

Memorandum

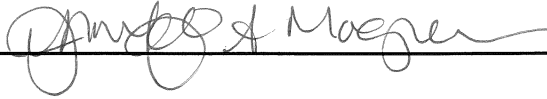
TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jon Cicirelli

SUBJECT: 2018 LIVING WAGE RATES

DATE: March 9, 2018

Approved



Date

3-12-18

INFORMATION

LIVING WAGE RATES EFFECTIVE JULY 1, 2018

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, 2018 as well as City job classifications subject to living wage 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 **\$21.73** per hour, or
- 2) If health insurance benefits are not provided, a wage of no less than **\$22.98** per hour.

The new rates represent a 5.64% (\$1.16 per hour) increase from July 1, 2017. The average annual percentage change since adoption of the Living Wage Policy is 4.28% (See Attachment).

BACKGROUND AND METHODOLOGY

The City’s current living wage rates (7/1/17 through 6/30/18) are:

- 1) If health insurance benefits are provided, a wage of no less than **\$20.57** per hour, or
- 2) If health insurance benefits are not provided, a wage of no less than **\$21.82** 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 2018 is necessary.

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

2018 Federal Poverty Income Standard for Family of 3	x	Geographic Adjustment Factor	=	San José Living Wage Rate
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The 2017 poverty standard for a family of 3 increased by \$360 to \$20,780 (\$9.99 per hour) for 2018. The 2018 geographic adjustment factor for a family of three increased 8 points to 117.5 for 2018; meaning it costs 117.5% more to live in San José than the national average for a family of three making \$20,780 per year. The geographic adjustment factor continues to increase due to apartment rental rates in San José.

The table in the Attachment shows the history of the living wage adjustments and geographic adjustment factors since adoption of Council Policy 3-3 in November 1998.

Since Fiscal Year (FY) 2011-2012, when the City’s workforce received a wage reduction of approximately 10-12%, the living wage increases have outpaced the general wage increases negotiated by the City’s non-sworn bargaining units. Between FY 2011-2012 and FY 2018-2019, the average increase for the living wage rate has been approximately 6.74% per year, compared to the average general wage increase during this same time period negotiated by the City’s largest bargaining unit, the Municipal Employees’ Federation, AFSCME, Local 101 (MEF), of approximately 0.28% per year as shown in the table below.

Fiscal Year	Municipal Employees’ Federation (MEF) General Wage Increase	Living Wage Increase
2011-2012	-12.01%	5.00%
2012-2013	0.00%	8.30%
2013-2014	2.00%	7.10%
2014-2015	3.00%	12.90%
2015-2016	3.00%	2.90%
2016-2017	3.00%	9.90%
2017-2018	3.00%	2.14%
2018-2019	TBD	5.64%
Average	0.28%	6.74%

Due to the living wage increases outpacing general wage increases, many classifications have had their hourly rate ranges partially or fully impacted by the living wage because the Policy applies to City employees. In some situations, salary compaction has occurred where unbenefited, entry-level staff have received hourly rates of close to, or in some cases more than benefited staff in higher level classifications. As an example, an unbenefited employee in the entry-level Zoo Keeper Aide classification (max/hourly rate \$16.47) receives an hourly rate equal to that of the unbenefited higher level Zoo Keeper classification (max/hourly rate \$21.83),

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and an hourly rate equal to that of the benefited higher level Zoo Keeper classification (max/hourly rate \$21.83).

Due to this salary compaction issue, some departments have chosen not to use certain entry-level classifications, such as Zoo Keeper Aide. The City will need to continue to monitor these salary compaction issues each year as the living wage rates are released.

COORDINATION

This memorandum has been coordinated with the City Manager's Office, the Office of Employee Relations, the Budget Office, and the Human Resources Department.

/s/

JON CICIRELLI

Acting Director of Public Works

For questions, please contact Christopher Hickey, 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 (CPI-U) 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 CPI-U increase history is shown in the table below.

The table below shows the rate adjustments and geographic adjustment factors since adoption of the Policy in November 1998. The average annual percentage change to the Rate with Health Benefits since adoption of the Living Wage Policy is 4.28% as shown in the table below.

Effective Dates	Rate W/Health Benefits	Rate W/O Health Benefits	Geographic Adjustment Factor	% Change (Rate W/Health Benefits)	CPI-U Increase (SF-OAK-SJ)
July 1, 2018 – June 30, 2019	\$21.73	\$22.98	117.5%	5.64%	3.2%
July 1, 2017 – June 30, 2018	\$20.57	\$21.82	109.5%	2.14%	3.2%
July 1, 2016 – June 30, 2017	\$20.14	\$21.39	107.9%	9.9%	3%
July 1, 2015 – June 30, 2016	\$18.32	\$19.57	89.6%	2.9%	2.6%
July 1, 2014 – June 30, 2015	\$17.81	\$19.06	87.3%	12.9%	2.8%
July 1, 2013 – June 30, 2014	\$15.78	\$17.03	68%	7.1%	2.2%
July 1, 2012 – June 30, 2013	\$14.73	\$15.98	60.5%	8.3%	2.7%
July 1, 2011 – June 30, 2012	\$13.59	\$14.84	52.7%	5%	2.6%
July 1, 2010 – June 30, 2011	\$12.94	\$14.19	47%	1%	1.4%
July 1, 2009 – June 30, 2010	\$12.83	\$14.08	19.7%	0%	0.7%
July 1, 2008 – June 30, 2009	\$12.83	\$14.08	51.7%	1.3%	3.1%
July 1, 2007 – June 30, 2008	\$12.66	\$13.91	53.4%	3.2%	3.3%
July 1, 2006 – June 30, 2007	\$12.27	\$13.52	53.8%	5.7%	3.2%
July 1, 2005 – June 30, 2006	\$11.61	\$12.86	50%	8.3%	2.0%
July 1, 2004 – June 30, 2005	\$10.72	\$11.97	42.4%	4%	1.2%
July 1, 2003 – June 30, 2004	\$10.31	\$11.56	40.5%	2%	1.8%
July 1, 2002 – June 30, 2003	\$10.10	\$11.35	24.6%	0%	1.6%
July 1, 2001 – June 30, 2002	\$10.10	\$11.35	41.6%	0%	5.4%
July 1, 2000 – June 30, 2001	\$10.10	\$11.35	48.6%	6.3%	4.5%
November 17, 1998 – June 30, 2000	\$9.50	\$10.75	45.2%		4.2%
Average			60.58%	4.28%	2.74%