

# SURVEY ON ORGANIZATIONAL IMPACTS OF A MINIMUM WAGE INCREASE IN LONG BEACH

---

Prepared for:  
Long Beach Council of Business Associations

December 14, 2015

*Abstract: This report is a quantitative and qualitative survey of business and nonprofit organizations regarding their perspectives on a minimum wage increase and the potential operational impacts these views would have on its implementation.*

Prepared by:  
S. Groner Associates, Inc.  
100 West Broadway, Suite 290  
Long Beach, CA 90802  
(562) 597-0205  
sga-inc.net

# Table of Contents

---

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
Background.....	2
Summary of Key Findings.....	2
<b>ONLINE SURVEY.....</b>	<b>4</b>
Survey Background .....	4
Statistical Methodology .....	8
Survey Key Findings .....	8
<b>FOCUS GROUP STUDY .....</b>	<b>25</b>
General Focus Groups.....	25
Nonprofit Focus Groups.....	30
Online Survey Questionnaire .....	32
Focus Group Script.....	47



# EXECUTIVE SUMMARY

## Background

Discussion concerning an increase in minimum wage has multiplied in the last year and including initiatives from various large corporations that have increased wages for entry level employees and several municipalities that implemented new floors for the minimum wage rates. The City of Long Beach is considering a minimum wage increase as well. S. Groner Associates was contracted by the Long Beach Council of Business Associations via the Long Beach Chamber of Commerce and Downtown Long Beach Associates to better understand the perception and potential economic impacts of minimum wage increases within the Long Beach business and nonprofit communities.

The report is comprised of two parts. The first part will review the analysis of an online survey of business and nonprofit organizations in Long Beach. The second part will report on feedback obtained at seven focus groups held across the City with both businesses and nonprofit organizations.

Both the online survey and the focus groups were conducted by S. Groner Associates. The business improvement districts throughout Long Beach, the Long Beach Chamber of Commerce and the Long Beach Nonprofit Partnership all provided assistance in reaching out to businesses and nonprofits throughout Long Beach to participate in the online survey and the focus groups.

## Summary of Key Findings

The following were key findings based on both the online survey and focus groups:

1. The online survey found that support of a straight minimum wage increase was very low with the business and nonprofit community closely aligned.
2. Support of a minimum wage increase to \$12.50 was slightly higher than minimum wage increase to \$15.00.
3. Mitigation strategies bolstered support of a minimum wage increase.
4. No clear preference of mitigation strategies were seen from the survey results, however the highest support came with the minimum wage occurring at the statewide level instead of locally and for all compensation and benefits to be included in the calculation of a minimum wage rate.
5. Delay in implementation for small businesses had an impact at the \$15.00 condition; however, it did not have an impact for the \$12.50 condition.
6. Different annual increases towards \$15.00 did not show impact.



7. About 40% of those surveyed agreed with the statement that they would seek to hire more skilled workers from outside of Long Beach over local unskilled workers with a wage increase in place.
8. The focus groups found that businesses were very concerned about being less competitive due to the minimum wage increase, especially businesses near the border of other cities.
9. The focus groups found that nonprofits showed the most concern about State and Federal funding not keeping up with increased wage costs.



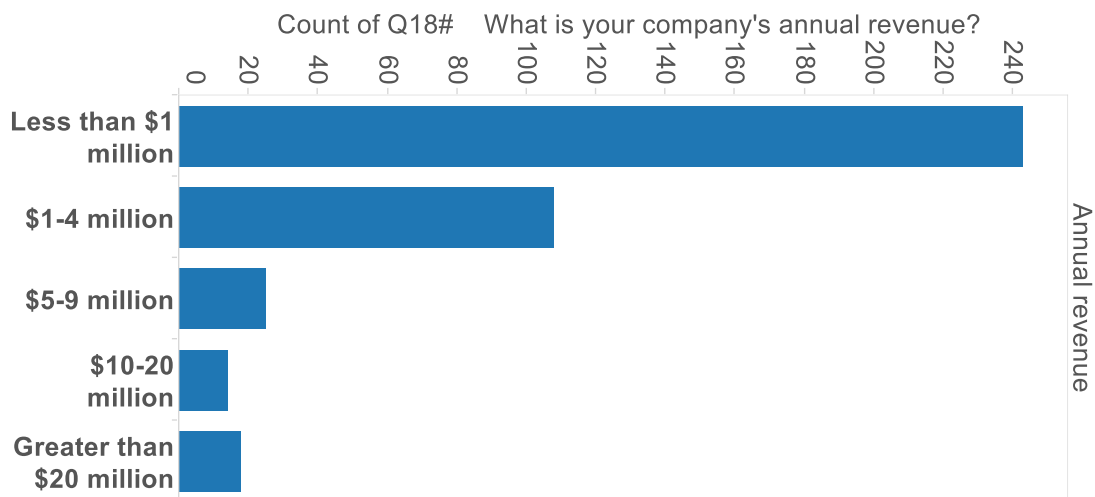
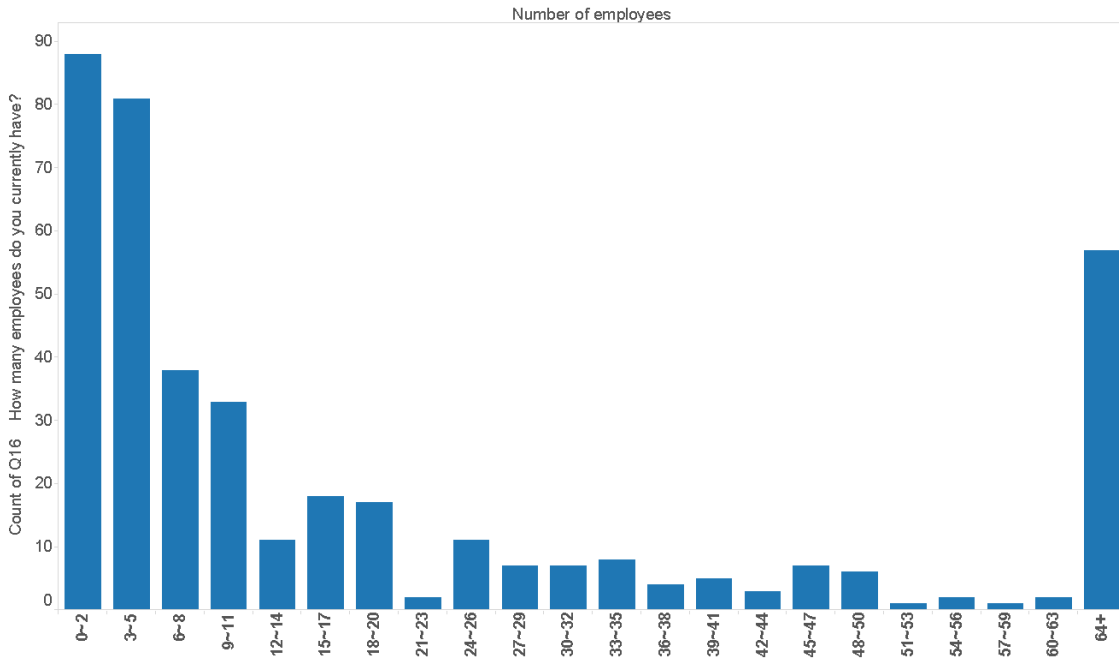
# ONLINE SURVEY

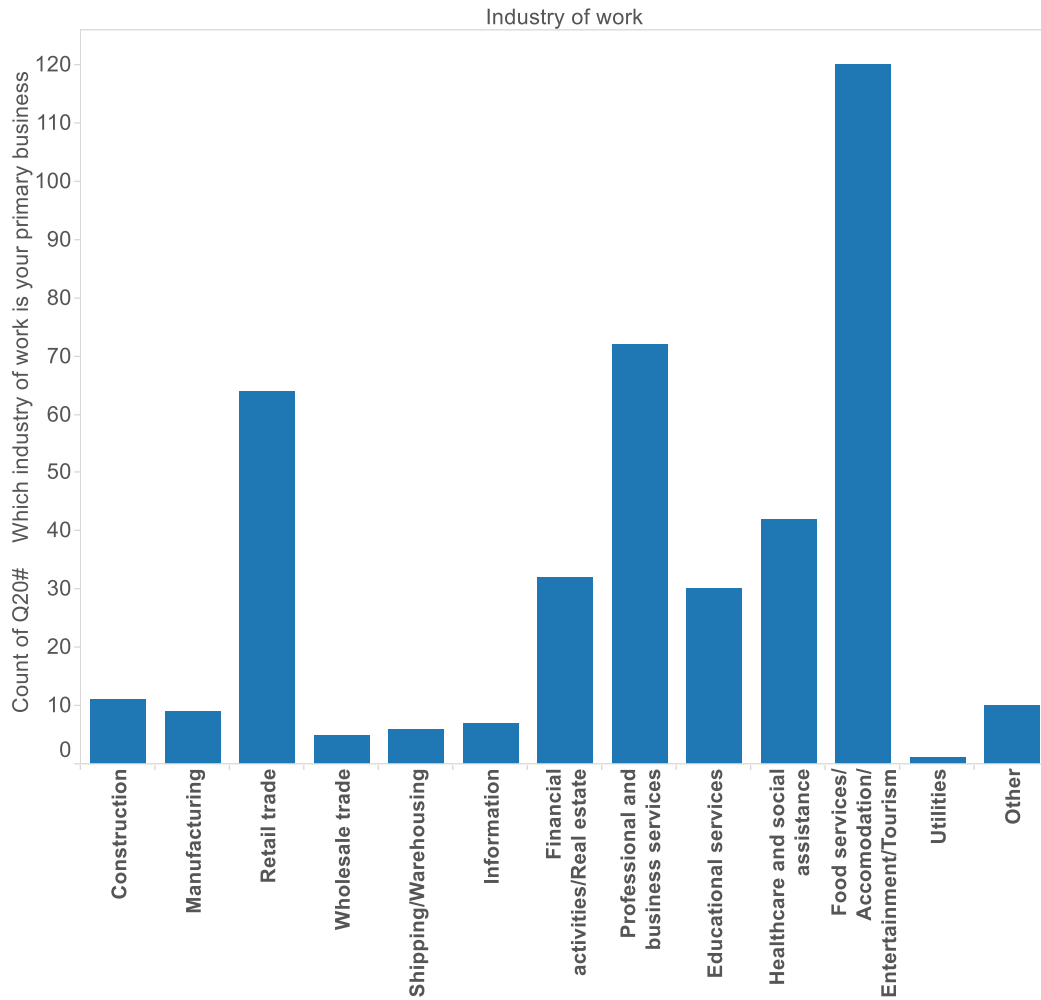
## Survey Background

SGA created an online survey to understand the perceptions surrounding a potential minimum wage increase within the Long Beach business and nonprofit community. The survey consisted of 20 questions which were segmented into four sections. The first section (Q1 – Q4) gathered the participants’ general opinions on the minimum wage increase as well as their self-assessed level of knowledge concerning the discussion surrounding wage increases. The second section (Q5 – Q8) gauged the participants’ opinions on different mitigation strategies utilized or considered by other cities to lower the financial burden of increased wages on organizations. The third section (Q9 – Q15) measured participants’ perceptions on some of the impacts the wage increase could have on their organization and how they might compensate for the increase labor cost. The fourth section (Q16 – 20) gathered general information concerning the size and type of the organization that the participants operated. Questions were randomized per section in order to minimize any external effects the order of the questions might pose on the scores.

The sample pool was comprised of 408 organizations from Long Beach of varying sizes, revenues and industries of work, but as evidenced in the graphs below, the majority of those surveyed were organizations of less than nine employees with revenue less than \$1 million dollars per year. The largest portion of participants belonged in the “food services/accommodation/entertainment/tourism” industry of work. Of the 408 surveys taken, 355 were submitted by for profit businesses and 53 were by nonprofit organization. Mann-Whitney U tests were employed to see if there were significant differences in scores between nonprofit organizations and for profit organizations but no difference was identified between the two groups in Questions 1 through 8. However, a significant difference of scores was observed between the two groups in Questions 9 through 12 and therefore scores of nonprofit organizations and for profit organizations were separated from the analysis. Likewise, analysis of Questions 13 and 14 separated the scores of profits from nonprofit organizations. Given the small size of the nonprofit sample we did not breakout their results separately.

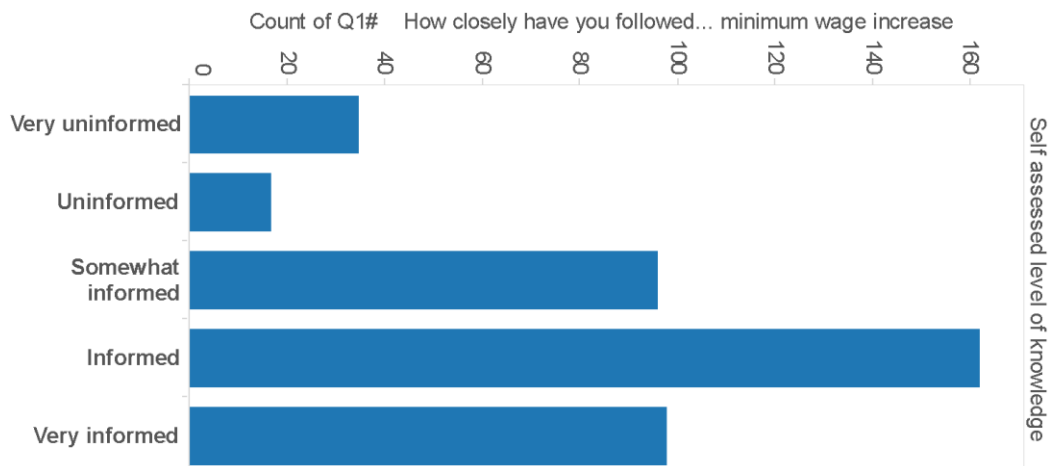
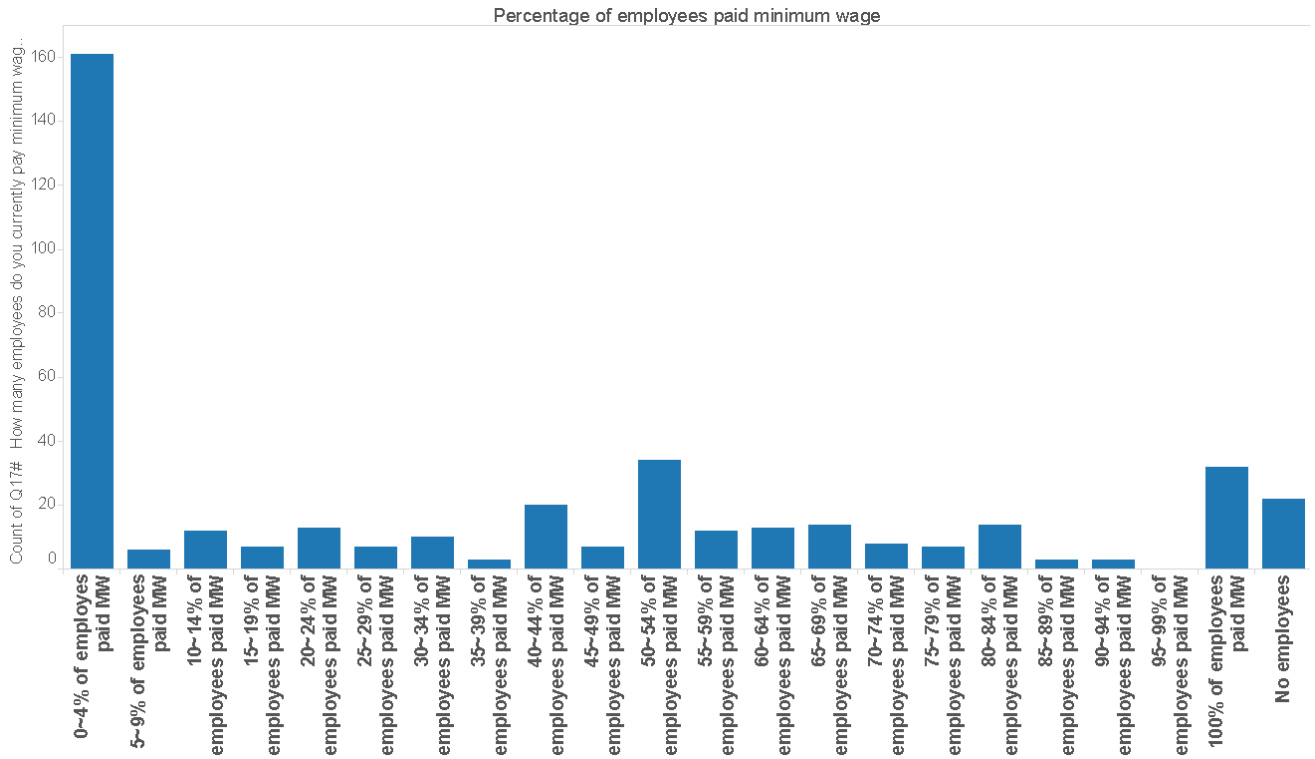






Furthermore, the majority of participants paid 29% or less of their total employees a minimum wage. Participants rated themselves to be knowledgeable in the issues concerning minimum wage with the most frequent score of 4.





The surveys were sent out to members of the Business Improvement Districts, the Long Beach Chamber of Commerce and the Long Beach Nonprofit Partnership. Given that participants selected themselves to be a part of our analysis, a degree of selection bias is inevitable and results should be appropriately attenuated.





## Statistical Methodology

Virtually all of the data that we collected differed substantially from normality as confirmed by q-q plots and Shapiro-Wilk test. Therefore parametric statistical techniques were unavailable for analysis. Log transformation of the data was considered but unutilized as it did not suit the distribution and nonparametric tests were utilized instead. The Mann-Whitney U test was used for analysis when comparing two independent groups whereas analysis comparing related samples applied the Wilcoxon signed-rank test or Friedman's rank test for correlated samples at a significance level of 8%. Post Hoc tests of Friedman's rank test were adjusted by Bonferroni correction.

Much of the analysis of this report compares two or more groups of scores against each other. The scores we obtained (as with all survey research) are samples of a larger population. Because samples are but a fraction of the population, variation in the scores we obtained within samples is inevitable. Due to this variation in sample scores, using descriptive statistics of the samples to make comparison between groups of scores to deduce properties of the population(s) will lead to inaccurate conclusions. Inferential statistical techniques must be utilized to obtain an understanding of the population that sample scores represent which this report follows as outlined above. Readers will likely compare the absence or presence of certain statistical tools used in our report with that of other reports. SGA encourages readers to consider the nature of the analysis during such comparisons.

## Survey Key Findings

The following key findings will be discussed in this section:

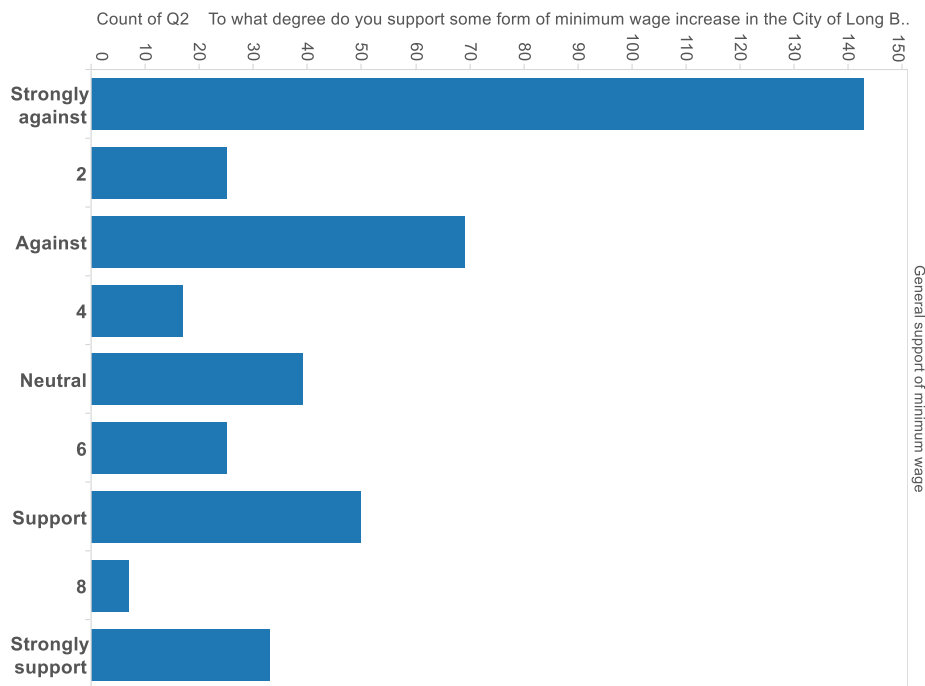
1. Support of a minimum wage increase was very low.
2. Support of a minimum wage increase to \$15.00 was lower than a minimum wage increase to \$12.50.
3. Mitigation strategies bolstered support of a minimum wage increase.
4. There is no clear preference of mitigation strategies.
5. Delay in implementation for small businesses had an impact at the \$15.00 condition; however, it did not have an impact for the \$12.50 condition.
6. Different annual increases towards \$15.00 did not show impact.
7. Organizations stated they would most likely offset increased wages through increases in prices or reduced employment.



- 8. About 40% of those surveyed agreed with the statement that they would seek to hire more skilled workers from outside of Long Beach over local unskilled workers with a wage increase in place.

**SUPPORT OF MINIMUM WAGE INCREASE IN GENERAL IS VERY LOW**

Participants were asked as to what degree they support some form of minimum wage in the City of Long Beach. The amount of increase as well as a time frame of implementation was not specified, the objective of the question was to measure general support. At a median of 3 (scores ranged from 1 meaning strongly against to 9 meaning strongly support), the majority of the participants opposed the minimum wage in general within Long Beach.



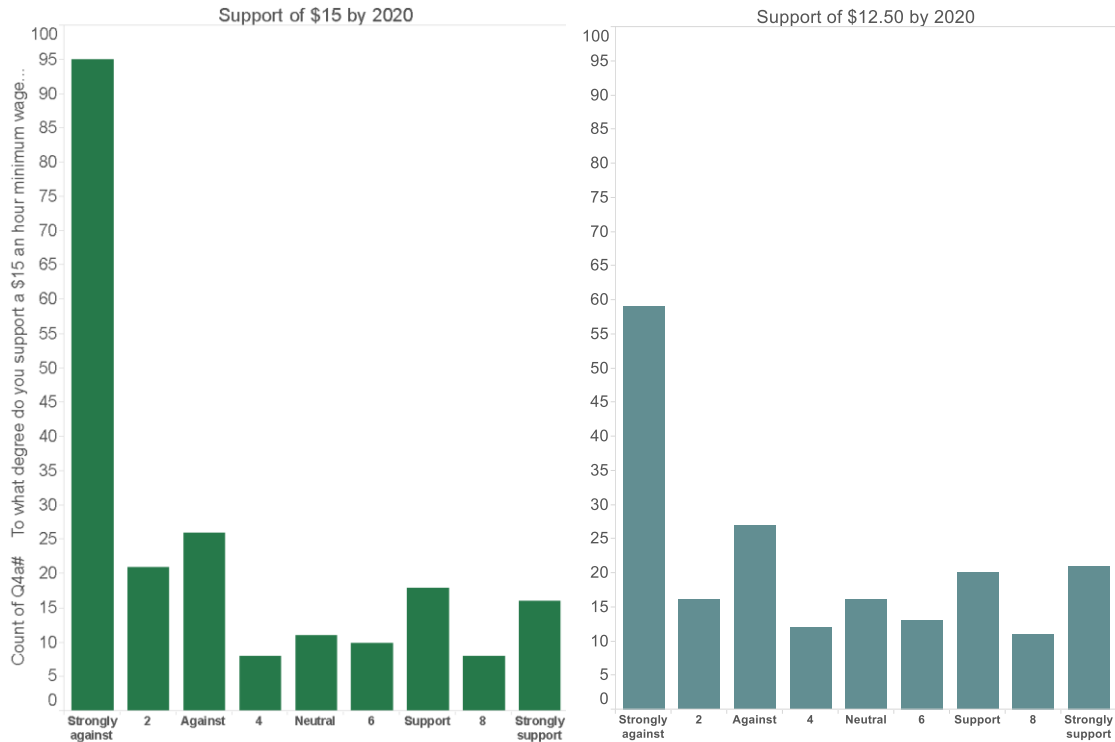
**SUPPORT OF MINIMUM WAGE OF \$15.00 BY YEAR 2020 IS LOWER THAN THAT OF \$12.50 BY YEAR 2020**

Participants were randomly assigned one of two versions of Question 4 when taking the survey whereby participants either were asked to rate their level of support for a minimum wage of \$15.00 by



year 2020 or \$12.50 by year 2020. The \$15.00 figure was chosen for inquiry because the discussion surrounding minimum wage increase in Long Beach has often revolved around \$15.00 due to the recent political decision in the City of Los Angeles, the County of Los Angeles and other large cities. The \$12.50 figure was chosen as the other point midway between \$15.00 and the soon to be minimum wage rate of \$10.00 (as of January 1, 2016) and has since been selected as the target point by the City of Sacramento in their decision to increase their minimum wage to \$12.50 by year 2020. A comparison point larger than \$15.00 was considered, but not implemented in the survey as it has not received significant stakeholder discussion in the current political and economic climate.

Support of \$15.00 by 2020 and \$12.50 by 2020 had a median score of 2 and 3 respectively. Statistical analysis revealed that the difference seen in the samples reflects a significant difference whereby \$12.50 was supported more than \$15.00 by year 2020. Although a wage increase to \$12.50 garnered more support than its counterpart, a minimum wage increase to \$12.50 by year 2020 was still seen unfavorably by the participants as the mode of 1 shows.



Questions 5 through 8 asked participants to consider possible mitigation strategies used by other cities to lower the financial load brought on by wage increases. Similar to Question 4, Questions 5 through 8 also had a \$12.50 v. \$15.00 design and participants were randomly selected to consider the mitigation strategies with one of the two dollar figures in mind. A statistically significant difference was



seen whereby the minimum wage increase and its accompanying mitigation strategy was rated more favorably in the \$12.50 condition than the \$15.00 condition for Questions 6 through 8, which further supports the key finding.

### **MITIGATION STRATEGIES INCREASED SUPPORT, BUT NO CLEAR PREFERENCE OF STRATEGY**

Questions 5 through 8 measured participants' support of a minimum wage increase given implementation of four different mitigation strategies:

Q5) To what degree would you support a minimum wage of \$X by year 2020 if the increase in minimum wage were to be statewide?

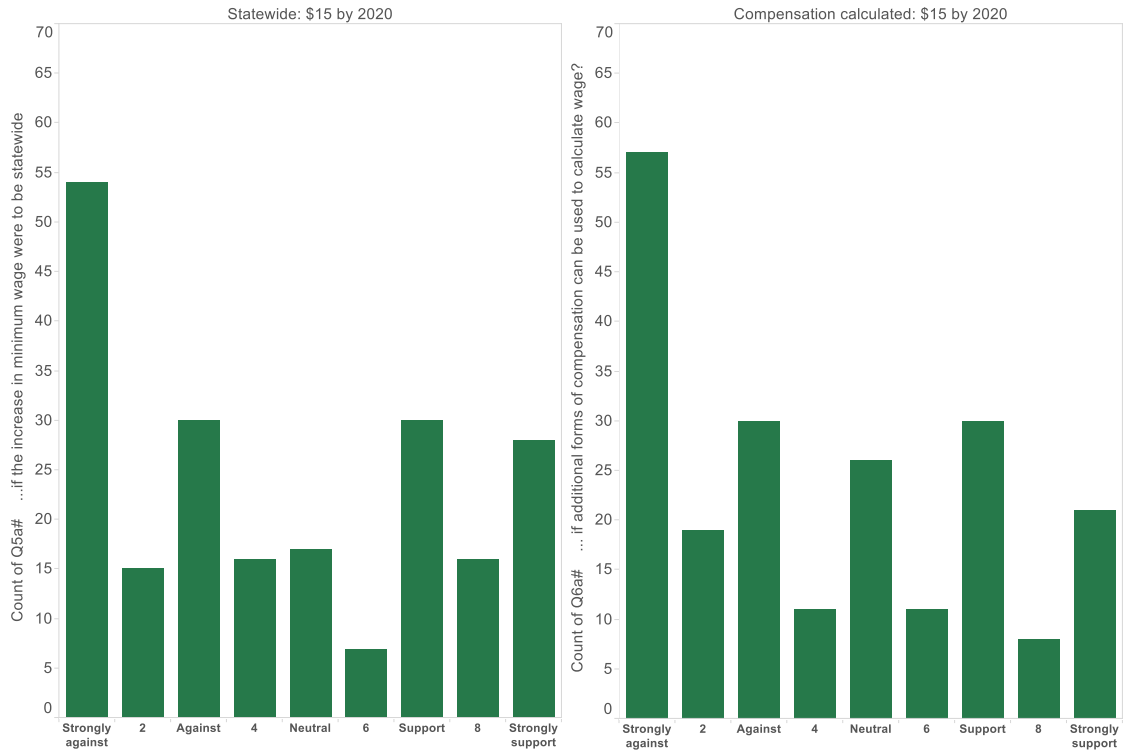
Q6) To what degree would you support a minimum wage of \$X by year 2020 if additional forms of compensation such as tips or benefits can be used to calculate wage?

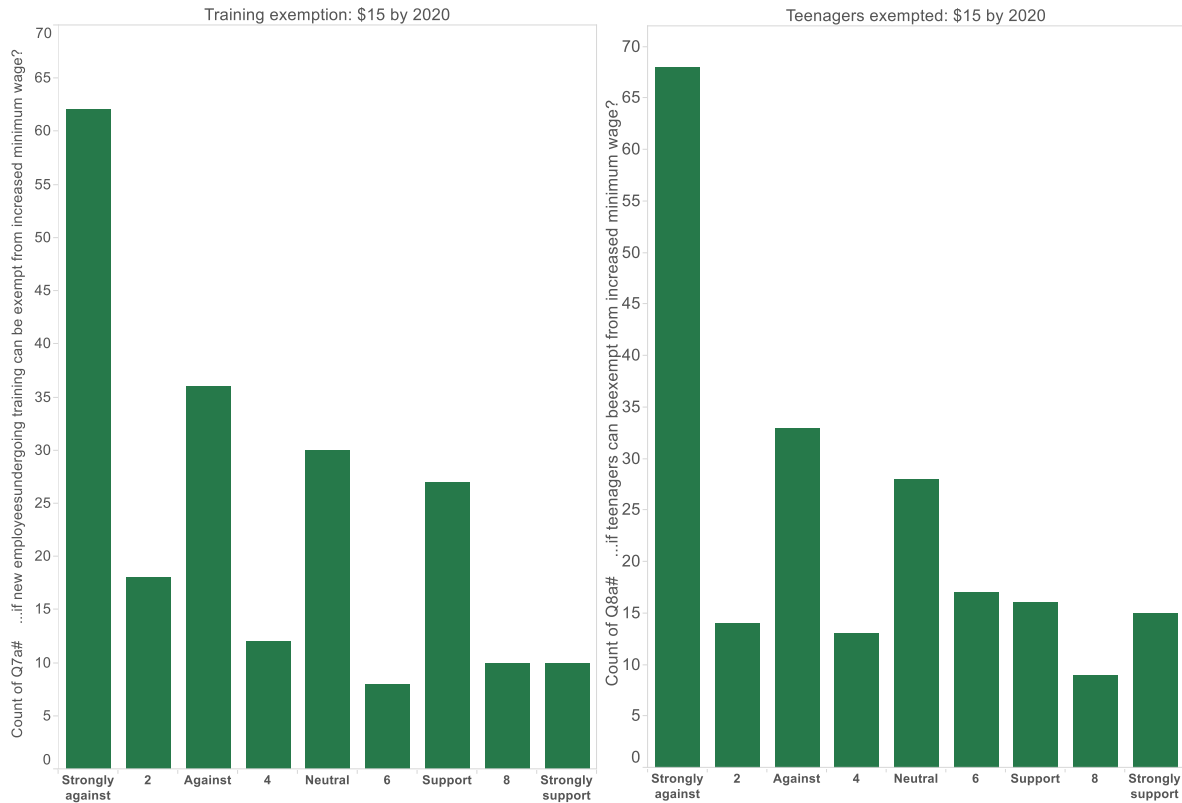
Q7) To what degree would you support a minimum wage of \$X by year 2020 if new employees undergoing training can be exempt from increased minimum wage?

Q8) To what degree would you support a minimum wage of \$X by year 2020 if teenagers can be exempt from increased minimum wage?

As aforementioned, participants were randomly assigned to consider the mitigation strategies in terms of a \$15.00 or \$12.50 rate by year 2020. All four versions of the minimum wage increase were met with opposition with the most frequent rating being a score of 1 for all questions in the \$15.00 condition. The median scores were 4, 4, 3 and 3 statewide implementation, wage based on total compensation, training exemption and teenage exemption mitigation strategies, respectively.



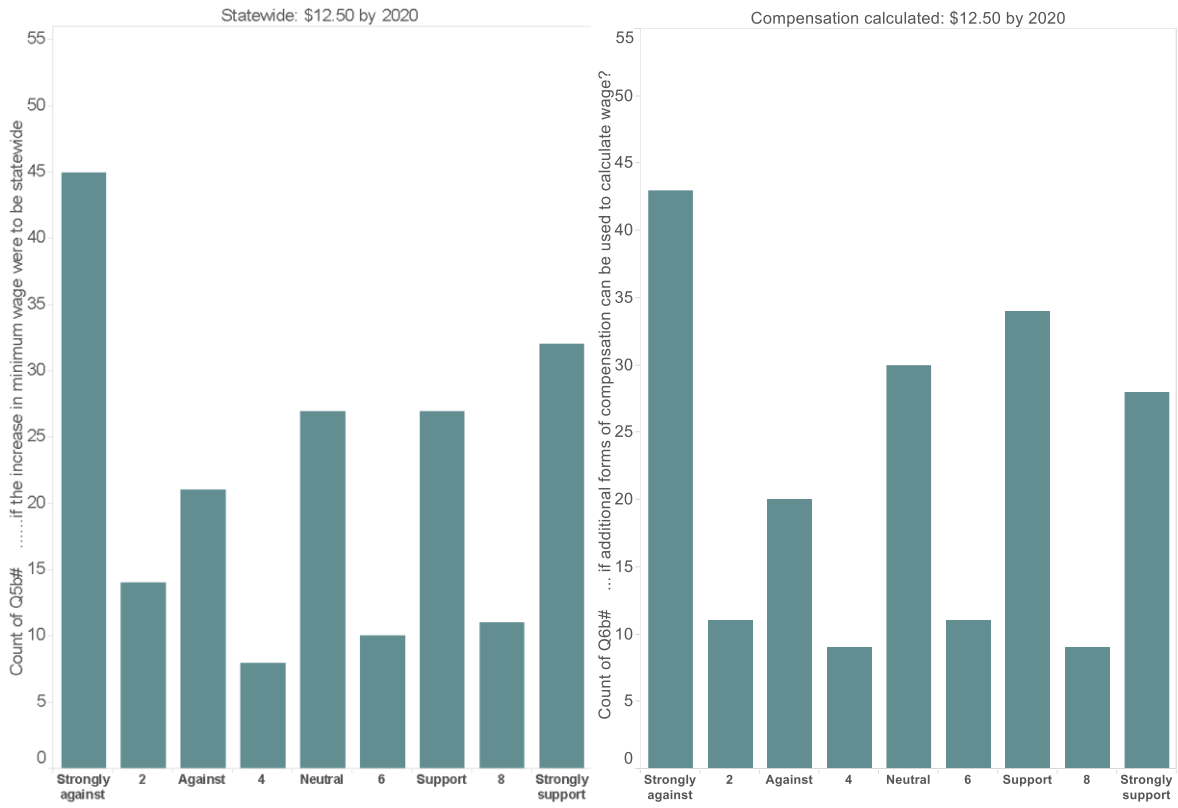


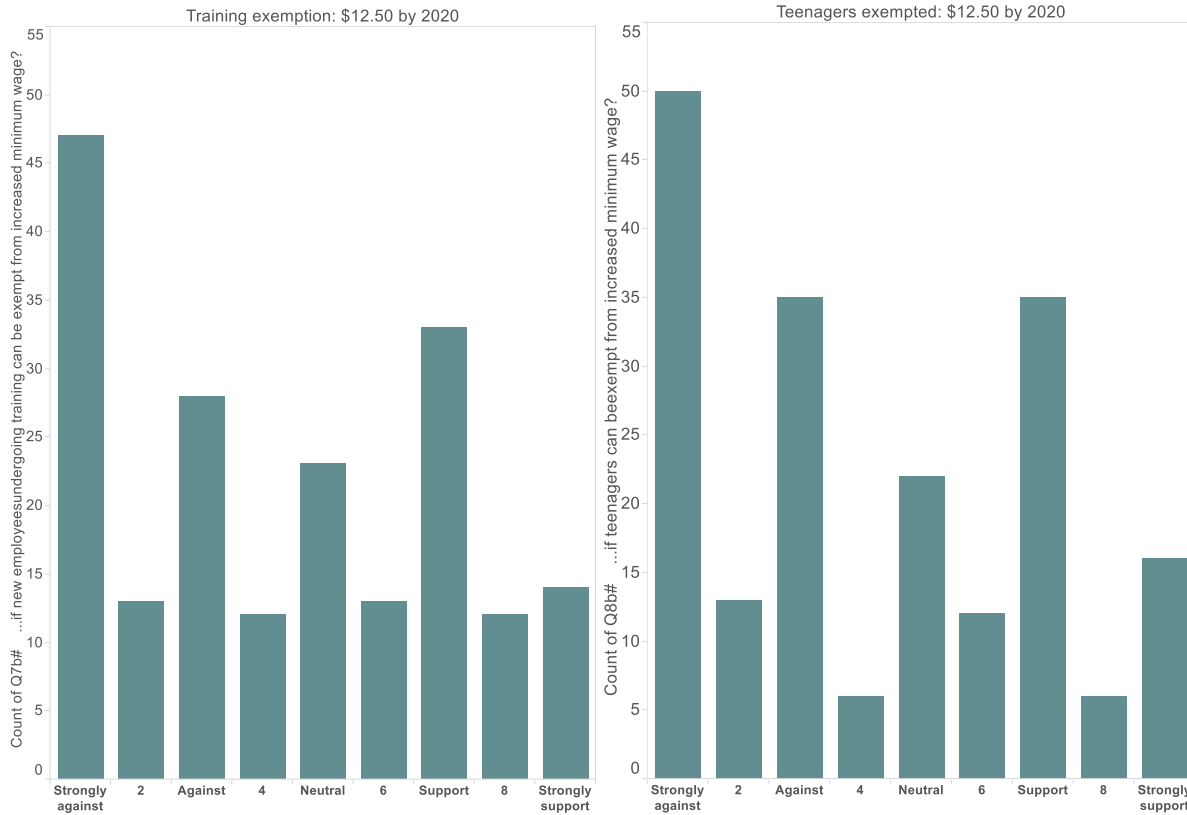


Despite this opposition to the mitigation strategies, participants still rated each mitigation strategies significantly higher than the baseline, i.e. Question 4. The size of the difference (effect size) between baseline and mitigation strategy was moderate to large for statewide minimum wage increase and small to moderate for wage based on total compensation, training exemption and teenager exemption.

Similar to the \$15.00 condition, all four versions of the minimum wage increase met with disapproval in the \$12.50 condition with the most frequent rating being a score of 1 for all questions. The median scores were 5, 5, 4 and 3 for statewide implementation, wage based on total compensation, training exemption and teenage exemption mitigation strategies, respectively.







Participants in the \$12.50 condition rated three of the four mitigation strategies significantly higher than the baseline; exemption of teenagers did not significantly differ from the baseline in the \$12.50 condition. The size of the difference between baseline and mitigation strategy was moderate statewide minimum wage increase and small to moderate for wage based on total compensation, training exemption.

**IMPLEMENTATION DELAYS RATED HIGHER THAN BASELINE**

Participants in the \$15.00 condition randomly received one of the following two questions:

Q21aX) To what degree would you support a minimum wage of \$15.00 by year 2020 if the increase in wage was delayed by 1 year for small businesses (less than 50 employees)?

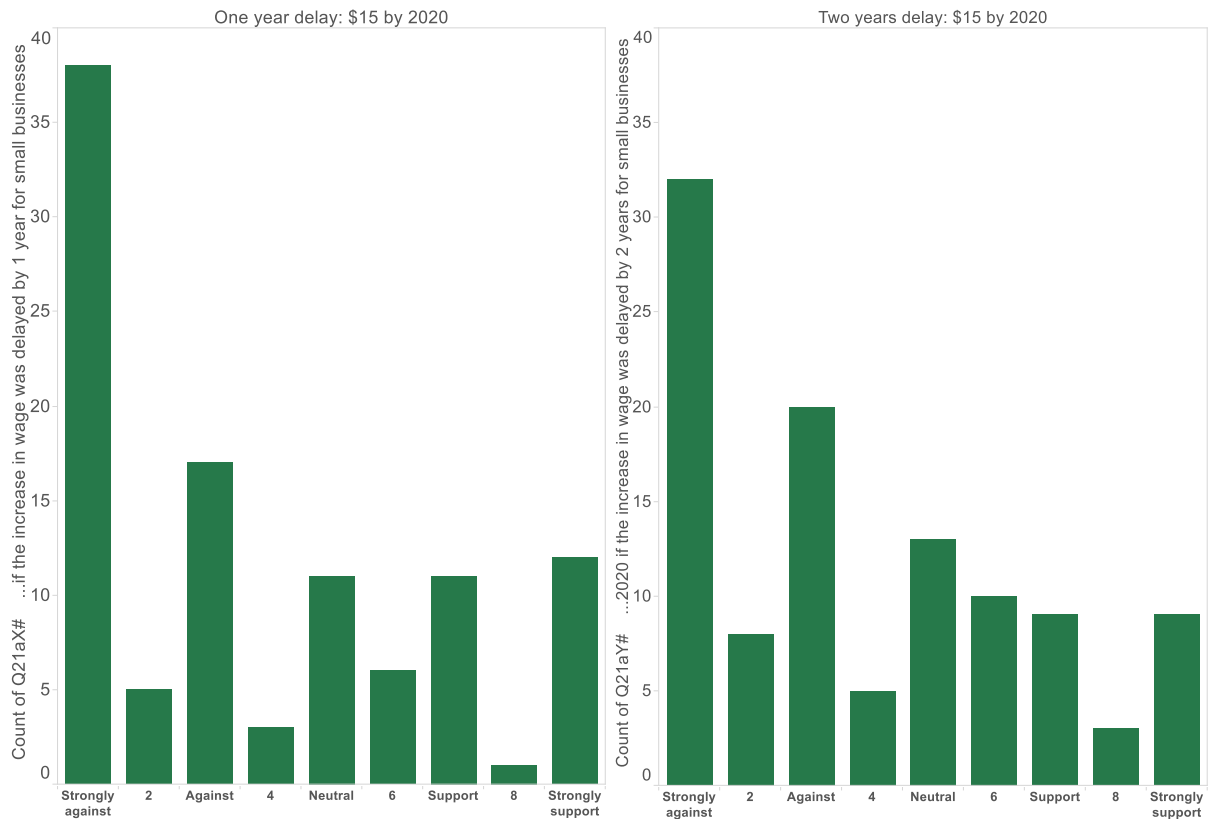
Q21aY) To what degree would you support a minimum wage of \$15.00 by year 2020 if the increase in wage was delayed by 2 years for small businesses (less than 50 employees)?

Similar to other questions, the most frequently selected rating for both implementation delays were a score of 1. Median scores of both implementation delays at the \$15.00 condition was 3.





Participants answered both questions very similarly and no statistically significant difference was detected between the two implementation delays for small businesses. However, a statistically significant difference was seen between the baseline (Question 4) and the implementation delay strategies in the \$15.00 condition whereby participants rated the minimum wage increase to \$15.00 with implementation delay higher. However, the size of the difference observed was small.



Participants in the \$12.50 condition randomly received one of the following two questions:

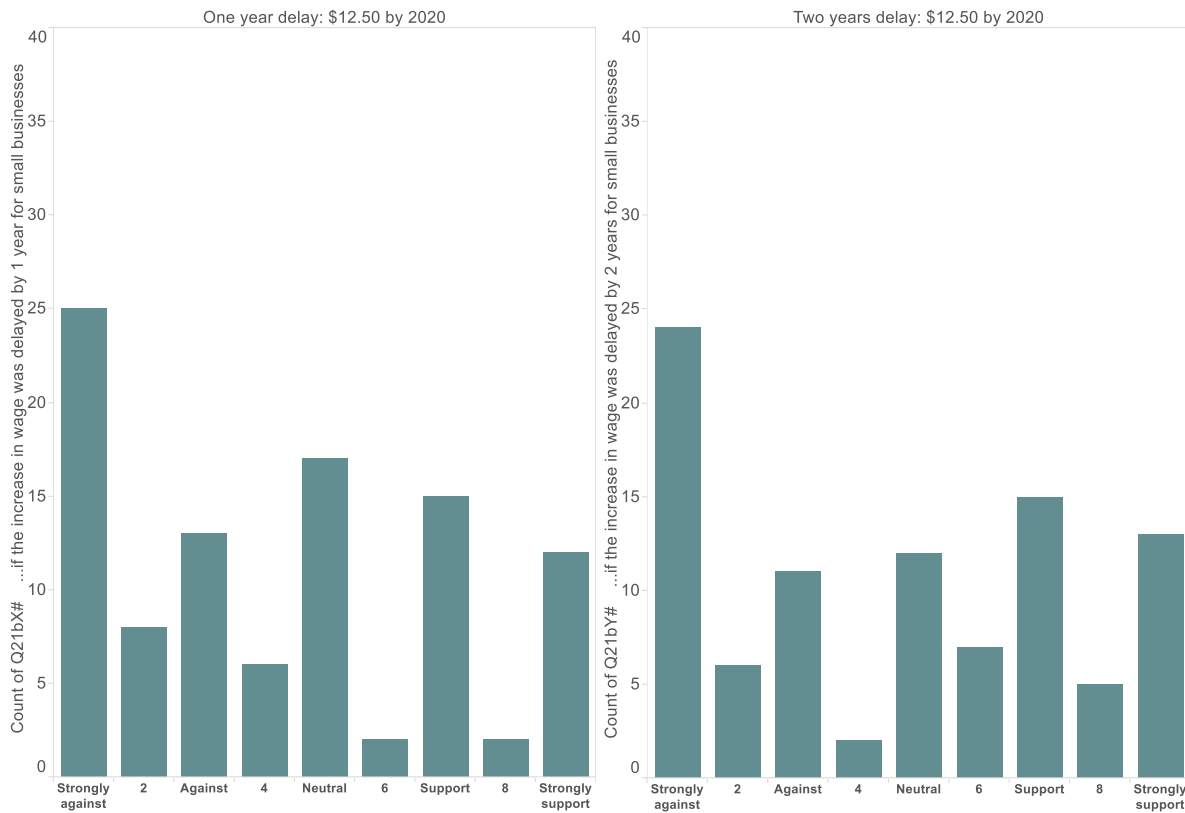
Q21bX) To what degree would you support a minimum wage of \$12.50 by year 2020 if the increase in wage was delayed by 1 year for small businesses (less than 50 employees)?

Q21bY) To what degree would you support a minimum wage of \$12.50 by year 2020 if the increase in wage was delayed by 2 years for small businesses (less than 50 employees)?

The most frequent score for both implementation delays in the \$12.50 condition was 1. The medians were 4 and 5 for one year and two year delay in implementation respectively.



Similar to the \$15 condition, no statistically significant difference was detected between the two different implementation delays for small businesses under the \$12.50 condition. Participants in the \$12.50 condition did not rate the implementation delays significantly higher than the baseline. The majority of our participants currently employ under 50 employees and these implementation delays were indeed applicable to them.



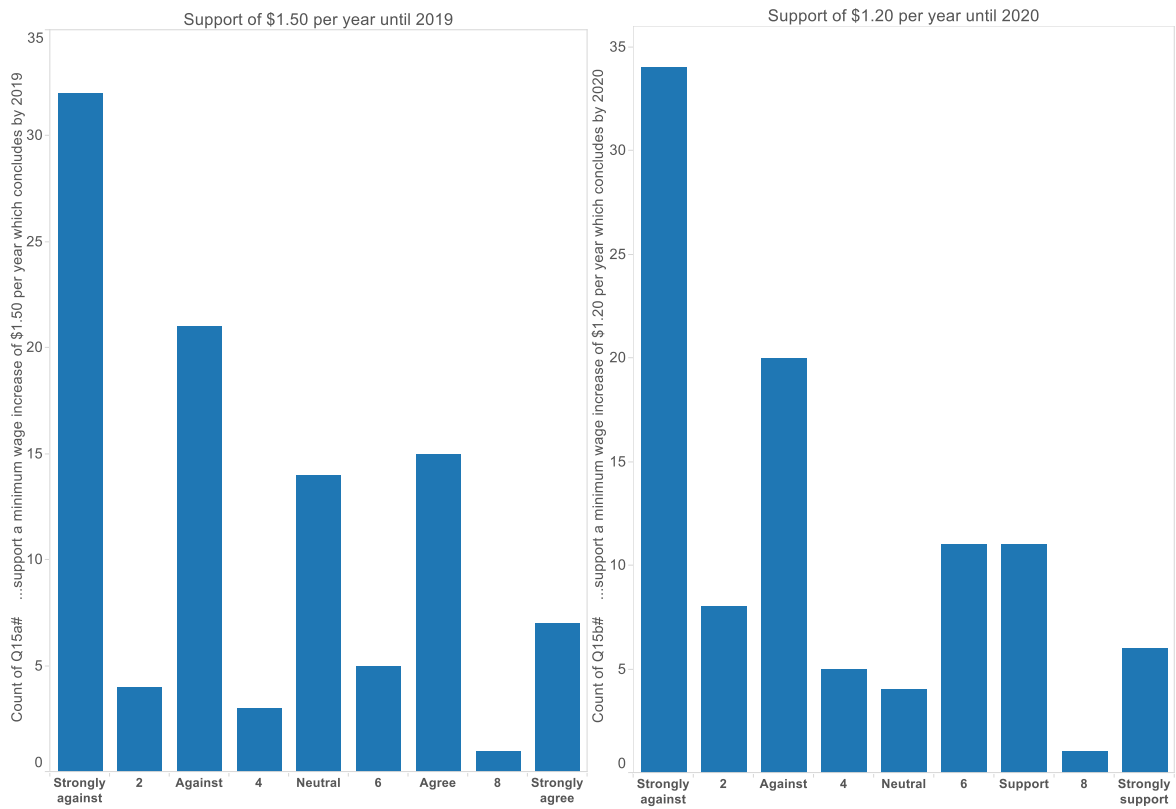
A statistically significant difference between \$15.00 and \$12.50 was observed whereby the one year delay for small businesses at the \$12.50 condition was more supported than the year delay for small businesses at the \$15.00 condition. The two year delay across the \$15.00 and \$12.50 also yielded the same results. This finding continues to highlight the nonprofit organization and business community’s concern regarding the final dollar figure of \$15.00 over that of any mitigation strategies.

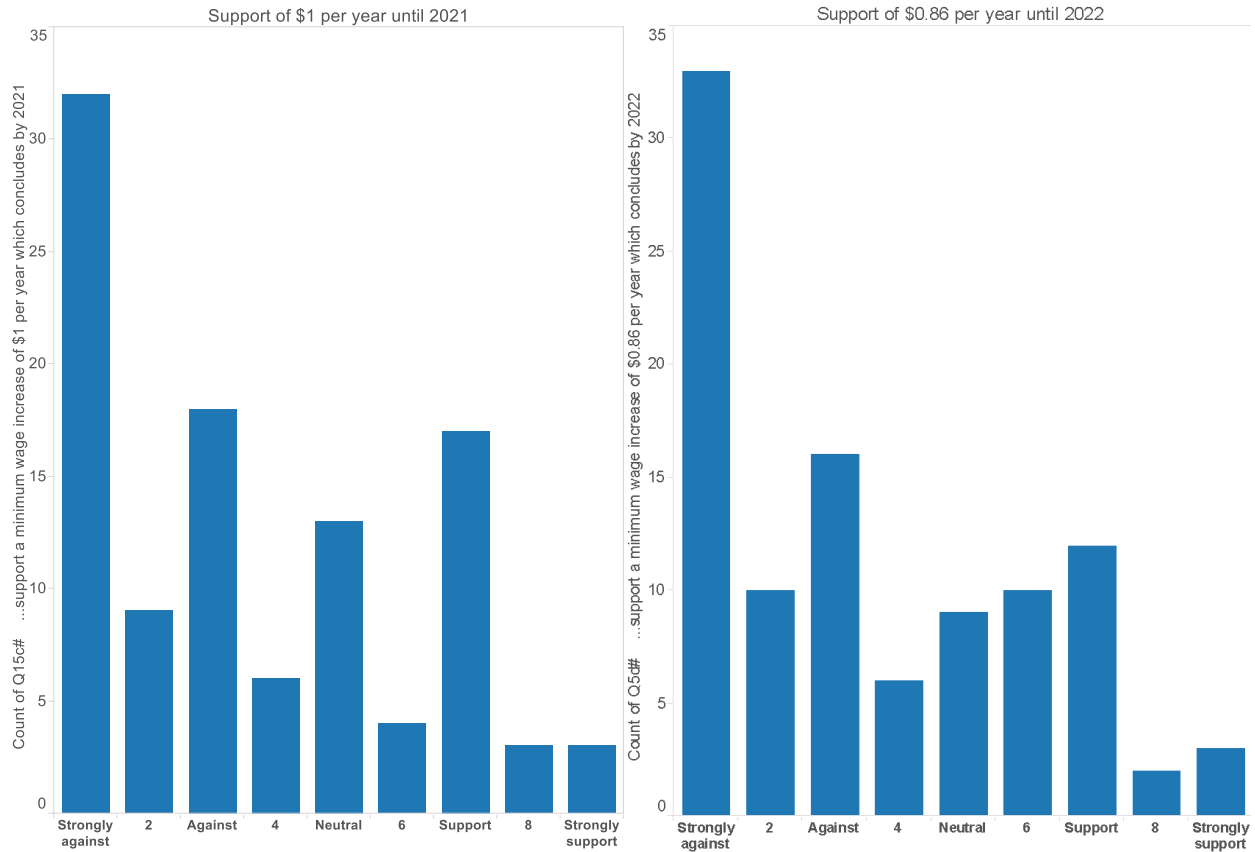
**DIFFERENT ANNUAL INCREASE TOWARDS \$15 DID NOT SHOW IMPACT**

Participants were asked to state their support of a minimum wage increase towards \$15.00 an hour with four different rates of annual increase: \$1.50 increase to wage per year which concludes in



2019, \$1.20 increase per year which concludes in 2020, \$1.00 increase per year which concludes in 2021, and \$0.86 increase per year which concludes in 2022. The median scores for all three annual increases to \$15 were 3. A statistically significant difference was not observed among the different annual increases towards \$15.00.



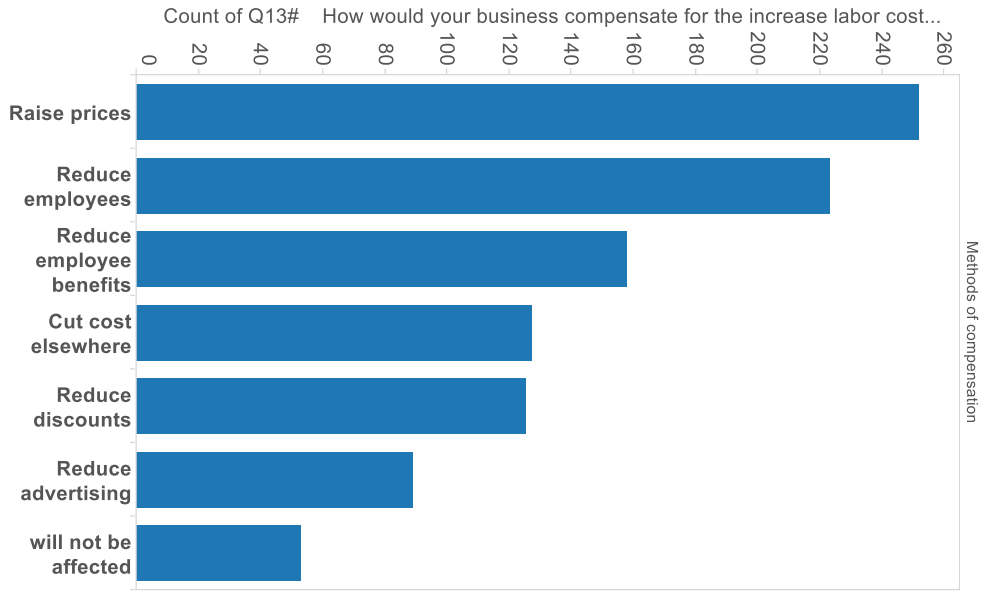


In Question 13, participants were asked how their business would compensate for the increase in labor cost. They were given the following seven options and were able to choose as many as they saw fit: cut cost elsewhere, reduce employee benefits, reduce number of employees, reduce advertising, reduce offered discounts, raise prices and my business will not be affected.

Given that the way nonprofit organizations are financed is different from that of private organizations, nonprofit organizations have been excluded from this analysis as planned in advance. However, it should be noted that their methods of compensation were near identical to that of for profit organizations in the sample we obtained.

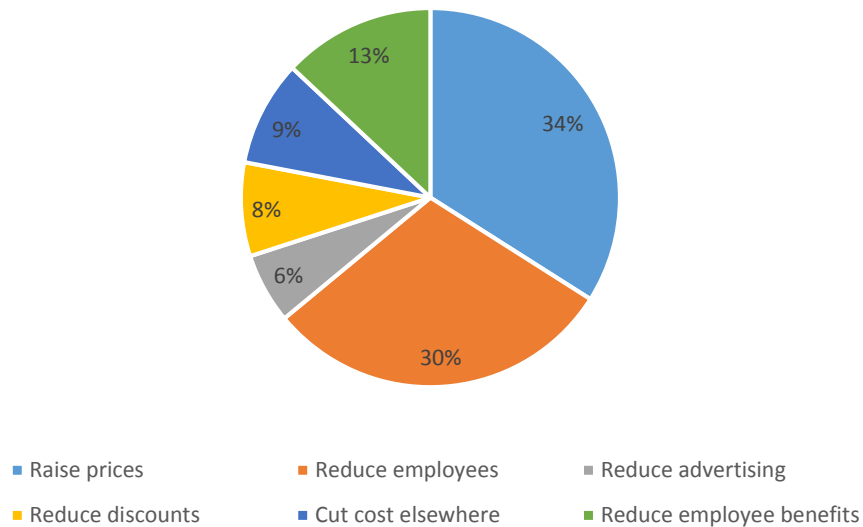
Participants chose to raise prices of their goods and reduce number of employees most frequently.





Following Question 13, participants were presented the options that they had chosen in Question 14 and were asked in what proportion they would utilize the options they had chosen to offload the total increase in labor cost. Collectively, participants reported that they would offload 30% and 34% of their increased labor cost through reducing employees and raising prices respectively.

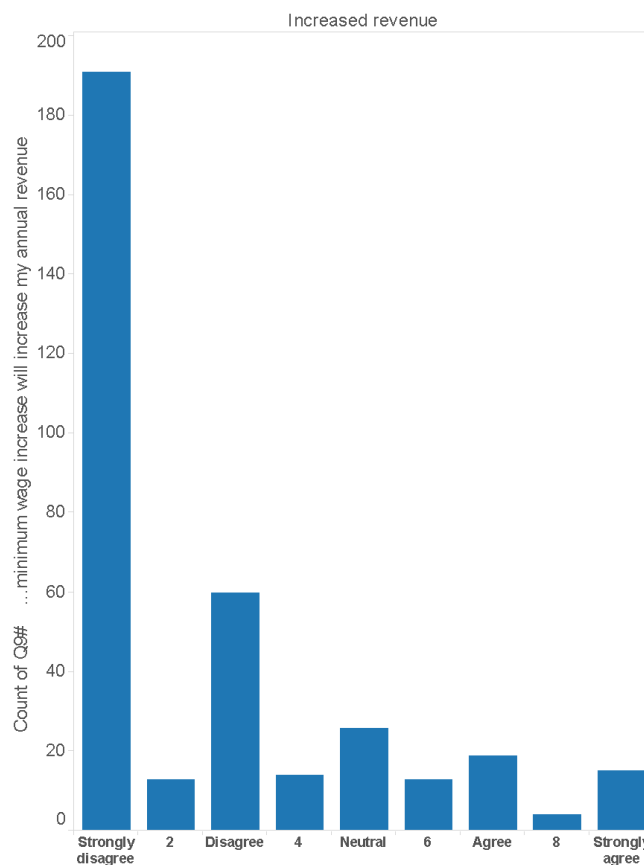
Percentiles of Q14# ...Using the sliders, roughly proportion how you would offload the total increase in labor cost



## BUSINESSES FOCUSED ON THE POSSIBLE DRAWBACKS OF MINIMUM WAGE INCREASE

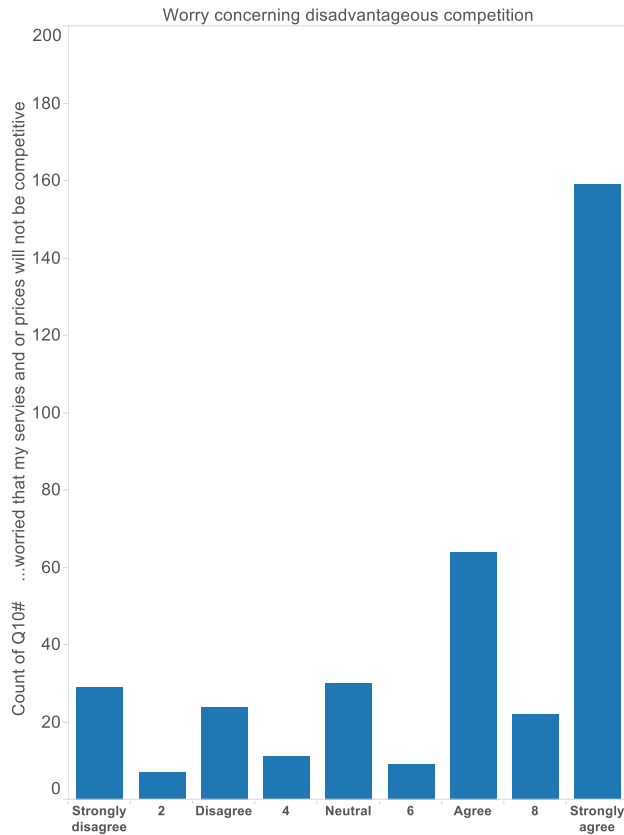
All participants were asked to consider possible benefits and drawbacks of a minimum wage increase in Questions 9 through 12. No dollar amount was directly attached to any of these questions and there was no statistically significant influence observed from the dollar amount (\$12.50 v. \$15.00) participants were previously exposed to in the survey on these subsequent questions. Participants who operated nonprofit organizations were excluded from this analysis following a statistically significant difference observed in their answers to that of answers of private companies. All other sections of the survey were examined for such discrepancy but none was identified.

Participants were asked if an increase in minimum wage could also increase their revenue given that hypothetically workers of Long Beach will have more money to spend. Businesses overwhelmingly disagreed with the notion with the median score being 1.



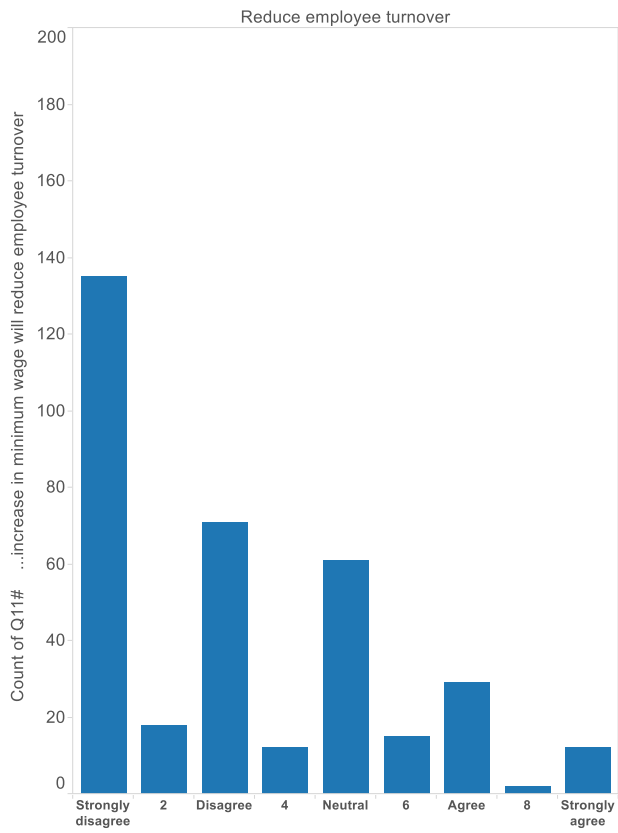
Participants were asked whether or not they were worried that their services and or prices would not be competitive given that businesses outside of Long Beach would not face an increase in minimum wage. Participants were very much concerned. The median score was 8.





Given that Long Beach businesses would pay their employees more than their competitors outside of Long Beach, participants were asked if this could be favorable in reducing employee turnover. Participants did not believe that minimum wage increase would help their turnover rates. The median was 3.

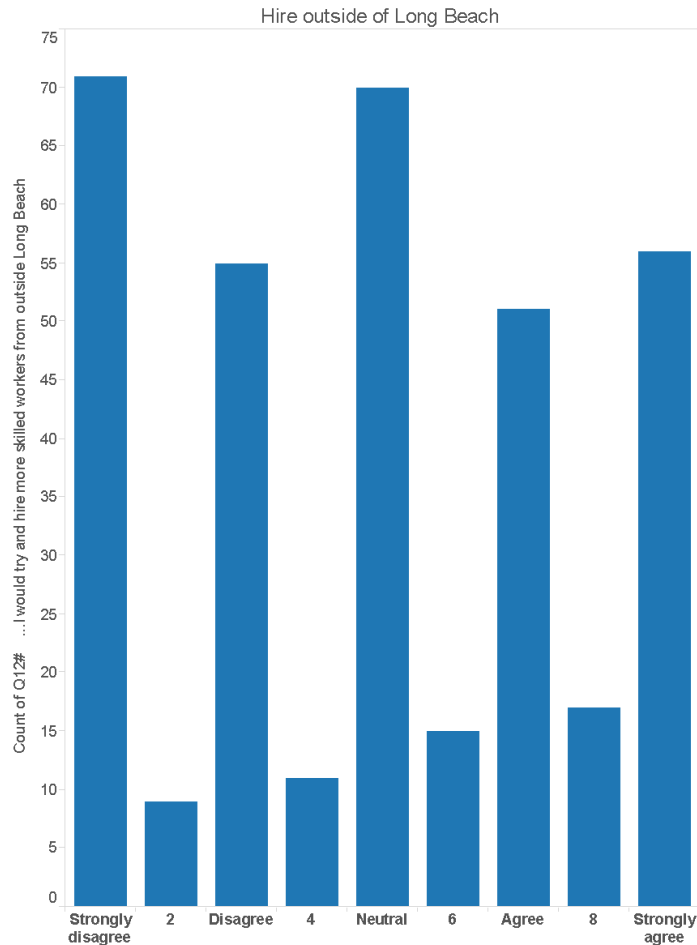






## A LARGE MINORITY STATED SOME PREFERENCE FOR HIRING OUTSIDE OF LONG BEACH

If a minimum wage increase were to be passed, businesses within Long Beach would pay more wages than their competitors leading to more workers seeking employment within Long Beach. Participants were asked if they would hire more skilled workers from outside of Long Beach over local unskilled workers given that they have a larger labor pool available to them. Businesses were split on the matter. The median was 5.



# FOCUS GROUP STUDY

## General Focus Groups

SGA held seven separate focus groups with businesses and nonprofits from the City of Long Beach in the months of October, November and December. Participants were recruited using the email lists available to the business improvement districts, the Long Beach Chamber of Commerce and the Long Beach Nonprofit Partnership. The five focus groups were more focused on businesses, but included nonprofits as well (general focus groups). These focus groups were strategically held to cover the geographical regions of the City - north, south, east and west sections of Long Beach. In addition, two focus groups were held specifically for nonprofits to obtain their unique perspective. The focus groups were composed of diverse industries of work, employee size and annual revenue. All organizations that attended were self-selected and no potential participant was turned away for any event.

The wording of questions and the order in which questions were asked were carefully considered previous to the focus group meetings to avoid potentially biasing of the answers. Stephen Groner of S. Groner Associates facilitated the events as his business experience and status as a business owner was most relevant and relatable. He was accompanied by an employee of S. Groner Associates who observed and recorded the focus groups.

Participants were informed of their anonymity within SGA's report before starting discussions. Participants were encouraged to answer questions in terms of the business/organizational realities they face and to avoid theoretical discussions of general economic ideas and politics within the focus group session. The goal was to discuss how businesses and nonprofits would act in the near term if varying minimum wage requirements were put into place in Long Beach.

The information and analysis gained from the focus group as with any analysis pertaining to a focus group, was qualitative and subjective opinions of the participants. Furthermore, due to the small size of focus groups the answers obtained might not necessarily reflect the opinions of the larger population. However, a focus group design provide a more nuanced account of the potential realities that a study's subject face that survey research data cannot capture.

The following summaries are from the business centric focus groups (five focus groups), however some nonprofits did participate in these discussions.

### **PARTICIPANTS BELIEVED AN INCREASE IN WAGES IS NEEDED BUT NOT AT THE MANDATORY \$15.00 AMOUNT**

A sizable number of the participants in the focus groups remarked that they are in favor of an increase in wages in the City of Long Beach. Although they are in favor of a wage increase, they were



emphatically against an increase to \$15.00. However, participants would not reveal a specific amount that they would support. This idea was expressed by both businesses and nonprofits.

### **PARTICIPANTS HAD A DIFFICULT TIME CONSIDERING THE IMPACT OF INCREMENTAL INCREASES**

When participants were asked how their organization would be affected by a \$15.00 minimum wage increase by year 2020, most participants spoke of impact and cost of the increase without taking the incremental implementation of the wage increase into consideration. Participants often cited increased labor cost figures and consequent impact on their bottom line and customer base established on an immediate \$6.00 increase in minimum wage. Participants had a more difficult time taking into account the adjustments to the competitive landscape and customer demand that incremental increase in wages could provide.

In the business community, participants focused mostly on the levers of raising prices and cutting employee positions in lines with the survey findings. The nonprofit community focused more on the lever of reducing employee positions and were resistant to increasing revenue via increased service fees, which would most likely be borne by the individuals they were trying to help. In the longer term, they would try to make up the difference through fewer but more productive higher level employees, additional grants or fundraising.

### **THE RIPPLE EFFECT OF WAGE INCREASES BEYOND MINIMUM WAGE EMPLOYEES**

Many participants in the focus groups currently paid a portion of their employees above the minimum wage. If an increase in minimum wage were to occur, participants believed they would be pressured to also increase wages proportionally for employees currently above the minimum wage rate. Participants were also concerned that this ripple effect will also result in increased payroll taxes and worker compensation costs.

### **FOOD SECTOR CONCERNS FOR TIPPED EMPLOYEES AND ADJACENT CITY COMPETITION**

Many participants especially in the foodservice sector believed these increased costs were not economically feasible given their operating margins. This was especially pronounced for businesses located near surrounding cities that may not face these added costs and thus the Long Beach businesses would be at a competitive disadvantage. They also felt their situation was particularly unfair, because many of their current employees' compensation are far above even the \$15.00 minimum wage rate. Some considered moving to a service fee model with no tipped employees. However, participants feared that this would disincentivize higher quality of work as there would be no financial motivation.



## **PARTICIPANTS PLANNED TO INCREASE PRICES OF THEIR GOODS**

In order to compensate for the increase in labor costs, nearly all participants stated they would raise prices of their goods and services. Some of the participants feared that their business would not be able to sustain a price increase due to the high price elasticity of their products. Participants also voiced concerns that an increase in price would create an image problem (e.g. greedy, upscale) for their business. Small retailers feared that increased prices would create an even larger gap between their prices and that of national retailers which would further drive away business.

Due to the recent labor mandates (e.g. State sick time requirements and the Affordable Care Act), some participants had already increased prices of their products and reported a noticeable decrease in their elderly customers. They speculated that given the fixed budget of the elderly, they would be more likely to be sensitive to price increases.

## **SOME PARTICIPANTS STATED THEY WOULD CONSIDER MOVING THEIR BUSINESSES TO ANOTHER CITY**

Some participants remarked that they would move their business to a different location if the minimum wage was to increase. Few restaurateurs expressed that their businesses would not be able to bear the cost of labor and they would have to move to an adjacent city. They believed their dedicated customer base would travel a city over to continue purchasing their goods and services. In addition, some owners with multiple locations (i.e., chain restaurants or franchisee owners) stated that they would not move existing businesses, but would not consider Long Beach locations for future investments.

Few remote service providers (elderly care, residential management) remarked that they would continue to do business within Long Beach but move their central office elsewhere in order to circumvent the increased wage.

Participants that conducted businesses over state lines were especially concerned about competitive pricing and stated they are willing to move their business given that the location is not an important factor for them when conducting business.

## **PARTICIPANTS PLANNED TO DECREASE NUMBER OF EMPLOYEES OR CUT HOURS TO COMPENSATE FOR THE LABOR COST**

Many participants stated that they would cut employees or cut hours in order to compensate for the increased labor cost. A large number of these participants also noted that they themselves would work the shifts or positions that they would eliminate from the business.

A few of the participants considered automation. A food product manufacturer had considered capital-labor substitution of his business previously but had refrained because of the cost of the



implementation was greater than employing workers. In light of the potential increase in labor cost, he stated that he would reconsider automation. Some restaurateurs reported they may consider getting rid of servers in favor of tabletop computers in line with trends of large national chain restaurants. However, some dining restaurant owners stated that eliminating servers and hostesses is not an option for them due to the expectations that customers carry with the type of dining experience they provide.

In addition, a few of the participants stated that they currently employ workers beyond the need of the business or currently employ unskilled workers for altruistic reasons. If a minimum wage were to be passed, the participants stated that these hours and positions would be the first to be eliminated.

All participants of the focus group believed that the minimum wage increase will ultimately lead to unemployment for many, especially for less skilled workers within Long Beach. Many participants stated that they would attempt to compensate for the decreased number of employees by hiring higher skilled employees that are more efficient. They project that given Long Beach's higher wage rate, small business owners of Long Beach would have an advantageous selection to hire skilled workers from surrounding areas (note, this last consideration was not shared by the nonprofit community, which felt their mission was more likely to dictate who and where they hire).

### **MANY PARTICIPANTS BELIEVE THEY WILL NOT BE ABLE TO BEAR ADDITIONAL LABOR COSTS**

Many participants reported that their businesses would not be able to sustain both a minimum wage increase as well as the additional costs that results from increased wages e.g. payroll tax, workers' compensation cost and cost of mandatory sick days. Employers were especially disgruntled by the potential increase in labor costs given that labor costs have already risen in recent years due to other mandates such as the Patient Protection and Affordable Care Act and the recent State mandate for worker sick time. Some participants stated that they would close, sell or move their business to another state or city if the minimum wage raise was implemented.

### **PARTICIPANTS FELT LEFT OUT OF THE PUBLIC DIALOGUE**

Participants at the focus groups felt that they were being left out of the citywide discussion concerning minimum wage. They argued that the public dialogue surrounding minimum wage revolves around workers against corporations and does not take into account the consequence increased wages would have on small businesses or the nonprofit community. Participants also voiced concerns about possible repercussions from the Long Beach community for speaking out against the minimum wage increase and believed many small business owners of Long Beach would speak out against the wage increase if they were not afraid.



## **NEW BUSINESSES OWNERS HAD MIXED REACTIONS TO MINIMUM WAGE INCREASE**

A number of new businesses owners were present at the focus group meetings. For some of these participants, the increase in minimum wage was a large challenge when combined with difficulties of profitability and time constraints (one participant held a second job to support his venture) they already faced. Given these difficulties, some new business owners stated that they would likely end their venture to seek stable work elsewhere. However, this position was not unanimous amongst new business owners and many young (in age) entrepreneurs were the least vocal against the wage increase. It is arguable that new businesses are more susceptible to the pressures of increased labor cost but the focus groups did not completely support this notion.

## **MIXED REACTION CONCERNING TEENAGE/YOUTH EMPLOYEE EXEMPTION**

Participants were split in their opinion of a possible exemption of teenaged workers from an increased minimum wage. Some participants believed their line of work was more suited to younger employees and welcomed the idea. Few participants have noted that it would be tempting to exploit this discrepancy by hiring mostly teenaged employees and then eliminating these employees before they turn the age of mandatory minimum wage. In addition, participants thought this would encourage ageism.

Many found it distasteful that a minimum wage increase could potentially pay a teenage worker \$15.00 an hour. Teenage employees' lack of job experience was cited as the main reason for their contention. However, participants also believed workers need to reach a certain level of social status, which must be earned through time commitment and toil, to be worthy of higher wage. Many also voiced concerns that such a level of wages at a young age could potentially disincentivize young workers to strive towards better positions in life.

## **MIXED REACTION CONCERNING CALCULATION OF WAGE BASED ON TOTAL COMPENSATION**

Participants had mixed opinions concerning a possible mitigation strategy in which businesses would be able to calculate additional forms of compensations to meet the minimum wage amount. Many considered it a positive as the dollar amount derived from additional forms of compensation would not be subject to payroll and other additional fees. Some participants were concerned about the amount of paperwork and bureaucratic processes that would inevitably be part of the mitigation strategy.

Nonprofits in contrast were for the most part uniformly in favor of this strategy. In general, they were much more likely to provide greater benefits and had a very favorable opinion towards this strategy.



## Nonprofit Focus Groups

Nonprofit organizations play an important role in the Long Beach community. Although they are not as numerous as for profit organizations, they provide support for many residents and workers of Long Beach. For this reason, two focus groups were held specifically to better understand the unique challenges that nonprofit organization would face from an increase in the minimum wage (note, there was also some nonprofit participation in the business focus groups as well). Procedures and SGA personnel for the nonprofit organization focus group was identical to that of the business focus groups held. These two focus groups were held at the Long Beach Nonprofit Partnership.

### **FUNDING WILL BE AN ISSUE FOR MANY BUT NOT ALL**

It was commonly stated by participants that the funding of their organization would be an issue if minimum wage were to increase in Long Beach. Many nonprofit organizations function through funding obtained through the State or Federal agencies. Wages are calculated within such grants at the State mandated wage level and therefore if the minimum wage were to increase in Long Beach, nonprofit organization would struggle to make up the difference. In addition, many grants are written for several year at a specific escalation rate, so an increase in the wage escalation rate, would be problematic until the next round of grant budgeting/funding were to take place.

Participants report that obtaining increased funding is not simply a matter of writing more grants or holding more fundraisers as some might believe. The participants stated that as nonprofit organizations they already struggle to find appropriate donor or grant funding each year. Many participants were still morally in support of the minimum wage increase despite these difficulties, but were concern about amount of the increase and requested more time so that they could adequately adjust their organization to an increase.

A small number of participants at the focus group reported that funding would not be issue. They were conscientious of the minimal wage discussion that has been ongoing and have restructured their organizations accordingly and have already implemented wages at \$15.00 or more for all their employees.

### **NONPROFIT ORGANIZATIONS WILL CATER TO FULL PAYING CUSTOMERS**

Some nonprofit organizations serviced both fully paying customers as well as customers who received partial subsidies for the services provided by the nonprofit organization. These participants reported that given the constraint on budget and the need to make up the difference, they would be



forced to take up fully paying customers over those who get subsidized in order to operate the organization. They stated that this would result in less services available to those who need the subsidized services.

#### **CLIENTS WILL BE PLACED OUTSIDE OF THE SERVICE DUE TO THEIR NEW INCOME**

Some participants worried that clients/families would not be able to get the services they need as increased wage would place the families outside of the income bracket set by the state. Although these families would obtain increased income from the new wage, participants believed the services that they provide for them (e.g. medical care) would be too expensive for the families to receive without help from nonprofit organizations. They speculated that the net result would make them worse off.

#### **NONPROFIT ORGANIZATIONS SUPPORT CALCULATION OF WAGE BASED ON TOTAL COMPENSATION**

Nonprofit organizations favored calculation of wage based on total compensation. Many participants stated that as nonprofit organizations, they cannot compete with the higher salaries that for profit companies provide. In order to compete for the workforce, nonprofit organizations provide attractive additional benefits such as healthcare and other fringe benefits that their for profit counterparts often do not. Given that they already provide additional benefits, a potential budget imbalance would be less problematic if the wage was calculated on a total compensation basis.

#### **NONPROFIT ORGANIZATIONS SUPPORT IMPLEMENTATION AT A STATE LEVEL**

Participants greatly favored implementation of the minimum wage increase at a State level because if the minimum wage were to increase at the State level, grants at the State level would most likely account for the increase. Furthermore participants believed that families who would potentially be placed outside of the income bracket for services if implemented at the city level would not face such difficulties if the wage were to be set at a state level as it is likely that the income bracket will be repositioned with the increased wage.

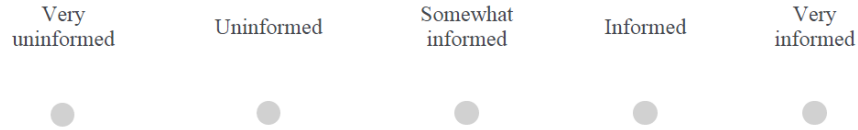




# Online Survey Questionnaire

## \$15 CONDITION

Q1a) How closely have you followed the news concerning minimum wage increase in Long Beach or elsewhere within the United States/California recently?

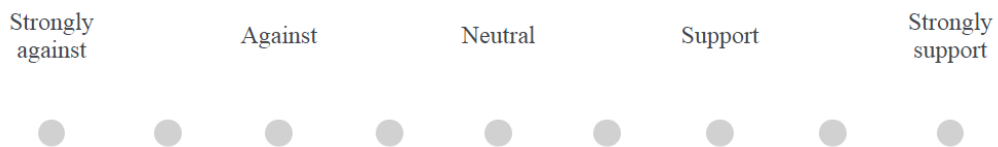


Q2a) To what degree do you support some form of minimum wage increase in the city of Long Beach?

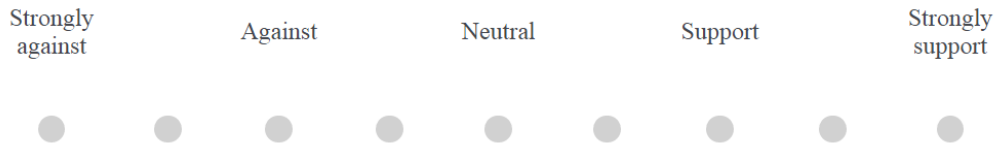


The city of Los Angeles recently passed an ordinance to increase the minimum wage to \$15 an hour by 2020. The city of Long Beach is starting to examine a minimum wage increase as well.

Q4a) To what degree do you support a \$15 an hour minimum wage in the city of Long Beach by the year 2020. The increase in wage will occur gradually over the course of five years.



Q5a) To what degree would you support a minimum wage of \$15 by year 2020 if the increase in minimum wage were to be statewide (which would balance the competitive advantage/disadvantage from difference in labor costs between cities)?



Q6a) To what degree would you support a minimum wage of \$15 by year 2020 if additional forms of compensation such as tips or benefits can be used to calculate wage?



Q7a) To what degree would you support a minimum wage of \$15 by year 2020 if new employees undergoing training can be exempt from increased minimum wage?



Q8a) To what degree would you support a minimum wage of \$15 by year 2020 if teenagers can be exempt from increased minimum wage?



**[PARTICIPANTS RECEIVED ONE OF THE FOLLOWING TWO QUESTIONS]**

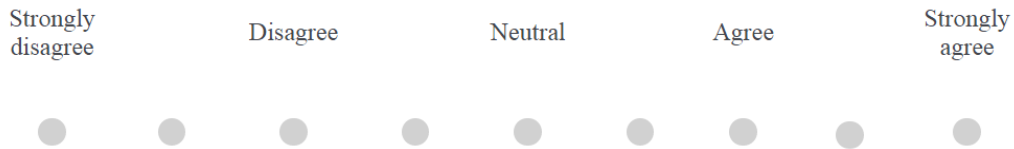
Q21aX) To what degree would you support a minimum wage of \$15 by year 2020 if the increase in wage was delayed by 1 year for small businesses (less than 50 employees)?



Q21aY) To what degree would you support a minimum wage of \$15 by year 2020 if the increase in wage was delayed by 2 years for small businesses (less than 50 employees)?



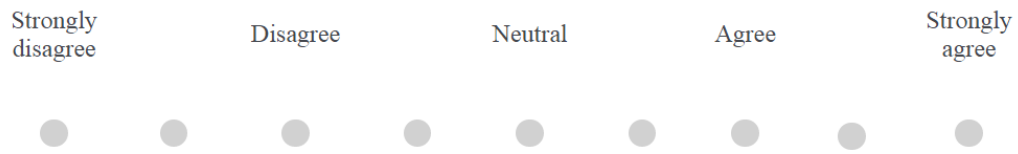
Q9) I believe a minimum wage increase will increase my annual revenue since workers of Long Beach will have more money to spend.



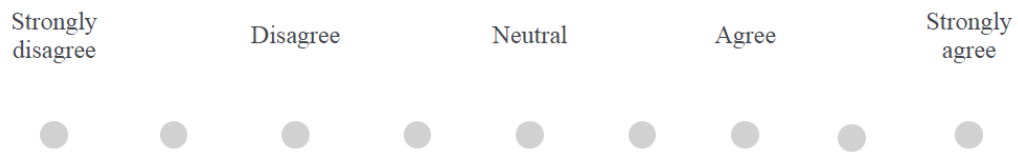
Q10) I am worried that my services and or prices will not be competitive compared to those of businesses not facing a minimum wage increase.



Q11) I believe the increase in minimum wage will reduce employee turnover in my business.



Q12) With a higher minimum wage, I would try and hire more skilled workers from outside Long Beach (who face lower minimum wage) than local unskilled workers.



Q13) How would your business compensate for the increase labor cost due to the minimum wage increase?

- Reduce number of employees
- Reduce employee benefits
- Cut cost elsewhere
- Reduce offered discounts
- Reduce advertising
- Raise prices
- My business will not be affected



Q14) You have selected the options below to compensate for the increase in labor cost. Using the sliders, roughly proportion how you would offload the total increase in labor cost. Note: the sum of all options cannot exceed 100% **[PARTICIPANTS RECEIVED ONLY THE OPTIONS THEY HAD CHOSEN FOR Q13]**



**[PARTICIPANTS RECEIVED ONE OF THE FOLLOWING FOUR QUESTIONS]**

Q15a) To what degree would you support a minimum wage increase of \$1.50 per year which starts in 2016 and concludes by 2019.



Q15b) To what degree would you support a minimum wage increase of \$1.20 per year which starts in 2016 and concludes by 2020.



Q15c) To what degree would you support a minimum wage increase of \$1 per year which starts in 2016 and concludes by 2021.



Q15d) To what degree would you support a minimum wage increase of \$0.86 per year which starts in 2016 and concludes by 2022.



Q16) How many employees do you currently have?

employee(s)

Q17) How many employees do you currently pay minimum wage?

employee(s)



What is your company's annual revenue?

- Less than \$1 million
- \$1-4 million
- \$5-9 million
- \$10-20 million
- Greater than \$20 million

Is your primary business a nonprofit organization?

- Yes
- No

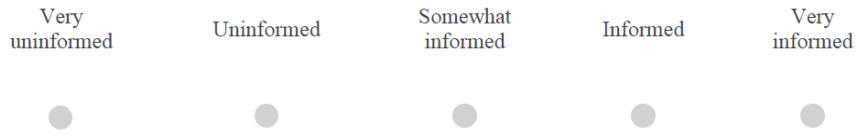
Which industry of work is your primary business involved in?

- Construction
- Manufacturing
- Retail trade
- Wholesale trade
- Shipping/Warehousing
- Information (publishing/telecommunication/data processing)
- Financial activities/Real estate
- Professional and business services
- Educational services
- Healthcare and social assistance
- Food services/Accommodation/Entertainment/Tourism
- Utilities
- Other



**\$12.50 CONDITION**

Q1b) How closely have you followed the news concerning minimum wage increase in Long Beach or elsewhere within the United States/California recently?



Q2b) To what degree do you support some form of minimum wage increase in the city of Long Beach?



The city of Sacramento recently passed an ordinance to increase the minimum wage to \$12.50 an hour by 2020. The city of Long Beach is starting to examine a minimum wage increase as well.

Q4b) To what degree do you support a \$12.50 an hour minimum wage in the city of Long Beach by the year 2020. The increase in wage will occur gradually over the course of five years.





Q5b) To what degree would you support a minimum wage of \$12.50 by year 2020 if the increase in minimum wage were to be statewide (which would balance the competitive advantage/disadvantage from difference in labor costs between cities)?



Q6b) To what degree would you support a minimum wage of \$12.50 by year 2020 if additional forms of compensation such as tips or benefits can be used to calculate wage?



Q7b) To what degree would you support a minimum wage of \$12.50 by year 2020 if new employees undergoing training can be exempt from increased minimum wage?



Q8b) To what degree would you support a minimum wage of \$12.50 by year 2020 if teenagers can be exempt from increased minimum wage?



Q21bX) To what degree would you support a minimum wage of \$12.50 by year 2020 if the increase in wage was delayed by 1 year for small businesses (less than 50 employees)?



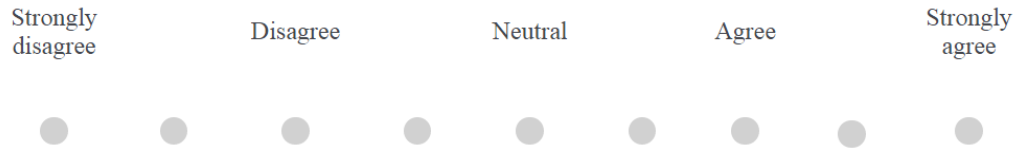
Q21bY) To what degree would you support a minimum wage of \$12.50 by year 2020 if the increase in wage was delayed by 2 years for small businesses (less than 50 employees)?



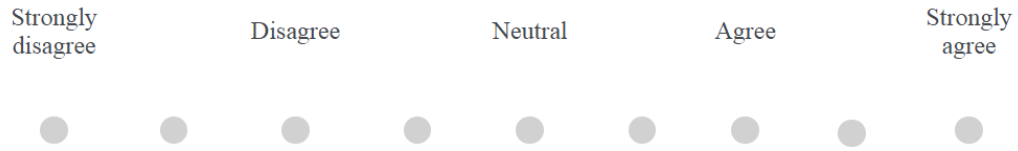
Q9) I believe a minimum wage increase will increase my annual revenue since workers of Long Beach will have more money to spend.



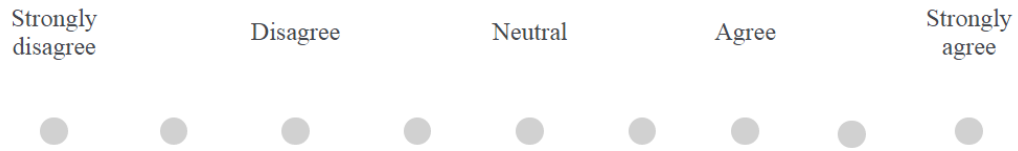
Q10) I am worried that my services and or prices will not be competitive compared to those of businesses not facing a minimum wage increase.



Q11) I believe the increase in minimum wage will reduce employee turnover in my business.



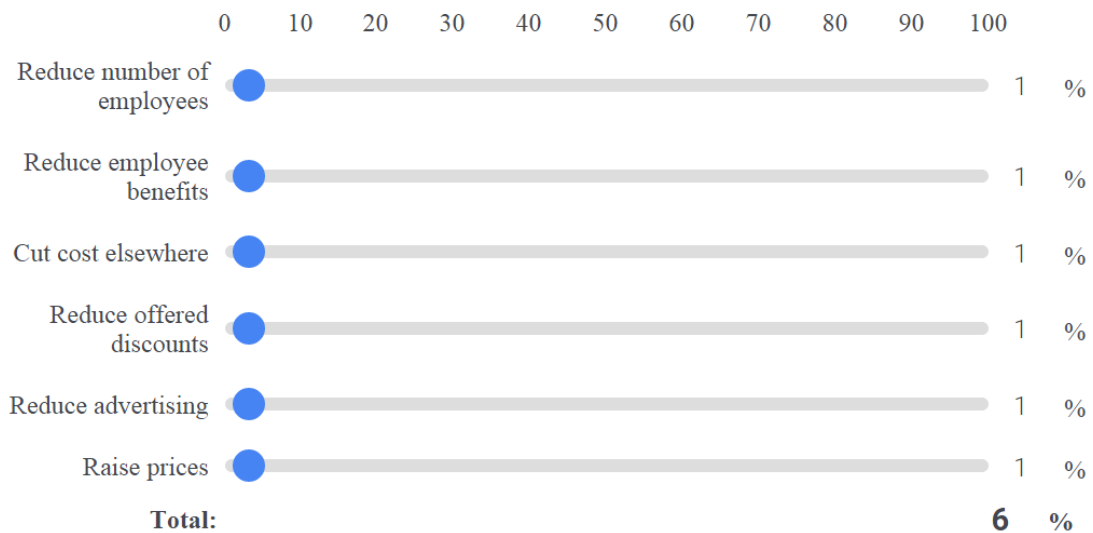
Q12) With a higher minimum wage, I would try and hire more skilled workers from outside Long Beach (who face lower minimum wage) than local unskilled workers.



Q13) How would your business compensate for the increase labor cost due to the minimum wage increase?

- Reduce number of employees
- Reduce employee benefits
- Cut cost elsewhere
- Reduce offered discounts
- Reduce advertising
- Raise prices
- My business will not be affected

Q14) You have selected the options below to compensate for the increase in labor cost. Using the sliders, roughly proportion how you would offload the total increase in labor cost. Note: the sum of all options cannot exceed 100% **[PARTICIPANTS RECEIVED ONLY THE OPTIONS THEY HAD CHOSEN FOR Q13]**



**[PARTICIPANTS RECEIVED ONE OF THE FOLLOWING FOUR QUESTIONS]**

Q15a) To what degree would you support a minimum wage increase of \$1.50 per year which starts in 2016 and concludes by 2019.



Q15b) To what degree would you support a minimum wage increase of \$1.20 per year which starts in 2016 and concludes by 2020.



Q15c) To what degree would you support a minimum wage increase of \$1 per year which starts in 2016 and concludes by 2021.



Q15d) To what degree would you support a minimum wage increase of \$0.86 per year which starts in 2016 and concludes by 2022.



Q16) How many employees do you currently have?

employee(s)

Q17) How many employees do you currently pay minimum wage?

employee(s)

Q18) What is your company's annual revenue?

- Less than \$1 million
- \$1-4 million
- \$5-9 million
- \$10-20 million
- Greater than \$20 million

Q19) Is your primary business a nonprofit organization?

- Yes
- No



Q20) Which industry of work is your primary business involved in?

- Construction
- Manufacturing
- Retail trade
- Wholesale trade
- Shipping/Warehousing
- Information (publishing/telecommunication/data processing)
- Financial activities/Real estate
- Professional and business services
- Educational services
- Healthcare and social assistance
- Food services/Accommodation/Entertainment/Tourism
- Utilities
- Other



## Focus Group Script

1. Introduction: Let me start by welcoming everyone and introduce myself
  - a. Business owner – SGA Marketing
    - i. Market research – on social and community issues
    - ii. 15 employees
    - iii. Hired by COBA/LB Chamber
    - iv. Develop a qualitative and quantitative report on the business community's thoughts about the minimum wage issue
2. Business Introductions: Now if I could have everyone introduce themselves
  - i. Name
  - ii. Business
  - iii. Approximately how many employees
  - iv. % that are currently minimum wage workers
3. Background: The city of Los Angeles and Los Angeles County (just affecting the unincorporated areas) recently passed an ordinance to increase the minimum wage to \$15 an hour (by 2020). The city of Long Beach is starting to examine a minimum wage increase as well. The city of Long Beach as well as I are interested in hearing the business community's opinions on this potential minimum wage increase.
  - a. First, I want to establish that this discussion will be entirely anonymous. Your name and the name of your business will not be revealed in our reports.
  - b. Second, I want to encourage discussion of the details throughout the course of this meeting. I want to know not only where you stand on this issue but also what business realities you are facing that makes you lean in that direction
  - c.

### **[PARTICIPANTS RECEIVED ONE OF THE FOLLOWING TWO QUESTIONS]**

4a. How do you feel about a \$15 an hour minimum wage increase in the city of Long Beach by the year 2020? (1.25/yr)

4b. How do you feel about a minimum wage increase of \$1.20 per year which starts in 2016 and concludes by 2020?





5. How do you feel about a \$15 an hour increase in minimum wage by year 2020 if the increase in minimum wage were to be statewide (which would balance the competitive advantage/disadvantage from difference in labor costs between cities)?
6. How do you feel about a \$15 an hour increase in minimum wage by year 2020 if additional forms of compensation such as tips or benefits can be used to calculate wage or perhaps if there was an exemption for these employees?
7. How do you feel about a \$15 an hour increase in minimum wage by year 2020 if new employees undergoing training can be exempt from increased minimum wage?
8. How do you feel about a \$15 an hour increase in minimum wage by year 2020 if teenagers can be exempt from increased minimum wage?

