A PROPOSED MINIMUM WAGE FOR PRIVATE HEALTHCARE FACILITIES

In the City of Long Beach

An Economic Study

INSTITUTE FOR APPLIED ECONOMICS

August 2022

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August 2022

This report was commissioned by City of Long Beach.

The LAEDC Institute for Applied Economics specializes in objective and unbiased economic and policy research in order to foster informed decision-making and guide strategic planning. In addition to commissioned research and analysis, the Institute conducts foundational research to ensure LAEDC's many programs for economic development are on target. The Institute focuses on economic impact studies, regional industry and cluster analysis and issue studies, particularly in workforce development and labor market analysis.

Table of Contents

1. INTRODUCTION 5

2.BACKGROUND 6

The City of Los Angeles Healthcare Minimum Wage Ordinance was Passed by the Council 6

City of Long Beach Minimum Wage Proposal for Private Healthcare Workers 7

Health Care Industry in Long Beach 8

3. THE MINIMUM WAGE: THEORY AND EVIDENCE 14

Economic Theory Supporting Minimum Wage Increases 14

Businesses 14

Workers 15

Economic Theory Opposing Minimum Wage Increases 15

Businesses 15

Workers 16

Concluding Thoughts: Economic Theory and Minimum Wage Increases 16

Empirical Evidence Supporting Minimum Wage Increases 19

Businesses 19

Workers 20

Empirical Evidence Opposing Minimum Wage Increases 21

Businesses 22

Workers 22

Concluding Thoughts: Empirical Evidence and Minimum Wage Increases 24

Combining Theory and Evidence on Minimum Wage Increases 26

Applying Theory and Evidence on Minimum Wage Increases to the Long Beach Proposal 26

The Minimum Wage in the Context of the Healthcare Industry and Healthcare Labor 26

The Minimum Wage and Non-Labor Adjustments 28

The Minimum Wage and Tradeoffs 28

4. LONG BEACH INDUSTRY RISK ASSESSMENT 29

Risk Exposure 29

Gross Operating Surplus 30

Labor Cost Intensity 30

5. ECONOMIC IMPACT OF THE PROPOSED HEALTHCARE MINIMUM WAGE....32
The Impact of the Proposed Minimum Wage Increase on Employment....32
Potential Short Run Economic Impact on Healthcare Employment....32
Potential Short Run Impact of Labor Income Changes in Healthcare....33
The Impact of the Minimum Wage Increase on Future Employment Growth in Healthcare....35
Comparing Estimated Potential Employment Risks and Benefits....35
Potential Spillover Effects to Other Industries....38
Economic Impact: Additional Thoughts....38

6. STAKEHOLDER VIEWPOINTS....40
Healthcare Workers....40
Testimonials from Healthcare Workers at St. Mary's Medical Center....43
Industry Representatives....43
Testimonial from Ocean View Psychiatric Facility....47
Labor Unions....47
Testimonial from SEIU-UHW....50
Other Respondents....50
Thoughts from Other Respondents....51

7.KEY FINDINGS AND CONSIDERATIONS....52
Key Findings....52
Considerations....53

APPENDIX....A-1
Methodology....A-1
Estimate of the Short Run Economic Impact of the Minimum Wage Increase on Industry Employment....A-1
Potential Impact on Labor Income in the Healthcare Industry....A-2
Industry Risk Assessment....A-3
Public Comments: Aug 1, 2022 Long Beach Economic Development Commission Special Meeting A-5

1. INTRODUCTION

Private Healthcare Facilities

- Hospitals,
- Outpatient clinics,
- Dialysis clinics,
- Psychiatric hospitals/facilities,
- Facilities that are part of an integrated healthcare delivery system connected to a private hospital.

This study examines the potential economic implications of implementing a citywide healthcare sector minimum wage increase in the City of Long Beach for private healthcare facilities. Private healthcare facilities are defined as privately-owned hospitals, outpatient clinics, dialysis clinics, psychiatric hospitals/facilities, and facilities that are part of an integrated healthcare delivery system connected to a private hospital. In particular, the economic report will explore the potential benefits and risks of implementing a citywide private healthcare minimum wage increase to $25 per hour for healthcare support workers, direct care workers, and healthcare service workers in these facilities. The study proceeds as follows:

Section 2 provides background on the proposed minimum wage increase initiative in Long Beach. In addition, we will review a similar initiative that will be enacted this year in the City of Los Angeles. Then, an overview of the healthcare industry in Long Beach will follow, with a discussion and analysis of occupations and businesses that make up the industry.

Next, **Section 3** provides an overview of the nature of the minimum wage. In the overview, economic theory and empirical evidence are discussed to understand the consequences of minimum wage implementation and increases.

Section 4 provides an industry risk assessment that identifies industries in Long Beach with businesses most financially at risk. This vulnerability risk assessment will be used to determine whether businesses in the healthcare industry are relatively financially vulnerable which will help determine the industry risk associated with the proposed increase in the minimum wage.

Section 5 provides an economic impact analysis of the proposed minimum wage increase. If enacted, the minimum wage increase will result in a variety of direct, indirect, and induced economic impacts for health care workers, businesses, and patients, as well as on city tax revenue collections.

Section 6 will introduce the varying viewpoints of a number of stakeholder groups regarding the proposed minimum wage increase.

Finally, the report will conclude with a section summarizing the study's key findings and will provide considerations that fall out of the analysis conducted.

An explanation of the methodology and key assumptions can be found in the Appendix.

2. BACKGROUND

As the COVID-19 pandemic has progressed over recent years, a number of petitions seeking to increase the minimum wage for private healthcare workers have circulated throughout California. This movement seeks to positively impact the lives of healthcare workers subject to the increase as well as the quality and availability of healthcare services provided to patients. Opponents of the healthcare minimum wage proposal cite potential unintended negative economic consequences for the industry, patients, insurance companies, taxpayers, and even healthcare workers that will be subject to the new minimum wage.

Cities with a Minimum Wage for Private Healthcare Facilities Initiative:

- Los Angeles (passed)
- Long Beach
- Downey (passed)
- Inglewood
- Lynwood
- Duarte
- Monterey Park
- Baldwin Park
- Culver City

The Service Employees International Union-United Healthcare Workers West (SEIU-UHW), which represents more than 100,000 workers across California, has launched petitions in nine cities in Los Angeles County including Los Angeles, Long Beach, Downey, Inglewood, Lynwood, Duarte, Monterey Park, Baldwin Park and Culver City. As of July 15, the cities of Los Angeles and Downey have passed SEIU-UHW's initiative, establishing a $25 per hour minimum wage for workers in covered healthcare facilities, as defined in the introduction.[1]

The SEIU-UHW began circulating a petition for the Long Beach minimum wage initiative in February 2022.[2]

Below is a brief background timeline highlighting key moments in the process:

June 6, 2022 – Proponents submitted a petition with signatures to the City. The City referred to the County for verification of the signatures.

June 14, 2022 – The City Council directed the City Manager to prepare an Economic Impact Report for the proposed Initiative Ordinance pursuant to Elections Code Section 9212.

July 5, 2022 – The City Clerk received a Certificate of Completion from the County confirming sufficiency of signatures in support of the Initiative Ordinance.

July 19, 2022 – The Certificate of Completion was presented to the City Council who deferred action until the completion of an Economic Impact Report.

The City of Los Angeles Healthcare Minimum Wage Ordinance was Passed by the Council[3]

[1] SEIU-UHW. 2022. "We're Winning a $25 Min Wage for Healthcare Workers." https://www.seiu-uhw.org/winning25minwage/
[2] Puente, K. June 18, 2022. "Long Beach to Consider Raising Minimum Wage for Health Care Workers." Long Beach Post News. https://lbpost.com/news/long-beach-to-consider-raising-minimum-wage-for-health-care-workers
[3] Abrahms, A. & S. Shiralian. July 6, 2022. "Los Angeles Private Hospitals: A Minimum Wage Increase for Health Care Workers Will Likely Take Effect This Year." National Law Review. https://www.natlawreview.com/article/los-angeles-private-hospitals-minimum-wage-increase-health-care-workers-will-likely

On June 29, 2022, the Los Angeles City Council approved an ordinance to increase the minimum wage to $25 per hour for employees working at covered healthcare facilities in the city, which includes privately-owned hospitals, outpatient clinics, dialysis clinics, psychiatric hospitals, and facilities that are part of an integrated healthcare delivery system connected to a private hospital. Currently, workers at covered health care facilities in Los Angeles fall under the City's general minimum wage of $16.04 which was implemented July 1, 2022. The Los Angeles City ordinance applies only to private hospitals and clinics and excludes public health care employers such as UCLA and Los Angeles County. The law is scheduled to go into effect on August 14, 2022.[4]

The Los Angeles City ordinance states that the new minimum wage for healthcare workers is meant to "help address the burnout, retention challenges, and worker shortages affecting health care workers in Los Angeles." The COVID-19 pandemic put significant strain on healthcare workers, many of whom decided to quit their jobs and leave the healthcare industry altogether.

An employer may obtain a one-year waiver from the increased minimum wage requirement in the ordinance if it can show that compliance with the new minimum wage will significantly impact its ability to operate successfully.

The minimum wage ordinance is not restricted to traditional healthcare workers, such as nurses, pharmacists, aides, and technicians, but also extends to positions such as janitorial staff, maintenance workers, housekeepers, guards, food service workers, administrative workers as long as these workers are employed at *privately*-owned hospitals, clinics, and nursing homes. While the Los Angeles healthcare minimum wage increase is set to extend to healthcare workers at both for-profit and nonprofit private hospitals and other healthcare facilities, it is designed to exclude county- and government-owned hospitals which employ a significant share of Los Angeles healthcare workers, as it could not legally set the wages for these facilities.

Proponents of the ordinance emphasize that the ordinance is a direct way to impact the staffing shortages seen at healthcare facilities, with higher pay attracting workers and reducing turnover. Additionally, they claim that healthcare workers have only received nominal wage increases in the recent past, which have not kept pace with inflation, and that the ordinance would raise wages to a more livable level for many workers. Proponents believe that the increased labor costs could be paid for by decreasing the profits garnered by covered healthcare facilities, so that the costs are not passed on to patients.

Critics of the ordinance claim that despite the ordinance's stated attempt to prevent employment losses, the increased costs to covered facilities will drive some facilities to adjust to the new minimum wage in disruptive ways. These adjustments may include a combination of reduced service quantity and quality, relocation to a jurisdiction without a minimum wage for healthcare workers, or permanent facility closure. In addition, critics claim that the minimum wage has the potential to drive up the cost of healthcare, which would be particularly harmful during a period of significant inflation.

City of Long Beach Minimum Wage Proposal for Private Healthcare Workers

The City of Long Beach is considering implementing an increase in the minimum wage of private healthcare support workers, direct care workers, and healthcare service workers in covered healthcare

[4] SEIU-UHW. 2022. "We're Winning a $25 Min Wage for Healthcare Workers." https://www.seiu-uhw.org/winning25minwage/

facilities from the current $15 per hour to $25 per hour. This increase represents a significant 67 percent increase in the minimum wage for these workers. The COVID-19 pandemic led a significant number of healthcare workers to leave their jobs in the healthcare sector, with data indicating that around 18 percent of U.S. healthcare workers quit during the pandemic.[5] Supporters of a healthcare minimum wage increase state that raising the healthcare minimum wage *may* address this negative employment trend by serving to retain current and attract new healthcare workers.

Opponents of the increase in the minimum wage include some of the region's largest hospital systems, including Kaiser Permanente and Dignity Health.[6] These critics claim that the measure is inequitable in that it excludes public sector workers and therefore creates a disadvantage for private healthcare facilities. However, the initiative could not legally cover these government-owned facilities. In addition, critics state that the increase *may* result in increased health care costs for patients as well as decreased access to healthcare, especially for lower-income patients.

Specific Occupations Subject to Minimum Wage Under the Measure:

- Clinicians
- Certified nursing assistants
- Aides
- Technicians
- Maintenance workers
- Janitors
- Groundskeepers
- Guards
- Food service workers
- Laundry workers
- Administrative workers
- Office clerical workers

Healthcare workers to be covered by the proposed minimum wage include workers at a covered healthcare facility providing patient care, healthcare services, or healthcare support services. Specific occupations subject to minimum wage under the measure include clinicians, certified nursing assistants, aides, technicians, maintenance workers, janitors, groundskeepers, guards, food service workers, laundry workers, administrative workers, and office clerical workers. **Covered healthcare facilities that would be subject to the measure include privately-owned general acute care hospitals, clinics, acute psychiatric hospitals, dialysis clinics, psychiatric health facilities, and integrated healthcare delivery system facilities connected to a private hospital.**

The measure language prohibits employers from adjusting to cost increases due to the minimum wage by reducing premium pay rates, reducing employee benefits, reducing work hours, laying off employees, or increasing charges for parking, work-related materials, or equipment.[7] However, there is a strong possibility that adjustments will be made before the minimum wage goes into effect. A one-year waiver, similar to the waiver implemented by the City of Los Angeles, is offered to any employer who can show that it will be significantly negatively affected financially due to the higher minimum wage.

Health Care Industry in Long Beach

The Health Care industry, as defined by the North American Industry Classification System (NAICS), is made up of Ambulatory Health Care Services (NAICS 621), Hospitals (NAICS 622), and Nursing and

[5] Galvin, G. October 4, 2021. "Nearly 1 in 5 Health Care Workers Have Quit Their Jobs During the Pandemic." https://morningconsult.com/2021/10/04/health-care-workers-series-part-2-workforce/

[6] Puente, K. June 18, 2022. "Long Beach to Consider Raising Minimum Wage for Health Care Workers." Long Beach Post News. https://lbpost.com/news/long-beach-to-consider-raising-minimum-wage-for-health-care-workers

[7] City of Long Beach. 2022. *Healthcare Workers Minimum Wage Ordinance*. https://www.longbeach.gov/globalassets/city-clerk/media-library/documents/notice-of-intent

Residential Care Facilities (NAICS 623). Jobs, establishments, and occupations within the subsectors will be analyzed to provide an overview of the Health Care industry in the City of Long Beach.

In 2021, each of the three Health Care industry subsectors were among the top 15 subsectors by employment in the City of Long Beach. Ambulatory Health Care Facilities was ranked fifth, with just under 9,500 jobs, Hospitals ranked eighth with just over 6,500 jobs, and Nursing and Residential Care Facilities ranked fourteenth, with just over 3,000 jobs, for an industry total of more than 19,100 jobs or **11.2 percent of all jobs in the city**. Additionally, t**he Health Care industry added $2.1 billion to Long Beach's Gross City Product (GCP) and generated $54.5 million in state, local, and federal taxes**.

There are several notable businesses among the **more than one thousand Health Care facilities** in Long Beach, there are approximately 1,188; the majority of businesses and employment in the industry is in the Ambulatory Health Care Facilities subsector. In Ambulatory Health Care Facilities, which includes Offices of Physicians, Home Health Care Services, Outpatient Care Centers and Medical Laboratories, among others, notable businesses include Optum Medical (formerly HealthCare Partners) and Molina Healthcare. Hospitals are headlined by the Memorial Care Medical Group's Long Beach Memorial Medical Center, Dignity Health's St. Mary Medical Center, and the Veteran Affairs' Long Beach Healthcare System, in addition to smaller General Medical and Surgical Hospitals and those that specialize in psychiatric, substance abuse, and other fields. Finally, the Windsor Gardens Convalescent Center and Bixby Knolls Towers are the largest businesses operating in the Nursing and Residential Care Facilities subsector.

Overall, **it is estimated that the Health Care industry in Long Beach directly supports more than 19,000 jobs**. The leading occupations are in the general categories of Healthcare Practitioners and Technical Occupations (SOC 29-0000) with over 7,600 jobs, Healthcare Support Occupations (SOC 31-0000) with 3,900 jobs, and Office and Administrative Support Occupations (SOC 43-0000) with more than 3,300 jobs. In terms of specific occupations, the top three are Registered Nurses with over 3,100 jobs, Nursing Assistants with just under 1,100 jobs, and Medical Secretaries and Administrative Assistants with just over 1,000 jobs; these occupations make up more than a quarter of all employment in the industry. Exhibit 1 shows the top ten occupations in the Health Care industry, along with the percent change in employment over the last ten years, current median hourly earnings, and their necessary entry level education.

Among the top ten occupations, seven have a median hourly earnings rate that is less than $25 per hour, with each also having an entry-level education below the college level. Among the top ten occupations, Home Health and Personal Care Aides have had the fastest growth rate over the past decade, at 130 percent.

Exhibit 1: Distribution of Employment by Health Care Subsector

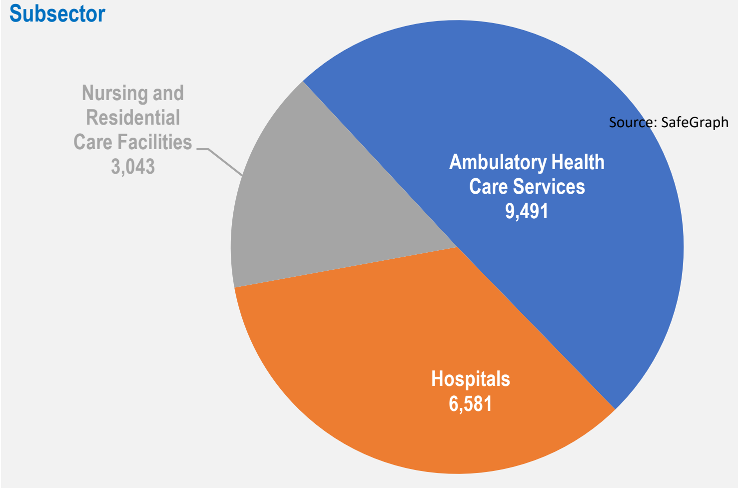


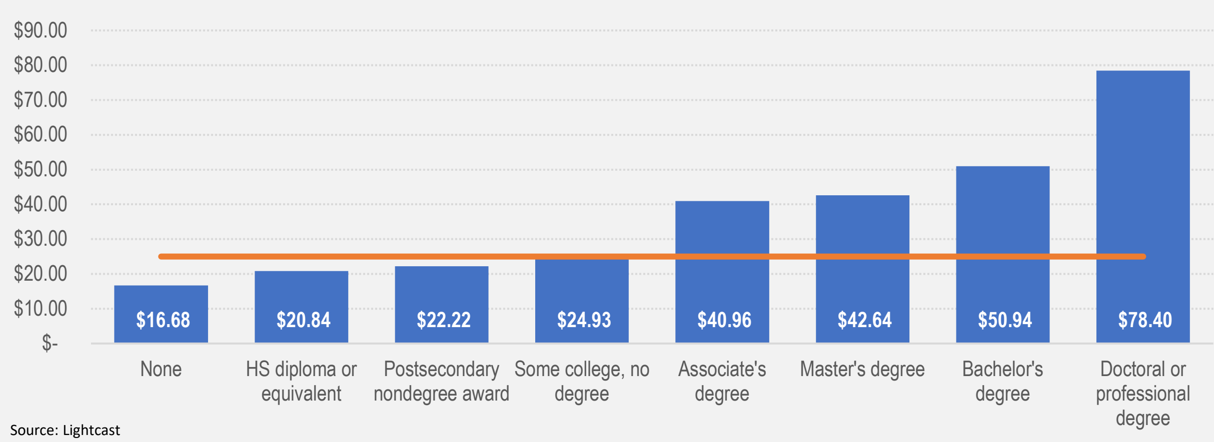
Exhibit 2: Top Ten Occupations in Health Care in the City of Long Beach, 2021

SOC	Description	2021 Jobs	% Change since 2011	Median Hourly Earnings	Typical Entry Level Education
29-1141	Registered Nurses	3,122	22%	$55.05	Bachelor's degree
31-1131	Nursing Assistants	1,053	(7%)	$17.65	Postsecondary nondegree award
43-6013	Medical Secretaries and Administrative Assistants	1,014	42%	$21.46	High school diploma or equivalent
31-9092	Medical Assistants	946	(6%)	$17.72	Postsecondary nondegree award
31-1128	Home Health and Personal Care Aides	859	130%	$13.91	High school diploma or equivalent
29-2061	Licensed Vocational Nurses	743	4%	$29.05	Postsecondary nondegree award
43-4171	Receptionists and Information Clerks	487	3%	$16.06	High school diploma or equivalent
31-9091	Dental Assistants	419	16%	$18.90	Postsecondary nondegree award
11-9111	Medical and Health Services Managers	342	43%	$62.60	Bachelor's degree
43-9061	Office Clerks, General	341	(7%)	$18.12	High school diploma or equivalent

Source: Lightcast

Looking at the effect of education on wages across healthcare occupations in the city, **there is a clear relationship between educational attainment and average wages**: the average hourly wage across all occupations was $35.73. However, this was extremely bifurcated based on college attendance. For those with no formal education credential the average wage was $16.68 per hour, while those with a high school diploma or equivalent, a postsecondary nondegree award, or some college with no degree also earned less than $25 an hour on average, $20.84 per hour, $22.22 per hour, and $24.93 per hour, respectively. Meanwhile those with an Associate degree or more average $53.21 per hour; Exhibit 3 shows each education level with their associated average annual wages in the Health Care industry, along with a line that represents $25 an hour.

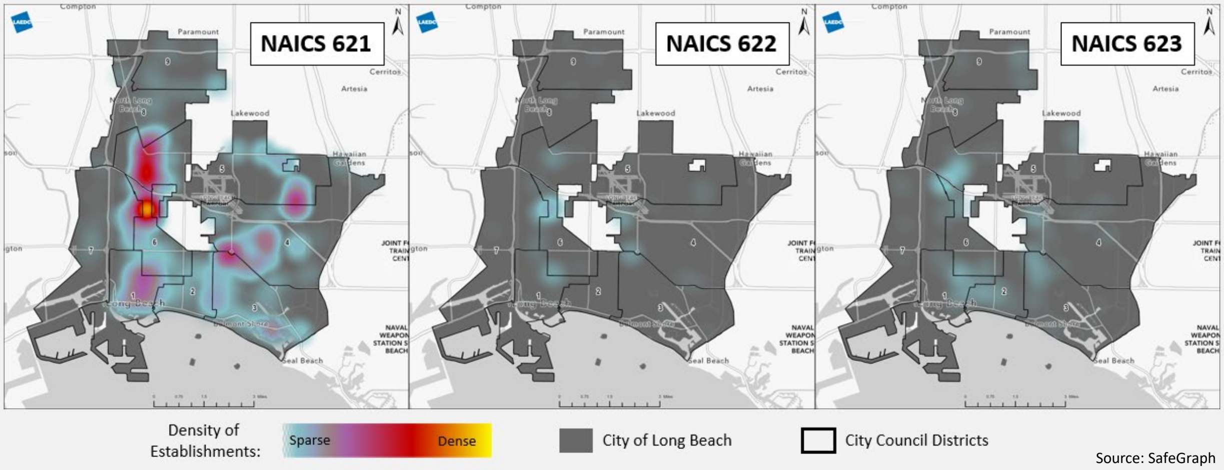
Exhibit 3: Average Hourly Wages by Education



Source: Lightcast

To look at the distribution of establishments, the component parts of the Health Care industry, Ambulatory Health Care Services (NAICS 621), Hospitals (NAICS 622), and Nursing and Residential Care Facilities (NAICS 623), are each examined separately in Exhibit 4. Looking at the number of establishments, there are far more Ambulatory Health Care Services establishments than Hospitals and Nursing and Residential Care Facilities establishments: 85.5 percent of the establishments in the Long Beach Health Care industry are in Ambulatory and Health Care Services, compared to 5.1 and 9.4 percent, respectively, in the other two subsectors. Due to having more facilities, the density of establishments for NAICS 621 is

Exhibit 4: Distribution of Health Care Facilities by NAICS Code



much higher, shown by the appearance of red and yellow shading in the left-most heat map. Across the subcategories, Council District 5 had the most establishments, followed by Council District 6, Council District 4, and Council District 3.

For NAICS 621, establishments are most dense in the corridor that runs between Long Beach Boulevard and Atlantic Avenue, from E Willow Street north to E San Antonio Drive. The densest agglomeration of Ambulatory Health Care Services establishments is where Council District 6 narrows and meets Council District 5, around the Long Beach Memorial Medical Center. Additionally, that area shows up as a hotspot when looking at Hospitals establishments; other areas include the St. Mary Medical Center at the southern end of Council District 6 and the Long Beach Community Hospital in Council District 3. Clusters of establishments in Nursing and Residential Care Facilities also appear around these hospitals, as well as in a corridor along Vista del Mar, where Council District 6 meets Districts 5 and 7.

In addition to the distribution of establishments across the city, the distribution of jobs and annual earnings can also be visualized. The choropleth maps in Exhibits 5 and 6 show the distributions in the zip code geography, with City Council Districts overlaid. The largest number of jobs in the Health Care industry are in the 90806 zip code. This zip code covers the area around Long Beach Memorial Medical Center, as well as the Ocean View facilities. Additionally, the jobs in this zip code have the highest average annual earnings, tied with the 90822 zip code, with more than $100,000. The 90822 zip code is notable as it is the location of the Veterans Affairs Long Beach Healthcare System. **The zip codes with hospitals are correlated**

Exhibit 5: Healthcare Jobs by Zip Code

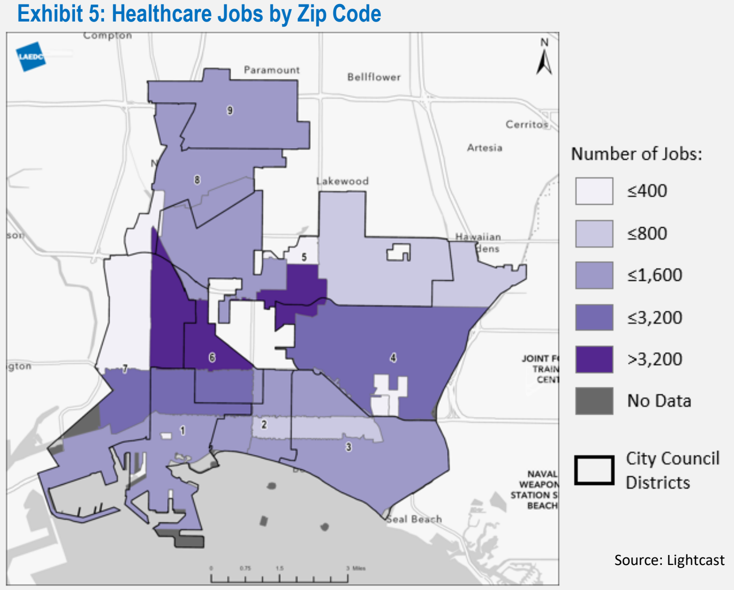
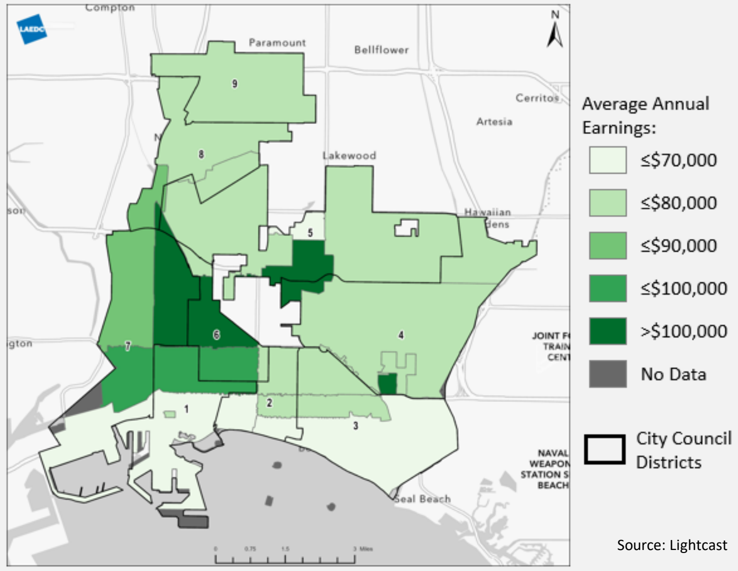


Exhibit 6: Healthcare Average Annual Earnings by Zip Code



Source: Lightcast

with the zip codes that have the highest average annual earnings in the Health Care industry, as well as the most employment in the industry.

A separate analysis of the Census' Longitudinal Employer-Household Dynamics dataset reveals that the zip codes with the most jobs are not those with the most resident healthcare workers. That distinction belongs to zip code 90805, which sits just north of the concentration of healthcare jobs, in Council Districts 8 and 9.

The Health Care industry is one of Long Beach's largest employers, with establishments and jobs spread across the city. Registered Nurses are the most common occupation, however many of the other top occupations are lower skill, lower wage jobs that don't require as much education, such as Nursing Assistants. In the Health Care industry, wages are highly dependent on educational attainment, so many of these lower skill, lower wage positions are those who would potentially benefit from an increase in the minimum wage.

Looking at the distribution of Health Care establishments, there is a notable cluster around the Long Beach Memorial Medical Center. This cluster results in a concentration of jobs in the zip code that includes that hospital, as well as a correlation between the locations of hospitals and higher average annual earnings for workers in those zip codes.

3. THE MINIMUM WAGE: THEORY AND EVIDENCE

Proponents of the minimum wage have justified increases on moral, social, and economic grounds.[8] Overall, the main objective of such increases is to raise incomes and improve living standards of low-wage workers while reducing inequality. Minimum wage opponents claim that minimum wages can be counterproductive and decrease rather than improve the welfare of many low-income workers, while also leading to economic and social inefficiencies. In this section economic theory and empirical evidence both supporting and opposing minimum wage implementation and increases will be reviewed.

Economic Theory Supporting Minimum Wage Increases

Point of View: Minimum wage increases have theoretically been shown to result in little to no economic disruption while also leading to a number of potential economic benefits.

This section will provide a brief overview which is split in two sections, theory pertaining to businesses and theory pertaining to workers.

Businesses

Employment reductions due to increased labor costs are frequently cited by critics of minimum wage increases, however, proponents state that labor markets do not operate in the same way as markets for products and other services.[9] Instead, they argue that, unlike other markets where price increases do not usually change the quality of the product, increased wages above the market equilibrium may lead to better quality labor due to factors such as improved morale and decreased turnover in labor markets. This increase in labor quality can serve to offset the possible negative effect that an increase in wages may have on employment as employers would not feel as strong a need to reduce the number of workers or hours worked.[10] Furthermore, employment decreases can be avoided if businesses pass on higher labor costs to their customers by increasing prices for goods and services, decrease wages for higher income workers to keep labor costs constant, or reduce profits to maintain the current price level.[11]

In models analyzing the minimum wage in terms of efficient worker search and job matching, the minimum wage has multiple, opposing effects on job creation and can lead to more jobs.[12] Although in these models the minimum wage serves to decrease demand for labor by raising the cost of hiring a new worker, the higher minimum wage also makes employment attractive relative to unemployment for prospective workers, thus leading to increased job search effort by unemployed workers. By augmenting the pool of workers looking for a job as well as the intensity of their job search, the minimum wage increases the quality of matches between employers and employees. If prospective employees' additional search effort significantly improves the employee-employer match quality, employment may not be

[8] Sodsriwiboon, P., and Srour, G. March 2019. "Does a Minimum Wage Help Workers?" International Monetary Fund. https://www.imf.org/Publications/fandd/issues/2019/03/does-a-minimum-wage-help-workers-basics

[9] Card, D., & Krueger, A. B. 1993. "Minimum Wages and Employment: A Case Study of The Fast Food Industry in New Jersey and Pennsylvania." NBER. https://www.nber.org/papers/w4509

[10] Leigh, J.P. and Du, J. October 4, 2018. "Effects Of Minimum Wages on Population Health." Health Affairs. https://www.healthaffairs.org/do/10.1377/hpb20180622.107025/full/

[11] Leigh, J. P. 2019. "Arguments For and Against The $15 Minimum Wage For Health Care Workers." American journal of public health, 109(2), 206-207.

[12] Cahuc, P. and Zylberberg, A. 2004. *Labor Economics*. Cambridge: The MIT Press.

negatively affected and may even increase due to a minimum wage increase. This increased match quality due to the higher minimum wage could lead to less job turnover among healthcare workers, especially among the lesser paid Patient Care Technicians and Certified Nursing Assistants who leave their positions at higher rates than any other occupations in hospital settings. This turnover is costly for businesses and likely impacts the quality of care being provided. As a result, covered healthcare facilities and patients stand to benefit from reduced turnover.

Workers

Supporters of minimum wage increases often argue that they increase the wages of employees with the least bargaining power, those who would be getting paid more if markets were fully competitive.[13] In a market characterized by significant employer market power, a minimum wage increase above the equilibrium could theoretically increase employment and raise wages.

Importantly, the current proposed minimum wage increase was in part brought about because proponents argue that the healthcare industry is not experiencing full employment. Proponents argue that this is due to the fact that there is not a sufficient supply in the labor market of the positions that are short-staffed. These positions are likely those receiving the lowest wages, which affects the quantity supplied of workers to fill them. Increasing wages is a straightforward way to stimulate supply among workers for these positions, thereby addressing the understaffing crisis.

Finally, the minimum wage may serve as a tool to decrease inequality by closing wage gaps in the healthcare industry. With lower wage jobs being highly represented by minority workers, this could potentially reduce racial wage gaps in the private healthcare sector.

Economic Theory Opposing Minimum Wage Increases

Point of View: A minimum wage increase has also theoretically been found to result in a number of negative economic consequences.

This section will provide a brief overview of those consequences, organized in two subsections.

Businesses

Adjustments in response to the increase in the minimum wage may include price increases for consumers or cost saving adjustments by businesses, such as substituting lower-skilled workers with higher-skilled employees, eliminating jobs or reducing hours, and increasing automation over the long-run. Potential reductions in employment resulting from the increase in the minimum wage may not take place automatically and may take months or even years to materialize, as employers substitute labor-saving equipment and make other adjustments in response to the increased minimum wage. Some businesses may adjust to the new minimum wage by leaving a jurisdiction altogether.

Full worker compensation contains monetary and nonmonetary forms of compensation. Some employers may adjust non-monetary forms of compensation to help offset the increase in the minimum wage. These offsetting actions may include a reduction in health care benefits, reduced childcare benefits, reduced vacation time, and elimination of workplace features attractive to employees. An increase in the minimum wage may do little to decrease employment but could instead reduce fringe benefits that workers value

[13] Bernstein, J., and Schmitt, J. June 2000. “The Impact of the Minimum Wage.” Economic Policy Institute. https://www.epi.org/publication/briefingpapers_min_wage_bp/

more highly than the increase in wages.[14] As a result, a minimum wage increase may make workers who receive higher wages worse off. Adjustments in terms of nonmonetary forms of compensation are prohibited by the ordinance after the minimum wage increase goes into effect. While this prohibition will serve to mitigate long-term employer reactions made in terms of nonmonetary compensation, short run adjustments may take place before the minimum wage goes into effect. In addition, some types of nonmonetary compensation valued by employees are not easily measured and may be reduced as a result of imperfect measurement and enforcement.

An increase in the minimum wage may exert negative effects on businesses as increased labor costs decrease profits, with this phenomenon particularly impacting small businesses and businesses that are just staying afloat. In response to minimum wage increases, some businesses may react by eliminating jobs, replacing employees with labor-saving technology, or leaving the city altogether. Minimum wage increases are particularly impactful for businesses in industries that rely on low-skilled workers with little education, such as restaurants, bars, retail stores, fitness centers, sports stadiums, and concert venues. As an essential part of the economy, anything that negatively impacts small businesses has the potential to reduce a jurisdiction's economic performance.

Workers

Economists have long discussed the potential negative employment effects of minimum wages on low-skilled workers – the very group that minimum wage laws intend to help. All else equal, just as with any other good or service, when wages are raised less labor will be demanded by employers. While some employees may benefit from the higher minimum wage others may see a reduction in work hours or may lose their jobs altogether. Those workers whose production is valued most below the minimum wage may be most negatively affected by minimum wage laws, with many of these individuals not having graduated high school and coming from low-income backgrounds.

Minimum wage laws prohibit affected businesses from paying less than a given wage. If that given wage is higher than the market wage, it stimulates the supply of labor, attracting workers. Meanwhile, all else equal, the increased wage would cause employers to demand less labor. When the labor market finds its new equilibrium with the minimum wage, some low-skilled workers may be priced out by the entry of new higher skill workers, reduction in demand from employers, or introduction of labor-saving capital machinery.

Another potential negative consequence of a higher minimum wage is reduced on-the-job training and experience for some low-skilled workers. Low-skilled workers who are priced out of the labor market may be prevented from acquiring on-the-job training and experience that will allow them to become more productive and earn higher wages. All else equal, this will reduce the number of workers with the level of training and job skills that would have been available otherwise, making it more difficult for businesses to fill certain higher-skilled positions.

Concluding Thoughts: Economic Theory and Minimum Wage Increases

Economic theory generally supports the conclusion that minimum wage increases are associated with a variety of negative economic impacts. These negative results are more likely to take place under certain

[14] Lee, D. R. 2004. "The Minimum Wage Can Harm Workers by Reducing Unemployment." Journal of Labor Research, 25(4), 657-666.

conditions: holding other factors constant, the larger the increase in the minimum wage over the competitive market wage, the greater the potential negative economic impact. Furthermore, all else equal, the longer the minimum wage is in place, the more firms and employees will make adjustments in response. As a result, the theoretical long run negative impacts of a significant real inflation-adjusted minimum wage increase would be greater than short run impacts.

Competitive markets with little to no employer market power will be more likely to exhibit negative effects as a result of a significant increase in a minimum wage. In a theoretical labor market where an employer holds significant labor market power, worker mobility is limited, meaning that individual employers have significant discretion when it comes to setting wages. In this theoretical case, the effect of increasing the minimum wage is unclear. In most markets, employers must compete for labor which strips them of market power. Furthermore, the market power case is generally not applicable to labor markets for unskilled labor that are subject to a minimum wage.[15]

There are other scenarios where the minimum wage will result in little to no negative economic effects. Short run impacts will likely be muted as economic actors figure out how to best adjust to the changing economic environment. Furthermore, small increases in the minimum wage will be limited in their ability to negatively impact labor and product markets as well as business profitability and survival prospects. Moreover, if employers in an industry want to hire approximately the same number of workers despite an increase in wages, meaning that their demand for labor is not very responsive to changes in the price of labor, a minimum wage increase may not significantly reduce employment. This situation is more likely to hold in the short term than in the long term and more likely to characterize certain industries, including healthcare. Another long-term effect is dependent upon whether the minimum wage has an inflation-adjustment mechanism. The presence of such an effect makes it so that the minimum wage is not eroded by inflation over time, resulting in a permanent increase in real wages that is more significant.

Industries heavily reliant on labor subject to the minimum wage may experience a loss in establishments and employment with potential negative impacts on state and local tax revenues. This is particularly true for small businesses and those on the margin of survival, who may relocate to avoid the minimum wage or close down altogether. **Overall, the degree of a minimum wage increase matters more than the mere fact that a minimum wage increase will take place.** This conclusion is supported by a number of professional economists. A 2021 Chicago Booth Initiative on Global Markets Poll asked a panel of expert economists whether they agreed with the statement that “an increase in the federal minimum wage of $15 per hour would lower employment for low-wage workers in many states.” The current federal minimum wage is $7.25 per hour. Only 14 percent of respondents disagreed with the statement with 45 percent agreeing.[16] A quote provided by an economic expert that responded to the poll indicates that the degree of increase is an important determinant of the minimum wage increase’s potential effect:

> “Research has shown modest min. wage increases do not increase unemployment. But going from $6 to $15 in the current situation is not modest.”
>
> -Pinelopi Goldberg, Yale University

[15] Staiger, D., Spetz, J.E. and Phibbs, C.S. July 1999. “Is There Monopsony in the Labor Market? Evidence from a Natural Experiment.” NBER Working Paper No. w7258. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=202434

[16] IGM Economic Experts Panel. February 2, 2021. “The U.S. Minimum Wage.” https://www.igmchicago.org/surveys/the-us-minimum-wage/

A small minimum wage increase will likely result in only slight or even zero negative employment outcomes. A theoretical explanation for the slight negative employment effects resulting from moderate minimum wage increases is that at modest levels, minimum wage increases make up only a small share of an employer's total costs.[17] As a result, businesses can absorb the increase in a variety of ways that do not significantly distort employment outcomes.

However, minimum wage increases that are too high may result in significant employment losses, increasing income inequality as low-income workers lose jobs.[18] Low-skilled workers subject to the minimum wage may suffer job losses, benefit reductions, and cuts in hours worked. Additionally, one invisible potential impact of a minimum wage increase is reduced hiring of low-skilled workers compared to what otherwise would have happened without the minimum wage increase.[19] These **jobs that were never created should be considered a cost of a minimum wage increase although they are never seen**.

Workers who keep their jobs, do not see their hours worked significantly impacted, do not experience an offsetting decrease in other nonmonetary forms of compensation, and whose employer does not relocate or close will benefit from the minimum wage increase. Additionally, new workers attracted to the field would reap these benefits, so long as they are able to get a job. With this increase in income, there may be additional benefits such as improved worker health outcomes and increased spending within the economy.[20] Some argue that a growing and prosperous healthcare sector and economy can absorb a minimum wage increase with few disruptions.[21] Disemployment effects would likely be less for industries like healthcare where consumers do not alter demand significantly as a result of changes in prices.[22]

Discussions surrounding the minimum wage often center on the impact on workers, in particular jobs and income figures. **The overall effect of the minimum wage on workers depends on a combination of the policy's effect on employment numbers, hours worked, and labor income.**[23]

Theoretically, when it comes to employment numbers and labor income, a minimum wage could result in three outcomes.

1. Total employment and total labor income decrease. In this situation, a minimum wage increase results in large enough disemployment of affected workers that the higher wages to workers that kept their jobs is less than the employment losses resulting from layoffs, business relocation, and reduced hours.
2. Total employment and total labor income increase. In this case, other changes beyond a mandated increase to the minimum wage may have taken place in the economy. A thorough

[17] Sodsriwiboon, P., and Srour, G. March 2019. "Does a Minimum Wage Help Workers?" International Monetary Fund. https://www.imf.org/Publications/fandd/issues/2019/03/does-a-minimum-wage-help-workers-basics
[18] Sodsriwiboon, P., and Srour, G. March 2019. "Does a Minimum Wage Help Workers?" International Monetary Fund. https://www.imf.org/Publications/fandd/issues/2019/03/does-a-minimum-wage-help-workers-basics
[19] Boudreaux, D. December 9, 2014. "The Detectable and the Undetectable." Café Hayek. https://cafehayek.com/2014/12/the-detectable-and-the-undetectable.html
[20] Leigh JP, Du J. October 4, 2018. "Health Policy Brief: Effects of Minimum Wages On Population Health." Health Affairs. Available at: https://www.healthaffairs.org/do/10.1377/hpb20180622.107025/full.
[21] Himmelstein, K. E., & Venkataramani, A. S. 2019. "Economic Vulnerability Among US Female Health Care Workers: Potential Impact of A $15-Per-Hour Minimum Wage." American Journal of Public Health, 109(2), 198-205.
[22] Leigh, J. P. 2019. "Arguments For and Against The $15 Minimum Wage for Health Care Workers." American Journal of Public Health, 109(2), 206-207.
[23] Leigh, J.P. and Du, J. October 4, 2018. "Effects Of Minimum Wages on Population Health." Health Affairs. https://www.healthaffairs.org/do/10.1377/hpb20180622.107025/full/

empirical study would control for other factors in order to isolate the effect of the minimum wage on employment. Total employment and total labor income may both increase due to a rise in the minimum wage in a labor market situation where an employer has significant market power.

3. Total employment decreases and total labor income increases. This is a scenario with a clear tradeoff. Workers subject to the minimum wage who have kept their jobs and have not had hours cut will experience an increase in income and standards of living. On the other hand, some workers have lost jobs or have had hours cut as a result of the minimum wage. In this scenario, there are both winners and losers in the labor market from the minimum wage increase.

Which of these three scenarios will hold depends on a variety of factors which include market conditions, responses to the minimum wage increase by economic actors, and the specific details of the minimum wage and relevant sector. A review of the empirical evidence looking at real-world implications of minimum wage increases will be conducted in the next section.

It is also essential to understand how minimum wage increases impact consumers, especially in a field like healthcare. Consumers may end up paying higher prices or receiving lower quality for a number of goods and services. Healthcare prices for patients, governments, and insurance companies may rise as a result of the minimum wage increase in the private healthcare sector, though the response would not be immediate due to the market mechanisms within healthcare. Also, if covered healthcare facilities demand less labor, so that the minimum wage increase does not in turn increase their labor costs, it would exacerbate staffing issues and may result in a decrease in the quality of care. These impacts could also potentially reduce access to healthcare for patients, specifically lower-income patients.

However, the wage increase could theoretically be financed with decreases in wages for higher income workers or profits of healthcare businesses so that prices would not increase.[24] Additionally, if staffing levels stay the same, then the quality of care for patients may improve, as the additional worker income bolsters the quality of labor. Furthermore, acknowledging the reported understaffing in some covered healthcare facilities, if the minimum wage was able to attract workers and the covered healthcare facility could weather the increased labor costs, then the increased number of workers should have a positive effect on quality of care.

Empirical Evidence Supporting Minimum Wage Increases

Empirical evidence is mixed regarding the effect of minimum wage increases. However, this does not appear to impact the opinion of the general public, with polls showing that a majority of Americans support increases in minimum wages. In 2014, the Pew Research Center reported that 73 percent of polled Americans support increasing the federal minimum wage from $7.25 to $10.10.[25]

Businesses

Proponents of increasing the minimum wage state that it would serve to increase worker productivity and decrease worker turnover.[26] Studies have found a potential positive impact on increasing the minimum

[24] Leigh, J. P. 2019. "Arguments for and Against the $15 Minimum Wage for Health Care Workers." American Journal of Public Health, 109(2), 206-207.
[25] Drake, B. March 4, 2014. "Polls Show Strong Support for Minimum Wage Hike." Pew Research Center. https://www.pewresearch.org/fact-tank/2014/03/04/polls-show-strong-support-for-minimum-wage-hike/
[26] Janet L. Yellen, "Efficiency Wage Models of Unemployment," Information and Macroeconomics, May 1984

wage on worker productivity due to improved morale and work ethic. In addition, increasing the minimum wage may reduce employee turnover, leading to reduced recruiting and training costs. Employee turnover can have a significant negative impact on the bottom line of a business. **One study estimates that the cost to employers of replacing a low-wage employee equals approximately 16 percent of the worker's yearly salary.** Research has found that higher minimum wages are associated with lower absenteeism rates thus increasing productivity. One study found "evidence that… turnover rates for teens and restaurant workers fall substantially following a minimum wage increase," declining by approximately 2 percent for a 10 percent rise in the minimum wage.[27]

Workers

Multiple academic studies find that modest minimum wage increases do not result in significant employment losses.[28] Studies suggest that in these cases, wages can grow and racial earnings gaps may close as a result of the minimum wage without significantly reducing opportunities for low-income workers.[29] One study finds that the overall number of low-wage jobs was relatively unchanged five years following a minimum wage increase.[30] This result held for the restaurant and retail sectors which employ high numbers of minimum wage workers. Furthermore, the study finds that the absence of employment loss was not explained by the substitution of higher skilled labor. However, the study did find evidence of job loss in sectors of the economy where goods and services are traded internationally, including manufacturing. This is largely due to the fact that consumers have more options to purchase competing internationally traded goods and services, however this is not the case in healthcare.[31]

A famous empirical study by David Card and Alan Krueger found that a 1992 increase in New Jersey's minimum wage may have been associated with an increase in fast-food industry employment.[32] The study surveyed 410 fast food restaurants just before New Jersey increased its minimum wage as well as 10 months after the increase while neighboring Pennsylvania did not increase its minimum wage. No statistically significant change in employment was found for New Jersey franchises. However, Pennsylvania franchise employment fell during this period. Thus, employment in the New Jersey franchises increased relative to employment in Pennsylvania fast food franchises. These results were interpreted by many as showing that an increase in the minimum wage does not necessarily negatively impact employment, which may actually increase.

Minimum wages are designed to target poverty. **One study found that assuming a 9.4 percent decrease in total workhours as a result of a $15 national healthcare minimum wage, poverty rates for healthcare workers would be reduced by 27 percent.**[33] A higher minimum wage may also serve to reduce government welfare spending: a study by the Center for American Progress found that raising the federal

[27] Arindrajit Dube, T. William Lester, and Michael Reich. Oct. 2014. "Minimum Wage Shocks, Employment Flows and Labor Market Frictions," irle.berkeley.edu.

[28] Paul J. Wolfson and Dale Belman. 2016. "15 Years of Research on U.S. Employment and the Minimum Wage," Tuck School of Business Working Paper no. 2705499.

[29] Ellora Derenoncourt and Claire Montialoux. February 2021. "Minimum Wages and Racial Inequality," Quarterly Journal of Economics 136, no. 1.

[30] Cengiz, D., Dube, A., Lindner, A., & Zipperer, B. 2019. "The Effect of Minimum Wages On Low-Wage Jobs." The Quarterly Journal of Economics, 134(3), 1405-1454.

[31] Harasztosi, P., & Lindner, A. 2019. "Who Pays for the Minimum Wage?" American Economic Review, 109(8), 2693-2727.

[32] Card, D., & Krueger, A. B. 1993. "Minimum Wages and Employment: A Case Study of The Fast Food Industry in New Jersey and Pennsylvania." NBER. https://www.nber.org/papers/w4509

[33] Himmelstein, K. E., & Venkataramani, A. S. 2019. "Economic Vulnerability Among US Female Health Care Workers: Potential Impact of A $15-Per-Hour Minimum Wage." American Journal of Public Health, 109(2), 198-205.

minimum wage by 6 percent would decrease spending on the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) by 6 percent, which translated to $4.6 billion.[34] In addition, the Economic Policy Institute found that increasing the minimum wage could result in millions of Americans no longer being dependent on government assistance programs and could save billions in government spending on income-support programs.[35]

Research has found that increasing the minimum wage could reduce crime. One study finds that "higher wages for low-income individuals reduce crime by providing viable and sustainable employment… raising the minimum wage to $12 by 2020 would result in a 3 to 5 percent crime decrease (250,000 to 540,000 crimes) and a societal benefit of $8 to $17 billion dollars."[36]

Supporters of a higher minimum wage often cite health benefits to low-income workers that would result. One study found that increasing California's minimum wage could lead workers earning a higher wage to eat better, exercise more, be less likely to smoke, and experience fewer emotional and psychological problems.[37] Higher incomes from minimum wage increases may also serve to improve infant health, decrease child abuse, and reduce teenage pregnancy.[38]

Additionally, increasing the minimum wage could serve to increase the incomes of workers who make slightly above the minimum wage, also improving their morale and livelihood. A Brookings Institution study found that an increase in the federal minimum wage could result in higher wages not only for workers earning the minimum wage, but also for millions of workers making up to 150 percent of the federal minimum wage.[39]

Empirical Evidence Opposing Minimum Wage Increases

While most of the general public believes that minimum wage laws serve to benefit low wage workers, many economists believe that minimum wage mandates may actually harm the very people they are supposed to help, in addition to harming businesses. **When surveyed on the minimum wage, professional economists differ significantly from the general public.** A survey of members of the American Economic Association (AEA) in 1992 found that 79 percent of respondents believed that a minimum wage serves to increase unemployment among young and low-skilled workers – the very population that the minimum wage seeks to help; however, a follow-up survey of AEA economists in 2000 showed that only 46 percent did at that point.[40] A 2019 poll of professional economists found that 74 percent opposed raising the federal minimum wage to $15 per hour, with 84 percent of respondents stating that it would have a negative impact on low skilled youth employment levels. In addition, only six percent of the surveyed

[34] Rachel West and Michael Reich. March 2014. "The Effects of Minimum Wages on SNAP Enrollments and Expenditures," Center for American Progress.
[35] David Cooper. October 16, 2014. "Raising the Federal Minimum Wage to $10.10 Would Save Safety Net Programs Billions and Help Ensure Businesses Are Doing Their Fair Share," Economic Policy Institute.
[36] Jose Fernandez, Thomas Holman, and John V. Pepper. July 5, 2013. "The Impact of Living Wage Ordinances on Urban Crime," people.virginia.edu.
[37] Rajiv Bhatia. May 2014. "Health Impacts of Raising California's Minimum Wage," Human Impact Partners.
[38] George L. Wehby, Dhaval M. Dave, and Robert Kaestner. 2020. "Effects of the Minimum Wage on Infant Health," Journal of Policy Analysis and Management 39, no. 2 (Spring 2020); Kerri M. Raissian and Lindsey Rose Bullinger, "Money Matters: Does the Minimum Wage Affect Child Maltreatment Rates?"
[39] Melissa S. Kearney and Benjamin H. Harris. Jan. 10, 2014 "The 'Ripple Effect' of a Minimum Wage Increase on American Workers," The Hamilton Project.
[40] The Economist. February 8, 2021. "What Harm Do Minimum Wages Do?" https://www.economist.com/schools-brief/2020/08/15/what-harm-do-minimum-wages-do

economists believe that the minimum wage increase is an efficient way to help individuals out of poverty.[41]

Businesses

All else equal, when the price of labor changes, employers change the quantity of labor that they demand. When analyzing the employment impact of an increase in the minimum wage the question is by how much will employers alter their demand for labor. A major meta-analysis on labor demand responses as a result of wage changes provides a number of findings:

1. The change in quantity of labor demanded by employers as a result of a wage change is greater in the long run than in the short run. This is due to the increased time economic actors have to adjust to the new labor market situation.
2. The change in quantity demand for low-skilled labor is more responsive to wage changes than for higher skilled labor.
3. A conservative long run estimate of labor demand response resulting from a change in a market wage finds that raising wages by 4 percent permanently will decrease employment by 1 percent. This response underestimates the employment loss response specific to low skilled labor lending a conservative bias to the estimate. On the other hand, this response would be lower for an industry where consumer demand does not significantly response to the price of goods or services offered such as the healthcare industry.

Minimum wage increases have been found to encourage business exit from a jurisdiction, especially the exit of financially weaker businesses. A study of the impact of an increase in the minimum wage on firm exit in the restaurant industry finds that the impact depends on whether a restaurant was already close to the margin of exit.[42] In general, restaurants closer to the margin of exit were at significant risk of being driven out of business by increases in the minimum wage. In addition, these restaurants generally increased prices in response to increases in the minimum wage.

Research has found that minimum wage increases may serve to deter new businesses from locating to an area, particularly deterring businesses in industries that rely on workers with low levels of education.[43] This may occur because an increase in the minimum wage serves to reduce business profitability, therefore reducing the incentive to enter the industry.

Workers

An extensive review of over 100 studies analyzing the employment effects of minimum wages found that almost two-thirds of the studies estimated that the minimum wage had negative effects on employment, with only eight finding positive employment effects.[44] Of the 33 empirical studies judged

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[41] Corder, L. March 2019. "Survey of US Economists on a $15 Federal Minimum Wage." Employment Policies Institute. https://epionline.org/studies/survey-of-us-economists-on-a-15-federal-minimum-wage-2/

[42] Luca, D. L., & Luca, M. 2019. "Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit." (No. w25806). National Bureau of Economic Research.

[43] Rohlin, S. M. 2011. "State Minimum Wages and Business Location: Evidence From a Refined Border Approach." Journal of Urban Economics, 69(1), 103-117.

[44] Neumark, D., Wascher, W. 2007. "Minimum wages and employment" Foundations and Trends in Microeconomics 3:1−2 (2007): 1−186.

most credible, 28 (85 percent), found negative employment effects. **Of the reviewed studies, those focusing on low-skilled workers found the strongest evidence of negative employment effects.**

Research has found that, across the 21 states and Washington, D.C. that increased their minimum wages in 2019, 64 percent of restaurants reduced employee hours and 43 percent eliminated jobs.[45] Research has also found that job losses for black teenagers and the handicapped as a result of a minimum wage are even larger than for most workers.[46]

Opponents of the minimum wage cite the policy's potential negative impact on job training and experience. One study found that a 10 percent increase in minimum wages decreased on-the-job training for young workers by 1.5 to 1.8 percent.[47] Since on-the-job training allows low-skilled workers improve their skills and become more productive, this finding suggests that minimum wage laws also serve to reduce future opportunities for unskilled workers.

In 2019, the Congressional Budget Office (CBO) analyzed how increasing the federal minimum wage from $7.25 per hour to $10, $12, or $15 per hour by 2025 would affect economy-wide employment.[48] As would be expected, the CBO found that employment responses due to increases in the minimum wage varied by the amount of the increase. For the $15 option the estimated response indicated that the 107 percent increase would result in a decrease in employment of around 28 percent. For the $12 option, the 65 percent increase in the minimum wage would result in an employment decrease of 15 percent. This $12 option is similar to the proposed healthcare minimum wage increase in terms of percentage increase in the minimum wage (67 percent). Finally, for the $10 option, the 38 percent increase in the minimum wage would result in an employment decrease of around 8 percent.

Some researchers argue that the effect of the minimum wage is more pronounced in terms of new employment growth compared to employment levels.[49] The minimum wage has been found to decrease net job growth, mostly through the effect on job creation by expanding businesses. In addition, these negative effects are greater in industries with a higher proportion of low-wage workers. The negative effects of the minimum wage may therefore be delayed instead of immediate.

Another study, confirms the longer-term effects of the minimum wage, finding that during the late 2000s, the average minimum wage increased by 30 percent and reduced the national employment-population ratio by 0.7 percentage points.[50] This effect was significantly pronounced for low-income workers. In addition, artificial wage increases have been found to reduce the incomes of many low-skilled workers under what they would have been over time since reduced job creation results in fewer opportunities to gain experience and increase productivity and income.

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[45] Shenker, N. 2020. "How Restaurants are Dealing with Minimum Wage Increases," On the Line. https://pos.toasttab.com/blog/on-the-line/how-restaurants-deal-with-minimum-wage-increases

[46] Gorman, L. "Minimum Wages." The Library of Economics and Liberty. https://www.econlib.org/library/Enc/MinimumWages.html

[47] David Neumark and William Wascher. 1998. "Minimum Wages and Training Revisited," NBER Working Paper no. 6651, National Bureau of Economic Research, Cambridge, Mass.

[48] Congressional Budget Office. 2019. *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage*. https://www.cbo.gov/system/files?file=2019-07/CBO-55410-MinimumWage2019.pdf

[49] Meer, J., & West, J. 2016. "Effects of the Minimum Wage on Employment Dynamics." Journal of Human Resources, 51(2), 500-522.

[50] Clemens, J., & Wither, M. 2014. "The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers." NBER Working Paper 19262.

While much of the theoretical and empirical minimum wage research focuses on employment effects, there is also evidence that minimum wage increases may lead to increases in prices to consumers.[51]

Concluding Thoughts: Empirical Evidence and Minimum Wage Increases

Overall, most economists believe that higher minimum wages have the potential to increase unemployment among low-skilled workers.[52] While some studies find no significant negative effects on employment,[53] others find that minimum wage increases reduce employment,[54] particularly the employment of low-skilled workers.

There are many empirical studies that find that increases in the minimum wage may have significant negative effects on employment. For example, a study of restaurant industry employment by Chicago Federal Reserve Bank economists Daniel Aaronson and Eric French found that a 10 percent increase in the minimum wage would reduce unskilled restaurant workers employment by 2 to 4 percent.[55]

However, a number of empirical studies suggests that there are only small negative employment effects due to minimum wage increases. **The empirical minimum wage literature that finds little to no negative employment effects has often focused on estimating short-run employment responses to minimum wage increases.**[56] The most famous of these studies, the Card and Krueger study, studied a 9-month window while other studies focus on responses during a quarter. These short-run employment responses only capture employment response that result in a change in output with little or no capture of the substitution of labor for capital or skilled labor for low skill labor. This substitution effect has been found to be significant in the longer run.[57] **The long-run, which may differ significantly from short-run, is the time period that is policy relevant**.

Critics of minimum wage studies finding little to no effect of minimum wages on employment also claim that the bulk of these studies look at situations where economic actors have already adjusted to the minimum wage policy and to the strong likelihood that minimum wages will be raised in the future.[58] As a result, these empirical studies really show how economic actors adjust to unexpected increase in the minimum wage above and beyond what is anticipated. The critics claim that studies finding little to no

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[51] Aaronson D. 2016. "Price Pass-Through and The Minimum Wage." Review of Economics and Statistics. 2001;83:158–169.
[52] University of Minnesota. 2016. Principles of Economics. https://open.lib.umn.edu/principleseconomics/
[53] Card, D. and Krueger, A. B. 1994. "Minimum Wages and Employment: A Case Study of The Fast Food Industry in New Jersey and Pennsylvania." American Economic Review, 84(4), 772-793.
Dube, A. T., Lester, W., and Reich, M. 2010. "Minimum wage Effects Across State Borders: Estimates Using Contiguous Counties." The Review of Economics and Statistics, 92(4), 945- 964
[54] For a review see: Neumark, D. and Wascher, W. 2007. "Minimum Wage and Employment." In W.K. Viscusi (Ed.), *Foundations and Trends in Microeconomics* Vol 3 No. 1-2 (pp 1-182). Boston, MA: Now Publishers.
[55] Aaronson, D., & French, E. 2007. "Product Market Evidence on The Employment Effects of the Minimum Wage." Journal of Labor economics, 25(1), 167-200. https://www.jstor.org/stable/10.1086/508734
[56] See Neumark, D., & Wascher, W. 1992. "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws." ILR Review, 46(1), 55-81.
Dube, A., Lester, T. W., & Reich, M. 2010. "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. The Review of Economics and Statistics, 92(4), 945-964.
[57]
Sorkin, I. 2015. "Are There Long-Run Effects of the Minimum Wage?" Review of Economic Dynamics, 18(2), 306-333.
[58] Boudreaux, D. April 25, 2016. "A Proposed Minimum-Wage Experiment." Café Hayek. https://cafehayek.com/2016/04/40727.html

negative effect on employment after minimum wage increases are not answering the question of what would happen to employment if no minimum wage increases were expected.

Employers adjusting to a minimum wage increase can respond in a variety of ways. A large percentage of workers at nursing homes are low-income workers subject to the minimum wage. **Research has found that an increase of the federal minimum wage would result in a high number of nursing assistants experiencing a wage increase, increasing labor costs to nursing homes, and potentially reducing nursing home profits; to not impact their profit level, nursing homes could respond by passing on prices to the consumer, reducing nonlabor costs such as spending on food and amenities, or reducing labor costs by decreasing employee hours, decreasing spending on employee benefits, or decreasing higher income employee wages, hours, or benefits.**[59]

A principal argument made in favor of minimum wage increases is that they help poor and low-income families increase their living standards. However, **the existence of some disemployment effects mean that minimum wage increases create both winners and losers as a result**. The winners get a higher wage with no loss in employment or hours worked while the losers experience job losses, reduced work hours, or increased difficult finding jobs. **If the gains to the winners are large, and if the winners come disproportionately from low-income families with losses concentrated among higher-income workers, customers, business owners, or any other groups that policymakers are willing to redistribute income from, then the losses experienced by the losing groups may be considered acceptable.** However, multiple research studies fail to find evidence that minimum wages help the poor, instead finding that they may increase the number of low-income households.[60]

The empirical evidence on the distributional effect of minimum wages provides mixed results. Increasing the minimum wage has been found to both increases the probability that a low-income family will escape poverty due to higher wages as well as the probability that another nonpoor family will become low-income as the minimum wage increase prices family members out of the labor market.[61] Unemployment resulting from a minimum wage increase is found to be highly concentrated among low-income families. This indicates that **minimum wage increases usually redistribute income among low-income households rather than redirecting income from families with high incomes to those with low incomes.** Although some families do benefit from the minimum wage increase, generally the raise increases the proportion of families that are low-income and near-poor.

The main issue with using the minimum wages as a tool to increase the incomes of low-income families is that it targets low-wage workers, not low-income families, which may not be the same. In the United States, the link between low wages and low family income has been found to be relatively weak. According to Current Population Survey (CPS) data, over half of poor families with heads of household aged 18–64 have no workers. Furthermore, some workers are poor due to low hours worked rather than low wages. Finally, teenagers are highly overrepresented in the minimum wage workforce meaning that many low-wage workers do not belong to low-income families. As a result, one estimate suggests that when the

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[59] Lepose, M., Livingstone, I., Naden, D., Hatem, M., Feng, Z. June 2020. "Impacts of Minimum Wage Increases on Nursing Homes: Final Report." Office of Disability, Aging and Long-Term Care Policy Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.
[60] Neumark, D. 2018. "Employment Effects of Minimum Wages." IZA Institute of Labor Economics. https://wol.iza.org/articles/employment-effects-of-minimum-wages/long
[61] Neumark, D., Schweitzer, M., and William Wascher. February 1, 1999. "Will Increasing the Minimum Wage Help the Poor?" Federal Reserve Bank of Cleveland Economic Commentary.

minimum wage is increased, even assuming no employment loss, far more of the increase in income goes to households in the top half of the income distribution rather than to families below the poverty line.[62]

Despite the lack of evidence supporting the conclusion that minimum wages reduce poverty, some studies have shown that a higher minimum wage reduces the dependency on government assistance. However, a recent study of spending on Medicaid, welfare, and other assistance programs did not find that higher minimum wages lower participation in public assistance programs, except for SNAP.[63]

While low wages themselves clearly make life difficult for many poor and low-income households, the argument that a higher minimum wage is an effective tool to improve their economic well-being is not generally supported by the empirical evidence.[64]

Since minimum wage laws mandate higher wages for low-wage workers rather than higher earnings for low-income families this tool is imprecise at best. Generally, empirical evidence from studies focused on the United States do not find evidence that minimum wages help the poor. However, some subgroups may benefit when minimum wages are combined with other targeted programs such a targeted tax credit.[65]

Combining Theory and Evidence on Minimum Wage Increases

While economic theory generally supports the idea that a minimum wage increase will result in a variety of unintended negative economic effects, the empirical evidence is more mixed. While empirical findings are not unanimous, particularly for the US, evidence suggests that minimum wages lead to a number of negative economic consequences in the long run for significant real inflation-adjusted minimum wage increases including a potential reduction in the number of jobs available to low-skill workers.

Next, the economic theory and existing empirical evidence discussed above will briefly be considered in terms of the proposed Long Beach healthcare minimum wage increase in the covered private healthcare facilities.

Applying Theory and Evidence on Minimum Wage Increases to the Long Beach Proposal

The Minimum Wage in the Context of the Healthcare Industry and Healthcare Labor

The 67 percent increase in the proposed minimum wage for covered healthcare workers is significant. This suggests that the economic effects of the proposed minimum wage will also be significant.

Demand response conditions in the healthcare industry relative to other sectors in the economy are such that **significant changes in employee numbers as a response to a minimum wage increase may not be as pronounced as employment changes would be in other industries.** In addition, long-run prohibition

[62] Lundstrom, S. M. 2014. "When is a Good Time to Raise the Minimum Wage?" Contemporary Economic Policy 35:1 (2017): 29–52. Sabia, J. 2014. "Minimum Wages: An Antiquated and Ineffective Antipoverty Tool." Journal of Policy Analysis and Management 33:4 (2014): 1028−1036.
[63] Sabia, J., and T. T. Nguyen. 2017. "Do Minimum Wages Really Reduce Public Assistance Receipt?" Working Paper.
[64] Neumark, D. 2018. "Employment Effects of Minimum Wages." IZA Institute of Labor Economics. https://wol.iza.org/articles/employment-effects-of-minimum-wages/long
[65] Neumark, D. 2018. "Employment Effects of Minimum Wages." IZA Institute of Labor Economics. https://wol.iza.org/articles/employment-effects-of-minimum-wages/long

on certain labor market adjustments as outlined in the Long Beach minimum wage ordinance will likely dampen the negative effect of the proposed minimum wage on employment numbers.

However, some short run employment losses may still take place as will some longer-run employment losses as the result of the minimum wage. For example, in the long run, even with perfectly enforced labor market adjustment prohibitions in place, job losses may result due to employee quits and retirements that are not rehired as well as business closures and relocations due to the higher labor cost environment. Furthermore, in the long run, employee growth in the healthcare industry may be negatively affected.

The minimum wage increase may serve to attract more labor into affected healthcare occupations in the long run. In addition, the minimum wage increase may result in increased morale and productivity thus increasing labor demand by employers. This may serve to reduce possible negative impacts on future employment. However, all else equal, the increased cost of labor would likely reduce the quantity of labor demanded by employers resulting in an ambiguous net employment effect. In addition, **it is possible that the positive effects of the minimum wage on morale and productivity are relatively short term and may erode over time as employees factor the new baseline wage into expectations.**

Proponents of the minimum wage increase have claimed that the healthcare labor market is not competitive, resulting in significant market power to employers and wages below the competitive level for certain occupations. While employer market power for certain segments of the healthcare industry may be higher than for other sectors of the economy, such as for retail and for food services, employers in the covered healthcare sector still face considerable competition for labor from other Long Beach private healthcare businesses, public healthcare facilities, and healthcare employers in nearby cities. In addition, employers must compete for a labor pool that is also being attracted by employers in industries outside of healthcare. As a result, it is possible that the wages currently being paid to employees in occupations targeted by the Long Beach private healthcare minimum wage proposal are currently near competitive market wages.

If labor shortages were only the result of monetary wages sitting below their true competitive level, competition would drive employers to raise wages to attract workers away from competitors and eliminate the shortage of healthcare workers in certain occupations. In this way, profit-seeking employers could overcome labor shortages and provide more services to patients therefore increasing profits. **The fact that this has not happened may indicate that there are other non-wage issues depressing labor supply for certain healthcare occupations that should also be considered, such as healthcare occupations' toll on mental health or insufficient nonmonetary benefits.**

If enacted, low-wage employees in covered healthcare facilities that remain employed will enjoy an increase in their incomes. This will likely lead to higher living standards for these workers and their families. Additionally, both theory and empirical evidence state that low-income households spend a larger percent of their income than other groups, so a larger percentage of the increased income would be spent in the economy, as opposed to if higher wage workers were given additional labor income. However, these benefits may come at the cost of job losses for some employees.

The Minimum Wage and Non-Labor Adjustments

The above analysis of the proposed minimum wage's effect on the covered Long Beach private healthcare sector focused on labor markets. However, **there will likely be other non-labor market adjustments made in the healthcare industry as a result of the proposed minimum wage increase**.

A number of non-labor market adjustment mechanisms can be used to pay for the increased labor costs resulting from the minimum wage. For example, businesses may reduce service quality, increase prices, reduce access to patients, close or relocate, or may experience a reduction in business profits to offset the increase in labor costs and resulting increase in labor income to remaining covered employees. Each of these possible adjustments represent potential costs of the minimum wage policy. For example, a reduction in business profits may lead to business closures and relocations, reduced spending for consumption goods by business owners who would have spent the profits, and reduced investment that could have improved healthcare service provision. **Even if business profit reductions were the primary mechanism by which increased labor costs were paid for, decreased profits could have a negative impact on patients since businesses generally finance investment and expansion directly through profits and loans that will eventually need to be paid back out of profits.**

Affected facilities will not all react to the proposed minimum wage increase in the same way. It is highly likely that different facilities would make different adjustments to a minimum wage increase based on unique characteristics such as profitability, customer base, and type of healthcare service provided. For example, facilities with a significant portion of their patients on government provided plans will face a market situation where prices are relatively fixed. As a result, price adjustments to cover increased labor costs as a result of the minimum wage will be limited. These types of facilities will need to find other ways to effectively manage costs or risk relocation out of the city or even closure.

If fewer labor adjustments are made as a result of the minimum wage due to the measure's employment-adjustment prohibitions, adjustments will likely be concentrated in non-labor market reactions.

The Minimum Wage and Tradeoffs

The minimum wage proposal will likely involve a number of short and long term tradeoffs in terms of employment and non-employment variables. Economic theory and empirical evidence can provide us with some insight regarding potential tradeoffs in the Long Beach healthcare industry associated with the proposed minimum wage increase.

Benefits:

- Increased labor income to remaining low wage workers in covered healthcare facilities.
- Potential increase in labor supply and retention in certain covered healthcare occupations.
- Potential short run increase in morale and productivity for covered healthcare workers.

Risks:

- Short run employment losses, particularly for low wage workers.
- Potential long run business exits, employment losses and reduced future employment growth and business entry for covered occupations.
- Potential non-labor adjustments such as decreased business profits and quality/access reductions to pay for increased labor costs.

4. LONG BEACH INDUSTRY RISK ASSESSMENT

This section provides an industry risk assessment that creates a financial risk profile for Long Beach industry sectors. This vulnerability risk assessment will be used to determine whether businesses in the healthcare industry are relatively financially vulnerable which will help determine the industry risk associated with the proposed increase in the minimum wage. In addition, this industry risk assessment may help predict the manner in which increased labor costs due to the proposed minimum wage increase may be financed.

Contrary to popular belief, on average, private hospitals did not earn significant profits during the COVID-19 pandemic.[66] As a matter of fact, many actually faced financial hardship as a result. A 2022 study conducted by researchers from the Johns Hopkins Bloomberg School of Public Health found that hospitals overall lost an average of $1.00 for every $100.00 earned from patient care activities before the pandemic which translates to an operating margin of (-1) percent. In 2020, that loss increased to between $7.00 and $8.00 lost per every $100.00 earned, translating to an operating margin of (-7.4) percent. **The increased financial loss experienced during the pandemic is the result of a number of factors including deferral of elective procedures and non-emergency appointments** and a consequent shift of resources towards COVID-19 patients, a significant percentage without insurance to pay for treatment. Furthermore, hospitals that served disadvantaged patients were most vulnerable to financial strain.

This industry risk assessment may help predict the manner in which increased labor costs due to the proposed minimum wage increase may be financed. If the Long Beach healthcare sector is relatively profitable, it is possible that increased labor costs resulting from the minimum wage may be paid in large part out of business profits. **If, however, the Long Beach healthcare industry is relatively unprofitable, business reactions to labor costs are more likely to include adjustments such as relocation and closure, price increases, quality decreases, and reduction in healthcare access.** If facilities serving lower income areas are even less financially secure on average, there is a higher probability that cost increases may take these forms which will have a negative impact on lower income patients.

Risk Exposure

In this section of the report, we look at labor costs and profit margins of healthcare services industries to understand the vulnerability of each industry to changes in the cost of doing business, including their ability to face increased labor costs that the proposed minimum wage for qualified privately-owned healthcare facilities would introduce.

Healthcare services in this section of the report are defined as: Ambulatory Health Care Services, which includes offices of physicians, dentists and other healthcare practitioners, outpatient care centers, medical and diagnostic laboratories, home health care services and other ambulatory services (NAICS 621); hospitals (NAICS 622); and nursing and residential care facilities (NAICS 623).

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[66] Abrahms, A., Shiralian, S. Wednesday, July 6, 2022. "Los Angeles Private Hospitals: A Minimum Wage Increase for Health Care Workers Will Likely Take Effect This Year."
https://www.natlawreviw.com/article/los-angeles-private-hospitals-minimum-wage-increase-health-care-workers-will-likely

Gross Operating Surplus

As an alternative to raising prices of their goods and services, firms in industries that experience increased input costs may instead absorb cost increases through reduction in profits. This capability is necessarily dependent on an industry's typical profit experience. Many industries have extremely thin profit margins and will not be able to absorb costs increases without price increases—which, if they are exposed to trade, may also not be a viable option. Other industries have a significant margin cushion and are less vulnerable to increases in input prices.

Exhibit 7

Health Care Industries by Gross Operating Surplus

NAICS	Industry	Gross Operating Surplus (As % Total Output)
6211	Offices of physicians	3.3%
6212	Offices of dentists	17.9%
6213	Offices of other health practitioners	28.7%
6214	Outpatient care centers	-4.3%
6215	Medical and diagnostic laboratories	26.4%
6216	Home health care services	-2.7%
6219	Other ambulatory health care services	8.0%
622	Hospitals	7.6%
6231	Nursing and community care facilities	1.8%
6232	Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities	1.6%
	Average of all industries	*19.8%*

Source: IMPLAN Data for California; Analysis by LAEDC

Exhibit 7 shows health care industries by their gross operating surplus as a percentage of total output (essentially, profit margins). The higher this margin, the more likely the user industry will be able to absorb higher input costs. Industries with smaller or even negative gross surplus as a share of total output have no capability to absorb cost increases. If they are also unable to increase the prices of their goods and services, they will face an existential risk.

Industries in Long Beach on average, operate close to the margin, with a gross operating surplus of 19.8 percent of total output; however, **healthcare services industries have an average gross operating surplus of only 5.5 percent, much lower than the all industry average.** Industries that are especially significant and operating at or below a break-even point include outpatient care centers, home healthcare services, nursing and community care facilities, mental retardation, mental health, substance abuse and other facilities, an hospitals. These leave very little room for firms to absorb cost increases.

Labor Cost Intensity

Exhibit 8 shows health care industries by their labor expenses (essentially, labor income) as a percentage of total output. The higher this margin, the more likely the user industry will be unable to absorb higher labor costs. If accompanied by low profit margins and they are unable to increase the prices of their goods and services, they may face an existential risk.

Exhibit 8

Health Care Industries by Labor Cost Intensity

NAICS	Industry	Labor Income (As % Total Output)
6211	Offices of physicians	64.2%
6212	Offices of dentists	50.3%
6213	Offices of other health practitioners	45.5%
6214	Outpatient care centers	67.9%
6215	Medical and diagnostic laboratories	42.5%
6216	Home health care services	77.5%
6219	Other ambulatory health care services	53.3%
622	Hospitals	49.0%
6231	Nursing and community care facilities	56.8%
6232	Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities	63.5%
	Average of all industries	*36.4%*

Source: IMPLAN Data for California; Analysis by LAEDC

Healthcare services industries face higher labor costs than other industries. Industries in Long Beach on average, have a labor cost intensity of 36.4 percent of total output while the average across all healthcare industries is 55.7 percent of total output.

Profits and Labor Costs

The risk assessment conducted in this section provides insights regarding:

1. How significant the proposed minimum wage increase will be for the healthcare industry in terms of raising labor costs and the impact of these increased costs on industry profitability.
2. How profitable the industry is and therefore how able the health care sector will be to pay for increased labor costs out of profits.

Overall, the industry risk analysis indicates that labor costs already make up a significant portion of total costs in the healthcare industry. Labor cost intensity is significantly higher in every analyzed healthcare industry sector than for the average of all industries. This indicates that the proposed 67 percent increase in the minimum wage for the covered private healthcare facilities likely represents a significant increase in labor costs and therefore overall costs which, all else equal, will serve to significantly reduce profitability. These increased labor costs can be financed in a number of ways including increasing prices for customers (or in this case patients), reducing the quality of services, and decreasing profits. Increased labor costs may be covered through a combination of ways and may ultimately decrease the quality of healthcare services and access to patients. Even reduced profits may serve to decrease quality and quantity of healthcare services to patients. For example, facilities may be unable to purchase new capital equipment, expand their facilities, or even repair or replace existing capital equipment as a result.

The industry risk analysis also indicates that on average the healthcare industry is relatively unprofitable compared to the economy as a whole. A number of analyzed healthcare industry sectors are characterized by razor thin and even negative gross operating surpluses. As a result, many affected facilities will be unable to cover the increase in healthcare costs brought on by the minimum wage increase by dipping into profits and will have to do so in other unprohibited ways or otherwise relocate or close their doors.

Impact on Business Exits

Research has found that increases in the minimum wage may serve to reduce business value and profitability, therefore increasing the probability of business exits from a jurisdiction through either relocation or closure, especially the exit of less profitable businesses.

It is possible that the affected health care sector may be less vulnerable to relocation and exit than other industries. In addition, healthcare establishments will not all face the same risk of relocation or closure. Some facility types in the affected health care sector are significantly less likely to exit the city than others or to do so further into the future. However, **the industry risk assessment conducted in this section indicates that profitability in the healthcare industry is relatively low while labor cost intensity is relatively high, putting some businesses at increased risk of closure or relocation due to a significant minimum wage increase.**

5. ECONOMIC IMPACT OF THE PROPOSED HEALTHCARE MINIMUM WAGE

The proposed healthcare minimum wage will result in a combination of potential benefits and costs. Short run employment and future employment growth may be negatively affected. However, the minimum wage also has the potential to raise labor incomes for a significant number of low-wage workers in private healthcare.

This section will review the potential impact of the proposed minimum wage by estimating the impact of the minimum wage on short run employment and labor income.

As a disclaimer, one caveat of this section is that, due to the time constraints of this study, we review the potential impact of the proposed minimum wage on the Long Beach covered healthcare facilities using *existing* empirical evidence estimating the reaction of different economic actors as a result of minimum wage increases. These estimated reactions are not specific to the Long Beach healthcare sector. As a result, the more these estimated reactions differ from what would have held for the Long Beach private healthcare sector, the less accurate the estimates provided will be. In anticipation of this possibility, a range of estimated impacts are provided in the section. **Due to the limitations of the analysis in this section, we recommend that an economic impact report including estimates of labor market responses specific to the City of Long Beach's affected healthcare industry be conducted.** This will provide policymakers and the general public with a more accurate understanding of the impact of the proposed healthcare minimum wage increase.

The Impact of the Proposed Minimum Wage Increase on Employment

Potential Short Run Economic Impact on Healthcare Employment

In the short run, there will likely be a number of economic adjustments made that will result in changes to industry employment. **Employment losses or other compensating adjustments may take place before the minimum wage increase goes into effect, as well as in the first year when waivers can be claimed by businesses on the margin.** No language in the measure prohibits making employment adjustments such as layoffs and hours and benefits reductions in anticipation of a new higher minimum wage during that period. Job losses may also result in the short run due to employee exits without subsequent hiring. However, an increase in the minimum wage may attract workers to the industry and increase retention, therefore reducing the negative employment impact.

This section will focus on potential adjustments made in terms of short run employment figures. Short run labor adjustments made in terms of work hours or fringe benefits will not be analyzed although these may take place as well.

Exhibit 9: Short Run Employment Effect of the Proposed Minimum Wage Increase

	Low Estimate	High Estimate
Number of Jobs	(-29)	(-58)

Source: Estimates by LAEDC

Using empirical estimates of labor market reactions to a minimum wage increase, an estimated 29 to 58 jobs may be lost in the short run as a result of the proposed minimum wage.[67] These job losses represent a loss in economic output, labor income, and tax revenue for the city. **In the short run, estimated lost economic output as a result of these job losses is equal to $4.4 - $8.8 million.** Estimated lost labor income totals $2.4 - $4.8 million. Lost state and local tax revenues are estimated to be $70,000 to $140,000 for the short run period under consideration.

Exhibit 10
Short Run Economic and Fiscal Impact of Proposed Minimum Wage Increase Long Beach (Low and High Estimates)

Total Economic Impact:	
Output ($ millions)	(-8.8) - (-4.4)
Employment (jobs)	(-59) - (-29)
Direct	*(-58) - (-29)*
Indirect and induced	*-(-1) - (0)*
Labor income ($ millions)	(-4.8) - (-2.4)
Total Fiscal Impact ($ millions):	
State and local tax revenues	(-0.1) - (-.07)
Federal tax revenues	(-0.6)- (-0.3)

Source: Estimates by LAEDC Using IMPLAN

The proposed increase in the minimum wage will also result in benefits to employees who keep their jobs and were previously making below $25 per hour. Next, we will calculate this increase in labor income and its potential economic benefits and weigh it against the potential short run economic costs above.

Potential Short Run Impact of Labor Income Changes in Healthcare

One important potential benefit of the minimum wage increase is its positive impact on labor income for workers who remain employed and do not see their work hours reduced. The gain in labor income for low-income workers as a result of the minimum wage increase may exceed the labor income lost by workers who are no longer employed in Long Beach's private healthcare sector as a result of the minimum wage increase. If so, an increase in labor income may result in a number of positive effects on the local economy such as increased local tax revenues and economic output.

As estimated above, around $2.4 - $4.8 million in lost labor income to the Long Beach economy will result due to the job losses from the minimum wage. However, **employees previously making below the minimum wage who did not lose their jobs will be making at least the new minimum wage. This direct increase in income is estimated to equal $11.6 - $12.1 million.** This increase in labor income will result in a number of positive benefits for the economy including further increased labor income through indirect and induced effects. Overall, the estimated $11.6 - $12.1 million direct increase in labor income, resulting from the wage increase for employees previously making below the minimum wage who did not lose their jobs, will result in a further estimated increase in labor income of between $110,000 - $120,000 due to indirect and induced effects. Combined, the resulting increase in total labor income is estimated between $11.8 million - $12.3 million.

Exhibit 11
Short Run Economic and Fiscal Impact of Increase in Labor Income (Low and High Estimates)

Total Economic Impact:	
Output ($ millions)	22.8 – 23.8
Employment (jobs)	2
Indirect and induced	*2*
Labor income ($ millions)	11.8 –12.3
Total Fiscal Impact ($ millions):	
State and local tax revenues	0.35 -0.37
Federal tax revenues	1.6- 1.7

Source: Estimates by LAEDC using IMPLAN

[67] The empirical labor market reactions (elasticities) used in the analysis are not specific to the healthcare industry which may experience less of a negative employment reaction than other industries would.

Subtracting the lost income effect calculated above, the net short run increase in income as a result of the proposed minimum wage is $7 million - $9.9 million.

Exhibit 12: Short Run Economic Impact on Income of the Proposed Minimum Wage Increase

	Low Reaction Estimate	High Reaction Estimate
Jobs Lost	(-29)	(-58)
Net Income Change	+$9.9 million	+$7 million

Source: Estimates by LAEDC

The minimum wage's impact on labor income may change over time if more employees enter occupations that are subject to the minimum wage increase or if employees currently in these occupations exit the Long Beach covered healthcare facilities as a result of the minimum wage increase.

This analysis does not investigate how the additional labor income is being paid for, which may be done through a combination of reduced business profits, increased prices, reduced quality, and real inflationary reductions in wages and salaries to higher paid employees whose pay is not raised to completely make up for increases in the cost of living. In fact, **in the short run, research has found that in response to the minimum wage increase, few businesses fire workers, choosing to adapt their labor input to the new economic situation over time.**[68] **Instead, they tend to take non-employment actions in the short run to cover the resulting increase in labor costs**. As a result, there may be economic consequences due to the minimum wage increase in terms of higher prices, reduced access, lower business profits, and quality reductions that may significantly reduce the estimated short run benefits. For example, reduced business profits may be associated with a number of negative economic consequences, both in the short and long term. Reduced business profits may translate to lower income to business owners and therefore lowered economic spending by them as consumers. Furthermore, reduced profits may result in lowered business investment that could have resulted in increased quality or quantity of healthcare services to patients. Finally, reduced business profits could prevent private healthcare businesses from hiring additional labor and could lead some businesses to close or relocate.

Some research suggests that in the short run, healthcare prices may not rise significantly as a result of the minimum wage increase.[69] As a result, **other non-employment adjustments such as reduced access, lower business profits, and quality reductions may be the principal mechanism by which businesses adjust to higher labor costs**. The attractiveness of the minimum wage increase to policymakers may depend on how the additional resulting labor income is being paid for. For example, policymakers may consider reduced business profits to be an acceptable way to pay for the increase in labor income while increased prices or reduced quality may not be deemed acceptable.

This analysis was conducted using short run reaction estimates before any significant number of longer-run adjustments to the minimum wage are made that may reduce employment such as closure and relocations of businesses as well as retirements and quits that are not rehired. **Complete long run employment adjustments are not estimated in this analysis due to lack of empirical data estimating long-term reactions with employment prohibitions in place similar to the ones in the proposed measure**. If prohibitions are not binding, these existing empirical estimates would be appropriate and may

[68] Cooper, Preston. December 18, 2015. "What the Card-Krueger Study Tells Us about the Minimum Wage." Foundation for Economic Education.

[69] Fielder, M. April 2022. "What Does Economy-Wide Inflation Mean for the Prices of Healthcare Services (and Vice Versa)?" USC-Brookings Schaeffer Initiate for Health Policy https://healthpolicy.usc.edu/brookings-schaeffer/what-does-economy-wide-inflation-mean-for-the-prices-of-healthcare-services-and-vice-versa/

result in significant negative long term employment effects. However, **this analysis will be assuming that the measure's prohibitions will be binding to some extent which will mean that negative long-term employment effects will not be as high as they otherwise would be.**

It must be pointed out that the longer run may include some losses of currently employed workers in the private healthcare industry due to the minimum wage. On the other hand, in the long run, the minimum wage may result in increased attraction of employees into the occupations subject to the minimum wage increase. All else equal, as wages in an occupation increase, more labor is attracted to the occupation. In addition, exit of employees in occupations subject to the minimum wage may decrease as a result of the higher wages received. **As a result of both potential negative and positive impacts on long run employment, the long-term net impact on jobs in the industry is ambiguous**.

The Impact of the Minimum Wage Increase on Future Employment Growth in Healthcare

Some researchers argue that the employment effect of the minimum wage is more pronounced in terms of new employment growth compared to changes in current employment levels.[70] **The minimum wage has been found to decrease net job growth, mostly through the effect on job creation by expanding businesses.** These unseen employment losses compared to what otherwise would have been occur as new businesses do not open, some leave, and existing businesses do not hire as many employees as they would have without the minimum wage measure in place. As a result, **the pace of new hiring in the Long Beach covered healthcare facilities may slow as a result of the minimum wage increase**.

Growth in employment can be divided up into two opposing forces:

1. Diminishing forces such as employee retirements, job quits, and business relocations and closures.
2. Augmenting forces resulting from employment at new business establishments and new hires to existing businesses.

Economic Impact of the Minimum Wage Increase's Effect on Future Employment Growth

Reductions in future employment growth in the private healthcare industry below what otherwise would have been added would negatively affect several economic variables, including future labor earnings and local tax revenues. This negative effect is due to the fact that if these jobs were created, they would have added to labor income, economic output, and local tax revenue. These jobs therefore represent an opportunity cost in terms of foregone economic activity that should be considered a potential cost of the proposed minimum wage increase.

It is possible that the minimum wage increase will result in significant positive effects on healthcare labor supply due to increased attraction and reduced exit in the impacted occupations, accompanied by an increase in labor quality which will dampen negative labor demand effects.

Comparing Estimated Potential Employment Risks and Benefits

The proposed minimum wage will likely result in both costs and benefits. Here we will compare the proposed minimum wage increase's estimated economic impact from resulting estimated short run job

[70] Meer, J., & West, J. 2016. "Effects of the Minimum Wage on Employment Dynamics." Journal of Human Resources, 51(2), 500-522.

losses (Risk) to its estimated economic impact due to directly increased labor income (Benefit).[71]

Exhibit 13
Net Short Run Economic and Fiscal Impact of Change in Income
(Low and High Estimates)

Total Economic Impact:	
Output ($ millions)	14.0 – 19.4
Employment (jobs)	(-57) – (-27)
Labor income ($ millions)	7.0 – 9.9
Total Fiscal Impact ($ millions):	
State and local tax revenues	0.25 - 0.3
Federal tax revenues	1.0- 1.4

Source: Estimates by LAEDC Using IMPLAN

In the short run, considering only employment adjustments, the increase in labor income is estimated to have a net positive economic impact on a number of economic variables. However, short run job losses may take place as a result of the minimum wage increase that will result in reduced short run net total job figures in the industry. **Looking at employment numbers, the short run job losses are estimated to exceed the indirect and induced job gains resulting from the net increase in labor income. Nevertheless, the economic impact in terms of increased economic output, labor income, and tax revenues of the increase in labor income to employees previously making less than the minimum wage more than makes up for the economic loss in terms of these variables resulting from lost jobs.**

However, it must be noted that this short run economic impact analysis focuses only on employment effects and thus ignores other potential non-labor economic reactions resulting from the minimum wage such as increased prices, reduced profits, and declines in quality or access. While this economic impact analysis does not attempt to estimate the impact of the minimum wage on these other economic variables, it should be noted that these variables may be negatively affected as a result, making the overall economic impact of the minimum wage on metrics except for employment in the short run ambiguous.

The long run is the most policy relevant period of time. **The proposed minimum wage increase may significantly decrease future employment growth - a long run phenomenon.** This decrease in employment growth will result in a long run decrease in output, employment, labor income, and tax revenues below what they otherwise would have been without the minimum wage increase.

In the long run, further adjustments may be made that could decrease current employment numbers. For example, retirements and quits may not be rehired or imperfect enforcement of prohibition may result in layoffs. On the other hand, **if higher wages serve to attract labor entrants, reduce turnover, and improve labor quality/output thus dampening negative effects on the quantity of labor demanded by employers, the long run effect on employment may not be as pronounced.** In order to isolate the effect of the minimum wage on employment in the long run, other factors in the economy must be held constant that may affect employment in the industry above and beyond the wage effect caused by the minimum wage increase.

[71] The realized employment effects resulting from the proposed minimum wage increase will depend on both employer and employee reactions as a result of the minimum wage. The reactions estimated above use data on employment reactions specific to the overall labor market. It is possible that the healthcare industry would experience less of a negative employment adjustment than what was assumed in the analysis. However, additional methodological choices were made that will mute the estimated negative impact of the minimum wage on employment. The general direction of bias in employment impact estimates in this report is unclear.

When considering tradeoffs in terms of employment, policymakers will need to weigh potential foregone employment growth and its foregone positive benefits in terms of economic activity against increased income to existing employees and the positive economic impact this increase provides.

This economic analysis has only considered economic impacts in terms of employment. However, this is not the complete story. The proposed minimum wage's impact on other variables of interest such as prices, quality measures, access, and business profits must also be considered. In addition, the City of Long Beach's Financial Management Department estimates that policy enforcement costs will total approximately $1.2 million per year. **Spending on enforcement represents an economic cost that would otherwise not have been incurred.** This cost will need to be borne by the city taxpayers through either increased taxes, reduced quality or quantity of other city provided services, or a combination of the two. **If the minimum wage is enacted, enforcement costs will therefore serve to reduce some of the benefits from the proposed minimum wage.**

In order to get a full picture of the economic impact of the minimum wage in the long run, long run employment reactions must be estimated including the minimum wage increase's potential impact on future job growth. **Due to time constraints, estimating long run employment reactions is beyond the scope of this analysis but should be undertaken in a future study.** In addition, the impact of the minimum wage on other important variables such as prices, profits, quality and access to care should be undertaken in a future study.

Impact on Business Exits

The proposed increase in the healthcare minimum wage may increase business exits out of the Long Beach healthcare industry due to both relocation to other jurisdictions as well as permanent business closures. Increases in the minimum wage have been found to reduce business value and profitability, therefore increasing the probability of business exit from a jurisdiction through either relocation or closure, especially the exit of financially weaker businesses.

Research finds that a $1 increase in the minimum wage may result in up to a 14 percent increase in the probability of median business exit in affected industries.[72] The median business in this case refers to the median business in terms of financial health and profitability. I**f this business exit reaction holds constant for every $1 increase, the $10 proposed increase in the minimum wage from $15 to $25 would increase the probability median business exit by 140 percent.** For example, if on average before the minimum wage increase, 1 percent of affected private sector healthcare businesses at or below the median exit the industry per year, a 140 percent increase in the probability of exit will result in 2.4 percent of affected private sector healthcare businesses at or below the median exiting the industry per year.

It is possible that the affected healthcare sector may be less vulnerable to relocation and exit than other industries. In addition, healthcare establishments will not all face the same risk of relocation or closure. **Some facility types in the affected healthcare sector are significantly less likely to exit the city than others or to do so further into the future.** However, the industry risk assessment provided in Section 4 indicates that profitability in the healthcare industry is relatively low while labor intensity is relatively high,

[72] Luca, D. L., & Luca, M. 2019. "Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit." (No. w25806). National Bureau of Economic Research.

putting some businesses at increased risk of closure or relocation due to a significant minimum wage increase.

Potential Spillover Effects to Other Industries

A minimum wage increase for covered private healthcare workers may serve to raise the wages of healthcare workers in the noncovered side of the industry whose employers will need to compete with the covered private sector for labor. This may result in increased labor income for affected workers and therefore increased labor costs for employers. **In addition to effects on the healthcare sector, the minimum wage increase in the healthcare industry may result in indirect spillover effects to other industries that may now need to pay higher wages for similar positions, such as security guards, in order to stay competitive in attracting labor.** This spillover effect is not analyzed in this report. However, policymakers should keep the potential impact on other industries in mind.

Economic Impact: Additional Thoughts

The City of Long Beach's Financial Management Department estimates that policy enforcement costs will total approximately $1.2 million per year. **Spending on enforcement represents an economic cost that would otherwise not have been incurred.** This cost will need to be borne by the city taxpayers through either increased taxes, reduced quality or quantity of other city provided services, or a combination of the two. If the policy is enacted, enforcement costs will therefore serve to reduce some of the benefits from the proposed minimum wage.

Enforcement of the measure's prohibition's will likely be imperfect and will likely be costly. It is almost impossible to conclusively prove that the minimum wage is a motivating factor in an employer's decision to respond to the minimum wage in any of the measure's prohibited ways. Adjustments such as terminations, reduced work hours, or reduced benefits may be made directly or indirectly due to the minimum wage after full implementation without being able to prove they are directly related to the minimum wage. In the extreme, inability to effectively enforce the ordinance's prohibitions will serve to make the prohibitions effectively useless.

These **enforcement limitations may serve to reduce the effectiveness of the measure's prohibitions, which may not be as constraining as policymakers intend them to be**. As a result, longer-term employment impacts may include a significant number of prohibited adjustments. Studies find that unlike short run employment responses to a minimum wage increase, which can be limited, long-run responses to a relatively large permanent minimum wage increase may be high.

Even if the prohibitions were perfectly enforced, longer term employment losses as a result of the minimum wage increase could come from other sources such as from refusals to rehire for positions after an employee quits or retires or increased business exit over time. If certain labor adjustments do not take place due to the prohibition, other non-labor adjustments may take place that would not otherwise have, such as price increases, lower profits, healthcare quality declines, and healthcare access declines. Increased labor costs as a result of the minimum wage will likely need to be paid somehow and by someone. **Trying to prohibit one type of economic adjustment will result in an augmentation of other reactions that are not prohibited.** As a result, instead of spreading out adjustments in many ways, adjustments may be concentrated in certain unprohibited changes such as in price increases and quality decreases. In addition, economic conditions in the healthcare industry may be such that relatively more non-labor adjustments and fewer adjustments to labor numbers would be made than in other industries even without labor adjustment prohibitions in place.

This impact analysis does not attempt to estimate price changes, changes in business profits, changes to patient access, or healthcare quality. However, it is possible that these variables will be negatively affected as a result of the minimum wage increase and prohibitions on employment adjustments. The negative effect on these non-employment variables would likely be further augmented the more the employment prohibitions in the measure are effectively enforced.

An interventionist policy such as a minimum wage increase will result in a number of tradeoffs which may or may not be judged acceptable by policymakers.

6. STAKEHOLDER VIEWPOINTS

To understand the perspective of key healthcare stakeholders in the region, including healthcare workers, industry representatives, labor unions, and others, a questionnaire was publicly distributed that gauged sentiments about the minimum wage initiative, queried respondents on perceived risks and benefits, and provided an opportunity for open-ended feedback. The questionnaire was distributed online, using a mix of targeted outreach and snowball sampling, in English, Spanish, Khmer, and Tagalog. The English language questionnaire remained open between July 12 and July 25, while the questionnaire was made available in languages other than English shortly after the start date. No incentive was provided for the questionnaire and partial responses were recorded. To supplement information garnered from the questionnaire, interviews were held with key stakeholders, including the Hospital Association of Southern California and SEIU-UHW, that allowed participants to expound their views. Additionally, testimonials were gathered from the survey input and are featured at the end of each subsection; these testimonials were lightly edited for clarity and grammar, as well as translated if necessary.

Overall, among the 150 stakeholders that voiced their opinions, the opinion was split evenly, with 52.0 percent in support, 42.7 in opposition, and 5.3 percent being neutral. However, the questionnaire dissemination resulted in differing response totals from each stakeholder group, and as the results are unweighted, these results do not represent the public opinion within Long Beach. Instead, **the questionnaire will be analyzed by self-identification into one of four stakeholder groups, to draw conclusions about the opinions of these groups based on the stated views.**

This section is divided into four parts, examining responses from healthcare workers, industry representatives, labor unions, and other respondents.

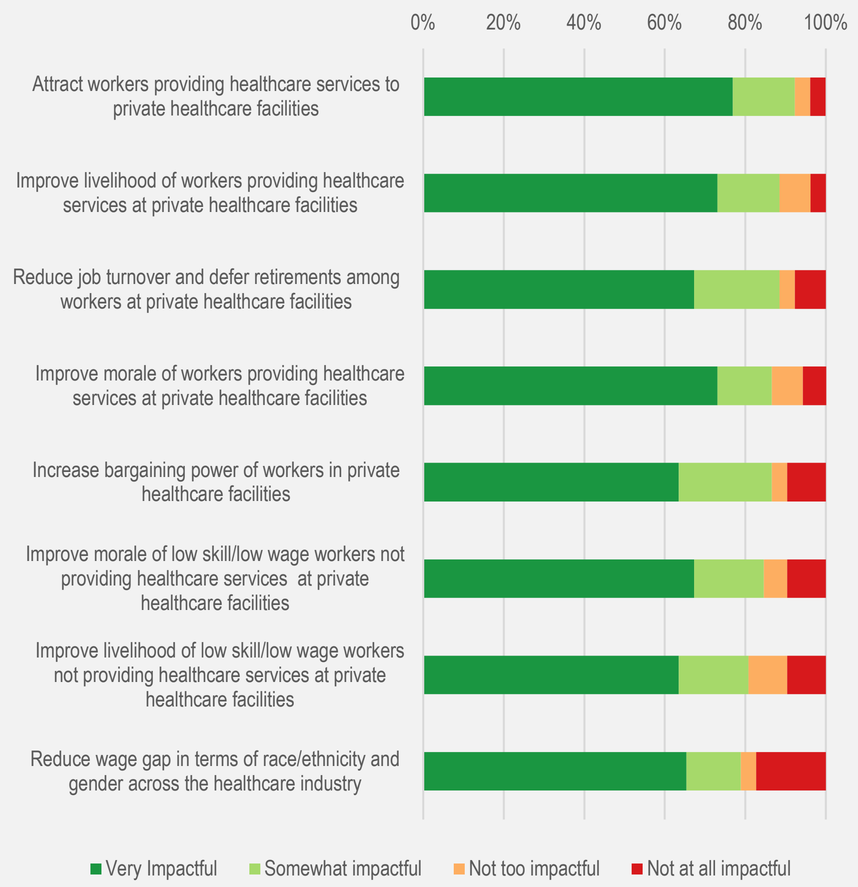
Healthcare Workers

Healthcare workers represented the bulk of responses to the questionnaire, 67 of the 150 respondents. This is a small portion of the total healthcare employment in Long Beach, resulting in a margin of error of 12 percent, nonetheless conclusions can be drawn among the respondents. The engaged healthcare workers were overwhelmingly in support of the initiative, with 76.1 percent voicing strong support and an additional respondent somewhat in support. Meanwhile, 3 percent of healthcare workers were neutral, 3 percent somewhat opposed the measure, and 16.4 percent were strongly in opposition.

With most surveyed healthcare workers in support of the minimum wage initiative, more than three quarters also felt that the each of its perceived benefits would be very or somewhat impactful to the Long Beach healthcare industry. Among healthcare workers, the largest consensus was that the initiative would be very or somewhat impactful in attracting workers to the healthcare industry, with 92.3 percent saying so. The next two most impactful benefits were tied, with 88.5 percent stating that the initiative would be very or somewhat impactful in improving the livelihoods of workers providing healthcare services and reducing job turnover/deferring retirements at private healthcare facilities. This was followed by increasing the morale of workers providing healthcare services and increasing the bargaining power of employees at private healthcare facilities, with 86.5 percent believing it would be very or somewhat impactful.

The perception of how impactful the initiative would be for low skill, low wage workers in private healthcare facilities was more muted, with 84.6 percent believing it would be very or somewhat impactful for morale and 80.8 percent in regards to those workers' livelihoods. Finally, 78.9 percent stated that the initiative would be very or somewhat impactful in reducing the racial/ethnic and gender wage gaps across the healthcare industry. Exhibit 14 shows a full breakdown of responses to the battery on perceived benefits.

Exhibit 14: Anticipated Impact of Perceived Benefits Among Healthcare Workers

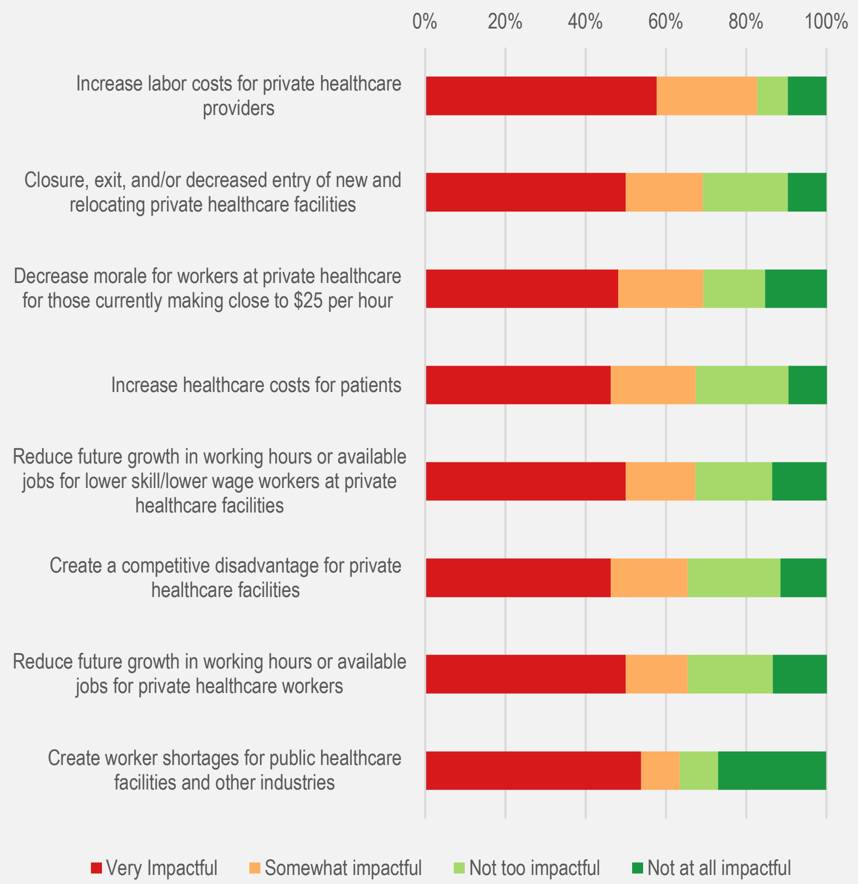


Other perceived benefits provided by healthcare workers included providing additional consumer spending to help the local economy; encouraging workers to keep showing up for work and reducing burnout; enabling healthcare workers to be able to live in Long Beach; reducing the need to work a second job; improving patient care and safety by addressing understaffing; allowing workers to invest more in their children; increasing the pay of those currently making above a $25 wage; and providing workers a necessary pay increase to deal with increasing inflation, with many calling it an increase to a living wage.

Comparatively, fewer healthcare workers believed that the perceived risks would be very or somewhat impactful: while at least, 60 percent believed that each of the perceived benefits would be very impactful, none of the perceived risks were perceived to be very impactful by 60 percent of healthcare workers. However, each perceived risk still had at least 63 percent saying it would be somewhat or very impactful. **The largest consensus was around the impact on increasing labor costs in private facilities, which 82.7 percent of healthcare workers felt the initiative would be very or somewhat impactful to the Long Beach healthcare industry.**

Other impactful perceived risks were decreasing morale for workers at private facilities making close to $25 per hour and the closure, exit, or decreased entry of new and relocating private facilities, with 69.3 percent each. Meanwhile, 67.3 percent stated the initiative would be very or somewhat impactful in increasing patient costs and reducing the future job growth of low skill, low wage workers at these facilities. Healthcare workers were also concerned about the initiative being very or somewhat impactful on reducing the future growth of healthcare occupations at these facilities, with 65.4 percent stating it would have such an impact. The same proportion also stated that the competitive disadvantage created for covered facilities would be very or somewhat impactful. Healthcare workers were only slightly less vocal about the effects outside of covered facilities, with 63.5 percent saying it would be very or somewhat impactful in creating worker shortages for public healthcare facilities and other industries.

Exhibit 15: Anticipated Impact of Perceived Risks Among Healthcare Workers



Open ended responses also allowed healthcare workers who were not in favor of the initiative to explain why. One said, regarding the initiative, that *"this is an unequitable measure that negatively impacts private hospitals at a time when their margins are already negative. It will increase inflation, healthcare costs, and will significantly impact small businesses. It is a terrible idea."* Another said that *"at first I think it will be great but then I feel it will cause a lot of friction and inequities amongst workers. A 10 dollar hike is just a lot. I feel that maybe we should of started lower more like a $18-$20 [wage] and go from there."* Many also expressed fears about the impact of the initiative on smaller facilities within the City of Long Beach.

After the battery on perceived risks and benefits, respondents were asked to assess the impact the initiative would have on access and quality to healthcare services for patients. Most healthcare workers, 53.8 percent, believed that it would improve access, while 26.9 anticipating no impact and 19.2 percent believing that it would reduce access to services. The majority of healthcare workers also believed that it would improve quality of services: while 19.2 percent still believed it would reduce access, only 21.2 percent believed it would have no impact, leaving 59.6 percent who believed it would improve the quality of healthcare services offered to patients in the City of Long Beach.

Finally, respondents were asked if they believed the perceived benefits outweigh the perceived risks of the minimum wage initiative, or vice versa. As seen from the results, many healthcare workers acknowledged the impact of both the perceived benefits and perceived risks, seeing the tradeoffs presented by the passage of the initiative. Nonetheless, **71.2 percent of healthcare workers who responded believed that the benefits outweighed the risks regarding initiative, indicating that the majority support its enactment.**

Testimonials from Healthcare Workers at St. Mary's Medical Center

"The economy is not in the best place right now, our wages don't match our hard work, or risks we are taking with this pandemic. And to top things off we aren't getting paid enough, our pay and cost of living is off. I think they need to remember that us healthcare workers also have families at home, to feed and look after, healthcare for our families is important to us along with keeping up with cost of living. We take many risks just to show up to work but still we do."

"I started working in health care at the peak of COVID-19 in 2020. Prior to that, I was working as a server in the restaurant industry. I am embarrassed to admit I actually made more money as a server as I do now working in the hospital. I love what I do. I love working with patients and healthcare, which is why I stay. However, it is unfortunate having to compromise on my wage especially since Long Beach has no rent control and gas prices have gone through the roof. I have a 7 month old baby and I would desperately be benefitting from getting $25/hr. It would be amazing to be able to provide for my family as well as helping my community. I believe you should vote yes and pass the minimum wage increase. Many hospital workers are overworked and underpaid."

"Please pass it, as a single mom it's hard, and I barely make ends meet. I been at my facility for 25 years and I don't even make close to 25 dollars an hour, with everything going up on prices this can make a change for me and other people in my situation."

Industry Representatives

Representatives from industry were predominantly from private healthcare facility administration, with additional responses from public healthcare facility administration, medical/insurance providers, and healthcare industry associations, for a total of 45 industry respondents. An overwhelming majority, 77.8 percent, strongly opposed the initiative and an additional 4.4 percent somewhat opposed it, while 6.7 were neutral. Regarding those who supported the initiative, 8.9 percent somewhat did so while one respondent strongly supported it.

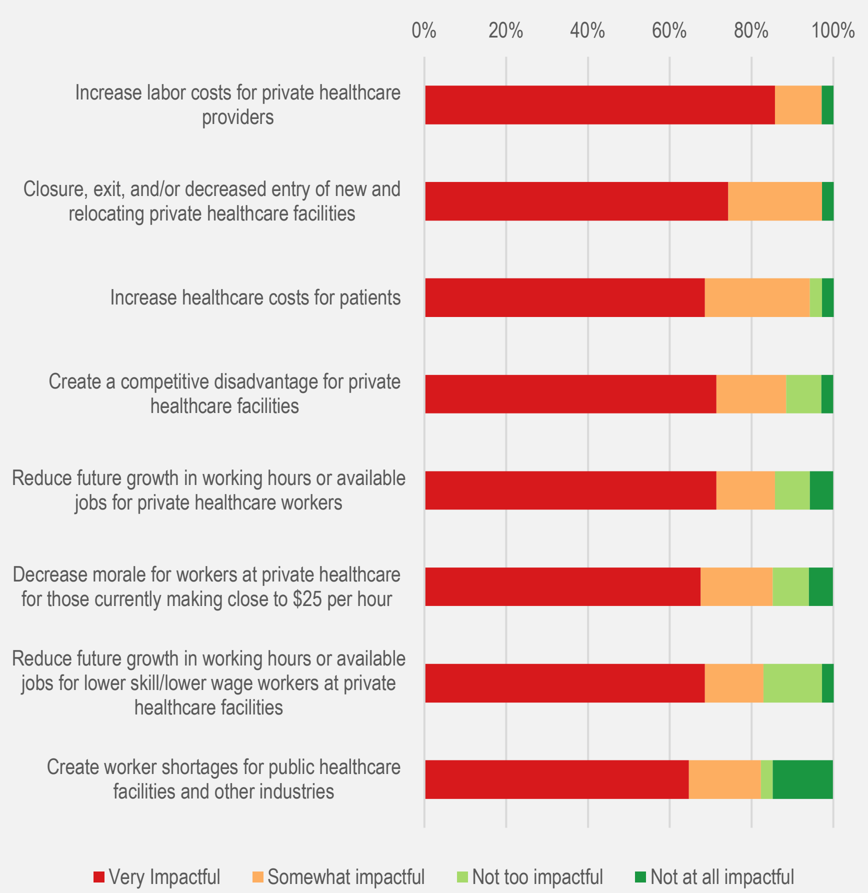
Among industry representatives, most representatives believed that the perceived benefits would have little to no impact on the Long Beach healthcare industry. The one exemption was the influence the initiative would have on attracting workers to the field, to which 47.1 percent responded that it would be somewhat impactful, with an additional 11.8 percent stating that it would very impactful. The next highest impact among perceived benefits was improving the livelihoods of healthcare workers at private healthcare facilities; 41.2 percent stated that it would be very or somewhat impactful, however the majority believed that the initiative would have little to no impact in this regard. **These two perceived benefits were also among the top three believed to be most impactful by healthcare workers.**

For the other perceived benefits, more than 60 percent of industry representatives felt that they would have little to no impact. Only 37.1 percent believed that it would have a sizeable impact on improving healthcare worker morale, with one respondent stating that the increase in morale will be short lived and could be realized with a lesser increase in the hourly wage. Regarding low skill, low wage workers, 35.3 percent felt that it would be impactful in improving their morale while 34.3 percent felt that it would be impactful in improving their livelihoods; however, over a third felt that these perceived benefits would have no impact at all, 35.3 percent and 40.0 percent, respectively.

About a quarter of industry respondents felt that the initiative would have a sizeable impact on reducing turnover in private healthcare facilities, while 45.7 percent stated it would have no impact at all. The impact of the initiative on increasing bargaining power for workers at these facilities was similar, with around a fifth of respondents believing it would be impactful and 41.2 percent feeling it would not create such a shift. In terms of reducing the racial/ethnic and gender wage gaps in the healthcare industry, a 52.9 percent majority felt it would have no impact at all, while only 8.8 percent believed that it would. One respondent also stated the potential effect it would have on raising income tax levels, given that the net effect between the total employment and wages per employee result in an increase in total labor income.

Industry representatives were much more vocal than surveyed healthcare workers about the impact of the perceived risks of the initiative, with each being consider very or somewhat impactful by over 80 percent of respondents; a full breakdown of the anticipated impact of perceived risks is presented in Exhibit 16. This was most fervently felt regarding the impact of the initiative on increasing labor costs at private healthcare facilities and the closure, exit, and/or decreased entry of new and relocating private healthcare facilities, with 97.1 percent of respondents answering that the initiative would have a sizeable impact in these regards and over 75 percent saying each would

Exhibit 16: Anticipated Impact of Perceived Risks Among Industry Representatives



be very impactful. One respondent shared that while the cost of business will immediately increase, insurance reimbursements will remain stagnant, insisting that such a change to the minimum wage would put smaller establishments out of business and destabilize the large institutions: they recommended that **such a change should only be passed if federal, state, and private sector reimbursement structure is aligned to compensate for the increased labor costs.**

While it was also raised in several open-ended responses, 94.3 percent felt that the initiative would have an impact on increasing patient costs. Other impactful perceived risks included creating a competitive disadvantage for affected facilities (88.6 percent), reducing future healthcare worker job growth (85.7 percent), decreasing the morale of those making around $25 an hour (85.3 percent), reducing future low skill, low wage worker job growth at private healthcare facilities (82.9 percent), and creating worker shortages for public healthcare facilities and other industries (82.4 percent).

Some of these perceived risks were highlighted in a discussion with a representative from the Hospital Association of Southern California. The representative shared that labor costs make up approximately 50 percent of costs for the industry, so it is likely that any increase in these costs would need to be passed on, if the ordinance is implemented. They pointed to the mechanism of healthcare reimbursement by government payors, which represents the majority of patients seen by hospitals, as major financial ramification of the ordinance for hospitals: these payors set their reimbursement rates without regard to labor costs imposed by local governments, as they are calculated on a national or state level. Similarly, they stated that commercial contracts are generally multi-year agreements that further constrain the ability of hospitals to recover the added cost of complying with the wage ordinance.

Aside from the increase in labor costs that would occur as workers currently making under $25 per hour are brought up to the new minimum wage, they also believed that labor costs would be further affected as those currently making just more than $25 per hour would likely demand a wage increase. If not, the representative feared that it would negatively impact the morale of these workers. This unintended consequence was also raised by a representative from DaVita Kidney Care, which has a handful of facilities in Long Beach, who suggested that a prorated adjustment for all workers would help address these potential consequences.

Because the ordinance as written does not permit covered facilities to reduce hours or staffing levels, the hospital association representative asserted that the likely offset will be on capital expenditures. This could have a negative impact on patient care in the long run as hospitals need to reinvest in new technology and treatment options for the well-being of the communities they serve. They cited a recent Kaufman Hall study[73] that stated the majority, 51 percent, of California hospitals are experiencing negative operating margins. The representative continued by asserting that in addition to impacts on new investments in technology, hospitals could potentially need to reduce expenditures on items such as community benefit programs and other charitable contributions. Ultimately, the representative believed that *"the patchwork quilt of proposed wage ordinances upsets the apple cart and will have ramifications beyond a city's boundaries."*

Open ended responses from industry representatives largely asked the same basic question: where will the money come from to fund the increase in labor costs? Representatives believed that it would not be

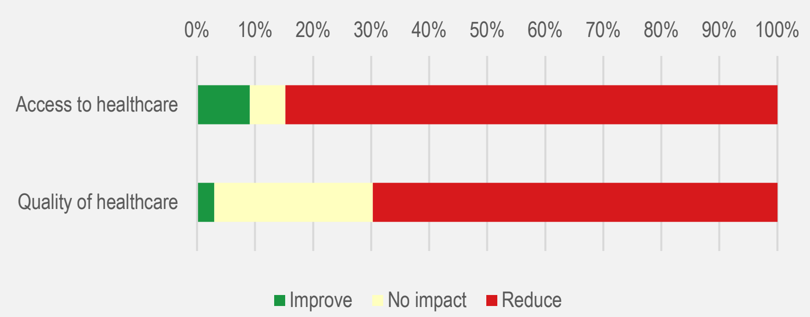
[73] Kaufman, Hall & Associates, LLC. April 2022. *Analysis: California Hospitals Endured Significant Financial Strain in 2021. https://www.kaufmanhall.com/sites/default/files/2022-04/KH_CHA-2021-Financial-Analysis-Ebook.pdf*

immediately possible via insurance reimbursements, as those will adjust slowly if at all. One suggested that the City of Long Beach fund grants to pay for the increased labor costs, assigning Recovery Act money for healthcare systems, doctors, dialysis clinics, and urgent care clinics to give wage increases.

Instead, most believed that patients would bear the brunt of the impact, seeing an increase in prices to fund the increased labor costs. Many also spoke about what they believed would be inevitable consequences, such as the chance that covered facilities close down or relocate outside of Long Beach, that workers would be laid off at smaller covered facilities, that public and non-covered private facilities will have to also increase their wage to stay competitive in staffing thereby increasing their labor costs as well, and that seniors will see an increase in their cost of living at covered facilities. Though hospital profits were mentioned in some responses, comments focused on maintaining profits, with no respondents indicating a willingness to pay for these increased labor costs out of those profits.

Opinions differed slightly regarding the impact the initiative would have on access to and quality of healthcare services. In terms of access, there was an overwhelming consensus of 84.8 percent who believed it would reduce access, while 6.1 percent felt it would have no impact and 9.1 percent felt it would improve access. Given the perceived impact of the initiative on the closure, exit, or decreased entry of facilities, this is consistent with the fears expressed by industry representatives. A majority also felt that it would reduce the quality of healthcare services, 69.7 percent, while 27.3 percent believed it would have no impact. Only one industry representative stated that it would improve the quality of healthcare services. The results of these questions are shown in Exhibit 17.

Exhibit 17: Perceived Impact on Access to and Quality of Healthcare Among Industry Representatives



The feeling that the initiative would impact access more severely was echoed in open ended responses, where many industry representatives unequivocally stated that they believed they would see a decrease in the number of facilities serving the communities and the number of employees within them. One representative posited that underserved communities will likely suffer the most, as Federally Qualified Health Centers, residential care facilities, and skilled nursing facilities will see increases in labor costs without an adjustment in Medicaid reimbursement. If those costs are then passed on, it may result in financially prohibiting low-income patients from seeking out necessary care.

Unsurprising given their assessment of the perceived benefits and risks, 91.4 percent of respondents from industry felt that the perceived risks outweigh the perceived benefits of the initiative. This assessment varies by stakeholder group, with 100 percent agreement among the half dozen industry association and medical/health insurance representatives and 92 percent among the representatives from private healthcare facilities. Among the four public healthcare administration representatives, one perceived that the benefits outweighed the risks. **The general sentiment among industry representatives across all groups and questions is that the initiative would have a negative impact on the Long Beach healthcare industry and should not be passed.**

Testimonial from Ocean View Psychiatric Facility

I am writing to you to express concerns regarding the $25 minimum wage proposal before you.

Our facility provides acute psychiatric care to the most vulnerable people in our community. Our patients admit as a result of being a danger to self, danger to others, or gravely disabled servicing local emergency rooms, law enforcement, residential facilities, outpatient providers, and the community as a whole.

We have always considered our staff to be a work family. To us and to our patients, they are heroes. On the surface, this proposal might seem noble. However, this is not the answer to rising inflation rates. As with other local healthcare facilities, our average staff wages and other operating costs have continued to exponentially rise over the past 3 years.

Creating a minimum wage of $25.00 per hour for privately owned hospitals such as ours will have a devastating impact on our financial viability, especially considering the difficulties we have already been facing throughout the COVID-19 pandemic. Many of our patients have Medi-Cal and Medicare. These rates are set by the state and federal governments and are not subject to negotiation. This will result in a budget deficit and could impact our ability to provide the best possible care to patients in dire need.

This wage increase proposal targets privately owned facilities. Public hospitals and clinics will be left untouched. The safety net that private health care facilities provide in our community will begin to fail and the public health system will be left with the financial and medical burdens. Because there is only so much public money available, taxpayers will ultimately pay the cost for this. Taxpayers will continue to pay the cost of this as public health facilities will be forced to increase their minimum wage. Furthermore, increases in local private insurance contract rates will have a downstream financial impact on patients as premiums and out-of-pocket expenses will likely increase. This will add to the financial burden that would be placed on Long Beach residents if this measure passes.

I wanted to express our great concern about the impacts of this proposal on our ability to provide vital mental health services to patients. We, therefore, urge that you place this measure on the ballot, so that the people of Long Beach can express their opinion on an issue that could drastically impact access to vital health care services.

Thank you.

Labor Unions

The minimum wage initiative was brought forth by SEIU-UHW, a labor union representing more than 100,000 healthcare workers, including many unionized healthcare workers in Long Beach. This section reviews the input of those who self-identified as closely affiliated to labor unions, including leadership at SEIU-UHW, a SEIU-UHW Executive Board member, a union representative at Dignity Health, and others, including limited input from non-healthcare unions. **Union opinion was overwhelmingly in favor of the initiative, with 100 percent of respondents strongly supporting it.**

In line with this view, there is an understanding that each of the perceived benefits would have a sizable positive impact on the Long Beach healthcare industry. Among those affiliated with healthcare unions, all respondents felt that the following perceived benefits would be very impactful: increasing the morale and livelihoods of healthcare workers at private healthcare facilities; increasing the morale and livelihoods of low skill, low wage workers at these facilities; attracting workers to these facilities; and increasing the bargaining power of workers in these facilities. All but one respondent also stated that the initiative would be very impactful in reducing turnover and deferring retirements as well as reducing the racial/ethnic and gender wage gap across the healthcare industry.

SEIU-UHW shared that the initiative arose from the need to address staffing shortages in hospitals, which existed before the COVID-19 pandemic but were exacerbated throughout the course of the past two years, that impact the quality of healthcare services. They spoke about the difficult experiences that SEIU-UHW members in Long Beach relayed to them, such as a lack of access to personal protective equipment, the inability to take time off from work, and forced overtime, and how the nominal raises and non-monetary benefits given to healthcare workers were not sufficiently compensatory given the sacrifices they have continued to make. Representatives from SEIU-UHW stated that this wage, especially considering the current inflationary economic environment and record profits made by hospitals, is a permanent way of recognizing these people and helping them to live in Long Beach

SEIU-UHW representatives asserted that the ordinance would be very effective in reducing the job turnover seen at hospitals, which has also been exacerbated by the pandemic. They hope that this initiative, partnered with other proactive workforce development efforts they are pursuing such as Futuro Health, will bolster the pool of healthcare workers seeking jobs at the covered facilities and retain workers who might otherwise leave. Part of the difficulty in attracting talent comes from burnout, while other factors include the fact that some workers could get paid more at retail centers. Representatives stated that this wage adjustment would result in workers being compensated fairly, providing a life changing raise for many low skill, low wage workers who are essential to the functions of the hospital. Additionally, they shared that they initially sought to include all hospitals in Long Beach in the ordinance, however they were legally unable to institute a minimum wage for public hospitals, though they believe the ordinance will still provide pressure for these institutions and others outside of health care to also provide a higher wage to attract workers. The reduction in turnover brought about by the increased wage should both reduce the costly effects of turnover for healthcare facilities and promote better patient care with more experienced workers.

While representatives from SEIU-UHW believed that each of the perceived benefits would be very impactful, they also believed that none of the perceived risks would have any impact on the Long Beach healthcare industry. While they did not dismiss that the initiative would increase labor costs, they did not believe it would impact the industry, as covered facilities could compensate for the increase in labor costs by dipping into their profits. Additionally, representatives refuted the possibility of closure, exit, or decreased entry of new or relocating facilities often raised by industry representatives due to the provision in the ordinance that provides a process for a court to grant a one-year waiver to a facility at risk of closure.

Representatives also disputed that the labor costs would be transferred to patients, stating that due to the complex billing practices, there is not a direct link between input costs and costs for patients at these facilities. Citing a brief from the USC-Brookings Schaeffer Initiative for Health Policy about how healthcare costs have been slow to adjust to increased input costs due to inflation compared to other goods, they pointed to a passage which reads: “reductions in the prices that private insurers pay for

hospital services might elicit less concern since those prices are far above hospitals' marginal cost of delivering services."[74] This argument posits that the gap between the cost of the service for the hospital compared to what is paid by private insurers would be able to compensate for the increased labor costs. However, this argument is limited to private insurers, as the brief also states, "reductions in the real prices Medicaid pays for physician services might be of particular concern given the longstanding challenges that Medicaid enrollees face in accessing physician services."

Other union representatives largely agreed with SEIU-UHW's assessment, though some stated that increased labor costs and reduced future job growth for low skill, low wage workers could be impactful. SEIU-UHW refuted that there would be a reduction in hours or jobs for workers, drawing from experience with the state and county minimum wage increases that raised the minimum wage to $15. Instead, they asserted that providing people with more money will stimulate spending and contribute to economic growth, especially regarding lower income persons, who spend a larger proportion of each dollar in income. Additionally, SEIU-UHW stated that the pay raise would not affect morale for those currently making close to $25. Instead, it would encourage employers to increase wages across the board, which would have a positive effect on the morale of all workers. They stressed that these impacts would be felt by all workers, whether or not they were unionized.

Regarding the potential creation of a competitive disadvantage for covered facilities, SEIU-UHW asserted that, aside from the Veteran's Affairs Long Beach Healthcare System, there are no public hospitals within Long Beach, so the wage increase would not create a competitive disadvantage for private facilities due to the lack of competition for patients within the city. Regarding the competition for labor, they shared that many businesses in Long Beach, such as food service establishments and retail stores, are already paying workers close to this wage, so it would allow covered healthcare facilities to better compete for these workers in the labor market.

Finally, all labor respondents believed that it would improve both access to and quality of healthcare services in Long Beach. SEIU-UHW representatives shared that addressing the staffing shortage would be crucial in improving the quality of care, as their members have relayed to them that short-staffing prevents their ability to provide quality care to patients. Labor representatives largely agreed with the SEIU-UHW that the perceived benefits outweigh the perceived risks; SEIU-UHW representatives went on to state that the benefits do so for workers, jobs, healthcare jobs, and patients. **With overwhelming support, the union viewpoint is that the passage of the initiative would be the right decision for workers, patients, and the wider economy.**

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[74] Fiedler, M. April 2022. "What Does Economy-Wide Inflation Mean for the Prices of Healthcare Services (and Vice Versa)?" USC-Brookings Schaeffer Initiate for Health Policy https://healthpolicy.usc.edu/brookings-schaeffer/what-does-economy-wide-inflation-mean-for-the-prices-of-healthcare-services-and-vice-versa/

Testimonial from SEIU-UHW

"Setting a $25 minimum wage for healthcare workers is a step toward bringing wages in line with the cost of living and fairly compensating healthcare workers for their dedication, hard work, and sacrifice. Higher wages are an important means to retaining an experienced workforce and overcoming the high turnover of lower-paid workers who may leave the healthcare field to take a higher-paying job elsewhere. A $25 minimum wage may also alleviate current staffing shortages by attracting new workers to jobs in healthcare. This benefits employers, who pay less on costly staff turnover, and positively impacts the quality of patient care.

Los Angeles County is one of the most expensive places to live in the nation. According to the MIT Living Wage Calculator, the living wage in a Los Angeles County household with two adults and two children is $30.73 an hour for each adult. For a single parent with one child the living wage is $44.57 an hour. With the current minimum wage at $15, far below the living wage, families are under tremendous pressure to make ends meet. Inflation is at a 40-year high and workers face significant financial challenges paying for food, gas, childcare, and other expenses. Raising the minimum wage for healthcare workers will positively impact workers and their families, will strengthen the healthcare system by reducing shortages and worker turnover, and will improve the economy by giving workers more buying power."

Other Respondents

Other groups also responded to the survey, including two patient advocates, four members of the wider business community, nine members from the general public, as well as ten respondents who did not classify themselves in any other field, though some worked in the healthcare industry. **This group was divided on their opinions on the initiative, perhaps due to the lack of unified stakeholder identity.** While one patient advocate strongly supported the initiative, the other was strongly opposed to it. Among the other respondents in this category, 56.5 percent were against the initiative, 30.4 percent of them were in favor of the initiative, and 13.0 percent were neutral.

The majority of the group felt that both the perceived benefits and the perceived risks of the initiative would be somewhat or very impactful, with slightly more believing the risks would have such an impact. **On average across the perceived risks, 80.6 percent felt that they would be very or somewhat impactful, compared to 75.7 percent across the perceived benefits.**

Open ended input varied widely and often brought up points not broached by other stakeholder groups. While some respondents in the group said that workers need or deserve $25 an hour, one felt that it would *"create an inflationary [pay] scale in the local market."* In terms of other perceived risks, **many maligned the impact they expect the initiative to have on the entry-level wages in other industries and the potential to cause staffing shortages elsewhere in the economy.** Another respondent felt that the minimum wage should only be increased for those working in healthcare occupations. Many respondents used the term "living wage" to describe the increase, highlighting the role it could play in bettering the livelihoods of women workers, low-income families, and single parent households.

Of the 18 respondents who answered about the potential impact on access to and quality of healthcare services, the majority felt it would reduce both, with 66.7 percent and 55.6 percent, respectively. Across both questions, 16.7 percent believed there would be no impact while 16.7 percent believed it would improve access and 27.8 percent believed it would improve quality. Overall, 31.6 percent of respondents in this category believed that the benefits outweighed the risks, while 68.4 percent did not. **No definitive conclusions can be drawn from this group about the opinions of patient advocates, the broader business community, or the general public. To further understand general public opinion and the thoughts of the wider business community, a larger survey should be conducted.**

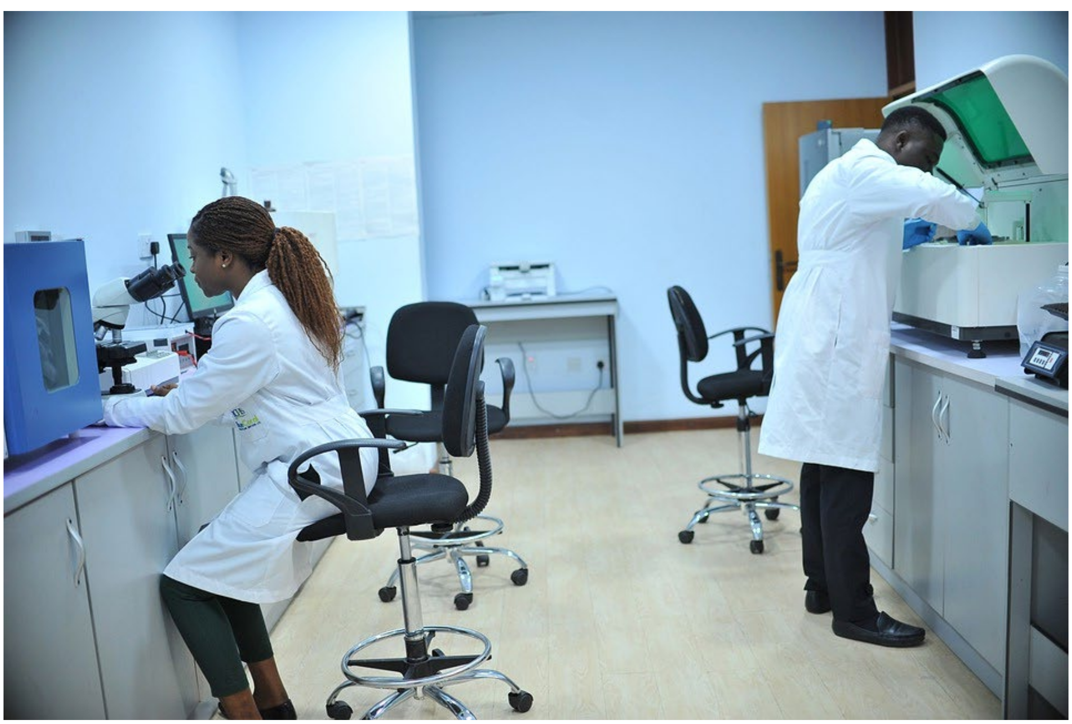
Thoughts from Other Respondents

"The healthcare workers are a much needed system that deserves to have a wage increase. "

"Let the voters decide. Put it on the ballot."

"This will affect all industries and put more pressure on salaries. It's not that I don't want people to earn more, but where does all the money come from? It must be passed on to more consumers and healthcare is already outrageously expensive."

"I am unable to support this initiative and the lack of adequate reimbursement as it is now is presented. A proposal like this initiative should start with thoughtful reimbursement adjustment discussion at federal, state and health plan level and analysis for means to fund these increase across the board to hospitals, private, and public outpatient health providers."



7. KEY FINDINGS AND CONSIDERATIONS

This section summarizes the study's key findings and provides a number of considerations to policymakers that are guided by the findings of the report.

Key Findings

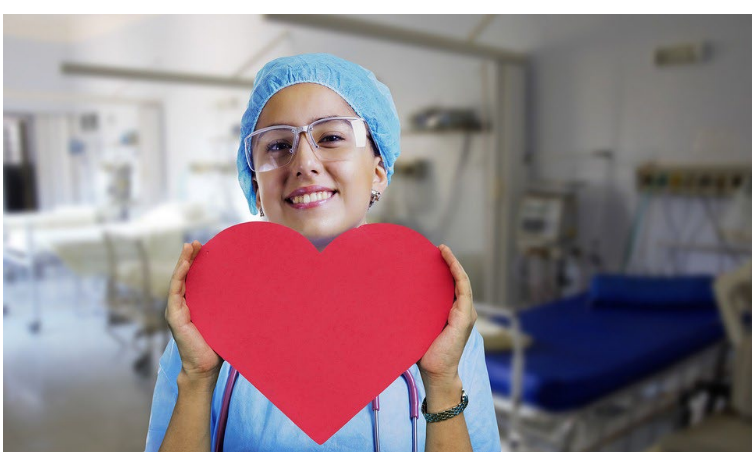
- Economic theory generally supports the claim that implementation of a healthcare minimum wage will likely result in a number of unintended negative economic consequences that must be considered by policymakers and the general public.
- Empirical evidence regarding the economic impact of the minimum wage is more mixed than economic theory.
- Industries such as the healthcare industry characterized by consumer demand that does not significantly change due to price changes will experience fewer negative employment consequences from a minimum wage increase than industries with more responsive demand conditions.
- Trying to prohibit one type of economic adjustment will result in an augmentation of other reactions that are not prohibited. As a result, instead of spreading out adjustments in many ways, adjustments to the minimum wage increase may be concentrated in certain unprohibited changes such as in price increases, quality decreases, business entry reduction, business closure, and business relocation increases.
- Healthcare services industries have an average gross operating surplus of only 5.5 percent, much lower than the average across all industries, 19.8 percent.
- Healthcare services industries face higher labor costs than other industries. Industries in Long Beach, on average, have a labor cost intensity of 36.4 percent of total output while the average across all healthcare industries is 55.7 percent of total output.
- An estimated 29 to 58 jobs may be lost in the short run as a result of the proposed minimum wage increase.
- The estimated net short run increase in labor income as a result of the proposed minimum wage is $7 million - $9.9 million.
- The short run economic impact in terms of increased economic output, labor income, and tax revenues of the increase in labor income to employees previously making less than the minimum wage more than makes up for the economic loss resulting from lost jobs *when considering only direct employment effects*. However, there are possible negative economic consequences not accounted for in this estimate that may result from the minimum wage increase in terms of higher prices, reduced access, lower business profits, and quality/access reductions that may cancel or exceed the estimated short run benefits. While this economic impact analysis does not attempt to estimates the impact of the minimum wage on these other economic variables it should be noted that these variables may be negatively affected as a result making the overall economic impact of the minimum wage in the short run ambiguous at best.

- The longer run may include some losses of currently employed workers in the private healthcare industry due to the minimum wage as well as job growth below what otherwise would have occurred.
- It is possible that in the long run the increase in the minimum wage will result in positive effects on healthcare labor supply due to increased attraction and reduced exit in the impacted occupations, accompanied by an increase in labor quality which will dampen negative labor demand effects.
- An interventionist policy such as a minimum wage increase will result in a number of tradeoffs which may or may not be judged as acceptable by policymakers. For example, it may be that reduced business profitability may be deemed an acceptable policy tradeoff in exchange for increased income to employed low-wage workers.

  Surveyed healthcare workers and labor unions supported the initiative, believing that the perceived benefits will outweigh the perceived risks, while industry representatives and other respondents opposed it, believing that the perceived risks will be much more impactful than the perceived benefits.
- Surveyed industry representatives felt that the increase in labor costs will have to be compensated by sacrificing access to, quality of, or investment in healthcare services, while SEIU-UHW believes it should be funded from hospital profits.

Considerations

- Policymakers should carefully weigh the potential economic and social tradeoffs that will result due to the proposed minimum wage increase.
- An economic impact report including estimates of labor market and business establishment responses specific to the City of Long Beach's affected healthcare industry and the effect of the proposed minimum wage on non-labor variables should be conducted. This will provide policymakers and the general public with a more accurate understanding of the impact of the proposed healthcare minimum wage increase.
- If the proposed minimum wage is enacted, the City of Long Beach should commission a five-year study reviewing the impact of the minimum wage on healthcare business establishments, healthcare workers, patients, and government revenues.



APPENDIX

Methodology

The estimates in the report assume real wages that are not eroded by inflation as a simplifying assumption. Since the measure language states that the minimum wage would be adjusted for inflation periodically, and will therefore be expected by future looking economic actors, this assumption is not expected to significantly affect the estimates.

Estimate of the Short Run Economic Impact of the Minimum Wage Increase on Industry Employment

Employment losses or other compensating adjustments may take place before the minimum wage increase goes into effect as well as in the first year when waiver can be claimed by businesses on the margin. No language in the measure contains a prohibition to making employment adjustments in anticipation of a new higher minimum wage during that period.

Data Used:

1. Lightcast occupation data that contains a percentile earnings breakdown for all occupations in Long Beach.
2. Lightcast data on staffing patterns in the Long Beach healthcare industry with employment figures.

Staffing patterns were used to figure out what occupations should be kept in the list to get an earnings breakdown for only occupations in the Long Beach healthcare industry.

Any occupation percentiles not subject to the minimum wage increase (anything $25per hour or above) was deleted. We assume these employment figures will not be affected by the minimum wage, which is a conservative assumption that will likely reduce the negative impact on employment in the private healthcare industry as a result of the minimum wage increase, below what it otherwise would be.

We calculated the earnings percentage increase for each occupation earnings percentile subject to the minimum wage increase. We are assuming that employees earn their occupation percentile's wage before the minimum wage is implemented.

We then calculated how many employees (using 2021 figures from Lightcast) are in the remaining earnings percentiles that will be subject to the increase.

We use low and high empirical short run response estimates[75] (elasticities) to calculate the estimated percentage change in employment:

Estimated Low and High Ranges of Short Run Employment Responses to Minimum Wage Increases After One Year:

[75] Sorkin I. 2015. "Are There Long-Run Effects of the Minimum Wage?" Rev Econ Dyn. 2015 Apr 1;18(2):306-333. doi: 10.1016/j.red.2014.05.003. PMID: 25937790; PMCID: PMC4415654.

Low Response: (elasticity of -0.05).

High Response: (elasticity of -0.1).

Use the following formula:

%change labor Quantity = (%change wages)*elasticity

We make the simplifying assumption that this response holds for the range of increase being considered in this analysis.

Using Census Bureau County Business Patterns data for California (2020) NAICS 62 indicates that around 58 percent of employees in the healthcare industry are private.

We adjust employee figures to keep only remaining private healthcare workers in earnings percentiles that will be subject to the increase. This adds a conservative bias to the estimate if, as is possible, non-private healthcare facilities may need to increase wages to compete with private healthcare employers for labor.

This response likely underestimates the employment loss response specific to low skilled labor lending a conservative bias to the estimates to follow. On the other hand, this response would be lower for an industry where consumer demand does not significantly response to the price of goods or services offered such as the healthcare industry.

Finally, we used Lightcast data by six-digit NAICS code and assigned a percentage for each six digit NAICS code that would be expected to be part of either a covered facility or Integrated Healthcare Delivery System. Our approach yielded an estimated 42 percent of jobs in private healthcare connected to affected private healthcare facilities as outlined in ordinance.

We then used IMPLAN to calculate the economic impact of lost employment using industry employment events for a region made up of Long Beach Zip Codes.

To do this we assume that Long Beach job losses are spread proportionally throughout region's IMPLAN Industry Codes 483-492 (which proxy for the affected 2017 NAICS codes) in accordance with region industry job proportions as provided by IMPLAN. This will likely exert an upward bias to the estimates since higher-skilled occupations are likely overrepresented in the employment groups that were used compared to the types of jobs that will likely be lost due to the minimum wage increase.

Potential Impact on Labor Income in the Healthcare Industry

We assume that all employees making below the minimum wage who keep their jobs make the $25 per hour minimum. In this analysis, to get yearly total Long Beach private healthcare labor income after a minimum wage increase, we multiply the number of employees for each occupation percentile who did not lose jobs as a result of the minimum wage that were previously making below $25 per hour by the new $25 per hour wage and then assume these workers work 38.2 hours per week to get the yearly total (sum all occupations). This approach serves to overestimate the income increase since we are not factoring in the one-year waiver which will mean that some remaining employees will not be making the new minimum wage in the short run.

BLS Labor Force Statistics from the U.S. Current Population Survey indicates that 38.2 hours per week is the average weekly work hours in Education and Health Services.[76] We assume that work hours are unaffected in the analysis.

This calculation will be made both for the high and low elasticity scenarios above. Assume this income increase holds for the foreseeable future although this may change if more employees in occupations subject to the minimum wage increase enter or exit as a result.

We are assuming that employees earn their occupation percentile's wage before the minimum wage is implemented. We calculated the increase from the median wage to new minimum for all remaining workers in each occupation to get labor income change. Then, we calculated the economic impact of the change in labor income using IMPLAN.

We are assuming that employees earn their occupation percentile's wage before minimum wage implemented. For the baseline case before the minimum wage, we multiply the existing private healthcare employee numbers in each percentile by that percentile wage for each occupation and add up to get total labor earnings.

We then compare the sum of estimated labor earnings before and after the minimum wage to find the policy's impact on total labor earnings.

We then used IMPLAN to calculate the economic impact of increased income using industry employee compensation events for a region made up of Long Beach Zip Codes.

To do this we assume that Long Beach income is spread proportionally throughout region's IMPLAN Industry Codes 483-492 in accordance with region industry employee compensation as provided by IMPLAN.

Industry Risk Assessment

The data used to conduct this analysis is the Industry Economic Accounts produced by the Bureau of Economic Analysis of the Department of Commerce (specifically, the Make and Use tables) as estimated and aggregated by the IMPLAN Group, LLC in its latest software release for the 2019 calendar year. The economic region of interest is the City of Long Beach defined by zip code (90755, 90802, 90803, 90804, 90805, 90806, 90807, 90808, 90809, 90810, 90813, 90814, 90815, 90822, 90831, 90832, 90840).

Healthcare services in this section of the report is defined as: Ambulatory Health Care Services, which includes offices of physicians, dentists and other healthcare practitioners, outpatient care centers, medical and diagnostic laboratories, home health care services and other ambulatory services (NAICS 621); hospitals (NAICS 622); and nursing and residential care facilities (NAICS 623).

Risk exposure for healthcare services industries in the form of labor costs and gross profits are compared as a share of revenues. This risk exposure of healthcare services industries is evaluated against each

[76] https://www.bls.gov/cps/cpsaat21.pdf

industry's gross operating surplus, which points to the industry's ability to absorb higher costs of inputs such as labor.

Each healthcare services industry's *labor cost intensity* is estimated as labor income as a share of gross operating revenues to provide an indication of its ability to pass the higher costs of inputs through to its customers. The higher this margin, the more likely the user industry will be unable to absorb higher labor costs. If accompanied by low profit margins and they are unable to increase the prices of their goods and services, they may f ace an existential risk.

LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

August 1, 2022

RE: Public Comments from the August 1, 2022Long Beach Economic Development Commission Special Meeting

The Long Beach Economic Development Commission held a special meeting on August 1, 2022 to receive a report from the LAEDC on the economic impact of the proposed healthcare minimum wage increase, receive public comment on the report, and consider a recommendation to the City Council on the proposed healthcare minimum wage increase. Nine members of the public provided public comments; four identified themselves as healthcare workers, three identified as organizers from the Long Beach Coalition for Good Jobs and a Health Community, one former city resident, and the proponent of the ordinance and the Political Director at SEIU-UHW spoke. What follows is a summary of those comments.

The nine public comments provided were overwhelming in support of adopting the minimum wage ordinance for healthcare workers, with each of the members of the public sharing why they believed the ordinance should be adopted. Overall, the public, many of whom identified as healthcare workers, voiced that they not only believed that healthcare workers deserved this raise due to the difficult conditions of working through the COVID-19 pandemic, the need to take multiple jobs to support their families, and the increased cost of living, but that it would address the important issue of understaffing at these covered healthcare facilities, allowing them to better attract and retain workers.

One healthcare worker who spoke was a DACA recipient who shared about the financial and emotional difficulties that she faced while providing care to the Long Beach community during the COVID-19 pandemic: in addition to working a second job, she has had to isolate from family due to fear of exposing them and had a coworker pass away on under her care.

Another healthcare worker, a certified nursing assistant at St. Mary's Hospital, shared a similar experience; she has been working at St. Mary's for well over 10 years and only now barely makes $25 per hour. As a result, she has worked two jobs for 18 years in order to support her family, and she still finds herself choosing between her family's wants and needs, a decision that has been further complicated by the rising cost of living due to inflation. She became tearful when speaking about the emotional sacrifices she has made, sharing that one day her grandson asked if her if she "can hug him again once COVID-19 is over." She also stated that short staffing has created added difficulties, as a handful of workers have had to support entire floors, and that the ordinance will help with the staffing in addition to giving healthcare workers the wage they deserve.

Another employee at St. Mary's, who had been working there for 14 years, spoke in support of the ordinance. She shared about her increased cost of living due to inflation, including gasoline, tickets, and no rent control. She was just notified that her rent was going to increase by 50 percent. She doesn't understand how hospitals make so much money but still don't pay $25 per hour.

The last healthcare worker, an EMT who has served the county and city for years, shared that healthcare workers joined the profession to serve communities, not to get rich, but that they expect to be able to survive. He said that when healthcare workers are not able to pay rent or care for themselves with one job, there is an issue, and that the city should be more sensitive to what healthcare workers need.

Several organizers from Long Beach Coalition for Good Jobs and a Health Community also gave public comments. One organizer stated plainly that it is just and necessary to raise wages, as it will attract and retain workers. Another shared that while healthcare workers risk their lives for little pay, hospitals executives have made millions of dollars, so their facilities can afford it. They asserted that healthcare workers are reaching a breaking point and that this wage is necessary to attract, recruit, and retain workers in the industry. The last representative from the coalition stated that the city is not responsible for corporate profit, it is responsible for the care of its community. Taking a moment to speak about the healthcare workers in attendance, he stated that they are likely making sacrifices to attend this event, that they have had to carry the community on their backs, and that the city needs to protect and support them.

Suzanne Jimenez, the proponent of the ordinance and the Political Director at SEIU-UHW, shared that healthcare workers not only deserve this, but they deserve much more, echoing a point brought up by a commissioner earlier in the meeting. She enumerated the profits of the hospitals in the region, which were all tens of millions of dollars, to prove that facilities can afford to pay the higher minimum wage. She asked that commissioners look at the profit margins and make sure that healthcare workers continue to get supported in the city.

A former resident of the city who supported the minimum wage also spoke about the financial aspects, sharing that the cost of enforcement, which she believed is not finalized, is less than 0.5 percent of the city budget and 0.2 percent of the general fund. She thought back to her days working as a patient care technician and needing to work two more jobs to make ends meet, while reiterating that this ordinance should be passed.

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