



JOB KILLER

March 21, 2014

TO: Members, Senate Committee on Labor and Industrial Relations

FROM: California Chamber of Commerce
 Associated Builders and Contractors – San Diego Chapter
 Agricultural Council of California
 Air Conditioning Trade Association
 Anaheim Chamber of Commerce
 Brawley Chamber of Commerce

Brea Chamber of Commerce
California Association for Health Services at Home
California Association of Health Facilities
California Association of Licensed Security Agencies, Guards and Associates
California Association of Winegrape Growers
California Attractions and Parks Association
California Business Properties Association
California Farm Bureau Federation
California Grocers Association
California Independent Grocers Association
California League of Food Processors
California Manufacturers and Technology Association
California Professional Association of Specialty Contractors
California Restaurant Association
California Retailers Association
California Taxpayers' Association
California Trucking Association
Chambers of Commerce Alliance of Ventura & Santa Barbara Counties
Desert Hot Springs Chamber of Commerce & Visitors Center
El Centro Chamber of Commerce & Visitors Bureau
El Dorado County Chamber of Commerce
Folsom Chamber of Commerce
Fullerton Chamber of Commerce
Greater Bakersfield Chamber of Commerce
Greater Fresno Area Chamber of Commerce
Greater San Fernando Valley Chamber of Commerce
Huntington Beach Chamber of Commerce
Long Beach Area Chamber of Commerce
Oxnard Chamber of Commerce
Palm Desert Area Chamber of Commerce
Plumbing-Heating-Cooling Contractors Association of California
Porterville Chamber of Commerce
Redondo Beach Chamber of Commerce
San Jose Silicon Valley Chamber of Commerce
Santa Clara Silicon Valley Central Chamber of Commerce & Convention-Visitors Bureau
Southwest California Legislative Council
The Greater Corona Valley Chamber of Commerce
Torrance Area Chamber of Commerce
Valley Industry and Commerce Association
Victor Valley Chamber of Commerce
Western Electrical Contractors Association, Inc.
Western Growers Association

**SUBJECT: SB 935 (LENO) MINIMUM WAGE: ANNUAL ADJUSTMENT
SCHEDULED FOR HEARING – MARCH 26, 2014
OPPOSE – JOB KILLER**

The California Chamber of Commerce and the organizations listed above respectfully **OPPOSE SB 935 (Leno)**, as amended on March 18, 2014, which has been labeled as a **JOB KILLER**. Despite Governor Brown just signing AB 10 last year which will increase the minimum wage to \$10 an hour by 2015, **SB 935** seeks to increase it even higher to \$13 an hour by 2017 and, thereafter, increase it according to inflation. This mandate will simply overwhelm many businesses that are already struggling with the current minimum wage increase and other cumulative costs imposed in California, and will create job loss.

Automatically indexing the minimum wage to inflation, as **SB 935** proposes, has always been troubling to the business community because it fails to take into consideration other economic factors or cumulative costs to which employers may be subjected. Employers are already facing significant cost increases over the next several years, including higher taxes under Proposition 30, increased worker's compensation rates, loss of federal unemployment insurance credit, increased energy costs, and increased costs associated with the implementation of the Affordable Healthcare Act. There will undoubtedly be other costs employers are struggling with in 2018 when **SB 935** seeks to tie the minimum wage increase to inflation. These unknown costs, coupled with an unknown economy at that time or thereafter, create concern and uncertainty for businesses.

Moreover, placing the increase in minimum wage on auto-pilot is inappropriate when California has a full-time Legislature available and responsible for reviewing whether any adjustment in wages is proper given the state of the economy at that point. In fact, when enacting Labor Code Section 1178.5, the Legislature determined that the Industrial Welfare Commission should not be allowed to annually index the minimum wage, but rather should review any increase in minimum wage by composing a board of employer and employee representatives to determine whether an increase was appropriate.

Additionally, although California's economy is showing signs of improvement, another increase in the minimum wage, after AB 10 was just signed, will negatively impact any economic recovery by either limiting available jobs or, worse, creating further job loss. California employers cannot absorb all of the costs and mandates and be forced to pay such a significant minimum wage, as proposed by **SB 935**. Businesses will have to adjust costs in other areas, such as labor. Notably, in February 2014, the Congressional Budget Office (CBO) issued a report regarding the impact of the proposal to raise the federal minimum wage to \$10.10 an hour. The conclusion was that, although some low-wage workers would receive a higher income through the increase, "some jobs for low-wage workers would probably be eliminated, the income of most workers who became jobless would fall substantially, and the share of low-wage workers who were employed, would probably fall slightly." **SB 935** seeks to impose a minimum wage of \$13 an hour, almost three dollars higher than the federal proposal. This increase will undoubtedly create job loss and wage reduction, even more dramatically than anticipated by the CBO.

An increase in the minimum wage would not only increase hourly employees' wages, but also salaried employees' compensation as well. In order for employees to qualify as "exempt" under any of the six exemptions in California, they must meet the salary-basis test, which is two times the monthly minimum wage. If **SB 935** is implemented as proposed, that amount in January 2017 will rise from the current annual salary of \$33,280 to at least \$49,920, which is an increased cost to employers of over \$15,000 per exempt employee. An increase in minimum wage also drives up workers' compensation costs, uniform/tool reimbursements, overtime, and consumer prices. These additional costs will significantly burden those companies that may not ordinarily pay minimum wage, yet will suffer a negative impact as a result of the proposed increase.

While we appreciate that some cities and counties may be able to afford an increased minimum wage as proposed by **SB 935**, other cities and counties are still struggling with an unemployment rate over 20%. Employers in these areas simply cannot sustain such a dramatic increase in costs.

For these reasons, we respectfully **OPPOSE SB 935** as a **JOB KILLER**.

cc: The Honorable Mark Leno
Camille Wagner, Office of the Governor
Gideon Baum, Alma Perez, Senate Labor and Employment Committee
Cory Botts, Senate Republican Caucus
Senate Floor Analysis
Department of Industrial Relations
Labor and Workforce Development Agency