

WHEN MANDATES WORK

Raising Labor Standards at the Local Level

Edited by Michael Reich, Ken Jacobs and Miranda Dietz



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Timeline of San Francisco Mandates

Passage of San Francisco labor standards



What happened?

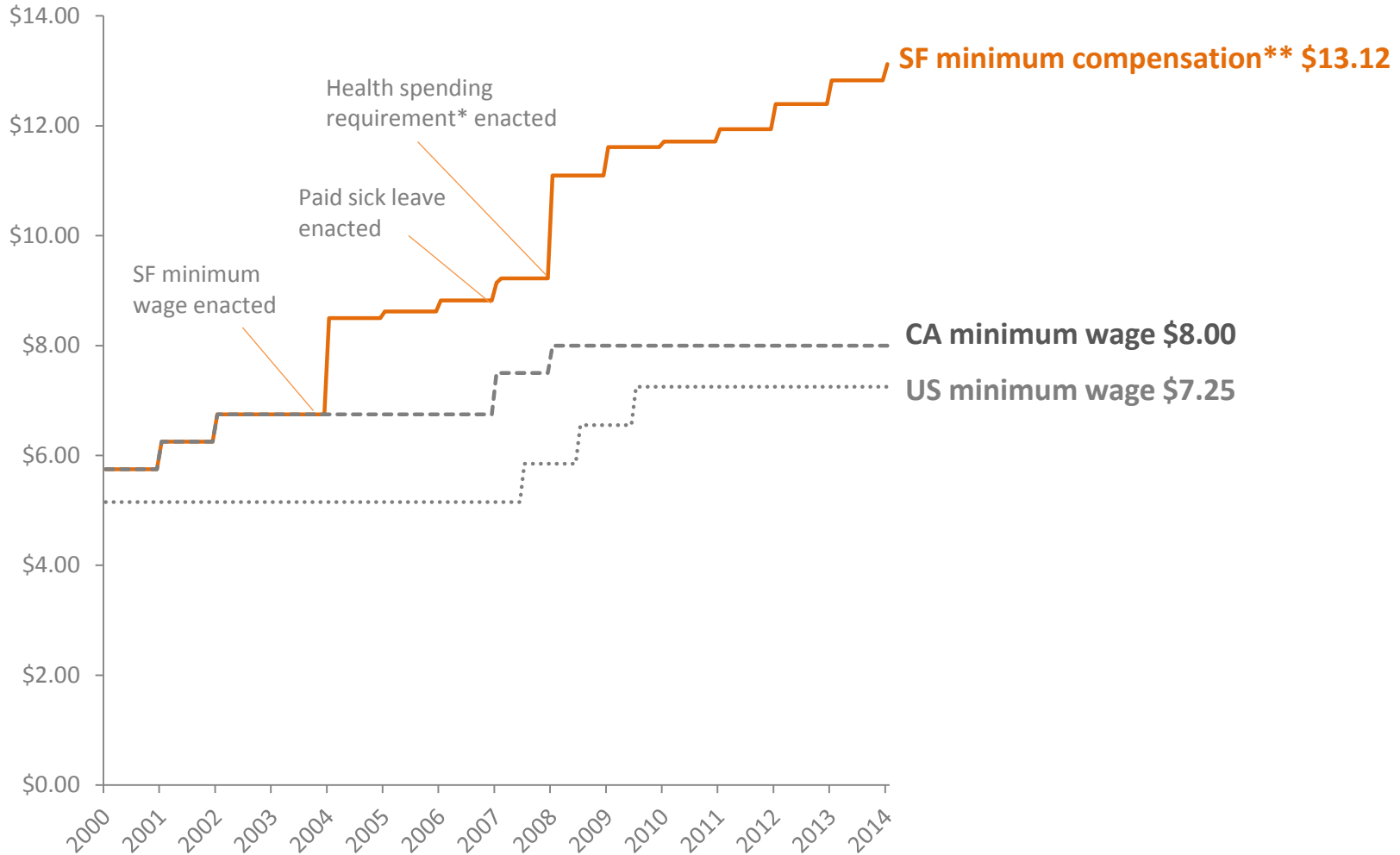
\$1.2 billion in additional wages paid to workers since minimum wage policy began 10 years ago

78,000 workers received **pay increases**

76% of private employers with 20 or more workers were **required** to improve **health care** spending or coverage

More than 25 percent of firms expanded or added **paid sick leave**, covering more than **59,000 additional workers**

Minimum Compensation in SF, CA, and US

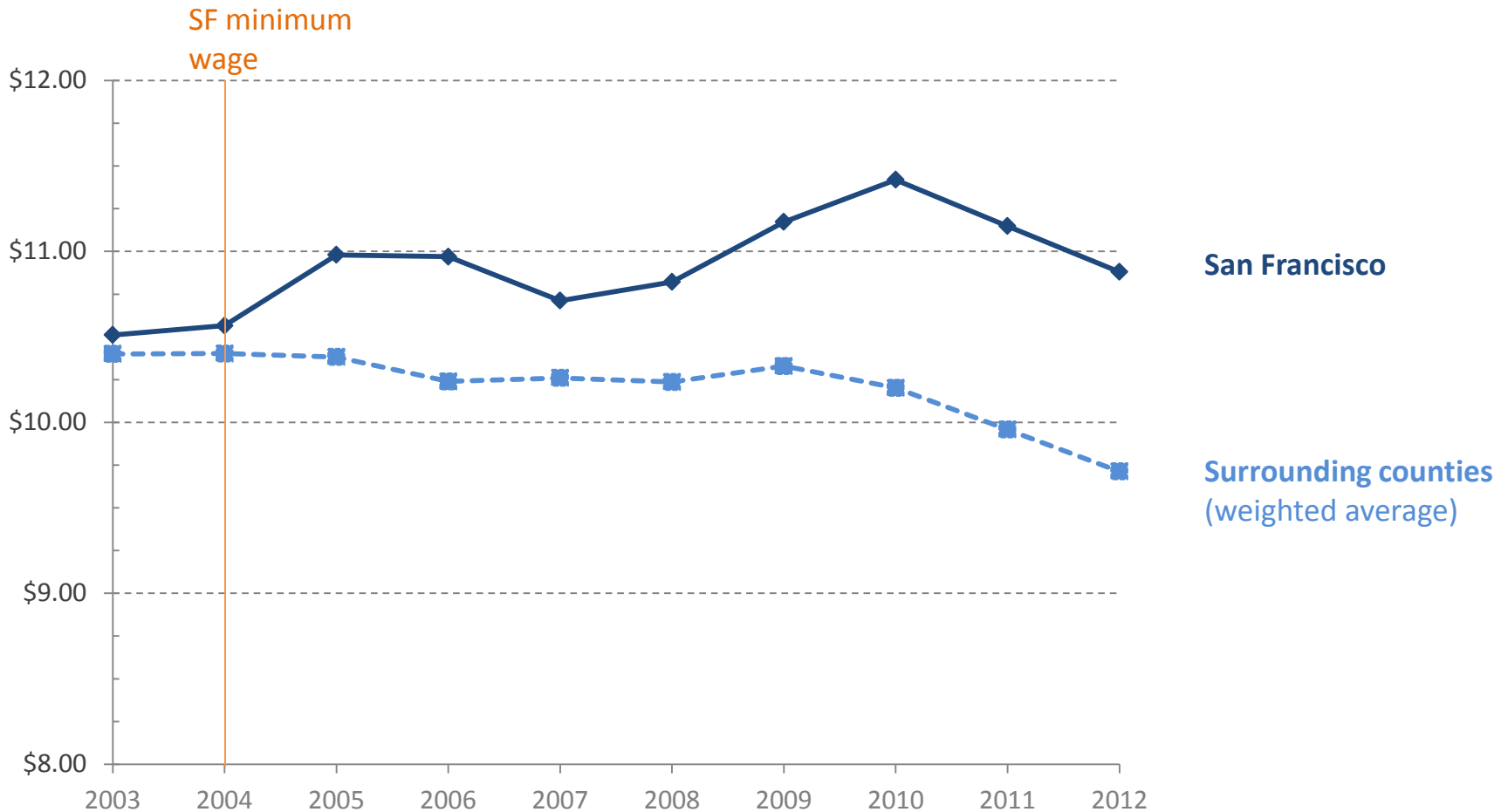


* Health care spending level shown for a large employer (100+ workers)

** Shows average minimum compensation for a large employer, adjusted to reflect that most employees do not use the maximum amount of paid sick leave, and that employers have alternative behavioral responses to the health spending requirement.

Real wages fell for the lowest-paid workers in the rest of the Bay Area, but grew in SF

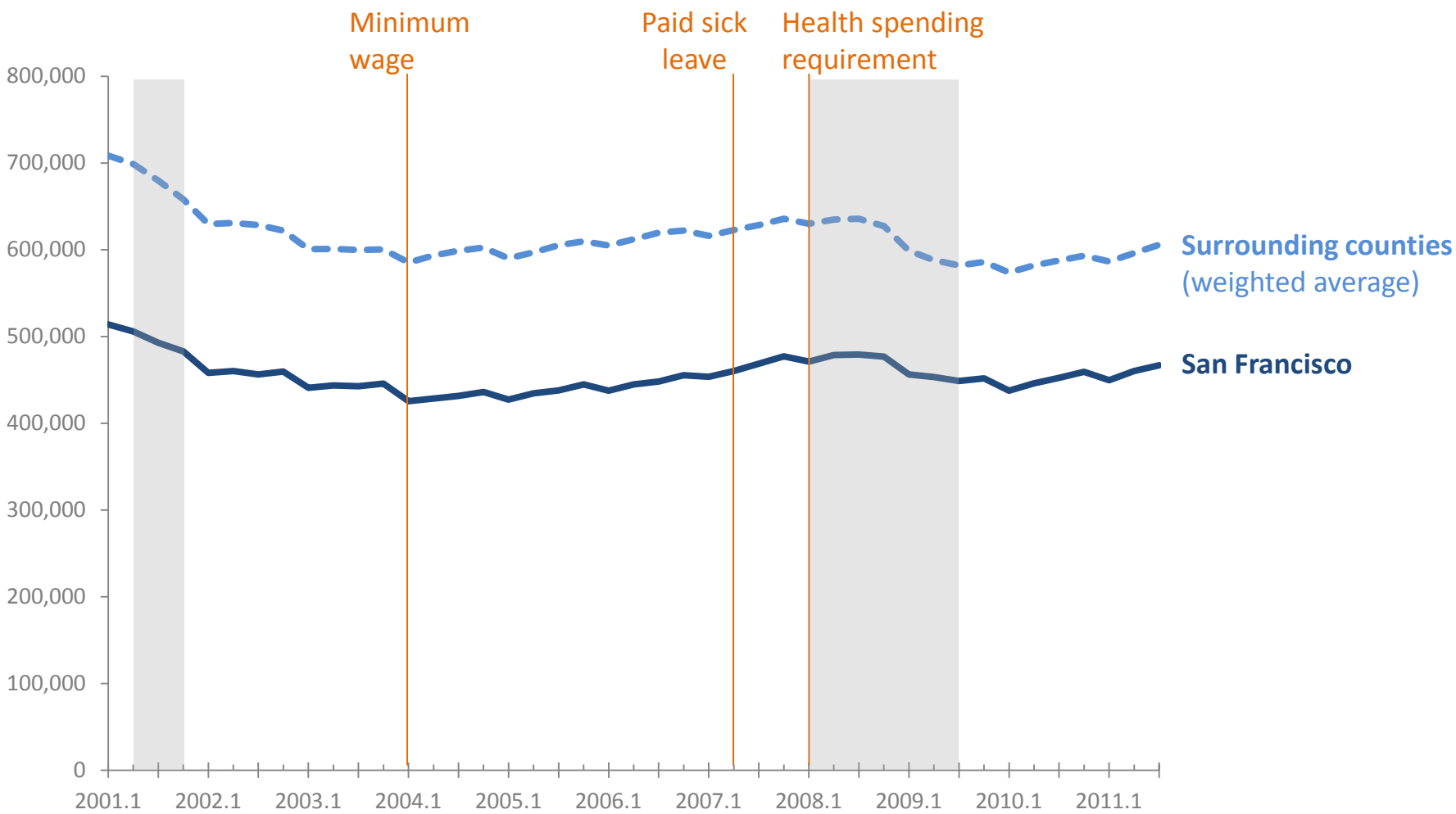
Inflation-adjusted hourly wages for the lowest 10th of Bay Area workers



10th percentile hourly real wages, 2003-2012 in 2012 dollars
Surrounding counties include San Mateo, Santa Clara, and Alameda counties

Comparisons show that labor standards policies did not affect overall employment.

San Francisco Bay Area overall private employment by county



Indicates recession

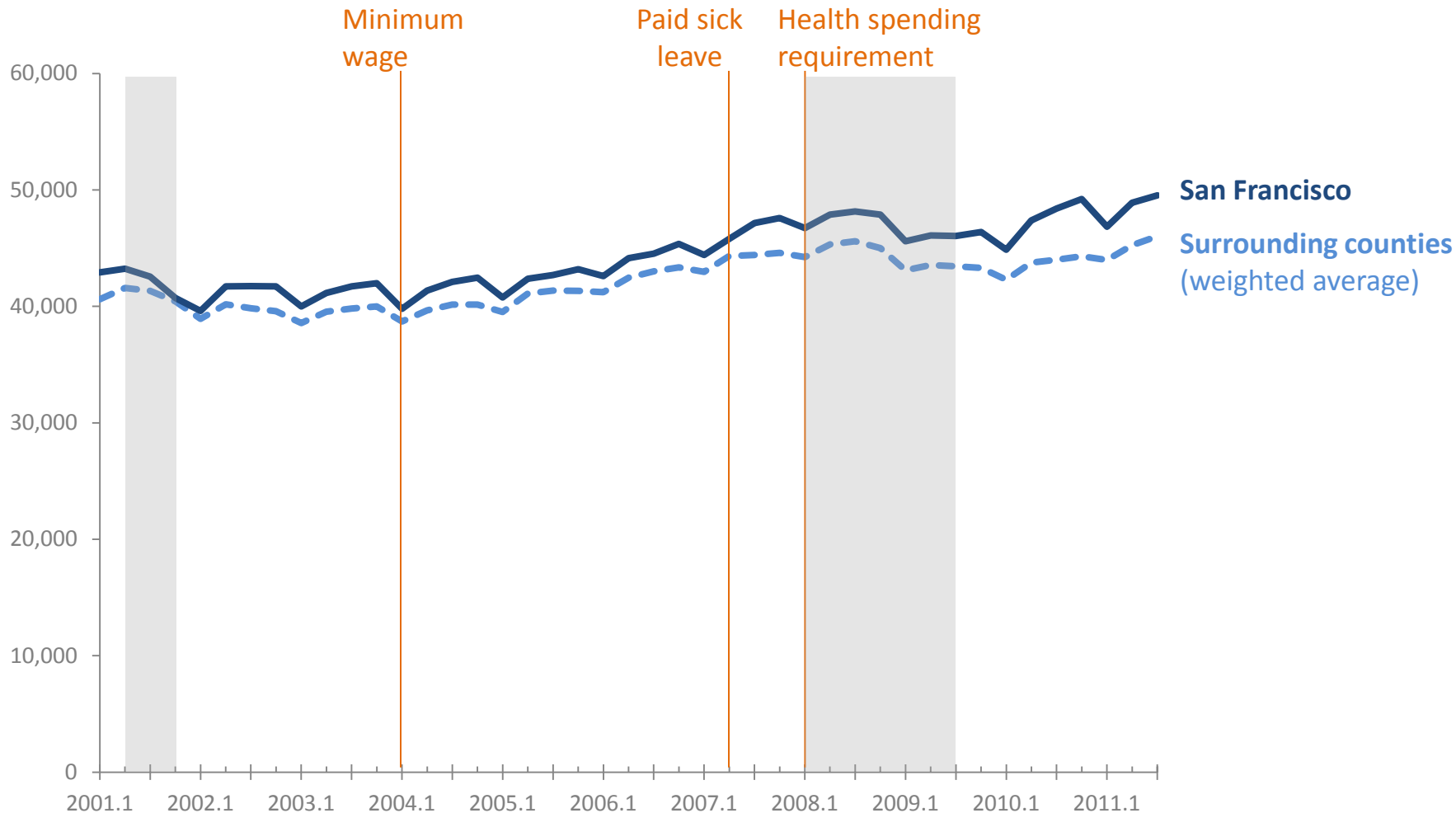
Surrounding counties include San Mateo, Santa Clara, and Alameda counties

The effects of the SF policies: surrounding counties make a good comparison group

- Overall employment trends in SF and surrounding counties are similar—the employment lines are roughly parallel.
- Overall employment in both groups goes down during recessions and up during expansions.
- Since the SF policies affect only a fraction of the population, we do not expect differences in *overall* employment trends.
- Since overall trends before and after the policies were implemented are similar, the surrounding counties are a good comparison group.

Even at restaurants, employment in San Francisco remained strong relative to surrounding counties.

San Francisco Bay Area restaurant employment by county



Indicates recession

Surrounding counties include San Mateo, Santa Clara, and Alameda counties

Even at restaurants, employment in San Francisco remained strong relative to surrounding counties.

- If we were to see a negative effect on employment, we would expect to see it at restaurants. Restaurants employ a high share of low-wage workers and so they are most affected by these laws.
- However, we do not see evidence of a decline in restaurant employment in SF relative to surrounding counties.
- Restaurant employment in both groups is somewhat seasonal, but generally trends upward.
- Restaurant employment in SF grew slightly faster towards the end of this period, though this may not be statistically significant.

How was the cost absorbed?

Lower turnover

Higher wages increased retention rates of airport, restaurant, and homecare workers

Small price increases

2.8% increase in restaurant prices due to minimum wage

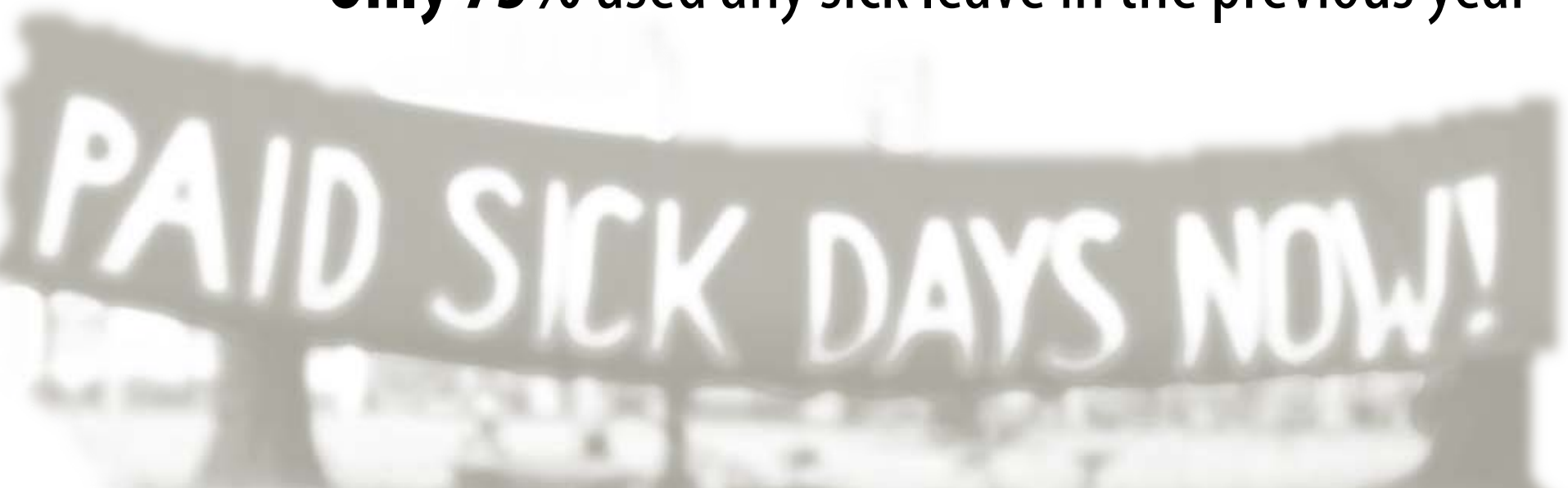
Higher productivity

SFO employers reported improvements in worker performance, morale, absenteeism, grievances, disciplinary issues, and customer service

Lower employer profits?

Workers treat Paid Sick Leave as insurance

**Of workers with Paid Sick Leave:
Only 73%** used any sick leave in the previous year



Of those who used Paid Sick Leave:

Median days taken was **4**— less than the maximum of 9 days for workers in large firms or 5 days in small firms

Office of Labor Standards Enforcement

- 
- **Dedicated staff and funding**
 - **Thorough, company-wide investigations**
 - **Over \$17 million in back wages and \$2 million in penalties collected**

How did San Francisco do it?

- Labor-community coalitions
- Ballot initiatives
- District elections

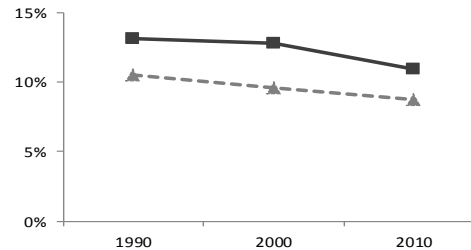


San Francisco's economy is very similar to other large cities

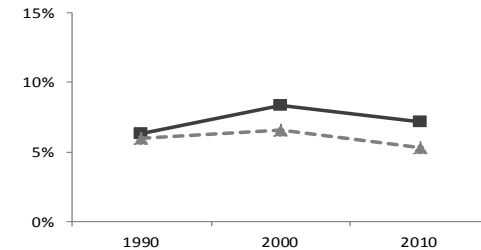
Employment share by sector, 1990-2010

■ San Francisco
 -▲ 20 city average

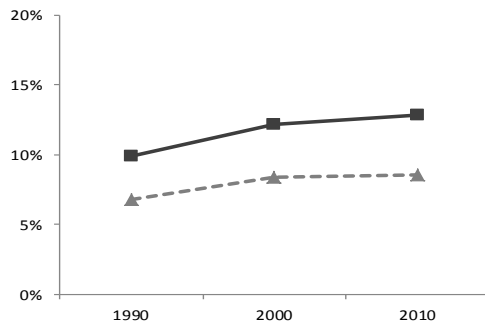
Financial Activities



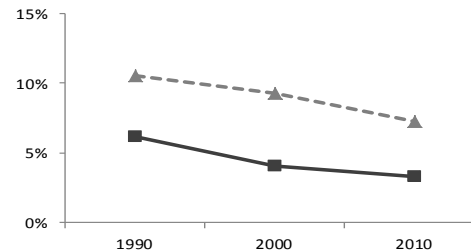
Information & Communications



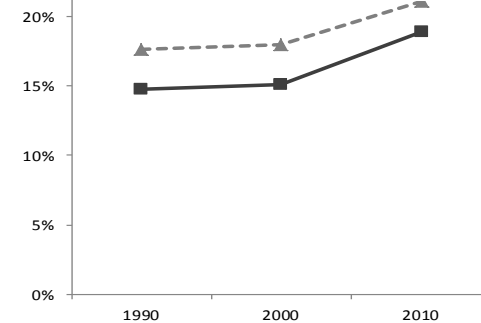
Professional, Scientific, Management Services



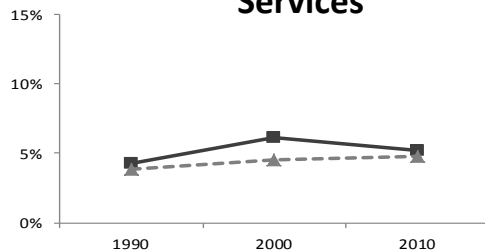
Manufacturing



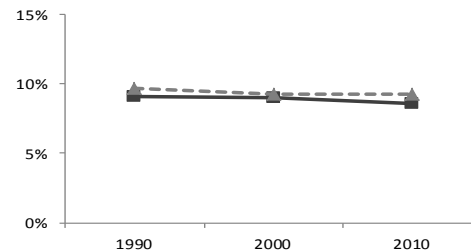
Health, Education, & Social Services



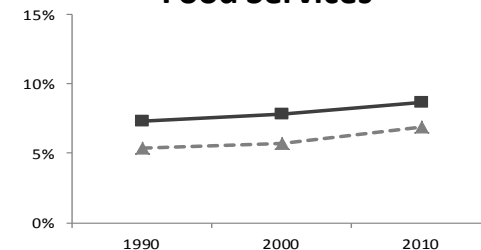
Administrative Support Services



Retail



Accommodation & Food Services



San Francisco's economy is very similar to other large cities

- While every city has a unique mix of industries, San Francisco is not hugely different from many other large cities. Moreover, the *trends* in each sector over the last 20 years are similar in San Francisco and other large central cities.
- For example, while San Francisco has a relatively low share employed in manufacturing, other cities have been following its lead and have also seen declines in the sector.
- It is not only high-wage sectors where San Francisco is more concentrated than average. The city also has a higher share in the low-wage hotel and restaurant sector, "Accommodation and Food Services."

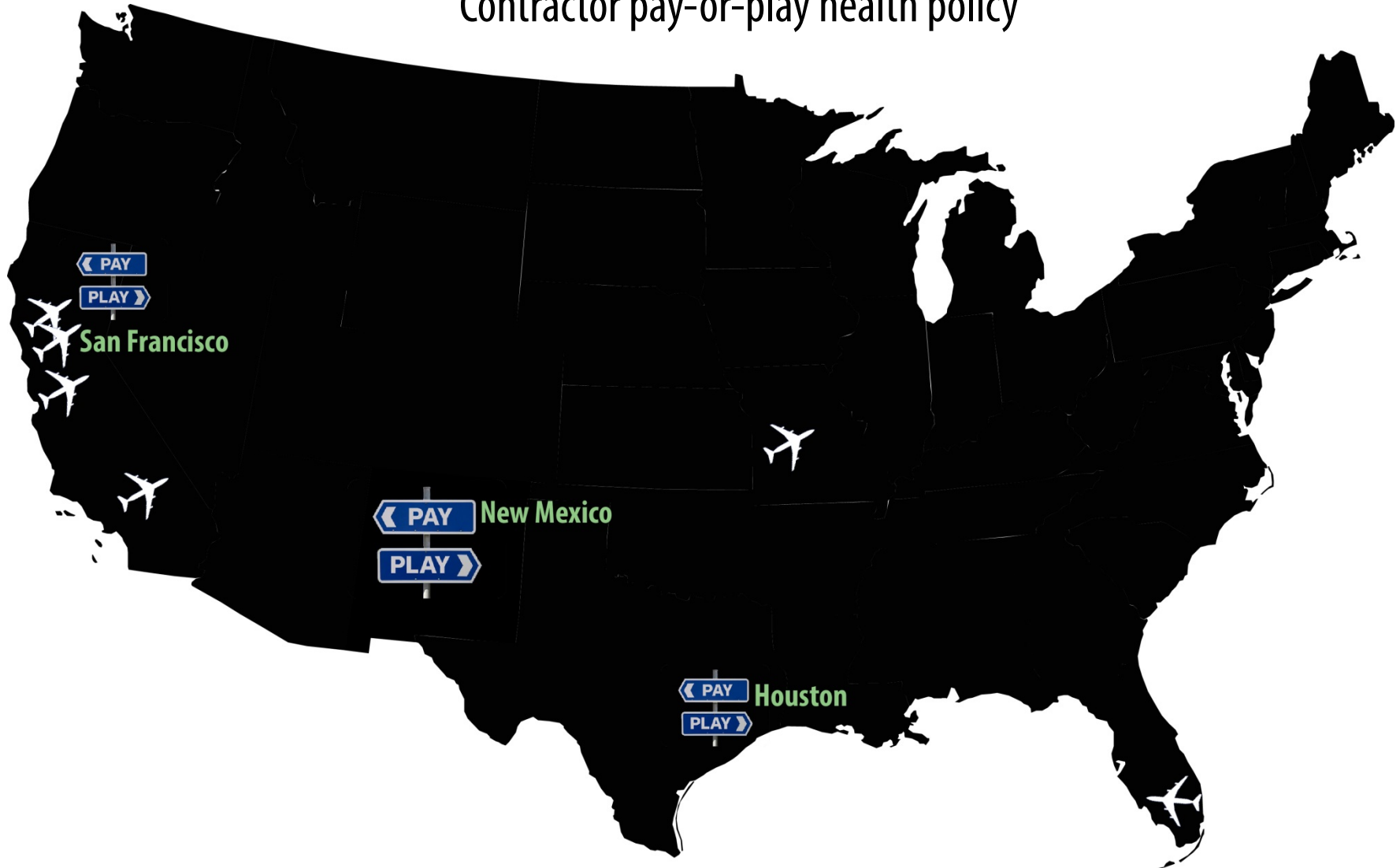
Spreading local labor policies

Airport living wage laws around the country



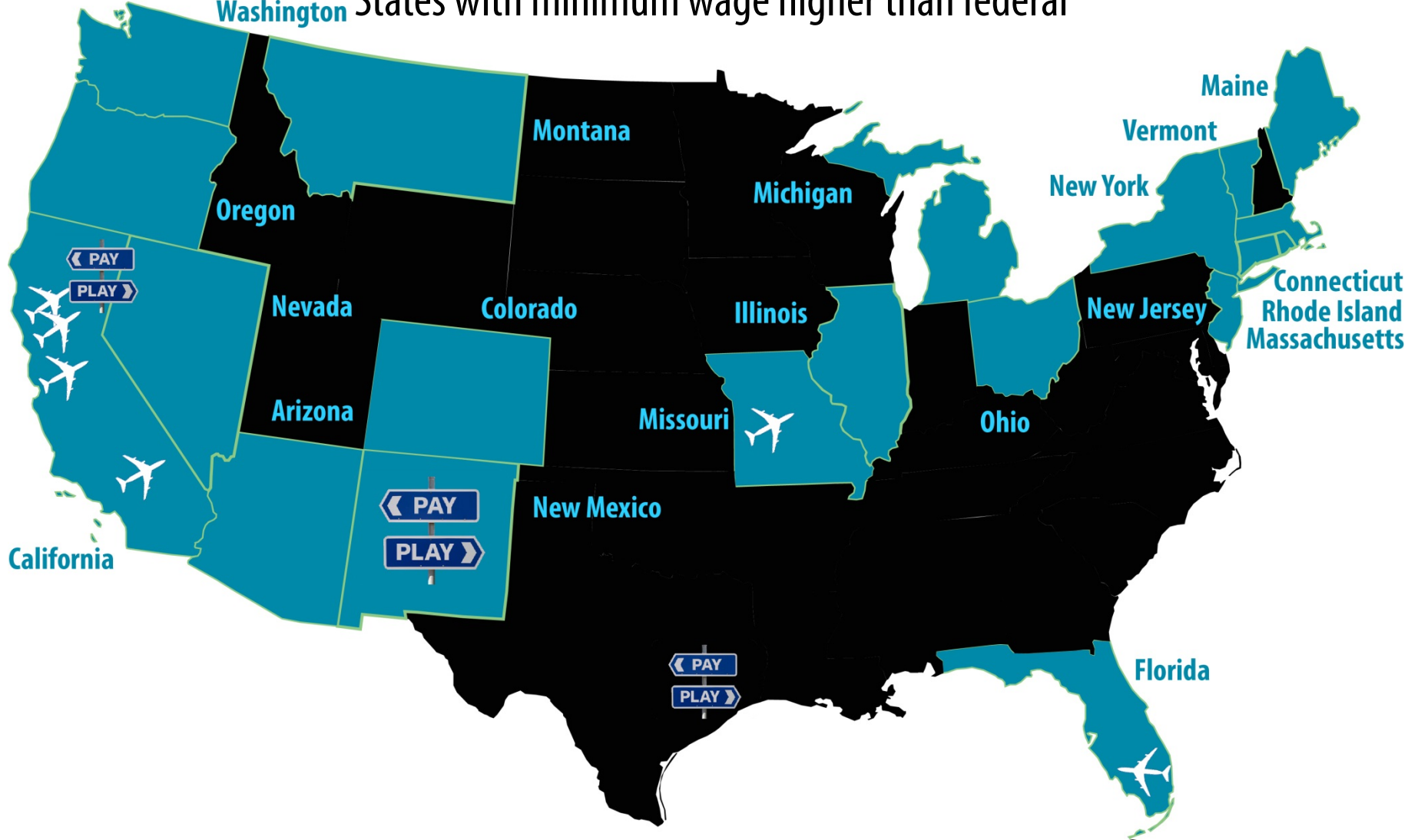
Spreading local labor policies

Contractor pay-or-play health policy



Spreading local labor policies

Washington States with minimum wage higher than federal



Spreading local labor policies

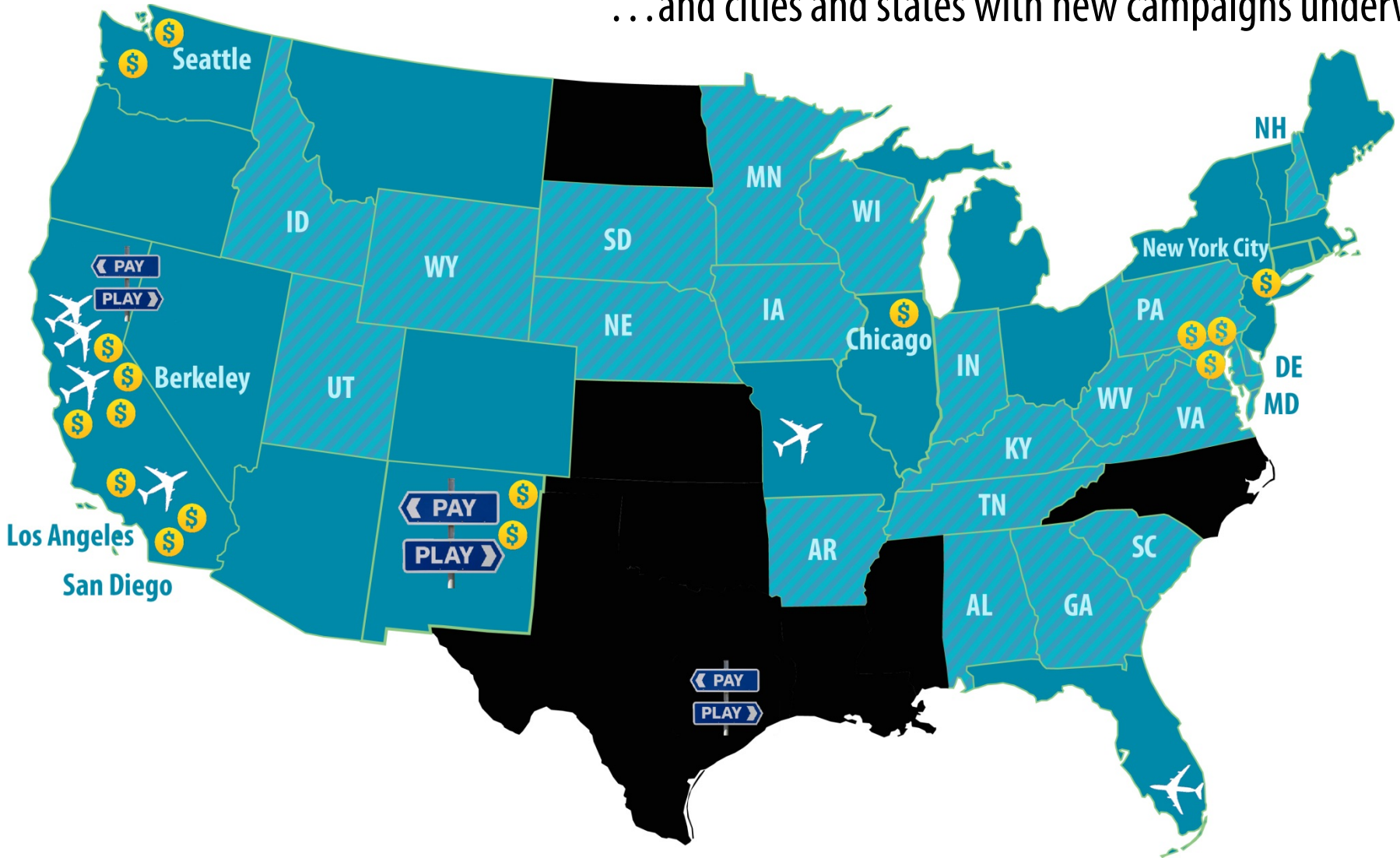
Cities with minimum wage higher than federal...



*Localities with industry-specific wage laws

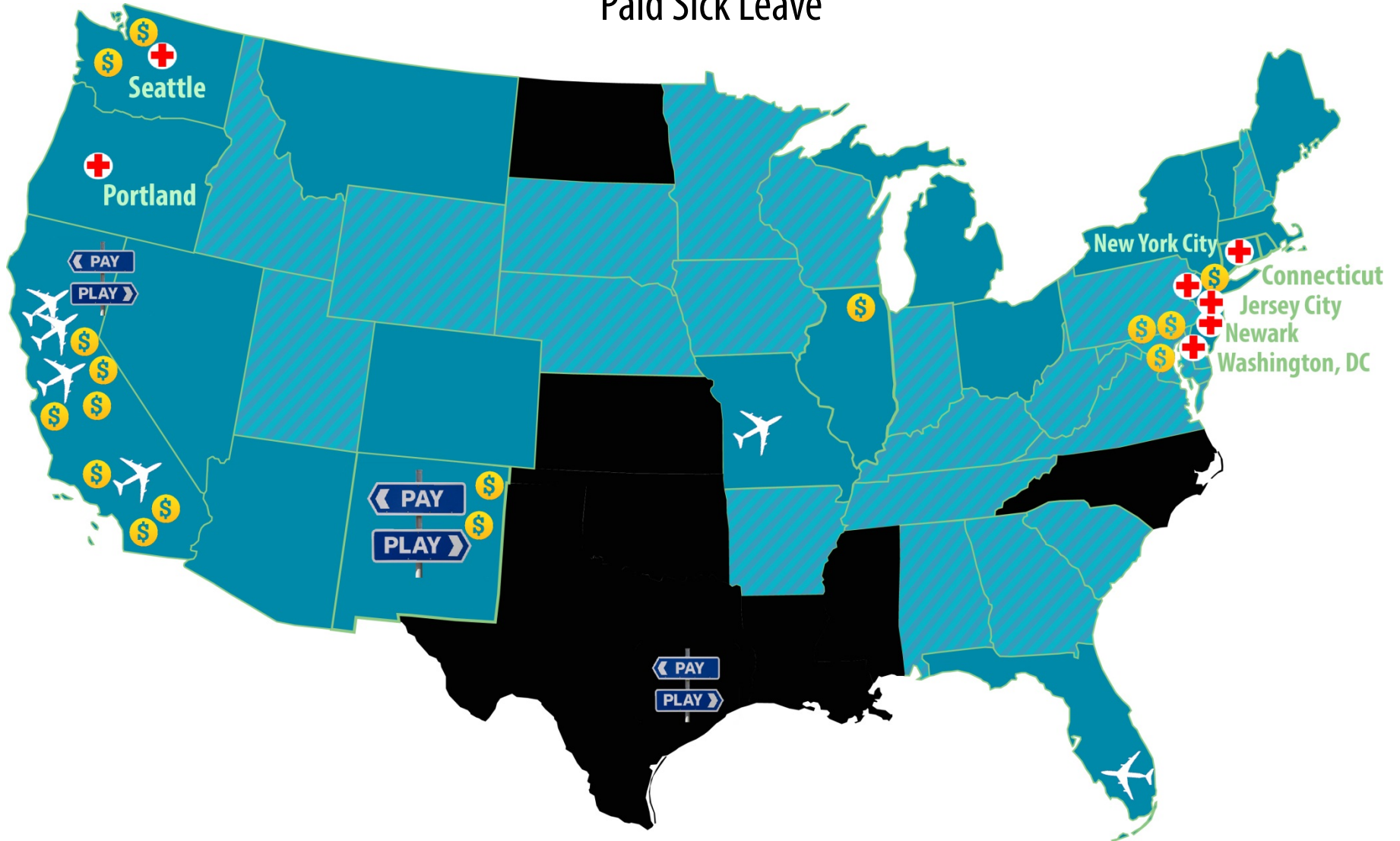
Spreading local labor policies

...and cities and states with new campaigns underway



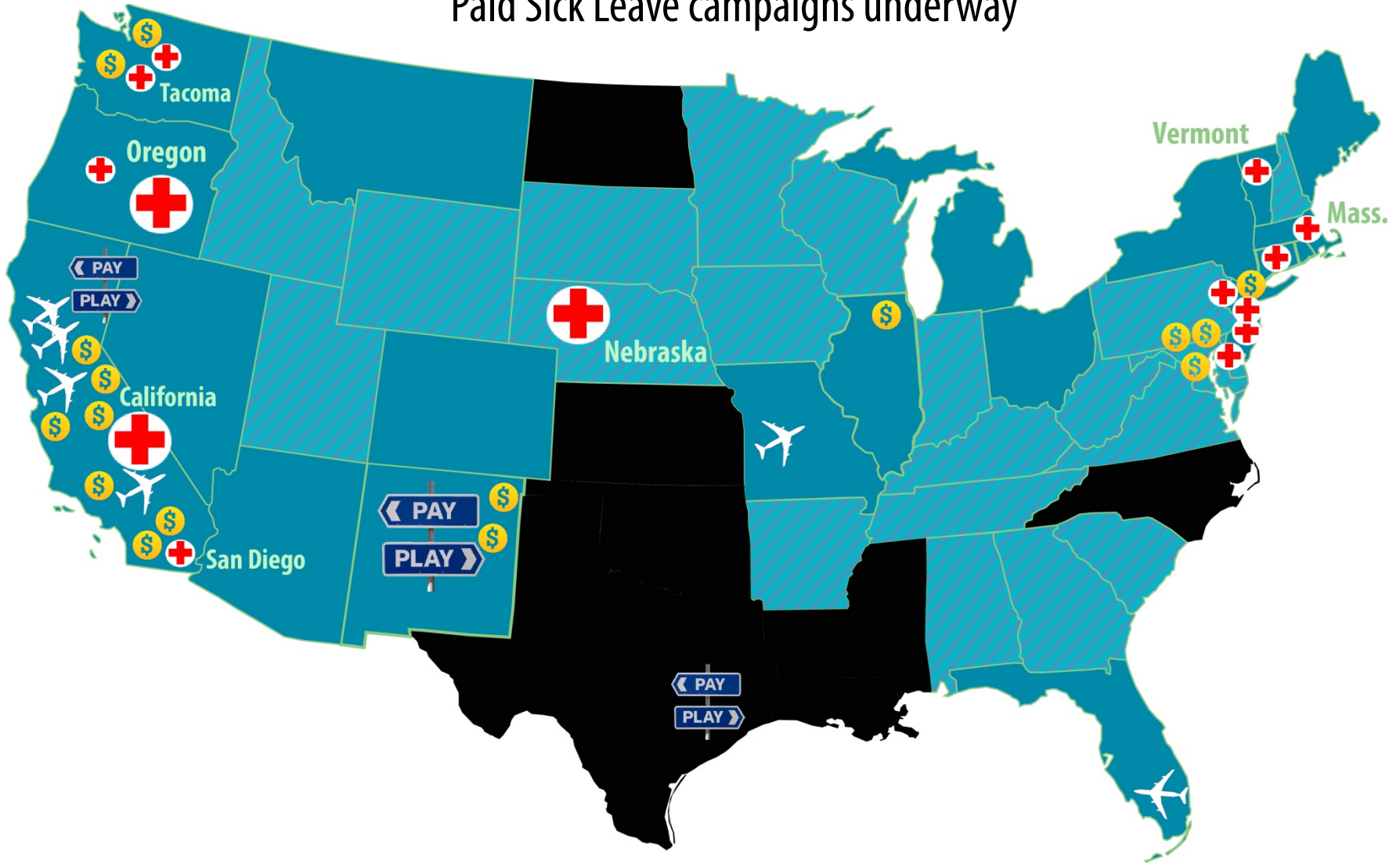
Spreading local labor policies

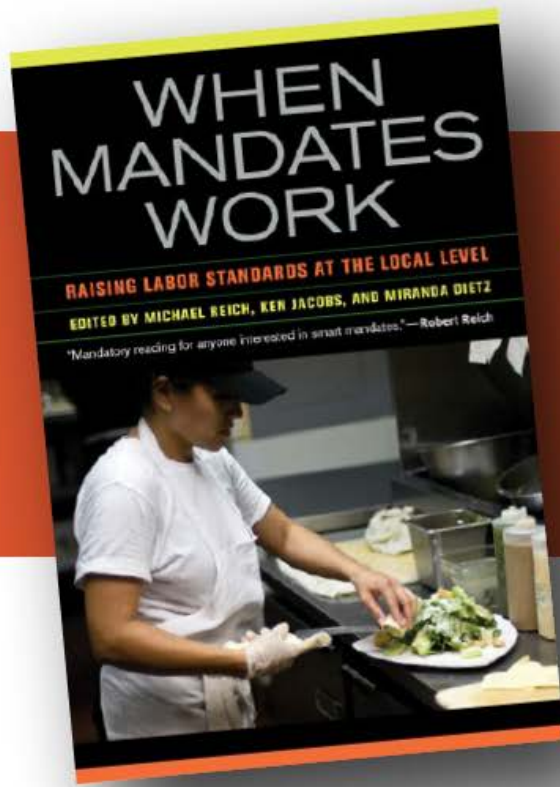
Paid Sick Leave



Spreading local labor policies

Paid Sick Leave campaigns underway





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