

SDCTA/Chamber Study Shows Pitfalls of Minimum Wage Hike *Comprehensive Analysis Uncovers Negative Impacts on Small Businesses and Ineffectiveness as Tool to Reduce Poverty*

SAN DIEGO (June 5, 2014) – Increasing the minimum wage would hurt numerous small businesses, according to a study released today by the San Diego County Taxpayers Association (SDCTA) and the San Diego Regional Chamber of Commerce. The study also found that a local proposal to raise the minimum wage would be an ineffective tool to reduce poverty, failing to reach many of the people who need the most help.

“We ask our elected officials to take a step back, acknowledge the potential economic consequences of committing to a 64 percent increase in the minimum wage, and refocus on combating poverty in San Diego,” said Sean Karafin, SDCTA’s Interim President and CEO. “The state is increasing minimum wage, and we know of other proven ways to decrease poverty.”

Jerry Sanders, the Chamber’s President & CEO and former Mayor of San Diego, also urged restraint.

“The proposal to create a higher minimum wage in the City of San Diego – by significantly increasing the rate over the \$10 an hour already adopted by the State of California – puts San Diego at a competitive and economic disadvantage and hurts the very workers the proponents are purporting to help,” Sanders said. “The Chamber of Commerce urges the City Council to listen to the findings in this study before moving forward.”

The SDCTA/Chamber study revealed six key findings:

Finding #1: Several small businesses predict they will have to downsize and cut hours as a result of minimum wage increases.

Finding #2: When businesses are forced to pay increased wages, most of those dollars do not reach families living in poverty. That’s because most minimum wage earners do not live in low-income households.

Finding #3: A proposal before the San Diego City Council would commit to increases on top of statewide increases approved in Sacramento, without a clear understanding of how our local economy will react to two State-imposed minimum wage hikes that will start to take effect this summer.

Finding #4: The minimum wage hike proposal before the City Council is based on a flawed study that bases its calculation on how much is required to sustain a single adult living in a one-bedroom apartment in San Diego. This fails to take into account that many people choose to share two-bedroom apartments and therefore have lower living expenses.

Finding #5: Automation and globalization are depressing wages for low-skilled labor. Education and workforce development provide the best long-term opportunities for adapting to our changing global economy.

Finding #6: Several steps must be taken to meaningfully reduce poverty. No single action will solve the problem. A concerted, multi-pronged effort, including ending chronic homelessness, focusing on education and workforce development, and establishing a state earned-income tax credit should all be considered.

Harry Schwartz, owner of the Downtown Ace Hardware, said a minimum wage hike in the City of San Diego would require him to raise prices “because we won’t be able to cover the higher payroll expenses from increased sales.”

“Some, like Home Depot, won’t have to raise their prices as much. Maybe they only have to raise their prices six percent because they’re going to make it up in volume, where I will have to raise my prices 12 percent,” Schwartz said.

Hannah Schultz, area operations manager for AccentCare Inc., said the proposal threatens her company’s ability to provide quality in-home care for seniors who might otherwise need to live in a group setting.

“We operate on the thinnest of margins,” Schultz said. “If the proposal passes in its current form, it would force us to charge our clients more to cover our increased payroll costs. This could price many clients out of our system, leaving them with fewer options.”

Michael Hormozi, owner of MAK Cleaners, said the issue is about much more than an hourly wage.

“The public tends to focus only on the hourly rate we set for the minimum wage, but that’s just part of the cost for business,” he said. “When the minimum wage goes up, so do payroll taxes and worker compensation costs, which will increase by more than 60 percent as part of this proposal.”

Councilmember Scott Sherman said: “I cannot support a plan that will put San Diego businesses at a competitive disadvantage and increase the cost of living for our residents. The measure will particularly hurt young and low-skilled workers who are struggling to find jobs. This is not the time to enact unprecedented local measures that will hurt our fragile economy, but I do support federal and state minimum wage laws that protect entry level workers from being exploited.”

Councilmember Lorie Zapf said: “If we want to reduce poverty in San Diego, we need to look at more effective strategies like continuing education and job training. Small businesses are the backbone of our economy, and this study shows the minimum wage proposal could do more harm than good to low-income San Diegans.”

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About SDCTA: The [San Diego County Taxpayers Association](#) is a non-profit, non-partisan organization, dedicated to promoting accountable, cost-effective and efficient government and opposing unnecessary taxes and fees. Founded in 1945, SDCTA has spent the past 67 years saving the region’s taxpayers millions of dollars, as well as generating information to help educate the public.

About the Chamber: The [San Diego Regional Chamber of Commerce](#) is the leading, most effective voice for business policy and connections in the San Diego-Baja region. As the largest Chamber on the West Coast, representing more than 3,000 businesses and 400,000 employees, the SDRCC is committed to organizing the business community to make San Diego the best place to do business and create jobs. For more information, please visit www.sdchamber.org or call 619/544-1300.