

You're listening to a UC Davis Center for Poverty Research Conference podcast. I'm the Center's director, Ann Stevens. In October 2015, the Center hosted the conference Employment, Earnings and Inequality: Realities and Opportunities in Low Wage Labor Markets. The conference featured experts on labor markets who presented with quantitative and qualitative research on a wide variety of topics including wages, shifts in occupations, immigration, and the lives of low skilled workers.

Ken Jacobs moderates this policy discussion and Q&A on raising labor standards at the local level. Jacobs is the Chair of the UC Berkeley Labor Center, where he has been a labor specialist since 2002.

>> I've been doing quite a bit of work over the last really 13 years since I've been at the Center and then before that.

Started out at the Center doing work on local labor standards, spent a lot of time on health care and then later Affordable Care Act implementation. And the more recently, back looking at labor standards, local labor standards specifically, with all these increases we're seeing at the minimum wage on the local level.

And so what I want to do is talk about this turn to local government, why is that, what's happening, and why is that happening? Get it a little bit into the impact of local minimum wage laws, and since we've talked about some of those issues, we'll go through that a bit.

But I want to give a little more sort of macro perspective on some of that, and then go into what are some of the policy issues that people are facing as they are turning in and focusing on these local level policies? So obviously, we've talked about this in terms of motivating all of this.

Real wages have fallen at the bottom as they have increased at the top with the biggest declines in the lowest 30%. And during the same time, of course, we've seen the real value of the minimum wage has gone down. So, during this time again, we've seen this big turn to local around labor standards.

This is an area that for a long time in the post World War II period going on, they sort of considered that this is national level policy. So what's pushed it to the state and local level? A key part of that, of course, is politics, since nothing's likely to happen to address income equality and low wage work at the national level.

We saw an initial push in the 90s and then again, quite a bit more recently with a focus on state and local level has a place where something can happen. Another key part of this, recently in terms of the local minimum wages, is, of course, the Fight for 15, the organizing among fast food workers that's really changed people's sense of both what's needed and what's possible as you've had workers in motion who are making these kinds of demands.

The other part of the politics on this is, I think, there was a period of time where you saw a lot of focus or sort of going in democratic leadership council, sort of neoliberal. Taxation and redistribution was the more economical efficient way to go with dealing with poverty and then we had a big backlash to that.

Mitt Romney and the 47% and a real push back there. And it's created more focus recently again on what Jacob Hacker called pre-distributional policies. But focusing on things to move to raise wages rather than waiting in the after the fact. And based on some of this morning's discussion, I think there's an important there that there's also some level of dignity connected with this that we see that plays out in the politics.

While you have lower levels of support for things like raising taxes and raising programs for the poor, you have very high levels of public support across the political spectrum. I'd say, on the first, it's a real Democrat/Republican divide. On the other, in terms of the minimum wage, you have support across the political spectrum with high support from Republicans as well, on the idea of work being rewarded.

The other piece on the local level is that it's not just about politics, but there is some economic sense behind this in the idea that what's the proper minimum wage for a city like San Francisco is just going to be different than what's the proper minimum wage for Modesto or California versus Mississippi.

So there is an argument here that, in fact, there's a rationale for having variability in minimum wage. And just for those of us who've been working with this for a while, having President Obama in 2014 say, call on not just states but local governments to act. Was sort of a watershed, and you can really see this in this chart, that San Francisco and Santa Fe acted early with local minimum wage laws.

And then just the last few years, it's off the chart. And there's quite a few cities who are considering it now. Now that's not legal in every state, many states don't allow cities to do their own minimum wage laws. So there is some real geographic variation with heavy concentration in California and especially the Bay Area, but we do see some throughout the country.

And it's not only a question, if we look at local labor standards, the minimum wage, this shows paid sick leave in these four states plus these cities here have their own paid sick leave policies, again San Francisco being the first. San Francisco's really been the place that's done the most in this area.

Started in the mid 1990s with equal benefits for domestic partners, for city contractors, and people operating on city property, and then moved from there through much of contractor related policies to finally doing across-the-board minimum wage, paid sick leave. A health care security ordinance which requires a minimum spending per worker, per hour on health care varying by firm size, and then more recently, new minimum wage increase will go up to \$18 an hour by 2018.

And a predictive scheduling law that just passed that requires premium pay if schedules aren't given in advance or changed at the last minute, and there's a recognition, and we're seeing more and more focus in the predictive scheduling area. There's some people here who've done research on this area about the impacts of people having their work schedules changed at the last minute, or not having set schedules on the ability to go to school, care for children, care for parents, etc, hold multiple jobs.

So we're seeing this big push of different kinds of policies, labor policies at the local level which means we're getting an incredible amount of variation, so there will be lots for you to study for quite a while, so don't worry about employment. So we've done prospective impacts on a number of those local minimum wage laws.

There are six that we've done in California. The final law that was passed in Los Angeles was 15 by 2020 for large firms, 2021 for small firms. So it's a little bit less than this. Contra Costa in Sacramento proposed those actually haven't been passed. But what's important here, as you can see, both we're seeing higher levels of minimum wage, where Seattle was the first to do some of something that'll reach \$15, but higher levels of minimum wage.

A real variation giving on the cost of living in those cities, or median wages, or current wage structure in those cities, of the impact. So San Francisco, even \$15 an hour in 2018 affect the little less than a quarter, and it brings the minimum to median wage, full-time wage ratio to just 46%, and most of these are still Within the historic range, the U.S. at it's height was at about 54% in 1968, your OECD average is around 50%.

U.K. is about to go up to 60, L.A.'s the one here that is really off that chart, in terms of going much higher, 41% of the work force we estimated be affected, average increase \$4,800. So that is gonna have a very large effect. In looking at who's affected, all workers over 20, you got 3 to 6 percent teens, majority of workers, affected workers, this is the Shariff family income that comes from the affected worker.

So everywhere but Contra Costa was over 50%, and there was 47. And the other thing, of course, stands out for California is everywhere it's just proportionately Latino. And if we add people of color, all together, it's a very high percentage of people of color who are affected. In terms of industries, very concentrated, in terms of, where the big effects are within food service, health care, and social assistance, retail trade.

And under this administrative and waste management service, well what's that? The things that's driving this are things like temp agencies, janitorial, and security. The kinds of low wage service jobs that you would expect. And what's important here is these jobs tend to be location specific. So they're not the kinds of jobs, they're, generally, in non tradeables, is where you see the wage increases going, which is important in thinking about the impacts.

This is for L.A., of course, with having the highest wage increase here, but if you look at overall change in payroll cost even at the \$15. This is an economy, overall, even at the \$15 an hour, it's about 3.8% given the share of labor cost, its operating cost, you get to 23%.

So the, overall, change in operating cost is a little less than 1%. In all of those other cities, it's well below 0.5%. That's for the economy as a whole. Just showing, overall, when we're looking at the change in firm costs on the economy's whole, it's small. But it can be much larger in specific industries, and in food services is where we see the biggest impact.

Again, with LA close to 8%. San Francisco is about 2.3%, just to give a comparison. So looking at San Francisco, and what happened there, originally, if you take all the laws that were in place by 2014, the effective minimum compensation for a large firm in San Francisco was already \$13 an hour, compared to \$8 California minimum wage, or in the surrounding areas, before this recent movement in minimum wages.

The good news is, you do see the impact on wages. So right after it's passed, we see, hourly adjusted wages going up in the lowest 10% of San Francisco workers, where it's flat, and then declining in the surrounding counties, as we hit the recession, so the wage increase did what it was expected to do.

And, of course, we expect employment impacts, you'd think restaurants would be the place you'd get the most. So that's employment weighted average in surrounding, restaurant employment, in surrounding counties. And there's San Francisco during that same period. They, basically, track, so the general indication is we don't see a negative impact on restaurant employment in San Francisco.

Now you're all thinking, well, that's San Francisco. Earlier we were having a discussion, I've always thought of this as Sweden, but I guess I was told after the last debate it's now the Denmark of America. So, we go back to the discussion earlier about the Dube, Lester & Reich paper, the closest thing we have, in terms of, thinking about minimum wage in city impacts, is to look at these cross border impacts.

And so, this is some of the same stuff we looked at earlier. In terms of, well, where we see the cross border variations. Either where you've got no difference in minimum wage, or you have a difference in minimum wage, and, of course, they find no measurable impact on restaurant employment.

And just to say the important thing around using these methodologies is it allows you to capture geographic differences and pretrends. If we look at high minimum wage and low minimum wage states from that period, you can see they're very distinct economic regions, with different economic pretrends going on in terms of growth, etc.

And so, by doing the cross border studies, it enables you to do that control. So, in terms of, the impact on the economy, so all right, so we're not seeing the impact on employment. Well, what's going on? Good evidence on reduced employee turnover and improved employee performance, turnover.

There's a lot of research in looking, in terms of, what the savings are from there to firms. And we estimate that these laws are, that about 15 to 20% of the cost is being absorbed through reduced turnover. I'll talk about the improved employee performance in a minute. Most of this is, in terms of, service quality.

There isn't good estimates of the economic impact on that side. There's a question, in terms of, automation and substitution of capital for labor. In the kinds of industries where the minimum wage is binding, are areas where we'd expect to see less of that. There's some research from Aaronson on the restaurant industry, where they find some changes in how labors deployed, but not changes in overall employment.

As wages go higher, this is something to be studied further. Good evidence on price increases. So this would be the theory, since you raise the floor for everyone, everyone has to follow the same rules. And in fact, both Aaronson, and then most recently, colleagues Michael Reich and Sylvia Allegretto, did a study on San Jose, where they do find very strong increase pass through into price in the restaurant industry.

Going 10% increase in the minimum wage is about a 0.5 to a 0.7 increase in price, so a good share is being passed on into price, and we'd expect if price goes up, then demand, that should have some dampening impact on demand, decline in sales, but on the other hand, we've got money in people's pockets.

And low wage workers spend more of their income, and they tend to spend more of it locally. So that's, and there's some evidence also around borrowing, as incomes go up. So that offsets the decline in demand. And when we modeled this out for Los Angeles, this is where this question about commute zones matters a lot, because when you're looking at a city, not all of the workers who work in that city, live in that city.

So some of that money is being spent outside of the city. So from a regional perspective, it all balances out. But within the city, you will have some leakage in really in wealthy cities, that's okay. In less wealthy cities, that may have more of an impact. But in LA, we estimated a very small impact on employment within the city, and a very small increase in employment in the county as a whole, due to leakage.

There are some other areas that are less well studied that, or less well understood at this point. What is the impact on profits? Mixed research, most of it hasn't found an impact. But there isn't really great methodologies that people have found to get at that. And then especially on these local ones where if the biggest impact is retail and restaurants, we'd expect long term there should be potentially some impact on commercial rents and land prices, land values, that'll be again something to look at long term.

So on the worker performance side we interviewed employers at San Francisco International Airport after the minimum wage increase there and had strong reports from the employers. From the improved work performance, better morale, less absenteeism, grievances, less disciplinary issues, improved customer service and better equipment maintenance. And then the workers also reported they're putting more skill and more effort into the job.

Did a similar study, looking at a minimum wage increase in the south east. It had similar kinds of results. Again there's no sense of, what's the economic value of that part, has not been estimated. But it seems to be pretty clear. So what's all this mean in terms of then, as local governments are thinking about doing these policies?

There's a number of areas that are coming up strongly. One is an area that we've raised and a number of places are thinking about which is regional coordination. We talked about, there's this discussion about tinkering and the effects on workers. Think about if all the cities in the area have slightly different minimum wages, that creates some decisions, both for workers and for firms, in terms of ability to just know what the law is.

It also then has an impact on enforcement. So we think there's some real advantage to regional coordination. And what we're seeing right now is all the cities in Napa County and the County are all in discussion about doing the same thing similar discussions are going on in Contra Costa County, about creating a model ordinance then running it through as well as in Santa Clara County.

On the indexing side, all of the California city index I think, except Berkeley which they're gonna add in. Most of the national ones do and that creates that predictability rather than having the sort of jagged up and down when you don't do it on a policy basis. Gives both worker's and firms greater predictability.

Enforcement is a key part of this, right? These laws don't just enforce themselves. Generally enforcement is done at a state level or a national level on labored employment law and so when cities are thinking about putting these laws in to effect, they need to think about what's the enforcement side.

So there's both a set of legal mechanisms that go within the law in terms of damages and penalties so there's some reason not to violate and wait to get caught. Most of the laws have private right of action allowing lawsuits. The key part is protection against retaliation so people aren't afraid to come forward.

Notice posting and record keeping. San Francisco has done some innovative stuff around license revocation. One of the big issues on the state level is just collections. Once violations are found, on the state level a very low share of that

is ever collected. So wage lien law just passed in the, just signed by the governor just passed in the state.

But California has used for restaurants has used the health licenses I mean in San Francisco they've used health licenses. So basically there's someone who hasn't paid and their health license up for review the Department of Public Health will hold it until they've paid the back wages, and San Francisco has been very effective in collecting back wages.

One of the other key things they do is allow for anonymous complaints that trigger audits so people don't have to come forward and fear of retaliation and of course have enforcement agents who speak different languages so they have a good size enforcement agency. So there's some coordination there among state, local and regional roles.

And a local enforcement agency's necessary, for both education outreach, that people know, in fact, both employers and employees know their rights, and then to carry out investigations. The other big innovation in San Francisco has been around community partnerships. The city of San Francisco funds, I believe, it's now three local community organizations that do education outreach within certain areas.

So the Chinese Progressive Association working within the Chinese community, there's a Filipino community center. And just in the first few years, there was pretty slow ramp up in terms of the effect. But last year, we saw more money collected from complaints brought by those organizations in net, than from all of the complaint driven side Alone.

So they were bringing in larger cases. And also had a good number of cases that resulted in some pretty big payouts. And that's where the cultural competency is so necessary in terms of people that have the. The feeling that they can come forward, that they won't lose their job, that they're willing to take those steps.

One of the other big areas that's come out is looking at, and especially as wages are being raised at the local level, is the impact on non-profits. And it's not just non profits right. The share of non profit workers receiving wage increases tends to be lower than in the for profit sector and it's a highly diversified sector.

So you know universities and hospitals, that's not where the issue is. It's really in the care giving sectors where within the human services, child care. Developmental disabilities services, which is a mix between non-profit and for profit. You have services that many of them are state funded where if a local city raises the minimum wage the state doesn't necessarily change its reimbursement rates.

So it's a big deal in childcare where subsidy levels to childcare agencies have been for low income families had been flat. And you've got these raising minimum wage so if someone is doing home based child care and they're hiring two three people in the house and there's rules on ratios of how many people you have to have to how many kids.

They're in a real bind. One option would be to say okay why don't we just exempt the non-profit organizations are exempt, these care organizations from the laws. Well, we've got a lot of evidence and we were discussing this earlier and I understand there was a paper presented yesterday on this, around the relationship between quality jobs and quality care.

That is if wages are low and these care industries turn over increases and that affects care quality in very significant ways. But it's not just the nominal wage, it's the relative wage, right? So if everybody else goes up and these industries stay down, it's harder to attract workers.

It's harder to retain workers. And retain qualified workers. And that has a big impact on care. So what we've seen is the non-profit organizations have generally, with one exception, lobbied and supported minimum wage increases. But saying, and we need it to be funded. San Francisco has done some innovative work where it's actually created its own pool of funds to pay for a wage supplement for child car workers.

It started this a little bit before the original first minimum wage law was passed and then have increased it and filled it out over the years. But this is something that other cities and states are really gonna have to grapple with. That if we're going to change the wait structures in the care industries which is needed for quality of care then there's gotta be a

funding source, the big advantage of minimum wage is in a sense that it's all off budget.

This is a place where it's going to need to be on budget. Other issues that have come up in some cities, Sacramento here, most recently, there was a push around looking at not just wage, but total compensation. And this is where I think the last presentation is really instructive around simplicity of law versus complexity.

There was a point where I would have thought that some of these, especially, oh you should count in health benefits that makes sense. You don't wanna create incentive structures around offering health care. It turns out, once you do that, you raise all sorts of questions around evaluation of health care, what counts as health benefits.

And as soon as you start going down those routes, then you start getting products created to fit within certain of those structures, which means your enforcement mechanisms and capacity have to be much, much greater to follow up, and be able to adjudicate and investigate in those areas. And so strong conclusion after having followed these policies for a number of years is, simpler really is better.

The beauty of the minimum wage is it's very clear. In San Francisco there are bus signs, and if you get on a bus it says what the minimum wage is. Employers know it, employees know it, and there's no confusion out there that overrides any of the possible benefits that you might gain.

The other thing is, we found only a quarter of the workers who were affected by any of these minimum wage laws have healthcare on the job, and it's mostly in large firms that also have higher wage workers. And so you're much less likely to see an impact on the offering of health benefits.

The other thing that comes up quite a bit is the question of tips and tip credit. Important to say, in California tip credit is not permitted under California law. The tip is the property of the worker. It is not compensation from the employer. Many states, 43 states, do have tip credit, and this is an area of contestation right now.

There's a lot of effort going on to eliminate that. It's important to note that poverty rates of people who earn tips are about twice the poverty rate of workers, overall, heavily female jobs. Sairun Chi Ramin had a great piece in the New York Times about this the other day.

And so, and Sylvia Allegretto, a forthcoming paper on, they've looked at, because if you think about when you bring in tips, you have a huge minimum wage variation given the sub minimum wage for tip workers was at \$2.15, \$2.14 nationally. So huge variation across states, and so if you thought if that difference between \$9 an hour and \$2.14 in the other states, would have a big impact on restaurant employment or use of screens rather than servers and all of that, we haven't seen that variation and that difference between tipped, with tip credit and non tip credit states.

But what's, of course, started to happen now is these minimum wages are going higher, is there's a lot of, some experimentation going on with eliminating tips. Which, in the end, may turn out to be a positive thing, overall. So in conclusion, with little expectation of movement at the federal level, I think we're gonna see, at least for the next decade, state and local governments are gonna be the locus of measures to address income inequality and low wage work.

It's hard to Sometime the next decade we could see some change, but I think most of this is we're gonna see focus at the local level. The best research evidence to date finds that state and local minimum wage policies are having their intended effect of improving earnings for low wage workers.

But the research is all based on much smaller wage increases, in terms of, what we've seen in the past, than what's now going into effect in the future. And so, more research is needed to understand the impacts. And it's not just on the question of employment, which is the one that's been mostly studied.

But there's a whole other host of areas where there's gonna be some fruitful research to be done, in terms of, understanding what are the impacts of these higher wages. And so, I said that earlier, but I think for lots of people out here looking you know, in terms of, looking at research possibilities into the future, there's gonna be, we're gonna have

lots of variation that people can exploit in their research.

And lots of important areas to understand. How is raising, how do the higher minimum wages affect health? Right, we do know from the literature, we'd expect that there is impact on both the workers health, and on their children's health. Literature will tell us the impact on children's educational outcomes over the long run.

So there's been various experiments in this area, but there's a lot more that can be looked at. All the issue of interaction between, as discussed earlier, between higher minimum wages, and the various program benefits, and how does that play out, etc. And so, I think the incredible thing that we have going right now is, just to leave you with, there is a lot happening.

A lot that we expect to continue to happen, beyond mention of these local minimum wages, Cuomo has pledged in New York to raise the minimum wage to \$15 dollars an hour, looks like there may be a \$15 dollar an hour ballot initiative in California, is a real possibility, in this next year.

Other states, Oregon is looking at 13 something, others at 12, so I think we're gonna see quite a bit happening at the state and local level. And not just in the minimum wage space, begin all these other forms of labor standards, and it's gonna be important to understand how that plays out, in terms of, people's perception, work and job satisfaction, to all these other areas.

So, I look forward to seeing all of your research in the next decade.

>> Questions?

>> I'd be curious to hear your view. One thing I've wondered about with all the new local minimum wages is, normally, economists would worry more about these policies in small geographic areas, because they're just more avenues for firms.

It's doesn't even have to be firms moving, workers moving, but I haven't actually heard that talked about very much.

>> Oh, it

>> I'm curious about that.

>> It comes up, what are the issues that come up in the local discussions, I think, beyond the ones I've mentioned, just a lot of concern about differential effects on small businesses versus large businesses.

We don't have good research yet to know the answer to that question. This question of firm movement comes up. I think part of it, what's important to look at where the bite is the strongest, tends to be in, janitors and security guards aren't aren't moving, restaurant location, location, location, retail, there is a cost to being farther, and that's all been measured well.

But, in most of these cases, the impact on over all operating costs are smaller than some of the other things we might see in those local economies. So there is, if you had a city that had a large export industry, like in Los Angeles there still is a remnant garment industry.

It would not surprise any of us if those firms were to move over, over the border. Now then, then you still have the same number of jobs in the local, in the overall regional economy. It's a small number of jobs, you can decide, well that's okay compared to the bigger picture, but right if you've got cities that if you had a city that still had a large low wage manufacturing base I think you'd be thinking about this differently than a city where you're mostly looking at location specific type jobs, which gives the importance of really granular analysis.

That it's important to look at what's the economy of the area that's considering it. And we, you know, when it gets to these really small cities, you know, Emeryville just passed the highest minimum wage in the country, I mean, my guess is that we'll see reduction in commercial rents out of that.

But you know, I, it's hard to, it's hard to know.

>> So in terms of the I don't know the difference, I wonder whether you do. And the other. That one is the so a whole bunch of these if you can put up the numbers. They're not gonna happen.

>> Correct.

>> A lot of them are gonna take years. It seems to me one of the things we don't know very much about is whether if you stage in a minimum wage over that formal period does that in some ways reduce the employment impact relative to anything we would get in the estimates of the get panel?

>> I think it's a really good question. I mean part of the motivation behind the moving it slowly up is that, but it's also one of the other papers by Erinson looks at the impact on firm turnover. So they did a paper and didn't find any impact on employment, but they did find an impact on firm turnover rates.

So small businesses are going out of business constantly. And they found a peak right after the minimum wage. So those who aren't able to adjust go out of business, a new firm comes in. And so there's a rationale to minimize those business shocks. The idea is that you may or may not end up with the same total employment at the end.

But, if you do a smoother glide path you may be less disruptive to existing firms is some of the thinking behind that.

>> But it's a good, because some of them came in quicker than others.

>> Yeah.

>> That's something that can be looked at on both of those fronts over all employment and firms.

But go ahead.

>> But the other one is, so you were talking about the effect of minimum wage on reducing turnover. And you were sort of calculating that as how much does it save per. But I wanna push for that, and this is maybe something you already know about.

So we have some work for this on Canada, and what we find is that when the minimum wage goes up, in fact layoffs go down. So it's not just that it's quits, the one way you can rationalize that, there's this old paper by Nerones Nobler where it's essentially search and bargaining.

>> Mm-hm.

>> Model. There are good firms and bad firms. And they can coexist exactly as in those kind of models. But the bad firm has a lot more turnover but pays a lower wage. The good firm doesn't have turnover cost but pays a higher wage. And they can coexist in an equilibrium, right?

And then what a minimum wage does, at some degrees it prices out of business that bad job approach to any business. I guess I was wondering whether that, you know, you start talking about the firms you were looking at and I guess I wondered whether that's potentially behind what we're finding in terms of decreased layoffs that you push towards a different?

>> I think that is part of it. I mean, that's interesting, Zena Tong's work on this. In terms of the good job strategy in looking at these, that you can have high road and low road firms. That it isn't just accomplished on quality. But even in the area where they're competing on price because you're using those different models.

And I think that is part of what is likely going on is that you're changing the parameters in which people operating the regulatory structure and that the firms that have a higher road model are the one who are gonna better survive and function. And those who have a low road model and can't make that transition are going to be driven out.

And other firms are gonna come in. I'm trying to remember cuz the search frictions and job turnover paper that Michael and Erin Dube did-

>> They don't have layoffs verses quits.

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>> Where they essentially write down this model, and they assume that people are responding.

Even though in the long run that'll go. When you get the the next phase it will go away. They sort of interpret it that way but like I said you can actually start breaking this down, it's like, legal workers, two thirds, three three quarters end up in layoffs, not quit.

>> Fascinating. Also the other interesting thing we were talking about over lunch was in the in our book on San Francisco has a paper on home care workers. And there, because she was looking at length of match and when the living wage law passed and the union won a higher wage for home care workers, you see big increase in length of match, and that's linked to all these quality of care indicators.

And then as the minimum wage goes up that goes down a little bit. It was the relative wage tracked very strongly there.

>> Regulation we're going to talk a little bit about the importance of regulation and making sure some of these minimum wages are binding in the sense that jobs like Uber or like certainly jobs that it seems like you're growing tremendously and you're not regulating according to the traditional minimum wage laws.

Suddenly even if minimum wage is at 15, \$16 an hour it might not really be relevant in five or ten years.

>> So, first, that is a real and important phenomenon in terms of what's happening in the whole 1099 economy. And so that is a sector we're thinking about of regulation and how that relates.

Its going to be a very important sector, absolutely in terms of it as Uber is looking into moving into these other areas. Now, its important to note, Uber took jobs of cab drivers who were always independent contractors. The, most of the data sets don't show an increase in self-employment.

There's a lot of question here, and there's, I think, Paul, are you working on some of that?

>> Yeah, okay, so the overall, restaurant workers work for employers. Janitors and security guards work for employers. Most of these areas that we're seeing that are affected by these laws, have those relationships.

And we would expect them to continue to have those relationships. It was just that to say that there aren't parts of the economy where those kinds of things are happening and they're important to analyze and understand and look at the regulatory framework on. So I think, and I guess Paul will get into this, but I think as we think about this stuff in the future it's important to think about both sides of it.

There has been some tendency for people to say the robots are coming. No one has a job anymore. Let's do all universal benefits. Forget about the employer relationship. I think that's a mistake. I think that All of those others. I support universal programs. I think all of those other things are important places to go and to look at.

But I think the employment relationship in some form will be durable for some real period of time. And that these things will continue to matter. But in of themselves they are not sufficient. The other thing that's important to note here is minimum wage appears to have, the minimum wage has its intended effects.

It's a positive policy for low wage workers. Minimum wage, by itself, cannot solve the problem of income inequality in the United States. It is one tool, in a tool box that needs to be much, much larger. And so because it's got such public support, it's the place were seeing, people going.

You've got high support among republicans, minimum wage is always passing on the, by voters in red states. All of that, but I think much more is gonna need, is gonna need to be done to look at other policies to how do you address some of this decline in the middle.

All of these other areas so it's one piece that should be seen and understood that way.

>> Sort of building on that, the minimum wage is not tied to the real cost of living for an individual. But there is a lot of talk about self sufficiency weighing on various calculators that look at really, geographic exhibit, they look at the real cost of living in a specific county or region.

Is there any talk at actually looking at having a relationship between the minimum wage and a self sufficiently wage?
>> So, two answers to that. One is for people who know their minimum wage history. If you go back to the original minimum wage laws a little over 100 years ago, the stuff is really fun to look at.

>> And they only were binding on children and women under the idea that men have the ability to have free contract, right? So it was unconstitutional to interfere with that contract but since women and children didn't you could set a minimum wage for them and the minimum wage was set based on a basket of goods needed by a single woman.

So, if you go back to the original item you'll see orders in California, and I encourage you to look at these, they have here's what's the basic cost of living is for a single woman in this state. And it was in 1914, I think 14 cents an hour.

I may have the year and the amount slightly off but it was right around that. So, there is some history there but putting it on the other side, if you did that and you looked at that, and one, you've got different self sufficiency standards for a single person and with kids, etc.

And, too, some of those numbers start getting very, very high, and I can say, look, we've got all this good evidence that minimum wage, of the size we've seen in the United States today, has not had a specifically significant impact on employment. There is some point where that will begin to change, and when you start going to those self sufficiency levels, especially if you're looking at a single parent where those numbers, so many cities get very high.

It's just one tool and this is where, then you really want to think about the minimum wage and the ITC and child care and health care. And a basket of things that you put together, you're likely to get there. I think Brad DeLong had a really nice piece on that this in terms of that wrote the other day around the ITC minimum wage balance.

And we don't know exactly what the right balance is, but its important to keep in mind this is not an unlimited area that you can just go as high as you want, as much as one would wish.

>> I was wondering about how changes or big changes especially in minimum wage might change the composition of the workforce who's earning a minimum wage because especially with the talk earlier about how making more educated people are going to push down the skill ladder, we just gonna or could you see employers trade out low skill workers for higher skill workers?

Or no? I mean, \$15 an hour is probably more than I make now.

>> So, if I was. You know, I could maybe see that.

>> So gets to the question about what matters more. Status or money, right? But. All right.

>> Well so that is that this question of labor substitution is an important question, and if you've got a minimum wage on a state level the size of California, I think that's gonna be less of a concern, it might drop people in the State, but that is where you come into, okay, if you've raised the wage in one geographic place and so you've gotta bigger commute shed, could more workers.

>> A little potential secondary errors like the people who might choose to opt out or opt in the labor market

>> Yeah, and that's right. So you'd have that and right, you also might have people opting out of the labor market cause now, like, kind of what we saw with the affordable, with the health care expansion, the 26 year old is some people could opt out of the labor market now.

They didn't have to work to get their health care, so they could go to school. Some of these dynamics could move in multiple ways.

>> We looked at this very specifically with the San Francisco international airport because that was a sizable wage increase. So we had very good data on the security screener's, this was before 911 and in the before and after, there was no statistically significant change in workforce demographics.

Actually, we looked at. It wasn't just the security screeners, we had badge data. So we were looking at across a whole

host of occupations. The only place we saw a change, which was interesting, was it wasn't statistically significant but, so take it with whatever, was there appeared to be a decline in women working in traditionally male jobs.

And there's sort of, if we think that's true and what happened well there's two possibilities. One is, more men applied for the job and just so just a standard selection would end up with more men and fewer women. Or before there was a blatant desire for discrimination but you couldn't discriminate because you didn't have enough job applicants to discriminate and now you could.

I don't know how you would differentiate between those two. Those two responses, but it was, it was very small. Now, this was only after one year, so I guess there would be some question. We didn't see effects on education, race, gender. There could be unobservables there, and that's, that's, there's no way obviously, to know.

>> By adding a comment. Wouldn't the biases against, you know, having a PhD. You're hiring at Starbucks to have a barista. Am I gonna still assume, even though it's a PhD student is going to stick around as opposed to a worker who doesn't have the high school or college education, may remain a loyal employee for a longer period of time.

I mean the other biases is also keep people from crowding out the

>> I was looking to change the, I know you only have a few more minutes. I guess I'll make myself the last question, but, going back to the, I think it was maybe your second slide.

At the very beginning of your talk, you said something about legislation or an actual law change, I can't remember exactly what it was or I didn't catch exactly what it was, about premium pay for unpredictable work schedules.

>> Yes.

>> And this is something Vicky was talking about in her lecture in my property and public policy class yesterday something that has been coming up plus the premium pay part, but the problems associated with these unpredictable schedules.

And this is the first time I'd heard about the possibility of doing something about it. Wondering if you could elaborate on that-

>> Sure. So there's been a lot of attention to the issue recently. It's a very good organizing that's been going on by Campaign for Popular Democracy and others.

Jobs With Justice in San Francisco won this Where people have been really raising these issues. And there's been some response, right? Starbucks announced they were gonna change their policy. I guess there's been some question about how much that's actually changed. Walmart's announced that they're gonna change their policy in the future.

The Gap's taking some action. So in part, just having the issue out there in having lots of people organizing and taking these brands and shaming them appears to be having an impact. Well, it's had an impact on what they state their policies are. I think we need to see what the impact is on actually how that's carried out and implemented.

But in San Francisco, a law was passed addressing this. And what it does is, rather than giving the schedule of that Sunday before the week. Schedules have to be given two weeks in advance. Now just to say, one of the key things that Susan Lambert, in her research on this, discovered is that the variation in overall hours worked in these restaurant and retail, was much less than the variation for individual workers.

Indicating that there was quite a bit of capacity to have much more stable schedules. So then you go well why are they so unstable, and I think it has a lot to do with worker control in the sense of you get hours if you do everything as you're being asked to do and work at a high speed, etc.

And at every moment you're working in fear of losing hours. Along with the issue of variation in work demand. And so what this does is schedules have to be set two weeks in advance. If they're not scheduled two weeks in advance then there's premium pay. If someone calls in sick they can replace and there's no penalty there.

There's other things, details in the law that allow for unexpected work, but it's used to overall stabilize the work. It's just going into affect now. And so I know of a couple of people who are thinking about, or doing some work looking at this, but I think it's an area again that's gonna be really important to look at cause lots of other, David Shoe had a proposal in the state assembly to do this California wide.

Lots of other places are grappling with this and looking at what's the exact right mechanism because there are industries where service demand does change and you want some ability to handle that. But at the same time there's a possibility you wanna stabilize schedules and that's where people are working.

Just the other thing is the California law only applies to large chain retail. So it's restaurants, retail, banks would be included but they have to be pretty large. So it doesn't apply to smaller businesses and it is in those larger chains where you tend to have the rules set from the very top that says you have this budget to use for labor, you can't exceed this budget.

And so there's a lot of pressure around that hour manipulation. And so, part of that is trying to push that back up. But I believe some of the stuff that happened to Starbucks was, they announced the change in policy, the managers were still under this pressure to meet the demand and so, they were not making it.

It's harder to make those changes without some change in corporate policy on some of those other areas.

>> Thanks very much.

>> I am Ann Stevens, the director at the Center for Poverty Research at UC Davis and I want to thank you for listening. The center is one of three federally designated poverty research centers in the United States.

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