

**City of St. Paul Facilitated Minimum Wage Discussion:
From conversations held September 15 and 20, 2018
Analysis of Key Themes**

Background

On September 15 and 20, 2018, approximately two dozen participants and seven facilitators attended the third and fourth sessions in a series of four community conversations regarding Minimum Wage Scenarios. These two conversation sessions focused on allowing for discussion of and response to the Citizens League Phase 2 Final Report. Information gathered at these community conversations will be considered by the city of St. Paul in its decision making processes this fall. The following are frequently expressed statements, grouped by theme. They are not consensus statements.

Participants shared what part of St. Paul they live in and/or what brought them to the conversations.

Where did people come from?

- Neighborhoods: Merriam Park, Downtown St. Paul, Cathedral Hill, Lexington and Summit, Frogtown, West Side, South Saint Anthony, Midway
- Wards: 3, 5, 6, 7
- Education Locations: U of MN, Central High School

What brought them to the conversation?

- Current or former server or business owner
- Advocating on behalf of restaurant workers in St. Paul
- Works with youth, disability workers, felons and/or others potentially impacted
- Racial and economic injustice

TIP ADJUSTMENT: Participants shared the opportunities and challenges they see in the tip adjustment scenarios and their ideas for moving forward.

Opportunities:

- Tip adjustment prevents service fees: without a tip adjustment, restaurants may charge a service fee that wouldn't go to servers, who could see decreased tips because of diner confusion over service charge v. gratuity
- Keeps restaurants in business: Tip credit is a good business model; customers may be willing to pay higher prices if they know everyone is earning a living wage;

small profit margin in restaurant industry means \$15 minimum wage without tip adjustment could be financial hardship

- Maintains servers' income, schedule flexibility: Servers can still earn more than \$15 an hour during busy times, but would be guaranteed \$15 an hour during down times or at slower restaurants; tip adjustment keeps restaurants from cutting hours; one fair wage for everyone with tips in addition

Challenges:

- Increases disparities: jobs in the same business would become more disparate; tip adjustment could deter some demographics; would have a greater impact on low-wage restaurant workers
- Problematic compliance: no one else in MN is doing this, so effective administration is a concern; how will the city enforce the adjustment?
- Lost pay/Wage theft: Workers work for tips and without all their tips they lose major income; how will workers know whether they are being paid correctly, and will the city be able to address wage theft?

Ideas for moving forward:

- Public education: help everyone understand why and how roll out will happen
- More data: Gather information from both high end restaurant and basic service establishment workers, and their fears; perform an annual review of any new ordinance; research ways to increase margins without lowering wages or quality
- Look to other models: many states are moving away from tip adjustments; follow the Santa Monica , CA ordinance as a model
- Annual Permit/License Fee Options: Create an annual permit for full service restaurants to opt-in to tip credit with revenue used by City; the City could use license or permit fees to fund staff to enforce the wage ordinance
- Compromise: Scenario 3 makes sense with a probationary period; could be implemented soonest

YOUTH/DISABILITY EXEMPTION: Participants shared the opportunities and challenges they see in the youth wage exemption and ideas they have for moving forward.

Opportunities:

- Exemption helps nonprofits: non-profits and their partners need exemption for youth in order to keep wages manageable, allowing them to continue serving more youth; age based exemption maintains level playing field between small nonprofits and large businesses

- Training exemption benefits youth: “Training wage” for all youth helps them stay competitive in the job market because they aren't competing with adults who have work experience; City approved exempt programs include training in soft and technical skills that will help youth earn more over their lifetimes

Challenges:

- Lower youth wage could decrease participation in programs: Youth in low-income households will be less likely to participate in programs with exemptions; their families rely on their income and cannot afford long exemption periods; youth will choose higher wages over exempt programs that teach life skills, including in seasonal work situations
- Judgement calls and division in workforce: Exempt youth may not be treated as equals in the workforce; how to determine who needs or receives services?
- Implementation and program integrity: How will employability be measured, and what will administration of exemptions look like?

Ideas for moving forward:

- Regarding implementing an exemption: Exemption should be age based and not time based; exemption should be for all youth, not just certain programs; don't allow for training programs to be exempt; include in the exemption any employer/program that trains youth in additional, specific skills
- Use Minneapolis as a model: Implement Minneapolis' model of a 90 day exemption timeline; continuity with compliance and practical implementation improved by aligning Minneapolis and St. Paul
- Gather more information: Test a 180-day exemption period and evaluate data, working with organizations who have experience doing this already; research programs already in place in other cities/states
- Invest in youth: City investment program could give grants to organizations to pay the \$15 during the exempt period so youth earn higher wage while nonprofits maintain budget; provide a certificate of employability after completion of an exempt program so participating youth have advantage in workforce after program

PHASE-IN PLAN: Participants shared the opportunities and challenges they see in the phase-in plan as well as their recommendations for how the City acts on the issue.

Opportunities:

- Economic impact/growth: Implementation will stimulate the economy; money from wage increases will be spent back in the community; longer phase-in time for small businesses will allow for budgeting and cost adjustments

- Staggered implementation creates positive pressure: Big businesses in Minneapolis are front loading the increase which pressures small businesses to follow and this helps in bringing up the minimum wage in all sectors

Challenges:

- Length of time: Over 6-7 years, the real effects of a wage increase will be minimized; inflation is a concern with longer phase-in; workforce shortage might mean wage increase to attract workers happens before phase-in requires increase
- Burden on small businesses: Big difference in phase-in for large and small businesses could impact small business staff retention; small businesses have smaller margins, would need to raise prices and possibly lose business
- Public outreach/education: Employers and employees need to understand new law; there would need to be agreement around start date; compliance; educate public on research regarding minimum wage increases and employment rates; how will this impact home workers?

Recommendations for how the City acts on the issue:

- Large employers implement faster/sooner, small businesses implement more slowly/later: Phase-in for small businesses could include business planning assistance from the city, possibly staggered implementation timeline of 3 years for large businesses and 5 years for small; include business tax from larger businesses to alleviate impact on smaller businesses
- Follow Minneapolis: Use front-loaded slope for big businesses; sync with Minneapolis as quickly as possible to maintain competitiveness
- Gather additional data and educate public: Look to the Citizens League for data, implementation processes that have worked well; find other cities that have increased minimum wage and analyze what worked and what didn't; define and communicate to the public what constitutes an employee, what factors are used to calculate small v. large businesses; find ways to educate the public that are engaging and help people understand correct information
- Maintain inclusivity of voices at table when discussing: Ensure that voices of poverty and all perspectives are continuing to participate in process
- Have state, not cities, manage minimum wage: State laws are currently not enforced (i.e. tipping between front and back of house staff); cities vary from each other and with federal laws – state management could alleviate this; cities are not prepared or equipped to implement/fund/do outreach and education on minimum wage, but state-wide initiative could be more effective