Testimony of Dr. Aaron Yelowitz, University of Kentucky, July 20, 2015
"Extending the Minimum Wage to Unincorporated Areas of Los Angeles"

It is my pleasure to provide written testimony for the Los Angeles County Board of Supervisors, and I am grateful that you have given me this opportunity to share my thoughts on the proposed extension of the minimum wage to unincorporated areas in the county.

I thought I'd start off by briefly telling you a little bit about myself. My name is Aaron Yelowitz, and I am an Associate Professor in the Department of Economics at the Gatton College of Business at University of Kentucky. I also have a joint appointment in UK's policy school – the Martin School of Public Policy, and as well, serve as an adjunct scholar at Cato Institute. Before coming to Kentucky in 2001, I worked as an Assistant Professor at UCLA, and before that, received my Ph.D. in Economics from MIT in 1994.

My work on minimum wages goes back more than a decade, and in particular, I've focused on the impact of citywide and local minimum wages, like what we're considering today. I testified as an expert witness on the minimum wage ordinance in Santa Fe. I've also published peer-reviewed papers and policy-oriented papers on minimum wages. I've served as a referee in the peer review process on these kinds of issues in academic journals, and I come at them through the lens of an economist, not an advocate.

My assessment of Los Angeles' minimum wage ordinance extension to unincorporated areas relies deeply on my own independent academic research. Much of what I will discuss uses a fresh analysis of data in Los Angeles conducted during this past month, but that analysis is also informed by work I've done in the past analyzing Santa Fe and San Francisco. I've also studied the effects of statewide minimum wages in Kentucky and Missouri.

Based on my work, there are a number of issues I'd like to discuss today. First, there is consistent and compelling evidence that extending the Los Angeles minimum wage to $15 per hour in unincorporated areas increases unemployment and harms the labor market. Second, the population that is harmed tends to be less educated than the County as a whole. Third, a $15 per hour minimum wage extension will affect a very large share of companies, leading to the possibility of businesses migrating outside of Los Angeles County in pursuit of cheaper labor costs. Finally if your goal is really to improve the lives of working families, extending the Los Angeles minimum wage doesn't solve that problem.

Now, I'll go into these points in more detail. First and foremost, raising the minimum wage from $9 per hour – the statewide minimum – to $15 per hour by 2020 will harm the labor market. Using the Census Bureau's American Community Survey, I analyzed the 198,000 workers who likely work in unincorporated parts of Los Angeles. Of them, 106,000 earn under $15 per hour. Using a range of estimates taken from extremely credible economic studies, the likely impact from the fully phased in minimum wage would be to cost 10,000 jobs and raise the aggregate wage bill for companies by $742 million. If companies didn't lay off workers, the wage bill would exceed $1 billion when it is fully phased-in.

Second, the American Community Survey allows me to examine the characteristics of the workers harmed by this policy. The workers affected by this proposal tend to be younger and less educated. They are also far more likely to be non-citizens, of Hispanic or Latino origin and have difficulty with English. In short, for the individuals who lose jobs due to Los Angeles' extension to unincorporated areas will have a difficult time recovering.

Third, using information combined from three different public and private data sources, I simulated the effects of the minimum wage on more than 12,000 firms spanning many industries and firm sizes in unincorporated areas. Half of all firms were located in just 10 ZIP Codes that include Los Angeles, Compton, Gardena, Torrance, Altadena, Hacienda Heights, La Puente and Rowland Heights. A $15 minimum wage will affect 80 percent of all businesses – or 9,800 establishments – by the time it is fully phased-in. Accommodation and Food Services, Manufacturing and Retail Trade have large portions of their workforce affected.

Finally, would a higher minimum wage improve the lives of working families? The answer is "no." The data shows that 16% of the 106,000 affected workers live in poverty, not dramatically higher than the 9% figure for workers through Los Angeles. In addition, in an analysis of Kentucky, I found poverty among the working poor is really about hours of work, not wages. Full-time, full-year work leads to greater reductions in poverty than raising the minimum wage. *It's about hours, it's not about wages*.

In summary, I've carefully evaluated the evidence from both my recent work focusing on Los Angeles and my decade of experience from studying other cities. And based on this evidence, extending the minimum wage in Los Angeles will do more harm than good. Thank you for considering my testimony with an open mind and I look forward to addressing any questions you may have. My contact information is below.

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