

Tipping The Pay Scale

VOTE: Poll Results Change Playing Field for Businesses; Attention Turns to November

By **LOU HIRSH**

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San Diego — San Diego city voters on June 7 clearly favored a minimum wage increase that was vehemently opposed by much of the local business community.

But some observers said it was far from clear whether June voting results would have any bearing on numerous other issues heading for the ballot this November, including a proposal to build a new downtown San Diego Chargers stadium with convention facilities.



Erik Bruvold

“It’s dangerous to look at the electorate for the June election and try to make predictions for the electorate in November,” said Erik Bruvold, president of National University System Institute for Policy Research in San Diego.

Generally, Bruvold said diehard Chargers fans who had hoped to make the San Diego mayoral election a referendum on incumbent Kevin Faulconer — on grounds that he has not been as avid as Bolts fans about keeping the Chargers in town during the past two years — were likely disappointed. Faulconer easily won re-election, capturing 58 percent of the vote against two primary opponents.

Faulconer in recent weeks has emphasized nuts-and-bolts issues such as street and sidewalk repairs, and another winner on the June 7 San Diego ballot was Proposition H. That relatively low-profile city ballot measure, approved with nearly 65 percent of the vote, is a charter amendment that will earmark a portion of existing sales tax revenue to an infrastructure fund, to cover improvements to streets, sidewalks, bridges and other public amenities.

Proposition H was supported by businesses including those involved in development and construction. While there were no official polls at press time to show it, Bruvold said the city results could bode well for issues such as a countywide infrastructure measure, which the San Diego Association of Governments is expected to place before voters in November.



There was very little ambiguity in the city results for Proposition I, which immediately raises San Diego’s minimum wage from \$10 to \$10.50, subject to official certification of ballot results in the next 30 days. It also requires all workers to be eligible to earn up to 40 hours annually in paid sick leave.

With all precincts counted, Proposition I passed by a vote of 112,770 (63.22 percent) to 65,614 (36.78 percent).

The San Diego wage hike kicks in ahead of a recently enacted California increase in the minimum wage, taking it from \$10 to \$10.50 on Jan. 1, 2017. The state move follows that hike with further annual increases until the minimum wage reaches \$15 in 2022.

The state measure gives businesses with 25 or fewer employees an additional year to begin complying with the wage increases, a provision not included in the city measure. California joined New York to become the first two states pushing toward a \$15 minimum wage.

The San Diego minimum wage hike was originally approved by the City Council in 2014, but an organization known as San Diego Small Business Coalition successfully gathered enough referendum signatures to place the measure on the June 2016 ballot.

The 3,500-member coalition included operators of stores, restaurants, dry cleaners and other service businesses, and was backed by organizations such as the San Diego Regional Chamber of Commerce.

“The net results of this new policy will be less jobs for San Diegans,” said Jason Roe, spokesman for the San Diego Small Business Coalition, in an email. “Throughout the city, we are seeing aggressive moves toward automation, increases in prices, and employers asking employees to do more work for the same pay. We will regret this decision.”

A chamber spokeswoman said the chamber would not be issuing a formal response.

Supporters of the city’s minimum wage increase said the move was needed to allow residents to keep up with rising costs for housing and other basic living expenses, after several years of stagnant wage growth for entry- and mid-level workers.



Wendy Patrick

Opponents maintain wage hikes will force businesses to cut down on hiring, reduce workers’ hours and pass the added costs on to consumers, while hampering local and state efforts to compete with other regions and attract job-producing companies.

Wendy Patrick, a business ethics lecturer at San Diego State University, said the upcoming city and state minimum-wage hikes going forward could actually cut two ways for the region’s crucial tourism industry. While they will raise labor costs, the pay and sick-leave components should help encourage retention of skilled workers, in turn helping to reduce training and other turnover costs associated with replacing those employees.

Patrick, who is also an attorney, noted that good customer service, provided by happy and long-tenured workers, is crucial to the operations of high-end hotels, restaurants and other businesses that rely on repeat business, which ultimately impacts the San Diego region’s ability to compete.

Patrick said San Diego’s situation will be watched closely by cities in other regions that have tourism as an economic driver, and also by other industries outside of hospitality and tourism.

“Because of the tourism and customer service focus of San Diego, the wage issue might have a different impact here than it might have in other big cities,” she said.

Among those who view the June 7 minimum-wage vote as a clear negative for business is local hotel operator and consultant Robert Rauch.

“Hotels and restaurants are probably going to be hit the hardest of all industries by this,” said Rauch, CEO of San Diego-based consulting and management firm RAR Hospitality.



Robert Rauch

Rauch, who also owns two Hilton-branded hotels in Carmel Valley, said he has not yet made his own staffing decisions in response to the minimum wage increase. But he noted that his and other hotel companies already offer competitive pay and benefits to attract highly skilled workers.

When it comes to the larger pool of entry-level, lower-skilled workers, he said many hotels and restaurants will likely opt to trim hiring, reduce hours or seek ways to automate more of their operations.

Some U.S. firms have already begun moves to boost automation in response to minimum-wage hikes in several cities and states. For instance, the Ohio-based fast-food chain Wendy's, which has several San Diego County locations, recently announced that it will be adding self-service ordering kiosks to more than 6,000 restaurants nationwide.

The San Diego Minimum Wage

\$10: Current

\$10.50: Effective upon certification of vote

\$11.50: Jan. 1, 2017

Indexed to inflation starting Jan. 1, 2019

Earned Sick Leave

Up to 40 hours annually