

What May Have Led Calif. Voters To Reject Min. Wage Hike

By **Stephen Bronars** (December 9, 2024)

In the November election, California voters narrowly rejected Proposition 32, which would have increased the state's minimum wage.

For large employers, it would have raised the minimum wage to \$17 an hour in 2024, and \$18 starting Jan. 1, 2025. For smaller employers, it would have raised the wage floor to \$17 on Jan. 1, 2025, and to \$18 an hour one year later. The state's current minimum wage is \$16 an hour.



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This is the first time since 1996 that voters in any state rejected a proposed increase in the state minimum wage, and it has caused many to question why California voters rejected a 9.1% increase in the statewide minimum wage.[1] Joe Sanberg, the entrepreneur who introduced the proposition, has indicated that he intends to try again.[2]

A recent Law360 analysis observed that many attorneys view the rejection of Proposition 32 as "a potential response to existing higher minimum wages for certain workers" because some California cities already have their own higher minimum wages and, in 2023, "the state ... passed legislation establishing a \$20 hourly minimum for fast-food workers."

This article explains how the \$20 minimum wage for some fast-food workers has already led to thousands of job losses and may have been a factor contributing to voters' rejection of Proposition 32.

However, differences in voter support for Proposition 32 across areas are inconsistent with the conjecture that opposition to a higher statewide minimum wage was because voters in areas with higher local minimum wages were reluctant to raise wages further. In fact, support for a higher statewide minimum wage was the greatest in areas with higher average wages and where local minimum wages are above the California minimum wage.

If a proposition to increase the statewide minimum wage appears on future ballots, expect voters in areas with lower average wages to reject the proposition and voters in the cities with higher local minimum wages to support an increase in the California minimum wage, even though it would have little, if any, direct effects on workers in their communities.

The \$20 minimum wage for limited-service restaurants has resulted in job losses.

California's \$20 minimum wage for certain limited-service restaurants became effective on April 1.

The most recent data show that in the six months since the \$20 minimum wage took effect, limited-service restaurant employment has stalled while employment in other industries in California has continued to grow. According to my estimates, limited-service restaurants lost somewhere between 9,600 to 19,300 jobs during that six-month period, compared to what would have been expected but-for the higher mandated wage.[3]

Because the minimum wage only applies to restaurant chains with 60 or more national locations, and because some restaurant employees are managers or more experienced employees who earn more than \$20 per hour, I estimate that the \$20 minimum wage applies directly to just over one-third of limited-service restaurant workers.[4] As a result, the job losses in the past six months represent 3.8% to 7.6% of the total number of workers directly impacted by the law.

The negative impact of the \$20 minimum wage for limited-service restaurants may have played a role in the lack of voter support for Proposition 32. The experiences of limited-service restaurants illustrate how an increase in the minimum wage, without an associated productivity increase for workers covered by the law, will lead to job losses and fewer hours worked, and, potentially, higher prices for customers and more business closures.

Voters in areas with higher wages disproportionately supported Proposition 32.

According to the latest election results, 50.7% of California voters rejected Proposition 32.[5] A majority of voters in 38 of California's 58 counties opposed a higher statewide minimum wage. The two counties with the greatest support for the higher minimum wage were Alameda (66%) and San Francisco (71%), while the counties with the lowest support were Lassen (22.1%) and Shasta (24.9%).

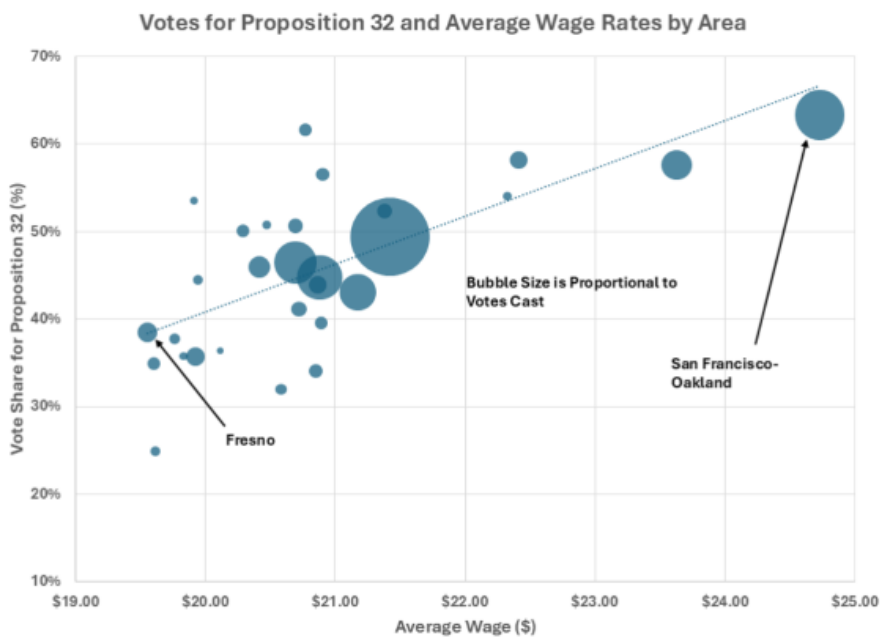
There are 38 cities in California with city-specific minimum wages above the statewide minimum wage. In addition, two counties — Los Angeles County and San Mateo County — have minimum wages in their unincorporated areas that are higher than the California minimum wage.[6]

The cities and unincorporated areas with local minimum wages above the statewide minimum wage are in nine of California's 58 counties. In these nine counties 55.4% of voters supported Proposition 32, compared to 42.6% of voters in the other 49 counties.[7] The 12.8% difference in voter support for Proposition 32 between the counties with local area minimum wages in some jurisdictions and the other 49 counties is statistically significant.

There is also a significant correlation between average wage levels and voter support for Proposition 32. The Bureau of Labor Statistics groups the state into 29 labor market areas. Area-specific average wages in four occupation groups that include many of the jobs that might be directly affected by a higher minimum wage can be calculated using BLS data.[8]

There are substantial differences in average wages within California. The average wage is 26.5% higher in the San Francisco-Oakland metro area (the highest wage area) than in the Fresno metro area (the lowest wage area) across these four occupation groups.

Using these data, the figure below plots the share of votes supporting Proposition 32 in each labor market area against the area's average wage. The figure shows a significant correlation between support for Proposition 32 and an area's average wage: a 10% higher average wage is associated with 10% more votes in support of Proposition 32, on average.[9]



Conclusion

While the negative effects of California's \$20 fast-food minimum wage may explain some of the lack of support for Proposition 32, voters in lower-wage areas systematically rejected the proposition. Voters in cities with higher local area minimum wages supported Proposition 32, even though in some of these areas the \$18 minimum wage would have no direct impact on local businesses.

For example, in San Francisco, where the \$18.67 minimum wage makes Proposition 32 irrelevant to local businesses, voters overwhelmingly supported the minimum wage increase. On the other hand, voters soundly rejected Proposition 32 in areas where the \$18 minimum wage would have the biggest direct impact.

Support for Proposition 32 may have been greater in high-wage cities because voters in these cities recognize that an \$18 minimum wage (1) is less costly because it will result in either no change in the local wage floor, or a much smaller percentage increase than in other parts of the state; or (2) may help level the playing field between their high-wage city and areas with lower labor costs through a disproportionately adverse impact on businesses in low-wage areas.

In future elections expect voters in large metro areas in California, where wages are the highest, to continue to vote for a higher California minimum wage, and voters in low-wage areas to oppose a higher statewide minimum wage, perhaps because it will have the greatest negative impact on businesses in their communities.

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[1] The California minimum wage is indexed to inflation and will increase to \$16.50 on January 1, 2025.

[2] "Calif. Voters Reject Minimum Wage Hike in Rare

Outcome" <https://www.law360.com/articles/2263374/calif-voters-reject-minimum-wage-hike-in-rare-outcome>.

[3] While this law is often referred to as a "fast-food" minimum wage, it applies to limited-service restaurants with 60 or more locations nationally. The results described in this paragraph are explained in more detail in <https://www.edgewortheconomics.com/insight-CA-fast-food-one-year-job-loss>.

[4] <https://www.edgewortheconomics.com/insight-nearly-half-CA-restaurants-minimum-wage>.

[5] <https://electionresults.sos.ca.gov/returns/ballot-measures/county#county-list>.

[6] <https://laborcenter.berkeley.edu/inventory-of-us-city-and-county-minimum-wage-ordinances/#s-2>.

[7] In eight of the nine counties that include cities and areas with higher local-area minimum wages, a majority of voters supported an increase in the state minimum wage.

[8] These occupation groups are Food Preparation and Serving Related Occupations, Building and Grounds Cleaning and Maintenance Occupations, Personal Care and Service Occupations, and Transportation and Material Moving Occupations.

[9] The correlation between an area's average wage and the share of voters who supported Proposition 32 is 0.88.