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MAR 3 2014
City Manager's Office

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: David Sykes

SUBJECT: 2014 LIVING WAGE RATES

DATE: February 28, 2014

Approved

Date

2/28/14

INFORMATION

LIVING WAGE RATES EFFECTIVE JULY 1, 2014

Based on the application of the methodology to adjust living wage rates outlined in the City's Living Wage Policy, the living wage rates for direct service contracts solicited for and entered into after July 1, 2014 are shown below. Per the Policy, the "without benefits" hourly wage rate provides a reasonable benefits differential of \$1.25 per hour for employees not covered by employer-paid health insurance to purchase their own medical insurance.

- 1) If health insurance benefits are provided, a wage of no less than **\$17.81** per hour, or
- 2) If health insurance benefits are not provided, a wage of no less than **\$19.06** per hour.

The new rates represent a 12.9% (\$2.03 per hour) increase from July 1, 2013. The average annual increase since 1998 is 4.3%.

BACKGROUND AND METHODOLOGY

The City's current living wage rates (7/1/13 through 6/30/14) are:

- 1) If health insurance benefits are provided, a wage of no less than **\$15.78** per hour, or
- 2) If health insurance benefits are not provided, a wage of no less than **\$17.03** per hour.

Per the Policy, the Office of Equality Assurance (OEA) has reviewed the US Health and Human Services (HHS) Poverty Guidelines and Economic Research Institute's Geographic Assessor to determine if any adjustment to the City's living wage rate for 2014 is necessary.

The adopted methodology used to calculate the living wage rate is:

| | | | | |
|--|---|------------------------------|---|---------------------------|
| 2014 Federal Poverty Income Standard for Family of 3 | x | Geographic Adjustment Factor | = | San José Living Wage Rate |
|--|---|------------------------------|---|---------------------------|

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The 2013 federal poverty standard for a family of 3 increased by \$260 to \$19,790 (\$9.51 per hour) for 2014. The 2013 geographic adjustment factor for a family of three increased 19.3 points to 87.3 for 2014; it costs 87.3% more to live in San José than the national average for a family of three making \$19,790 per year. The increase in the geographic factor is the primary result of increasing rental housing costs. In 2013, the average monthly rent for a one bedroom, one bath apartment in San José was \$1,825.

The attached table shows the history of the living wage adjustments and geographic adjustment factors.

/s/

DAVID SYKES

Director of Public Works

For questions, please contact Nina Grayson, Division Manager, at (408) 535-8455.

Attachment

San José Living Wage Rate Adjustment Table

The City of San José's Living Wage Policy (Resolution No. 76911) is subject to adjustment on July 1st of each year.

The living wage is reviewed each year to determine if an adjustment should be made based on any changes as of December 31 of the previous year in the federal poverty level standard for a family of three established by the US Department of Health and Human Services or the geographic cost of living differential used by the City to measure the difference between the poverty level standard for the City compared to the federal poverty level standard. If either standard has changed, the City recalibrates the wages using the original methodology with the new values. If neither standard has changed, the CPI for all Urban Consumers in the San Francisco-Oakland-San José area (US Department of Labor/Bureau of Labor Statistics) is reviewed. If the CPI has increased by at least 1%, the wage rate shall be adjusted by the same percentage change in the CPI but not to exceed 3%.

The table below shows the rate adjustments and geographic adjustment factors since adoption of the Policy in November 1998. The average annual percentage change since adoption of the Living Wage Policy is 4.3%.

| Effective Dates | Rate W/Health Benefits | Rate W/O Health Benefits | Geographic Adjustment Factor | % Change |
|----------------------------------|-------------------------------|---------------------------------|-------------------------------------|-----------------|
| July 1, 2014 – June 30, 2015 | \$17.81 | \$19.06 | 87.3% | 12.9% |
| July 1, 2013 – June 30, 2014 | \$15.78 | \$17.03 | 68% | 7.1% |
| July 1, 2012 – June 30, 2013 | \$14.73 | \$15.98 | 60.5% | 8.3% |
| July 1, 2011 – June 30, 2012 | \$13.59 | \$14.84 | 52.7% | 5% |
| July 1, 2010 – June 30, 2011 | \$12.94 | \$14.19 | 47% | 1% |
| July 1, 2009 – June 30, 2010 | \$12.83 | \$14.08 | 19.7% | 0% |
| July 1, 2008 – June 30, 2009 | \$12.83 | \$14.08 | 51.7% | 1.3% |
| July 1, 2007 – June 30, 2008 | \$12.66 | \$13.91 | 53.4% | 3.2% |
| July 1, 2006 – June 30, 2007 | \$12.27 | \$13.52 | 53.8% | 5.7% |
| July 1, 2005 – June 30, 2006 | \$11.61 | \$12.86 | 50% | 8.3% |
| July 1, 2004 – June 30, 2005 | \$10.72 | \$11.97 | 42.4% | 4% |
| July 1, 2003 – June 30, 2004 | \$10.31 | \$11.56 | 40.5% | 2% |
| July 1, 2002 – June 30, 2003 | \$10.10 | \$11.35 | 24.6% | 0% |
| July 1, 2001 – June 30, 2002 | \$10.10 | \$11.35 | 41.6% | 0% |
| July 1, 2000 – June 30, 2001 | \$10.10 | \$11.35 | 48.6% | 6.3% |
| November 17, 1998 – July 1, 2000 | \$9.50 | \$10.75 | 45.2% | |

