



MINIMUM WAGES AND NAPA COUNTY

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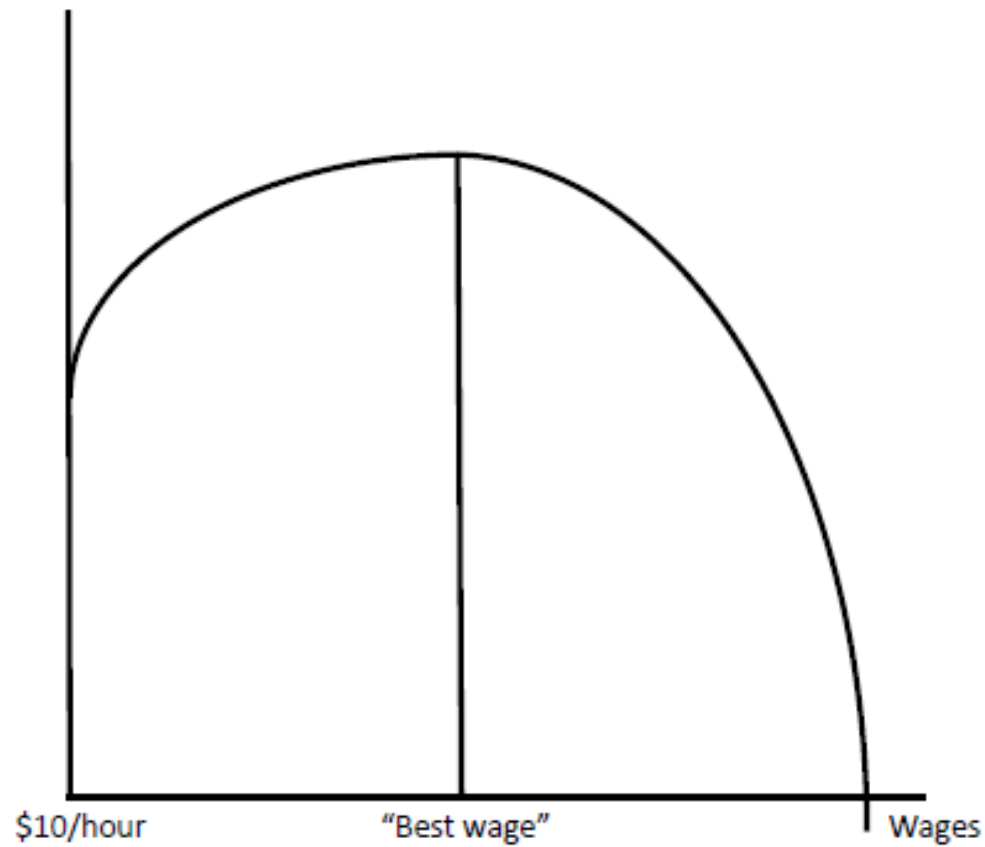
Questions to Answer



- *What would be the appropriate minimum wage schedule for Napa County?*
- *How many workers and what job types would be affected in Napa County?*
- *With a minimum wage schedule chosen, how would it affect the local economy?*
- *What would be expected gains for the local economy?*
- *What would be the estimated costs for businesses in general and those with higher numbers of low-wage workers (hotels, restaurants)?*
- *What is the estimate of increased payroll taxes and worker's compensation costs?*
- *What are estimates of wage compression cost and re-setting wage ladder to businesses?*
- *What are possible effects on citizens living on fixed incomes, particularly those dependent on home health care?*

The Basic Idea

Net Benefits and Costs



The Promise of Increasing Min Wages



- Helps support lower-income workers who may be losing their purchasing power;
- Reduces the effects of market forces to drive wages lower;
- Reduces poverty levels; and
- Provides support for local businesses by injecting more purchasing power into the local economy.

The Caveats



- Increases the cost of doing business where wages are forced higher than surrounding areas;
- Increases the local cost of living as prices rise;
- Reduces purchasing power for households on fixed incomes due to wage levels rising, the local cost of living increasing, or both; and
- Changes worker income levels versus federal poverty level, but not necessarily pull workers out of poverty conditions.

Here is the reality

Minimum Wage Increase

Higher incomes for low-wage workers

Net job shifts

Net business profit losses

Net change in tax revenues

Initial price increases

Regional economic effects

Fixed income resident issues

Wage compression

Further price changes

Major Occupations Affected



- Building and Grounds Cleaning and Maintenance;
- Farming, Fishing, and Forestry;
- Food Preparation and Serving-Related (Bars and Restaurants);
- Transportation and Material Moving.
- Based on wage scaling in current Napa County market

San Francisco as a Case Study



| Year | Nominal Wage | % change |
|--------------|---------------------|-----------------|
| 2006 | \$8.82 | |
| 2007 | 9.14 | 3.6% |
| 2008 | 9.36 | 2.4% |
| 2009 | 9.79 | 4.6% |
| 2010 | 9.79 | 0.0% |
| 2011 | 9.92 | 1.4% |
| 2012 | 10.24 | 3.2% |
| 2013 | 10.55 | 3.0% |
| 2014 | 10.74 | 1.8% |
| 2015* | 11.05 | 2.9% |
| 2016* | 12.25 | 10.9% |
| 2017* | 13.00 | 6.1% |
| 2018* | 14.00 | 7.7% |
| 2019* | 15.00 | 7.1% |

Considerations



- Using the countywide data rather than estimates of city-specific data
 - Economic transactions between Napa and other counties lack robust data;
 - Internal Napa between unincorporated and incorporated difficult
 - Towns and cities do not have their own wage data short of large, monthly income groups;
 - Commute patterns
- Business profitability needs to be considered.

Commuting



| Working in Napa County | Workers | Living in Napa County | Residents |
|--|----------------|---|------------------|
| Workers in Napa | 68,127 | Working Residents of Napa County | 64,104 |
| Live in Napa incorporated and Work in Napa County | 40.8% | Live in Napa County and work in Incorporated Napa County | 34.6% |
| Live in unincorporated Napa and work in Napa County | 9.2% | Live in Napa County and work in Unincorporated Napa County | 18.5% |
| Inbound workers | 50.0% | Outbound residents | 46.9% |

Major Assumptions



- Bulk of employment for each industry close to median wage;
- Median wages remain unchanged initially and increase over time after ordinance;
- Employment levels react to the new wage based on an elasticity of -0.1
 - Meaning that 10 percent of the percentage change in wages is the percentage change in employment;
 - The elasticity may vary over time due to regional and national trends;
 - An increase in the wage level leads some businesses to reduce planned hiring levels or fire workers overtly; and
- Due to higher wages there is higher consumption levels in Napa County: more jobs supported
- New wages will not exacerbate the problems trying to alleviate

Methods

1. Take current wage distribution
2. Take current employment
3. Think of employment as a “bell curve” across wage levels
4. Minimum wages shift the bell curve to the right (higher wages across all wage levels) over time
5. Take assumed change in minimum wage and subtract assumed growth of wages without, after inflation

Key issues:

1. Elasticity of demand for workers
2. Amount of inbound commuters at minimum wage

Initial Effects on Jobs Across Cities



| Municipality | % of Jobs (2002-2013) | Est Workers, Jobs Lost, 2017 | | | | |
|-------------------------|--------------------------|------------------------------|------|------|-------|-------|
| | | \$11 | \$12 | \$13 | \$14 | \$15 |
| Yountville | 3.1% | (0) | (3) | (5) | (8) | (12) |
| Calistoga | 3.2% | (0) | (3) | (5) | (8) | (12) |
| American Canyon | 4.0% | (1) | (4) | (7) | (10) | (15) |
| Napa | 45.5% | (7) | (47) | (77) | (115) | (174) |
| St Helena | 12.1% | (2) | (13) | (21) | (31) | (46) |
| Unincorporated (County) | 32.1% | (5) | (33) | (55) | (81) | (123) |

Initial Effects on Jobs Across Cities



| Municipality | % of Jobs (2002-2013) | Est Workers Jobs with Higher Wages, 2017 | | | | |
|----------------------------|--------------------------|---|-------|-------|-------|--------|
| | | \$11 | \$12 | \$13 | \$14 | \$15 |
| Yountville | 3.1% | 139 | 397 | 510 | 601 | 712 |
| Calistoga | 3.2% | 144 | 409 | 527 | 620 | 735 |
| American Canyon | 4.0% | 179 | 512 | 658 | 775 | 919 |
| Napa | 45.5% | 2,041 | 5,821 | 7,489 | 8,816 | 10,455 |
| St Helena | 12.1% | 543 | 1,548 | 1,992 | 2,344 | 2,780 |
| Unincorporated (County) | 32.1% | 1,440 | 4,107 | 5,283 | 6,219 | 7,376 |

The Good and the Bad



| Effect of Change | Positive or Negative |
|---|----------------------|
| Lost Jobs | - |
| Gained local spending | + |
| Supported Jobs due to increased local spending | + |
| Lost business profits | - |
| Increased local prices | - |
| Number of people on fixed incomes affected | - |
| | |
| Net Effects to major Groups in Unincorporated Napa | |
| Businesses | - |
| Working Residents that receive new min wage | + |
| Workers that live elsewhere and receive new min wage | + |
| Tourists | - |
| Residents not receiving new minimum wage | - |

Bottom Line: Three Scenarios



- Scenario 1: Phase in at 5 percent increase per year
- Scenario 2: Raise to \$11 in 2017, \$12 in 2018, and 5%/year until wage is \$15
- Scenario 3: Raise to \$12 in 2017, then 5 %/year until \$15

| Scenario | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1 | \$10.00 | \$10.50 | \$11.03 | \$11.58 | \$12.16 | \$12.76 | \$13.40 | \$14.07 | \$14.77 |
| 2 | \$10.00 | \$11.00 | \$12.00 | \$12.60 | \$13.23 | \$13.89 | \$14.59 | \$15.00 | CPI |
| 3 | \$10.00 | \$12.00 | \$12.60 | \$13.23 | \$13.89 | \$14.59 | \$15.00 | CPI | CPI |
| | | | | | | | | | |
| SF | \$12.25 | \$13.00 | \$14.00 | \$15.00 | CPI | CPI | CPI | CPI | CPI |
| CA 1 | \$10.00 | \$10.50 | \$11.00 | \$12.00 | \$13.00 | \$14.00 | \$15.00 | CPI | CPI |
| CA 2 | \$10.00 | \$10.00 | \$10.50 | \$11.50 | \$12.50 | \$13.50 | \$14.50 | \$15.00 | CPI |

Recommendations



- If an increase, best to do it incrementally
 - Predictable and outpaces current inflation forecasts reduces shock to businesses
- Work with businesses, especially those most likely affected, to make adjustments
 - Can relief be found somewhere else to help on new costs for businesses?
- Recognize regional and local spillovers
 - Constraining the wage changes to Napa County will be difficult
- The importance of elasticity
 - Any net positive claims of these policies plays on the slow and light reaction of local businesses
 - The number of commuting workers at lower wages is also an issue to be monitored

THANKS!
QUESTIONS?

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