

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Barry Ng

SUBJECT: 2015 LIVING WAGE RATES

DATE: February 11, 2015

Approved

D. D. SyL

Date

2/11/15

INFORMATION

LIVING WAGE RATES EFFECTIVE JULY 1, 2015

Based on the application of the methodology to adjust living wage rates outlined in Council Policy 3-3 (Living Wage Policy), the living wage rates for direct service contracts solicited for and entered into after July 1, 2015 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 **\$18.32** per hour, or
- 2) If health insurance benefits are not provided, a wage of no less than **\$19.57** per hour.

The new rates represent a 2.9% (\$.51 per hour) increase from July 1, 2014.

BACKGROUND AND METHODOLOGY

The City’s current living wage rates (7/1/14 through 6/30/15) are:

- 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.

Per the Policy, the Office of Equality Assurance has reviewed the US Health and Human Services Poverty Guidelines and Economic Research Institute’s Geographic Assessor to determine if any adjustment to the City’s living wage rate for 2015 is necessary.

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

2015 Federal Poverty Income Standard for Family of 3	x	Geographic Adjustment Factor	=	San Jose Living Wage Rate
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The 2014 poverty standard for a family of 3 increased by \$300 to \$20,090 (\$9.66 per hour) for 2015. The 2014 geographic adjustment factor for a family of three increased 2.3 points to 89.6 for 2015; it costs 89.6% more to live in San Jose than the national average for a family of three making \$20,090 per year. The geographic adjustment factor continues to increase primarily due to escalating apartment rental rates in San Jose. The average monthly rent for a one bedroom, one bath apartment in San José for 2014 was \$2,009, an increase of \$184 from 2013.

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

/s/

BARRY NG

Interim Director, Public Works Department

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 rates are 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 Jose 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 4.25%.

Effective Dates	Rate W/Health Benefits	Rate W/O Health Benefits	Geographic Adjustment Factor	% Change (Rate W/Health Benefits)
July 1, 2015 – June 30, 2016	\$18.32	\$19.57	89.6%	2.9%
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%	

