EMPLOYMENT POLICIES INSTITUTE

The Effects of the Proposed California Minimum Wage Increase

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A Study From The Employment Policies Institute

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Executive Summary

"Living wage" laws, which require employers to pay high, entry-level wages, regardless of skill or productivity, are spreading rapidly among local governments across the country. The philosophy behind the living wage laws is that the government should require employers to pay workers according to their need, not according to their productivity. However, these laws require that an employer pay all of its employees a minimum wage regardless of the employee's productivity or family income. This is a radical departure from both free market-based wages, and income-conditioned safety-net programs, which have been the norm in this country with a few exceptions. Currently 82 local governments, including 16 in California, have passed such living wage laws. In addition, living wage campaigns are active in approximately 125 other jurisdictions, including 15 in California.

Initially, such laws were narrowly drawn to cover only employees of local governments or their contractors. However, increasingly, the living wage movement has been advocating high minimum wages that would apply to all private sector employers within a defined geographic area. An example is Santa Monica, which has passed a law requiring all employers in the "Coastal Zone" to pay at least $10.50 an hour if stipulated health benefits are provided, and at least $12.25 an hour if benefits are not provided. Another example is Berkeley, which covers all employers in the Berkeley Marina, city-owned public land. The movement is also pushing for a city-wide minimum wage in New Orleans that would be tied to the federal minimum wage.

In view of the startling successes and growing demands of the living wage movement, it is very timely and relevant to assess the likely economic effects of such laws on the California economy and its workers. This report examines the employment and income consequences of setting a minimum wage of $10.25 an hour throughout California, effective on January 1, 2003. A minimum wage this high is definitely within the sights of the living wage movement. For example, a current California ballot initiative would raise the minimum wage to $10.29 an hour.

Five broad conclusions have been reached. First, such a minimum wage would result in nearly 280,000 California workers losing their jobs. Second, California employers would see their wage costs rise by over $12.5 billion a year. Third, the workers affected by the wage hike would be younger and less educated than the average California worker. Fourth, many of the projected wage gains would go to low-wage workers in higher income families, rather than to those most in need. For example, about 30 percent of the wage gains would go to workers in families with incomes over $40,000. Finally, less than one-quarter of the affected workers are the sole earner in a family supporting one or more children.

Because such a wage hike would be poorly targeted at poor families and would cause unreasonable and unnecessary harm to the California economy and its workers, such proposals for minimum wages should be rejected. Instead, California should join the 16 states that have adopted an earned income tax credit to assist its low-income families. Such a solution directs resources directly to poor and near-poor families, encourages work, and does not discourage employers from hiring low-skilled workers.

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I. Introduction

With financial support from trade unions, liberal foundations, and social activist groups, the self-styled "living wage movement" has been pressing state and local governments to require employers to pay high, entry-level wages regardless of skill or ability. The philosophy behind the living wage laws is that the government should require employers to pay workers according to their needs, not according to their productivity. However, unlike the Marxist credo, "to each according to his needs," the local "living wage" ordinances mandate a single minimum wage for all covered workers, regardless of family economic circumstances. This wage is usually set at a level that would permit a family head who worked full-time for the entire year to support a family of three or four above the poverty level without assistance from other family members or the government. However, the wage standard is applied to all workers regardless of income or family size. This is a radical departure from both free market-based wages, and income-conditioned government "safety net" support payments, both of which have been the norm in this country with a few exceptions.

Currently, at least 82 local governments, including 16 in California, have passed such living wage laws.[1] In addition, living wage campaigns are active in another, approximately 125 jurisdictions, including 15 in California. Initially, such laws were narrowly drawn to cover only employees of local governments or their contractors. However, increasingly, the living wage movement has been advocating high minimum wages that would apply to all private sector employers within a defined geographic area. An example is Santa Monica, which has passed a law requiring all employers in the "Coastal Zone" to pay at least $10.50 an hour if stipulated health benefits are provided, and at least $12.25 an hour if benefits are not provided. Another example is Berkeley, which covers all employers in the Berkeley Marina, city-owned public land. There is a ballot initiative in California, which has the second highest minimum wage in the country at $6.75 per hour, to raise the state minimum wage to $10.29.[2]

*...[T]he minimum wage increase is projected to cause **279,320** workers to lose their jobs, with nearly one-third of the job losses in retail trade.*

In view of the startling successes and growing demands of the living wage movement, it is very timely and relevant to assess the likely economic effects of a minimum wage set in accordance with living wage standards. This report examines the employment and income consequences of setting a minimum wage throughout California of $10.25 an hour,

effective January 1, 2003. It reaches several conclusions about the effects of such a minimum wage hike.

First, the workers who would be affected by this proposed increase tend to be 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, about four-fifths of the income gains will go to families with incomes over $12,500. Fourth, the minimum wage increase is projected to cause 279,320 workers to lose their jobs, with nearly one-third of the job losses in retail trade. This would cause an annual income loss to these workers of $4.1 billion. Fifth, the cost to employers would be substantial. It would raise their labor costs by an estimated $12.5 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 in Section 5, and an investigation 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.

II. The Data

To analyze the effects of the proposed California minimum wage increase, data are drawn from the January 1999 through December 2001 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The CPS ORG has the important advantage of being a large, 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 $6.75 and $10.25 in January 2003 dollars.[3] 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.

III. 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 $6.75-$10.25 in January 2003 dollars) emerges from Table 1, which presents the means of demographic variables for such workers.[4] 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, 12.8% of affected workers are between 16 and 19 years of age, and an additional 20.8% are between 20 and 24 years of age. Thus, 33.6% of affected workers are 24 or younger.

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; over one-third have not graduated from high school. Also, they are much more likely to have never married (45.5%) and be Hispanic (46.7%) 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, 21.8% of the workers are living with their parent or parents, while only 11.5% of all California workers are in this category. Also, they are much less likely to be a dual earner in a married couple (28.0% versus 38.1%) than the typical California worker. Lastly, less than one-quarter is a single head or a single earner in a married couple supporting a family with children.

The family income of the affected worker is somewhat lower than the average California resident ($42,530 versus $59,132). However, less than 16% of the minimum wage workers are in families with an income of less than $12,500. In fact, nearly three-fifths are in families with an income of $25,000 or more.

The affected workers are less involved in the labor market than the average California worker. About 30% of the affected workers are employed part-time, while only 17% of all California employees work part-time. In addition, the affected workers are employed 1.4 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 slightly more likely to live in the Los Angeles-Long Beach PMSA (30.6%) than the average California resident (28.1%). On the other hand, they are much less likely to live in the San Francisco CMSA (15.8%) than the average California resident (21.3%).

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

Table 2 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 $4,663. Since the average family income of the affected families is $42,477 per year, the resulting increase in average family income would be 11.0%.[5]

Column 4 of Table 2 presents the percentage share of the total income gains resulting from the minimum wage increase that accrue for families in various family income groupings. The gains are roughly proportional to the percentages of affected families in each grouping. For example, 16.6% of the affected families have incomes of less than $12,500, a rough approximation of the poverty threshold.[6] The share of total income gains going to these families is only 18.9%. In other words, about four-fifths of the total income gains will go to affected families living above the poverty level.

To provide a broader view of the impact on income distribution, Table 3 presents calculations of the impact of the minimum wage increase on before-tax family income across all families. The mean increase in family income across persons 16 and over is $1,142. Since the average income of all families is $54,094 per year, the resulting increase in average family income would be 2.1%.

A problem with minimum wage increases is that many low-income persons are not affected by them since they do not work. The impact of this problem is shown when the results are broken out by income. For persons in families below the poverty level, the increase in income would be $1,528. These numbers are substantially less than the corresponding figures presented in Table 2.

V. How Many Workers will be Laid Off?

An important effect of the minimum wage increase is that some workers will lose their jobs because it will 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 the 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 (See Formula 1).

This study uses an estimate of labor demand elasticity (-0.22) for minimum wage workers reported by Neumark and Wascher (2000). An elasticity of –0.22 implies that a 10% increase in wages results in a 2.2% decrease in employment of the affected group.[7]

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 279,320 workers are projected to lose their job due to the minimum wage increase. The breakdowns by age, family income and location are not surprising. Slightly less than one-half of the layoffs would occur among workers under the age 30. Similarly, nearly one-half of layoffs would occur among families with annual incomes below $25,000. About one-half of the job losses (140,477) would occur in the Los Angeles area and 13.5% in the San Francisco region.

The results by industry indicate that nearly one-third of the job losses are projected to occur in the retail trade industry (88,316 jobs). This is not surprising since nearly one-half of the workers in retail trade will be affected by this increase. Another 101,042 jobs or 36.2% of the losses are projected to occur for workers in the service industries.[8]

The findings by occupation show that over two-fifths of the losses are predicted to be for those in sales and service occupations. Another 36.6% would occur for those in blue-collar jobs.[9]

VI. What will be the Cost to Employers and the Income Loss to Laid Off Workers?

Another critical issue is the cost of the minimum wage increase for employers. 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.

...[a]bout four-fifths of the total income gains will go to affected families living above the poverty level.

These costs are calculated in the following manner. First, the increase in labor cost that would occur if no workers were 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.[10] 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 tak-

Formula 1	Employment Loss = Fractional Wage Gain * Affected Worker Employment * Labor Demand Elasticity

ing the difference between the costs to employers if no layoffs occur and the reduction in costs due to the laying off of employees.

Table 5 presents the results of these calculations. The first row of the table indicates that if no layoffs occur then the cost of labor to employers would rise by $16.5 billion. The projected worker layoffs of 279,320 will cause $4.1 billion of worker income to be lost. The net rise in the cost of labor to employers is estimated to be $12.5 billion.

The results indicate these costs are clearly concentrated in certain industries and locations. In the retail trade industry, net labor costs will rise by $3.5 billion and the income of laid off workers will be reduced by $1.2 billion. For the service industry, the net employer cost will rise by $4.4 billion and the income loss to displaced workers will be $1.4 billion. The net labor cost to employers in the Los Angeles-Long Beach area will rise by $4.2 billion, while fired workers will suffer an income loss of $1.3 billion. For the entire Los Angeles region, the employer costs will rise by $6.4 billion on net and laid off workers are projected to have a $2.1 billion reduction in income.

VII. Summary and Conclusions

This paper examines, in a variety of dimensions, the effects of the proposed rise in the California minimum wage to $10.25 in January 2003. The study reaches several conclusions regarding this proposed minimum wage increase. First, the workers affected by this increase tend to be 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, many of the wage gains would go to low-wage workers in higher-income families, rather than those most in need. For example, about three-tenths of the wage gains would go to workers in families with incomes of $40,000 or greater. Fourth, the minimum wage increase is projected to cause 279,320 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 $4.1 billion. Fifth, the cost to employers will be quite substantial. It will raise their labor costs by over $12.5 billion per year.

Data Appendix

Hourly Wage

This study uses data from the January 1999 through December 2001 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 $6.75 and $10.25 in January 2003 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 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 $2,885 per week or about $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 (2002) 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 2003 using the CPI-U (a 2.3% percent annual inflation rate is assumed for the period between March 2002 and January 2003). For workers whose inflation-adjusted wage is less than $6.75 in January 2003 dollars, a wage of $6.75 in January 2003 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 $5.75 between January 1999 and December 2000; $6.25 between January 2001 and December 2001; and $6.75 since January 2002.

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 were calculated from a sample of California residents in the March 1999, March 2000, and March 2001 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 where matched to appropriate March CPS sample (i.e., 1999 values are used for the 1999 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 $6.75-$10.25 per hour in January 2003 dollars.

Endnotes

[1] Employment Policies Institute (2002).

[2] See www.fairwages.org.

[3] 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 final wage hike in order to simplify the analysis and discussion.

[4] An analysis was also conducted excluding students under age 18 who worked less than 20 hours per week. This restriction reduced the number of workers affected by 1.7% or 70,312. The exclusion changed the results by only a very modest amount.

[5] These calculations are based on the assumption that all affected workers increase their wage to the new minimum wage of $10.29 per hour. Hence, we are not allowing for noncompliance or exemptions from the law.

[6] The Earned Income Tax Credit (EITC) would bring a single worker supporting two children slightly above the poverty level for such a family.

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

[8] Service industries include: finance, insurance and real estate; business and repair services; personal services; entertainment and recreation services; other professional services; and public administration.

[9] Blue-collar jobs include: farming, forestry and fishing occupations; precision production, craft and repair occupations; machine operators, assemblers and inspectors; transportation and material moving occupations; and handlers, equipment cleaners and laborers.

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

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

Variable	Affected California Workers		Percentage of Affected Workers	
	Percent	Population	All California Workers	California Residents Age 16 +
Age				
16 to 19	12.8%	523,412	5.2%	7.8%
20 to 24	20.8%	849,805	11.4%	9.4%
25 to 29	12.7%	521,574	12.3%	9.4%
30 to 39	22.9%	937,775	27.0%	21.5%
40 to 64	28.7%	1,175,527	42.2%	38.3%
65 to 99	2.1%	85,765	1.9%	13.6%
Average Age	33.9		38.0	42.6
Years of Schooling				
0 to 8	15.9%	650,072	7.3%	9.4%
9 to 11	19.4%	792,390	9.2%	12.8%
12	29.2%	1,195,755	23.5%	24.2%
13 to 15	27.9%	1,143,235	31.8%	29.0%
16 or more	6.3%	312,406	19.5%	17.0%
Average Years of Schooling	11.5		13.2	12.8
Race				
White	82.7%	3,384,268	80.6%	79.8%
Black	6.4%	263,281	6.5%	6.7%
Asian	9.7%	48,740	12.0%	12.3%
Other Race	1.2%	397,569	1.0%	1.1%
Ethnic Status				
Hispanic	46.7%	1,911,373	29.2%	27.2%
Non-Hispanic	53.3%	2,182,485	70.8%	72.8%
Gender				
Male	49.1%	2,009,718	53.8%	48.5%
Female	50.9%	2,084,140	46.2%	51.5%
Marital Status:				
Married, Spouse Present	40.4%	1,654,450	51.8%	51.4%
Divorced, Separated, Widowed	14.1%	575,224	15.7%	18.9%
Never Married	45.5%	1,864,184	32.5%	29.7%
Family Status				
Single Individual	17.9%	731,496	22.1%	NA
Single Head	13.1%	535,021	10.7%	NA
Single head with no children	1.2%	49,351	1.1%	NA
Single head with 1 child	2.5%	102,027	2.0%	NA
Single head with 2 children	3.1%	128,344	2.6%	NA
Single head with 3+ children	6.2%	255,299	4.9%	NA
Single Earner in Married Couple	12.4%	508,662	13.7%	NA
Single earner with no children	2.1%	85,483	2.4%	NA
Single earner with 1 child	1.2%	47,198	1.3%	NA
Single earner with 2 children	2.0%	81,332	2.4%	NA
Single earner with 3+ children	7.2%	294,649	7.7%	NA

Table 1 Continued

Variable	Affected California Workers		Percentage of Affected Workers	
	Percent	Population	All California Workers	California Residents Age 16 +
Family Status Continued				
Dual earner in Married Couple	28.0%	1,145,788	38.1%	NA
Dual earner with no children	4.0%	164,601	6.9%	NA
Dual earner with 1 child	3.1%	125,618	4.1%	NA
Dual earner with 2 children	4.6%	186,889	7.1%	NA
Dual earner with 3+ children	16.3%	668,680	20.0%	NA
Living with Parents	21.8%	891,709	11.5%	NA
Living with Other Relative	6.9%	281,182	4.0%	NA
Family Income				
< $12,500	15.9%	650,844	7.6%	11.5%
$12,500-$24,999	25.0%	1,025,290	13.4%	16.2%
$25,000-$39,999	23.9%	980,367	18.7%	19.1%
$40,000-$49,999	7.9%	322,242	9.7%	8.9%
$50,000-$50,999	7.2%	295,204	9.6%	8.4%
$60,000-$74,999	6.9%	282,269	11.2%	9.7%
$75,000 or more	13.1%	537,642	29.8%	26.2%
Mean	$42,530		$65,035	$59,132
Median	$27,118		$54,043	$44,370
Location				
Non-Metro/Small Metro Areas	14.3%	587,107	10.4%	11.6%
Los Angeles CMSA				
Los Angeles-Long Beach PMSA	30.6%	1,253,309	27.2%	28.1%
Riverside-San Bernardino PMSA	9.6%	392,328	8.5%	8.6%
Orange County PMSA	1.7%	71,259	2.0%	2.0%
Ventura PMSA	7.5%	307,025	8.8%	8.5%
San Francisco CMSA				
Oakland PMSA	4.7%	194,208	7.5%	6.8%
San Francisco PMSA	4.3%	174,113	6.6%	6.0%
San Jose PMSA	3.9%	161,672	6.3%	5.6%
Other San Francisco PMSAs	2.9%	119,728	3.0%	2.9%
San Diego, MSA	7.9%	321,715	8.4%	8.3%
Sacramento, MSA	4.6%	188,246	5.4%	5.4%
Fresno, MSA	3.3%	137,096	2.5%	2.6%
Bakersfield, MSA	2.8%	114,898	1.9%	2.0%
Stockton, MSA	1.7%	71,154	1.5%	1.6%
Hours Per Week	35.0		38.6	NA
Full-time	70.3%	2,877,982	82.9%	NA
Weeks Worked Per Year	48.6		50	NA
Population		4,093,858	14,240,570	25,491,183
Sample Size		11,174	38,589	69,956

Note: Data source is the January 1999-December 2001 CPS ORG. Affected workers are defined as those persons earning $6.75-$10.25 per hour in January 2003. 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 Income Increases for Families of Workers Affected by Minimum Wage Increase

Variable	Percent in Class Before Increase	Annual Income Increase	Percent Increase In Family Income	Percent of Total Income Increase
All	100%	$4,663	11.0%	100%
Family Income				
< $12,500	16.6%	$5,306	68.9%	18.9%
$12,500-$24,999	25.1%	$5,133	27.7%	27.6%
$25,000-$39,999	22.5%	$4,881	15.6%	23.6%
$40,000-$49,999	7.8%	$4,355	9.8%	7.3%
$50,000-$50,999	7.3%	$4,112	7.6%	6.4%
$60,000-$74,999	7.2%	$3,728	5.6%	5.8%
$75,000 or more	13.4%	$3,609	2.8%	10.4%
Average Family Income: $42,477				

Note: Data source is the January 1999-December 2001 CPS ORG. Affected workers are defined as those persons earning $6.75-$10.25 per hour in January 2003 dollars. All means are calculated using CPS sample weights.

Table 3 Income Distribution of Minimum Wage Across All Families

Variable	Percent in Class Before Increase	Annual Income Increase	Percent Increase In Family Income	Percent of Total Income Increase
All	100%	$1,142	2.1%	100%
Family Income:				
< $12,500	14.1%	$1,528	20.9%	18.9%
$12,500-$24,999	17.5%	$1,801	9.7%	27.6%
$25,000-$39,999	19.6%	$1,372	4.3%	23.6%
$40,000-$49,999	9.2%	$911	2.1%	7.3%
$50,000-$50,999	8.3%	$887	1.6%	6.4%
$60,000-$74,999	9.2%	$720	1.1%	5.8%
$75,000 or more	22.1%	$536	0.4%	10.4%
Average Family Income: $54,094				

Note: Data source is the January 1999-December 2001 CPS ORG. Affected workers are defined as those persons earning $6.75-$10.25 per hour in January 2003 dollars. All means are calculated using CPS sample weights.

Table 4 California Employment Levels and Job Losses by Sector

Group	Employment		Projected Job Loss	Percent of All Job Loss
	All Workers	Affected Workers		
All	14,240,570	4,093,858	279,320	100%
Age:				
16 to 19	739,149	523,412	44,308	15.9%
20 to 24	1,621,357	849,805	58,319	20.9%
25 to 29	1,746,524	521,574	34,063	12.2%
30 to 39	3,849,981	937,775	61,483	22.0%
40 to 64	6,006,505	1,175,527	75,421	27.0%
65 to 99	277,054	85,765	5,726	2.0%
Family Income:				
< $12,500	1,076,653	650,844	53,983	19.3%
$12,500-$24,999	1,910,898	1,025,290	73,569	26.3%
$25,000-$39,999	2,663,081	980,367	64,294	23.0%
$40,000-$49,999	1,379,467	322,242	20,499	7.3%
$50,000-$50,999	1,360,340	295,204	17,940	6.4%
$60,000-$74,999	1,601,076	282,269	16,954	6.1%
$75,000 or more	4,249,052	537,642	32,343	11.6%
Gender:				
Male	7,661,135	2,009,718	135,482	48.5%
Female	6,579,435	2,084,140	143,838	51.5%
Race:				
White	11,472,916	3,384,268	233,929	83.7%
Black	920,793	263,281	15,654	5.6%
Asian	144,025	48,740	3,211	1.1%
Other Race	1,702,836	397,569	26,526	9.5%
Ethnic Status:				
Hispanic	4,153,624	1,911,373	140,713	50.4%
Non-Hispanic	10,086,946	2,182,485	138,607	49.6%
Years of Schooling:				
0 to 8	1,038,422	650,072	51,997	18.6%
9 to 11	1,303,149	792,390	63,911	22.9%
12	3,340,489	1,195,755	77,900	27.9%
13 to 15	4,525,808	1,143,235	69,620	24.9%
16 or more	4,032,702	312,406	15,893	5.7%
Location:				
Non-Metro/Small Metro Areas	1,484,281	587,107	43,356	15.5%
Los Angeles CMSA				
Los Angeles-Long Beach PMSA	3,873,567	1,253,309	89,413	32.0%
Riverside-San Bernardino PMSA	1,203,425	392,328	25,696	9.2%
Orange County PMSA	285,785	71,259	4,901	1.8%
Ventura PMSA	1,255,097	307,025	20,467	7.3%

Table 4 Continued

Group	Employment		Projected Job Loss	Percent of All Job Loss
	All Workers	Affected Workers		
Location Continued:				
San Francisco CMSA				
Oakland PMSA	1,066,134	194,208	11,013	3.9%
San Francisco PMSA	933,383	174,113	9,667	3.5%
San Jose PMSA	902,063	161,672	9,437	3.4%
Other San Francisco PMSAs	425,074	119,728	7,509	2.7%
San Diego, MSA	1,191,848	321,715	21,419	7.7%
Sacramento, MSA	767,858	188,246	12,166	4.4%
Fresno, MSA	359,359	137,096	10,421	3.7%
Bakersfield, MSA	276,574	114,898	8,906	3.2%
Stockton, MSA	216,122	71,154	4,949	1.8%
Industry:				
Agriculture	391,401	250,923	21,255	7.6%
Mining	20,052	259	15	0.0%
Construction	811,465	167,3	62 9,754	3.5%
Durable Manufacturing	1,373,159	285,890	17,566	6.3%
Nondurable Manufacturing	755,677	281,631	21,430	7.7%
Transportation, Communication, and Utilities	1,018,665	176,516	9,157	3.3%
Wholesale Trade	586,774	162,403	10,784	3.9%
Retail Trade	2,325,802	1,169,462	88,316	31.6%
Finance, Insurance, and Real Estate	869,021	146,092	7,184	2.6%
Business and Repair Services	1,356,469	338,607	22,001	7.9%
Personal Services	510,899	240,245	17,058	6.1%
Entertainment and Recreation Services	390,878	127,115	9,444	3.4%
Other Professional Services	3,174,028	670,130	40,738	14.6%
Public Administration	656,280	77,223	4,617	1.7%
Occupation:				
Executives, Administrators, and Managers	391,401	148,623	7,959	2.8%
Professionals	20,052	184,536	10,014	3.6%
Technicians	811,465	57,834	3,048	1.1%
Sales Occupations	1,373,159	599,892	45,459	16.3%
Administrative Support Occupations	755,677	650,843	35,833	12.8%
Service Occupations	1,018,665	1,011,753	74,828	26.8%
Farming, Forestry, and Fishing Occupations	586,774	274,047	23,351	8.4%
Precision Production, Craft, and Repair Occupations	2,325,802	291,196	16,767	6.0%
Machine Operators, Assemblers, and Inspectors	869,021	392,983	30,078	10.8%
Transportation and Material Moving Occupations	1,356,469	162,973	9,570	3.4%
Handlers, Equipment	510,899	319,178	22,412	8.0%

Note: Data source is the January 1999-December 2001 CPS ORG. Affected workers are defined as those persons earning $6.75-$10.25 per hour in January 2003 dollars. All means are calculated using CPS sample weights.

Table 5 Cost to Employers and Lost Income to CA Workers of Minimum Wage Increase

Group	Rise in Labor Cost if no Layoffs of Workers	Lost Income Due to Layoffs	Net Rise in Cost of Labor to Employers
All	$16,531,438,063	$4,076,175,650	$12,455,262,413
Industry:			
Agriculture	$1,470,882,131	$341,838,938	$1,129,043,193
Mining	$1,171,458	$257,721	$913,737
Construction	$661,243,914	$160,614,922	$500,628,992
Durable Manufacturing	$1,194,136,730	$292,976,995	$901,159,735
Nondurable Manufacturing	$1,416,176,789	$337,688,406	$1,078,488,383
Transportation, Communication, and Utilities	$612,942,233	$152,728,440	$460,213,793
Wholesale Trade	$701,913,322	$171,033,038	$530,880,284
Retail Trade	$4,677,768,714	$1,165,165,005	$3,512,603,709
Finance, Insurance, and Real Estate	$451,260,919	$110,865,025	$340,395,894
Business and Repair Services	$1,400,673,148	$343,143,508	$1,057,529,640
Personal Services	$993,307,356	$239,150,920	$754,156,436
Entertainment and Recreation Services	$476,951,551	$119,459,844	$357,491,707
Other Professional Services	$2,190,029,493	$552,685,666	$1,637,343,827
Public Administration	$282,980,306	$71,078,292	$211,902,014
Location:			
Non-Metro/Small Metro Areas	$2,542,119,750	$620,570,400	$1,921,549,350
Los Angeles CMSA			
Los Angeles-Long Beach PMSA	$5,494,002,676	$1,328,914,770	$4,165,087,906
Riverside-San Bernardino PMSA	$1,503,539,666	$376,726,894	$1,126,812,772
Orange County PMSA	$281,805,590	$70,715,801	$211,089,789
Ventura PMSA	$1,202,725,610	$296,442,122	$906,283,488
San Francisco CMSA			
Oakland PMSA	$623,338,613	$158,523,295	$464,815,318
San Francisco PMSA	$595,350,231	$149,815,419	$445,534,812
San Jose PMSA	$535,295,289	$136,612,680	$398,682,609
Other San Francisco PMSAs	$429,511,322	$110,159,846	$319,351,476
San Diego, MSA	$1,225,917,072	$308,176,107	$917,740,965
Sacramento, MSA	$690,951,448	$175,736,233	$515,215,215
Fresno, MSA	$582,759,979	$140,906,225	$441,853,754
Bakersfield, MSA	$534,921,128	$127,904,216	$407,016,912
Stockton, MSA	$289,199,690	$72,476,996	$216,722,694

Note: Data source is the January 1999-December 2001 CPS ORG. Affected workers are defined as those persons earning $6.75-$10.25 per hour in January 2003 dollars. All means are calculated using CPS sample weights.

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