



Center on Wage and Employment Dynamics

Sylvia A. Allegretto

Chair

October 12, 2017

Institute for Research on Labor and Employment

University of California, Berkeley

*Economic Inequality in California*  
*Speakers Commission on Labor Education*

*Minimum Wages and Inequality* by Sylvia Allegretto

allegretto@berkeley.edu

Institute for Research on Labor & Employment, UC Berkeley

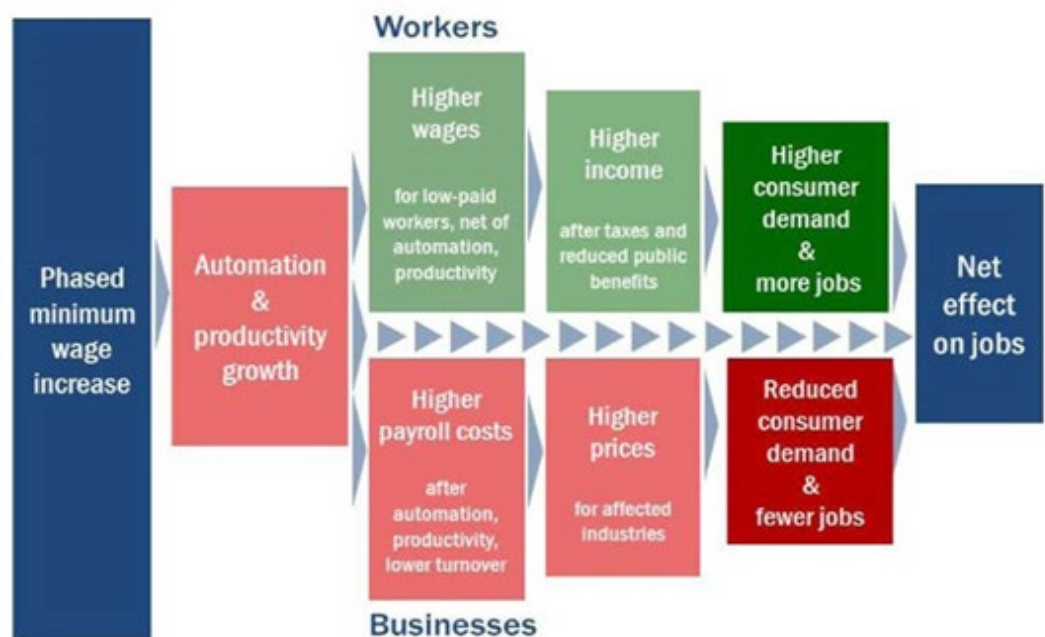
---

**Vast and growing Inequality is the biggest issue facing the U.S. as its consequences permeate countless direct economic and indirect-economic circumstances**

- Inequality in the U.S. and California continues to widen.
    - The Top 1% income share in the U.S. was 22% and 24%, respectively for the U.S. and California in 2014. 1970 saw the lowest share of 8.4% in California.
    - In CA the Top 1% captured 93% of income growth from 1979 to 2014.
    - Real income grew by 180% for the Top 1% while the bottom 99% had just 1.5% over the 1979 to 2014 timeframe in the Golden State.
    - Post-Great Recession: 2009-2014 – incomes for the Top 1% grew by 84% while bottom 99% declined by 16%.
    - In all expansions since WWII and prior to 1980 income growth for the bottom 99% was greater than that of the Top 1% even as inequality was growing over this period-signaling a worsening divide.
    - Even as wages and family incomes have seen modest real growth over the last year—it is likely growth for the wealthy is outpacing typical increases thus widening the gap.
-

- The declining value of the minimum wage has played a key role in these trends especially prior to the recent state and local MWs that are above typical increases. EPI Larry Mishel brief: <http://www.epi.org/publication/declining-federal-minimum-wage-inequality/>
- CAs MW going to \$15 by 2023—actually approximately \$12.50-\$13 in today’s dollars.
- CWED study on CA \$15: <http://irle.berkeley.edu/effects-of-a-15-minimum-wage-in-california-and-fresno/>
- Historically, MW bite typically < 10%. CAs bite is estimated to be 38% or 5.3m workers.
- How can such a major improvement in living standards occur without adverse employment effects? The answer is that minimum wage increases generate both negative and positive employment effects. A higher minimum wage induces some automation, as well as increased worker productivity and slightly higher prices; these are the negative effects. A minimum wage increase simultaneously reduces employee turnover, which reduces employers’ costs, and it increases worker purchasing power, which stimulates consumer demand. These are the positive effects. As it turns out, these negative and positive effects on employment largely offset each other, in California and in Fresno County.

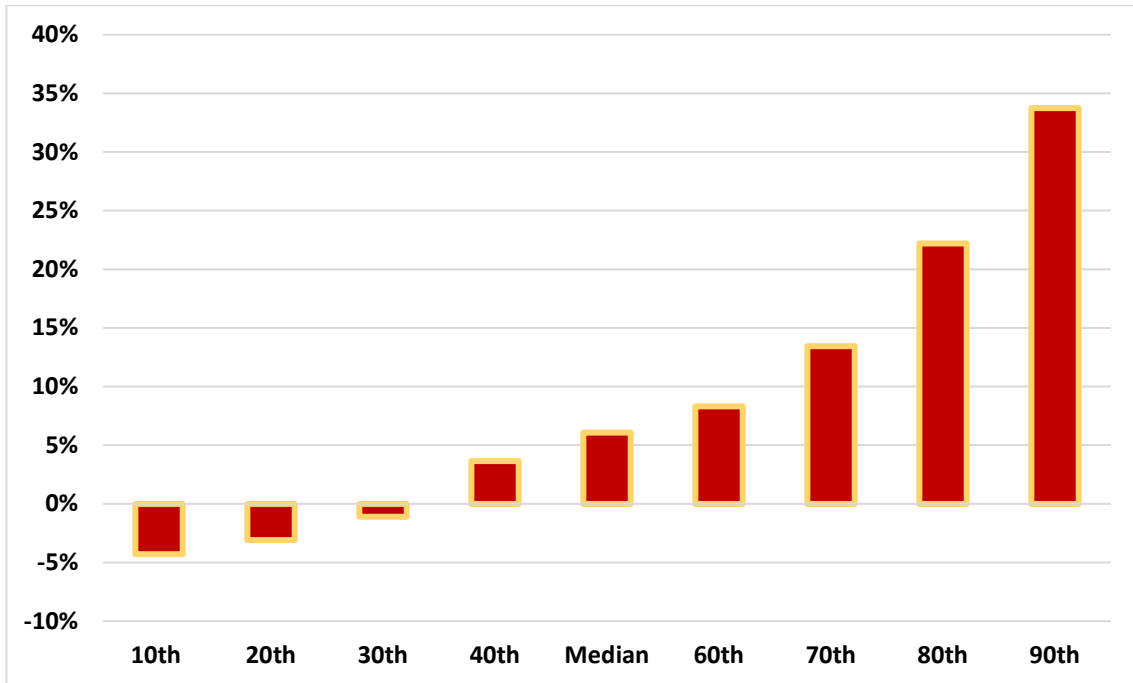
**IRLE/CWED  
MW Flow Model**



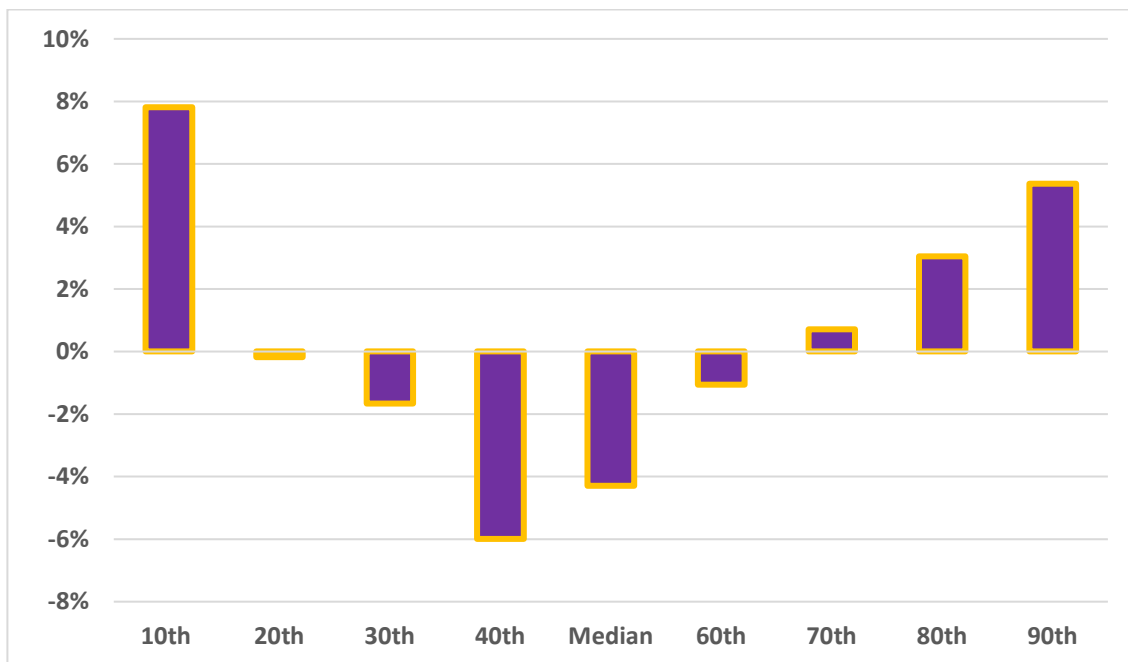
---

## Most workers and their families live on their labor income

### Wage growth in California 1979 to 2008 by percentiles



### Wage growth in California 2008 to 2016—a period of state/local MW increases



- 
- As minimum wages are increased well above the federal rate of \$7.25 *enforcement* is a top concern.
    - Most states invest little in the enforcement effort.
    - Wage violations may actually get worse with higher minimums.
  - Evaluations in as real time as possible are important.
    - CWED has an active research agenda around evaluations.
      - Next brief: SF, Oakland, San Jose and LA.
  - It is also important to move the narrative and discourse to include other effects of higher wages. In contrast to what we know about low wages.
    - CWED is embarking brand new research on downstream effects.
      - Infant mortality, birth weight and pre-natal care.
      - Low-wage worker health outcomes.
      - Educational mobility.

### **Minimum wages, while immensely important, only go so far**

- A tougher problem is how to get wages growing for the vast majority of workers above the minimum wage up to the 70<sup>th</sup> percentile or so.
  - Mandates work - and we need more of them – to mitigate an array of inequities and injustices in the labor market.
    - **AB 1209** requires large companies to post summary data on compensation differences between men and women.
    - **AB 168** prevent wage discrimination by restricting an employer's ability to use prior salary against an applicant in setting new salary.
    - **AB 1008** is a "ban the box" bill that helps try to limit role of prior felony convictions in preventing employment.
    - **SB 63** expands family leave protections to include smaller businesses.
    - Expand Federal and State EITC programs – EITC & MWs are complements.
    - Strengthen the ability of workers to form unions and to collectively bargain.
    - Severely limit non-compete clauses for workers.
    - Halt non-poaching agreements between firms that limit worker mobility.
-