

Minimum Wage Proposal for City Stirs Debate Over Actual Costs

WORKFORCE: Contested Measure Would Be a First For San Diego if Approved
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A heated debate is brewing over whether San Diego should hike its minimum wage from the current \$8 per hour to \$13.09 per hour. While proponents support an increase in the standard of living for low-wage workers, many think such a rise would be a huge blow for business.

The initial proposal from City Council President Todd Gloria was to place a measure on the November ballot that increases the minimum hourly wage to \$13.09 over three years. A plan was already in motion to increase the minimum to \$9 per hour in July and \$10 per hour in two years.

“Although California’s minimum wage is scheduled to increase in 2016, that translates into an annual salary of less than \$21,000, which is simply not enough in a city with a high cost of living like ours,” Gloria said in his January State of the City address, while he was interim mayor.

This is the first time San Diego is exploring having its own minimum wage. San Francisco’s citywide minimum wage is currently the highest in the country, set at \$10.74 per hour, and San Jose’s is \$10.10. San Francisco may raise its minimum wage rate to \$15 per hour by 2016.

About 200,000 San Diegans earn minimum wage, according to The Center on Policy Initiatives, a San Diego-based nonprofit that advocates for low- and moderate-income workers.

“This measure would positively impact hundreds of thousands of San Diegans,” said Peter Brownell, research director for the CPI. “At the same time, it would transform the low-wage service economy into a workforce that helps strengthen our local economy.”

Though he supports federal efforts to equalize the national minimum wage to promote business, former Mayor Jerry Sanders, now president and CEO of the San Diego Regional Chamber of Commerce, opposes San Diego’s plan to increase the minimum wage even further.

He said it “not only puts San Diego at a competitive and economic disadvantage,” but also “would hurt the very workforce the proponents are purporting to help.”

A Delicate Dance

Tony Cherin, a professor of finance emeritus at San Diego State University, outlined the rationale for why such an increase would harm business. Businesses have three options, he said — the first being to let the profit margin slide, and accept the loss in stride. Another would be to lay off workers to keep the profit margin healthy — either conducting business with fewer employees or trying to automate or mechanize some aspects of the business.

The third option, Cherin said, would be to raise the costs of the products or services a business offers.

“Todd Gloria says raising the minimum wage will put more money in people’s pockets, so they spend more money — the economy will go wild, Gloria says,” Cherin said. “I’m sympathetic with someone who is trying to live on a minimum wage today. But the repercussions of such a wage hike are just not going to be good.”

As a board member for San Diego-

based USE Credit Union, Cherin has grappled with the issue of rising employee costs — and ways to maintain a healthy net profit margin. The credit union has tried to eliminate personnel expenses by doing the same job with fewer people, and it has raised fees in certain areas.

“But as you can see, our focus is on a business model,” Cherin said. “We have to maintain that to stay in business, but it’ll be harder if the wage hike goes through.”

Cherin said many business owners are reticent to openly enter the debate “because they don’t want to be seen as the bad guy.” It’s a delicate dance to maintain a positive image to employees and customers, and still voice concern over policies that could negatively impact their bottom lines, he said. Many legislators, however, are doing much of the talking on business owners’ behalf.

“Small businesses and nonprofits are coming to me left and right saying they cannot afford this wage increase for their employees,” said Assemblyman Brian Jones, R-Santee. “This doesn’t just hurt business owners. It’s hurting everyone.”