

Restaurant Jobs in Pasadena

Pasadena's restaurants are highly visible in attracting visitors, contributing sales tax revenue and employing local workers. The business model for many restaurants is built on paying low wages to most employees – 65 percent of Pasadena residents working in restaurants earn less than \$15 an hour. Because payroll accounts for about 40 percent of restaurants' operating costs, it is important to understand whether a \$15 minimum wage poses risks for Pasadena restaurants, and if so, how to manage those risks.

Possible Impacts

The higher minimum wage will change the rules of business for all restaurants. If there are no secondary effects, the outcome will be a slight increase in restaurant prices and a corresponding increase in sales tax revenue. The more likely outcome is that restaurant owners will adapt their business model to pay higher labor costs, some that are not adaptive or have marginal sales may close, and new restaurants will open in working class neighborhoods where there is increased buying power, creating net industry growth.

Pasadena is a regional visitor destination with many restaurants serving affluent customers. An 8 percent increase in restaurant operating costs is unlikely to change this dynamic.

Cost of Living Adjustments

After the \$15 wage is in place in 2020, it should be adjusted annually based on change in the Consumer Price Index so that wages keep up with inflation.

Monitoring for Unintended Consequences

The \$15 minimum wage is being implemented in five annual increments, taking full effect in 2020. This allows time to use a *data dashboard* of readily available *sales tax, employment and wage* information to compare Pasadena's trends to trends in regions that have not raised the minimum wage and ensure that there are not unintended consequences.

Pasadena's Restaurant Industry

- 8% of the jobs located in Pasadena are in restaurants
- 2% of the total payroll for jobs located in Pasadena is paid by restaurants
- 18.8% of taxable sales in Pasadena are made by restaurants
 - \$508.8M total revenue in 2013
 - \$5.1M in sales tax revenue for the City of Pasadena in 2013
 - 0.8% of Pasadena's operating budget is funded by restaurant sales tax revenue
- 2% of restaurants close every year and a similar number of new restaurants start up

Sources: Quarterly Census of Employment and Wages (QCEW) records for Pasadena; California Board of Equalization; and City of Pasadena.

Pasadena Residents Employed in Restaurants

- 5.2% of employed Pasadena residents work in restaurants
- 65% earn less than \$15 an hour
- Median hourly pay for Pasadena residents working in restaurants:
 - Cooks \$9.94
 - Food Preparation Workers \$7.87
 - Dishwashers \$8.78
 - Cashiers \$9.82
- 48% live in overcrowded housing
- 23% pay over half of their income for rent
- 16% have family incomes below the poverty threshold

Source: Public Use Microdata Sample records from the 2009 to 2013 American Community Surveys. Data is for workers residing in Pasadena and employed in wage and salary jobs. Dollars adjusted to 2014 value.

Effect of \$15 Minimum Wage on Restaurants

- Increase payroll costs 20.2% (down from 22.9% after savings from reduced turnover)
- Increase overall operating costs by 7.8%

Source: Institute for Research on Labor and Employment University of California, Berkeley