Research shows $15 California minimum wage has big impact on pay, none on jobs

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A UC Berkeley researcher says the latest study of the minimum wage in California research in California sheds light on a long-running minimum wage debate nationally. Credit: University of California - Berkeley

For the first time, economists at the University of California, Berkeley have measured the likely pay and job impacts of California's scheduled statewide $15 minimum wage increase by 2023.

The law will raise wages for 5.26 million workers in California over the next six years, they say.

Larger paychecks for California's low-wage workers will lead to additional benefits, including improved health for both workers and their children and increases in children's school achievement, according to the report, "Effects of a $15 Minimum Wage in California and Fresno."

Critics of minimum wage increases say that jobs will be lost because of increased automation or reduced sales as businesses raise prices to make up for increased costs. But UC Berkeley economists find that this is not the case.

"While a higher minimum wage induces some automation and slightly higher prices, it increases worker productivity and increases workers' purchasing power," said Michael Reich, a UC Berkeley emeritus professor of economics and co-author of the report. "These positive and negative effects on employment offset each other."

Researchers looked at California as a whole and specifically at Fresno County, one of the poorest areas in the state and the U.S. Much previous minimum wage research has focused on the impacts in high-income areas, and concerns remained about whether Fresno and areas like it might experience more negative effects from a $15 minimum wage than California overall.

According to the report, increasing the minimum wage to $15 over the next six years will affect a much higher proportion of employees and employers in Fresno than in higher-wage cities and yet will have a small, but positive, impact on employment.

The UC Berkeley team created a new model to analyze the effects of a $15 minimum wage, taking into account how workers, businesses and consumers are affected and how they respond to this type of mandated wage policy. Among their key findings:

- For the 5.26 million California workers getting raises, annual pay would increase more than 25 percent, or about $3,900 on average.
- Three industries account for almost 40 percent of the private sector workers who would be getting increases in California: retail trade (16.5 percent), restaurants (14.6 percent) and health services (8.79.2 percent).
- 79.2 percent of restaurant workers would receive a wage increase.
- Employee turnover reduction, automation and increases in worker productivity would offset some of the payroll cost increases.
- Businesses could absorb the remaining payroll cost increases by increasing prices by 0.6 percent through 2023. This price increase is well below the annual inflation rate of 1.8 percent over the past five years.
- Workers who would get pay increases earn close to half of their family's income and 55 percent of these workers are Latino.

The Berkeley research comes just days after voter-approved minimum wage increases went into effect in 19 states at the start of the year. According to Reich, "Our research in California sheds light on the long-running minimum wage debate nationally: These policies benefit workers and do not reduce employment."

Provided by University of California - Berkeley