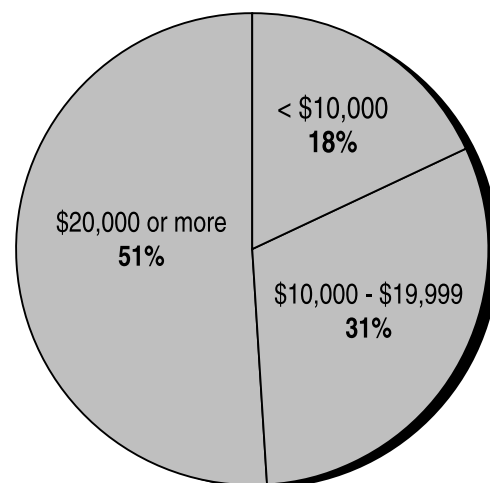
Workers Affected by Proposed California Minimum Wage Hike — Average Family Income by Locality



teristics. The affected workers are substantially less educated than the average Californian. Indeed, nearly one-half have not graduated from high school. Also, they are much more likely to be never-married (50.0%) and Hispanic (53.6%) than the California population as a whole (29.1% never-married, 26.5% Hispanic).

Workers impacted by the minimum wage increase are less likely to be supporting a family than the typical California worker. For example, 26.0% of the affected workers are living with their parent or parents, while only 11.2% of all California workers are in this category. Also, affected earners are much less likely to be a dual earner in a married couple (25.4% versus 39.3%) than the typical California worker. Lastly, less than one-quarter of affected workers are single heads with children or sole earners in married couples supporting families with children.

Share of Gains From Proposed California Minimum Wage Increase



The average family income of the affected worker is somewhat lower than that of the average California resident (\$33,232 versus \$52,461). However, less than 20% of the minimum wage workers are in families with an income of less than \$10,000. In fact, more than 55% are in families with an income of \$20,000 or more.

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

The location of the affected workers differs from that of the typical California resident and worker. The affected workers are more likely to live in the Los Angeles-Long Beach PMSA (33.4%) than the average California resident (28.6%). On the other hand, they are much less likely to live in the San Francisco CMSA (12.4%) than the average California resident (21.5%).

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 San Francisco area have much higher family incomes than their counterparts in the Los Angeles area. For example, workers living in Oakland have an average family income of \$63,654, while the corresponding figure for those living in Los Angeles-Long Beach is \$28,655.

4. What Would 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 \$1,002. Since the average family income of the affected workers is \$33,232 per year, the resulting increase in average family income would be a very modest 3.0%.³ The increase for this with the median family income would be 4.5%.

When the results are broken out by family income, they show the minimum wage increase is an ineffi-

cient anti-poverty measure. The increase in family income would be \$1,082 (or a 18.5% rise) for persons in families with less than \$10,000 of income. The next highest family income group (\$10,000-\$19,999) would receive a \$1,131 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 affected workers in each grouping. For example, 17.0% of the affected workers live in families with incomes of less than \$10,000, a rough approximation of the poverty threshold.⁴ The share of total income gains going to affected families with incomes below \$10,000 is only 18.4%. In other words, about four-fifths of the total income gains would go to workers in families living above the poverty level.

5. How Many Workers Would Lose Their Jobs?

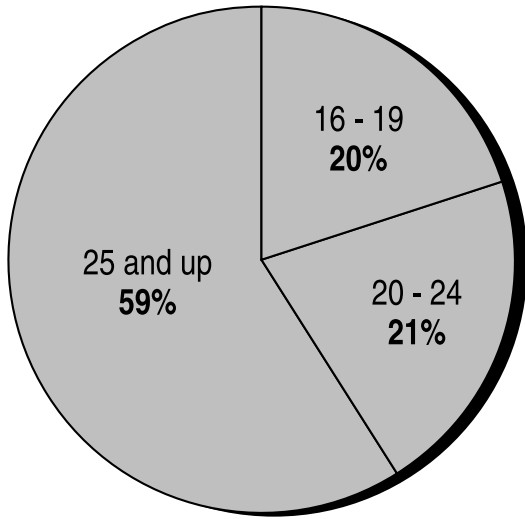
An important effect of the minimum wage increase is that some workers would lose their jobs since it would no longer be profitable for firms to employ them. In order to estimate the job loss, the following procedure was used: First, the fractional wage gain due to the minimum wage increase is computed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

$$(1) \text{ Employment Loss} = \text{Fractional Wage Gain} * \text{Number of Affected Employees} * \text{Labor Demand Elasticity}$$

This study uses an estimate of labor demand elasticity of -0.22 for minimum wage workers reported by Neumark and Wascher (1998). An elasticity of -0.22 implies that a 10% increase in wages results in a 2.2% decrease in employment of the affected group.⁵

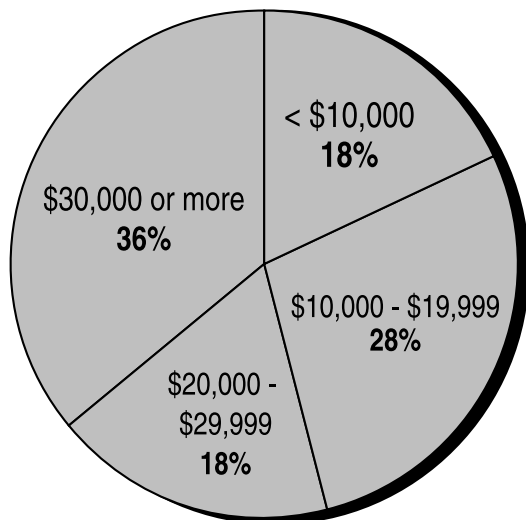
Table 4 presents the results of these calculations for all of the affected workers as well as sub-

Jobs Destroyed by Proposed California Minimum Wage Hike — Distribution of Workers by Age

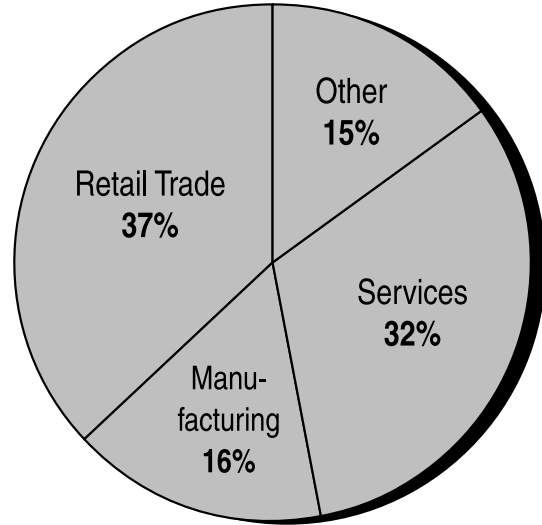


groups of workers. Overall, the analysis indicates that 32,124 workers are projected to lose their jobs due to the minimum wage increase. The breakdowns by age, family income and location are not surprising. Slightly more than 40% of total job loss would occur among workers under age 25. More than 45% of all job loss would occur among those with family incomes below \$20,000. More than

Jobs Destroyed by Proposed California Minimum Wage Hike — Distribution of Workers by Family Income



Jobs Destroyed by Proposed California Minimum Wage Hike — Distribution of Workers by Industry



one-half of the job losses (16,902) would occur in the Los Angeles area and 11.6% 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 (11,951 jobs). This is not surprising since more than one-fifth of the workers in retail trade would be affected by this increase. Another 10,174 jobs or 31.7% of the losses are projected to occur for workers in the service industries.

The findings by occupation show that about one-half of the losses are predicted to be for those in sales and service occupations. Another 27.7% of job loss would occur for those in blue-collar jobs.

6. What Would be the Cost to Employers and the Income Loss to Workers Losing Jobs?

Another critical issue is the cost to employers of the minimum wage increase. These higher costs would either be passed on to consumers through higher prices or profits would be reduced for firms. Also, an important cost to workers is the lost income due to jobs lost because of the minimum wage increase.

Employer costs are calculated in the following manner: First, the increase in labor costs that would occur if no workers lost jobs 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 job loss is estimated.⁶ 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 job loss occurred and the decrease in costs due to the reduction in the number of employees.

Table 5 presents the results of these calculations. The first row of the table indicates that if no job loss occurred then the cost of labor to employers would rise by \$1.4 billion. The projection of 32,124 lost jobs would cause \$0.3 billion of worker income to be lost. The net rise in the cost of labor to employers is estimated to be \$1.1 billion.

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 would rise by \$354 million and the income of job losers would fall by \$109 million. For the service industry, the net employer cost would rise by \$324 million and the income loss to displaced workers would be \$99 million. The net labor cost to employers in the Los Angeles-Long Beach area would

rise by \$391 million, while fired workers would suffer an income loss of \$120 million. For the entire Los Angeles region, employer net labor costs would rise by \$590 million and lost jobs are projected to have a \$180 million reduction in income.

7. Summary and Conclusions.

This paper examines in a variety of dimensions the effects of the proposed rise in the California minimum wage to \$6.75 in January 2002. The study reaches several conclusions regarding this proposed minimum wage increase. First, the workers affected by this increase tend to be much younger and less educated than the average California worker. Nearly one-half of the impacted workers don't have a high school diploma and more than two-fifths are under the age of 25. Second, less than one-quarter of the affected workers are the sole earner for a family supporting one or more children. Third, the impact on family income would be minimal. The average increase in the annual income of minimum wage workers would be only \$1,002. This would increase the average family income of a minimum wage worker by a very modest 3.0%. Fourth, the minimum wage increase is projected to cause 32,124 workers to lose their jobs with more than one-third of the job losses in the retail trade industry. This would cause an annual income loss to affected employees who lose their jobs of \$331 million. Fifth, the cost to employers would be quite substantial. It would raise their labor costs by more than \$1 billion per year.

Endnotes

¹ See Employment Policies Institute (2000).

² 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. The analysis examines the total \$1.00 wage hike in order to simplify the analysis and discussion.

³ These calculations are based on the assumption that all affected workers increase their wage to the new minimum wage of \$6.75 per hour. Hence, we are not allowing for noncompliance or exemptions from the law. We also assume no job loss, meaning that we have overestimated the average increase in earnings. Our estimates of job loss are provided in the next section.

⁴ The Earned Income Tax Credit (EITC) would bring a single worker supporting two children slightly above the poverty level for a family of three.

⁵ The average elasticity reported by a survey of labor economists at leading universities is -0.21 . See Fuchs, Krueger, and Poterba (1998).

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

References

- Employment Policies Institute. "Enacted Initiatives." *The Living Wage*, August 15, 2000. <<http://www.epionline.org/enacted.htm>>, (September 1, 2000).
- Fuchs, Victor R., Alan B. Krueger and James M. Poterba. "Economists' Views about Parameters, Values, and Policies: Survey Results in Labor and Public Economics." *Journal of Economic Literature* 36 (September 1998): 1387-1425.
- Hirsch, Barry T., and David A. Macpherson. *Union Membership and Earnings Data Book: Compilations from the Current Population Survey (2000 Edition)*. Washington, D.C.: Bureau of National Affairs, 2000.
- Neumark, David and William Wascher. "The Effect of New Jersey's Minimum Wage Increase on Fast-Food Employment: A Re-Evaluation Using Payroll Records." *Econometrics and Economic Theory Papers*, Michigan State University, January 1998.
-

Data Appendix

Hourly Wage

This study uses data from the January 1997 through December 1999 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The main subsample 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 \$5.75 and \$6.75 in January 2002 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-topcoded workers who are paid by the hour and 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 for the years 1989 to 1998. Starting in 1998, the topcode is \$2,885 per week or approximately \$150,000 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 (2000) by gender and year and are used in this study.

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 January 2002 using the CPI-U (a 3% percent annual inflation rate is

assumed for the period between July 2000 and January 2002). For workers whose inflation-adjusted wage is less than \$5.75 in January 2002 dollars, a wage of \$5.75 in January 2002 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 \$4.75 between October 1996 and February 1997; \$5.00 between March 1997 and August 1997; and \$5.15 between September 1997 and February 1998; and \$5.75 between March 1998 and December 1999.

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 val-

ues of family income for persons in each income range were calculated from a sample of California residents in the March 1997, March 1998 and March 1999 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 CPS ORG observations were matched to appropriate March CPS sample (i.e., 1997 values are used for the 1997 observations, etc.).

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. Fortunately, the April 1993 CPS provides such a measure and the mean usual weeks worked was calculated for all California workers earning \$5.75-\$6.75 per hour in January 2002 dollars.

Table 1

Distribution of Workers Affected by the Proposed California Minimum Wage Increase

Variable	Affected California Workers		All California	California Residents
	Percent	Population	Workers	Age 16 +
Age:				
16 to 19	19.20%	251,497	4.90%	7.60%
20 to 24	21.20%	277,488	11.30%	9.20%
25 to 29	11.80%	154,538	12.80%	9.80%
30 to 39	21.70%	283,335	28.30%	22.40%
40 to 64	24.50%	319,979	41.00%	37.00%
65 to 99	1.70%	21,669	1.70%	14.00%
Average Age	31.5		37.7	42.5
Years of Schooling:				
0 to 8	22.60%	296,108	7.80%	10.00%
9 to 11	26.50%	346,500	9.40%	13.30%
Exactly 12	24.50%	320,465	23.40%	24.50%
13 to 15	21.90%	286,980	31.80%	28.60%
16 or more	4.50%	58,453	27.60%	23.60%
Average Years	10.7		13.2	12.7
Race:				
White	83.10%	1,087,160	80.50%	80.10%
Black	4.70%	62,133	6.60%	6.70%
Asian	11.00%	143,362	11.90%	12.10%
Other Race	1.20%	15,851	1.00%	1.10%
Ethnic Status:				
Hispanic	53.60%	701,287	28.60%	26.50%
Non-Hispanic	46.40%	607,219	71.40%	73.50%
Gender:				
Male	48.90%	639,793	54.20%	49.10%
Female	51.10%	668,713	45.80%	50.90%
Marital Status:				
Married, Spouse Present	37.70%	493,913	52.90%	52.30%
Divorced, Separated, Widowed	12.30%	160,734	15.30%	18.60%
Never Married	50.00%	653,859	31.80%	29.10%
Family Status:				
Single Individual	15.20%	199,019	22.00%	NA
Single Head	12.80%	166,837	10.20%	NA
Single Head with no children	1.10%	14,831	1.10%	NA
Single Head with 1 child	2.30%	30,306	1.90%	NA
Single Head with 2 children	3.10%	39,976	2.30%	NA
Single Head with 3+ children	6.20%	81,724	4.90%	NA
Single Earner in Married Couple	12.30%	161,582	13.70%	NA
Single Earner with no children	1.50%	18,995	2.20%	NA
Single Earner with 1 child	1.20%	15,190	1.50%	NA

Table 1 Continued...

Distribution of Workers Affected by the Proposed California Minimum Wage Increase

Variable	Affected California Workers		All California	California Residents
	Percent	Population	Workers	Age 16 +
Single Earner with 2 children	2.10%	27,353	2.30%	NA
Single Earner with 3+ children	7.60%	100,044	7.70%	NA
Dual Earner in Married Couple	25.40%	332,331	39.30%	NA
Dual Earner with no children	3.50%	45,808	7.20%	NA
Dual Earner with 1 child	2.80%	37,125	4.30%	NA
Dual Earner with 2 children	3.60%	46,712	6.90%	NA
Dual Earner with 3+ children	15.50%	202,686	20.90%	NA
Living with Parents	26.00%	339,919	11.20%	NA
Other Relative	8.30%	108,818	3.70%	NA
Family Income:				
< \$10,000	17.00%	222,806	6.20%	9.90%
\$10,000-\$19,999	27.10%	355,029	11.70%	15.00%
\$20,000-\$29,999	18.60%	243,940	13.90%	14.70%
\$30,000-\$39,999	12.00%	157,112	13.00%	12.60%
\$40,000-\$49,999	6.40%	84,351	10.40%	9.20%
\$50,000-\$59,999	5.90%	77,661	10.30%	8.90%
\$60,000-\$74,999	4.60%	59,834	10.90%	9.00%
\$75,000 or more	8.20%	107,773	23.70%	20.80%
Mean	\$33,232		\$58,049	\$52,461
Median	\$22,262		\$44,319	\$36,999
Location:				
Non-Metro/Small Metro Areas	15.20%	198,997	10.00%	11.30%
Los Angeles CMSA				
Los Angeles-Long Beach PMSA	33.40%	437,662	28.20%	28.60%
Riverside-San Bernardino PMSA	8.20%	107,037	8.10%	8.30%
Orange County PMSA	8.10%	106,385	9.10%	8.40%
Ventura PMSA	2.10%	27,354	2.10%	2.10%
San Francisco CMSA				
Oakland PMSA	2.60%	34,334	7.10%	6.80%
San Francisco PMSA	4.60%	59,884	6.60%	6.10%
San Jose PMSA	3.30%	43,311	6.40%	5.60%
Other San Francisco PMSAs	1.90%	25,135	3.10%	3.00%
San Diego, MSA	8.20%	106,757	8.50%	8.30%
Sacramento, MSA	3.70%	48,618	5.10%	5.30%
Fresno, MSA	4.20%	55,512	2.60%	2.70%
Bakersfield, MSA	2.50%	33,157	1.90%	1.90%
Stockton, MSA	1.90%	24,363	1.40%	1.50%
Hours Per Week	32.6		38.5	NA
Full-time	60.50%	791,646	82.20%	NA

Table 1 Continued...

Distribution of Workers Affected by the Proposed California Minimum Wage Increase

Variable	Affected California Workers		All California	California Residents
	Percent	Population	Workers	Age 16 +
Weeks Worked Per Year	48		50	NA
Population		1,308,506	13,342,403	24,553,125
Sample Size		3,671	37,472	70,074

Note: Data source is the January 1997-December 1999 CPS ORG. Affected workers are defined as those persons earning \$5.75-\$6.75 per hour in January 2002 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 & Other MSAs	Los Angeles- Long Beach	Riverside- San Bernadino	Orange County	Ventura	Oakland	San Francisco
< \$10,000	22.80%	18.40%	17.20%	4.70%	6.80%	6.70%	13.40%
\$10,000-\$19,999	33.10%	30.30%	21.00%	27.30%	21.20%	9.40%	22.80%
\$20,000-\$29,999	17.20%	20.30%	16.70%	18.90%	18.30%	11.50%	18.70%
\$30,000-\$39,999	8.00%	11.90%	17.50%	14.60%	12.20%	12.30%	13.30%
\$40,000-\$49,999	6.60%	5.20%	5.40%	7.50%	25.00%	8.70%	6.80%
\$50,000-\$59,999	4.80%	5.10%	9.20%	5.70%	0.00%	12.40%	10.20%
\$60,000-\$74,999	3.50%	3.10%	4.70%	8.20%	0.00%	9.60%	6.70%
\$75,000 or more	3.90%	5.60%	8.20%	13.20%	16.50%	29.40%	8.10%
Mean	\$25,659	\$28,655	\$35,061	\$43,183	\$44,258	\$63,654	\$37,260
Median	\$17,122	\$22,140	\$27,121	\$27,188	\$31,944	\$54,274	\$27,121

Family Income	San Jose	Other San Francisco	San Diego	Sacramento	Fresno	Bakersfield	Stockton
< \$10,000	12.60%	4.50%	15.20%	20.30%	22.20%	34.30%	16.00%
\$10,000-\$19,999	20.30%	13.00%	28.30%	19.90%	28.80%	24.80%	23.20%
\$20,000-\$29,999	24.30%	16.40%	17.50%	15.70%	19.20%	17.70%	21.00%
\$30,000-\$39,999	10.10%	8.30%	12.80%	16.70%	8.60%	9.50%	12.10%
\$40,000-\$49,999	6.20%	16.60%	6.90%	5.40%	2.00%	5.10%	6.30%
\$50,000-\$59,999	3.30%	12.50%	5.50%	6.00%	6.40%	0.00%	12.80%
\$60,000-\$74,999	2.80%	13.10%	5.00%	7.90%	4.60%	3.80%	3.90%
\$75,000 or more	20.50%	15.60%	8.80%	8.20%	8.20%	4.80%	4.80%
Mean	\$45,863	\$51,927	\$34,077	\$34,926	\$31,394	\$24,293	\$31,943
Median	\$27,121	\$44,494	\$22,262	\$22,292	\$17,129	\$13,668	\$22,292

Table 3

Income Increases for California Workers Affected by Minimum Wage Increase

Group	% in Class Before Increase	Annual Income Increase	% Increase In Family Income	% Share of Total Income Increase
All	100.00%	\$1,002	3.00%	100.00%
Family Income:				
< \$10,000	17.00%	\$1,082	18.50%	18.40%
\$10,000-\$19,999	27.10%	\$1,131	7.90%	30.60%
\$20,000-\$29,999	18.60%	\$1,014	4.20%	18.80%
\$30,000-\$39,999	12.00%	\$946	2.80%	11.30%
\$40,000-\$49,999	6.40%	\$791	1.80%	5.10%
\$50,000-\$59,999	5.90%	\$913	1.70%	5.40%
\$60,000-\$74,999	4.60%	\$831	1.30%	3.80%
\$75,000 or more	8.20%	\$785	0.60%	6.40%

Note: Data source is the January 1997-December 1999 CPS ORG. Affected workers are defined as those persons earning \$5.75-\$6.75 per hour in January 2002 dollars. All means are calculated using CPS sample weights.

Table 4

California Employment Levels and Job Losses by Sector

Group	Employment All Workers	Affected Workers	Projected Job Loss	Percent of all Job Loss
All	13,342,403	1,308,506	32,124	100.00%
Age:				
16-19	651,912	251,497	6,511	20.30%
20-24	1,501,469	277,488	6,828	21.30%
25-29	1,713,210	154,538	3,724	11.60%
30-39	3,771,585	283,335	6,766	21.10%
40-64	5,471,207	319,979	7,716	24.00%
65-99	233,020	21,669	580	1.80%
Family Income:				
< \$10,000	828,118	222,806	5,779	18.00%
\$10,000-\$19,999	1,565,115	355,029	8,917	27.80%
\$20,000-\$29,999	1,850,240	243,940	5,898	18.40%
\$30,000-\$39,999	1,731,531	157,112	3,759	11.70%
\$40,000-\$49,999	1,382,946	84,351	1,969	6.10%
\$50,000-\$59,999	1,368,873	77,661	1,837	5.70%
\$60,000-\$74,999	1,455,302	59,834	1,487	4.60%
\$75,000 or more	3,160,282	107,773	2,548	7.90%
Gender:				
Male	7,234,108	639,793	15,504	48.30%
Female	6,108,295	668,713	16,620	51.70%
Race:				
White	10,737,388	1,087,160	26,673	83.00%
Black	877,398	62,133	1,504	4.70%
Asian	1,592,701	143,362	3,547	11.00%
Other Race	134,916	15,851	401	1.20%
Ethnic Status:				
Hispanic	3,821,343	701,287	17,314	53.90%
Non-Hispanic	9,521,060	607,219	14,810	46.10%
Years of Schooling:				
0 to 8	1,039,309	296,108	7,568	23.60%
9 to 11	1,257,907	346,500	8,898	27.70%
12	3,125,556	320,465	7,406	23.10%
13 to 15	4,240,216	286,980	6,980	21.70%
16 or more	3,679,415	58,453	1,273	4.00%

Table 4 Continued...

California Employment Levels and Job Losses by Sector

Group	Employment All Workers	Affected Workers	Projected Job Loss	Percent of all Job Loss
Location:				
Non-Metro/Small Metro Areas	1,330,861	198,997	5,099	15.90%
Los Angeles CMSA				
Los Angeles-Long Beach PMSA	3,758,182	437,662	10,964	34.10%
Riverside-San Bernardino PMSA	1,078,472	107,037	2,763	8.60%
Orange County PMSA	1,219,117	106,385	2,501	7.80%
Ventura PMSA	280,415	27,354	674	2.10%
San Francisco CMSA				
Oakland PMSA	953,040	34,334	703	2.20%
San Francisco PMSA	883,539	59,884	1,429	4.40%
San Jose PMSA	853,346	43,311	1,057	3.30%
Other San Francisco PMSAs	407,270	25,135	549	1.70%
San Diego, MSA	1,129,883	106,757	2,547	7.90%
Sacramento, MSA	675,647	48,618	998	3.10%
Fresno, MSA	341,403	55,512	1,496	4.70%
Bakersfield, MSA	247,385	33,157	734	2.30%
Stockton, MSA	183,843	24,363	610	1.90%
Industry:				
Agriculture	385,683	109,451	2,558	8.00%
Mining	29,925	1,894	55	0.20%
Construction	693,889	35,999	798	2.50%
Durable Manufacturing	1,364,730	76,122	1,826	5.70%
Nondurable Manufacturing	772,081	118,525	3,228	10.00%
Transportation, Communication, and Utilities	961,523	31,560	656	2.00%
Wholesale Trade	572,811	39,468	878	2.70%
Retail Trade	2,167,795	462,531	11,951	37.20%
Finance, Insurance, and Real Estate	830,913	28,887	667	2.10%
Business and Repair Services	1,144,758	96,574	2,384	7.40%
Personal Services	534,510	99,567	2,236	7.00%
Entertainment and Recreation Services	376,580	51,358	1,341	4.20%
Other Professional Services	2,893,792	141,809	3,160	9.80%
Public Administration	613,413	14,761	386	1.20%

Table 4 Continued...

California Employment Levels and Job Losses by Sector

Group	Employment All Workers	Affected Workers	Projected Job Loss	Percent of all Job Loss
Occupation:				
Executives, Administrators, and Managers	1,865,661	27,673	675	2.10%
Professionals	2,086,102	34,330	805	2.50%
Technicians	468,878	8,981	227	0.70%
Sales Occupations	1,510,540	237,034	6,066	18.90%
Administrative Support Occupations	2,041,893	126,771	2,612	8.10%
Service Occupations	1,853,714	381,756	9,852	30.70%
Farming, Forestry, and Fishing Occupations	396,662	124,037	3,001	9.30%
Precision Production, Craft, and Repair Occupations	1,319,984	61,502	1,380	4.30%
Machine Operators, Assemblers, and Inspectors	768,309	170,755	4,511	14.00%
Transportation and Material Moving Occupations	466,919	34,194	631	2.00%
Handlers, Equipment Cleaners, Laborers	563,741	101,473	2,366	7.40%

Table 5

Cost to Employers and Lost Income to California Workers of Minimum Wage Increase

Group	Rise in Labor Cost if no Job Loss	Lost Income due to Job Loss	Net Rise in Cost of Labor to Employers
All	\$1,421,023,532	\$331,407,621	\$1,089,615,911
Industry:			
Agriculture	\$152,609,385	\$34,651,099	\$117,958,286
Mining	\$1,977,405	\$478,881	\$1,498,524
Construction	\$38,931,306	\$9,127,129	\$29,804,177
Durable Manufacturing	\$95,669,319	\$22,541,385	\$73,127,934
Nondurable Manufacturing	\$166,611,221	\$38,213,141	\$128,398,080
Transportation, Communication, and Utilities	\$34,200,886	\$8,195,704	\$26,005,182
Wholesale Trade	\$44,225,413	\$10,174,548	\$34,050,865
Retail Trade	\$463,246,814	\$108,827,625	\$354,419,189
Finance, Insurance, and Real Estate	\$29,311,888	\$7,026,465	\$22,285,423
Business and Repair Services	\$109,766,345	\$25,715,836	\$84,050,509
Personal Services	\$98,684,314	\$23,501,109	\$75,183,205
Entertainment and Recreation Services	\$45,661,666	\$11,033,433	\$34,628,233
Other Professional Services	\$122,912,881	\$28,034,576	\$94,878,305
Public Administration	\$17,214,689	\$3,886,690	\$13,327,999

Table 5 Continued...

Cost to Employers and Lost Income to California Workers of Minimum Wage Increase

Group	Rise in Labor Cost if no Job Loss	Lost Income due to Job Loss	Net Rise in Cost of Labor to Employers
Location:			
Non-Metro/Small Metro Areas	\$225,223,903	\$51,463,282	\$173,760,621
Los Angeles CMSA			
Los Angeles-Long Beach PMSA	\$510,886,029	\$119,890,563	\$390,995,466
Riverside-San Bernardino PMSA	\$122,377,661	\$27,771,923	\$94,605,738
Orange County PMSA	\$109,663,672	\$25,653,295	\$84,010,377
Ventura PMSA	\$26,998,675	\$6,695,536	\$20,303,139
San Francisco CMSA			
Oakland PMSA	\$26,005,177	\$6,370,441	\$19,634,736
San Francisco PMSA	\$65,497,612	\$15,391,999	\$50,105,613
San Jose PMSA	\$45,216,016	\$10,477,022	\$34,738,994
Other San Francisco PMSAs	\$20,722,322	\$4,988,378	\$15,733,944
San Diego, MSA	\$98,762,038	\$24,563,370	\$74,198,668
Sacramento, MSA	\$37,044,383	\$9,272,038	\$27,772,345
Fresno, MSA	\$71,508,624	\$16,052,589	\$55,456,035
Bakersfield, MSA	\$33,534,804	\$8,151,961	\$25,382,843
Stockton, MSA	\$27,582,616	\$6,184,563	\$21,398,053

**EMPLOYMENT
POLICIES**

I N S T I T U T E

1775 Pennsylvania Avenue, NW • Washington, DC 20006-4605
202.463.7650 • Fax: 202.463.7107 • www.EPonline.org