SF Becomes First U.S. City To Top $10 Minimum Wage

Beth Duff-Brown, Associated Press

SAN FRANCISCO (AP) — David Frias works two minimum-wage jobs to squeak by in one of the most expensive cities in America.

Come New Year's Day, he'll have a few more coins in his pocket as San Francisco makes history by becoming the first city in the nation to scale a $10 minimum wage. The city's hourly wage for its lowest-paid workers will hit $10.24, more than $2 above the California minimum wage and nearly $3 more than the working wage set by the federal government.

It won't put much more in Frias' wallet. But it gives him a sense of moving on up.

"It's a psychological boost," said Frias, who is a 34-year-old usher at a movie theater and a security guard for a crowd control firm. "It means that I'll have more money in my wallet to pay my bills and money to spend in the city to help the economy."

San Franciscans passed a proposition in 2003 that requires the city to increase the minimum wage each year, using a formula tied to inflation and the cost of living. It's just another way the progressive people of the City by the Bay have shown their support for the working-class in a locale where labor unions remain strong and housing costs are sky high.

Karl Kramer of the San Francisco Living Wage Coalition said a decent wage for a single adult without children in the city would be $15, and that doubles when you have at least one child or more. But like other advocates of better wages, he's still pleased that San Francisco will be the first in the nation to top $10.

"It helps workers' morale in a time of economic crisis; they feel that they're able to tread water and get some relief from the recession," said Kramer.

While the city is at the forefront of attempting to provide a decent living wage, most employees say it's still not a wage to live on, that the 32-cent hike seems like peanuts. And some employers say it could lead to layoffs by small businesses already forced to pay federal, state and city payroll taxes as well as a slew of other city-mandated taxes.

Daniel Scherotter, chef and owner of Palio D'Asti, an upscale Italian restaurant in the Financial District, said the city's minimum wage hike from $9.92 to $10.24 means that his highest-paid employees — the waiters who make most of their income from tips — will see more money in their pockets while his salaried kitchen staff will have to take the hit.

If Scherotter raised menu prices to make up the difference, he'd risk going out of business in this economy.

What the average San Franciscan may not know, he said, is that business owners also must pay another $1.23 to $1.85 an hour per employee for health-care coverage if they don't offer health insurance. San Francisco is also the only city in the state that charges a payroll tax of 1.5 percent; it also mandates nine paid sick days annually per employee.

"So that drives me nuts, that as a chef, I have to cut my kitchen allowance," Scherotter said. "What I pay for a waiter is more than double what Manhattan pays, it's more than double what Chicago pays, and it's four times what Boston pays. And those are ... other big, expensive, pro-labor cities. But I pay what they all pay added together for tipped employees."

Scherotter said the double whammy of recession and wage hikes has led to eight layoffs in his kitchen in the last four years.

"We hear that all the time," said Steve Falk, president and CEO of the San Francisco Chamber of Commerce.

He said that by the time you add up all the mandates and taxes that city employers must pay for their minimum-wage workers, the payroll burden is at least 25 to 40 percent higher than other Bay Area cities.

He gave the example of catering companies bidding for the contract at the city's Treasure Island. In the end it went to a Napa firm over a San Francisco catering company because Napa was able to come in lower.

"You can't on one hand as a city impose mandates and fees on a local business and then exclude them because their costs are too high when they go to bid on a city contract or a city service," Falk said. The chamber of commerce is calling on the city to build in a 25 to 30 percent bid allowance for San Francisco companies.

"Fortunately, it's a very attractive place to own a business and businesses thrive here because of the number of visitors," Falk said. "But we always worry: where's the tipping point?"

That tipping point needs to lean toward the worker, said David Madland, director of the American Worker Project at the Washington, D.C.-based Center for American Progress Action Fund. He said the best studies on minimum wage indicate that the benefits outweigh the burdens placed on employers.

"I think it's a big deal when a city is making a commitment that says, 'Our workers are going to get paid a livable wage for a day's work,'" he said. "It's also very important that in today's economy when a core problem is lack of demand ... that a city is actively taking steps to put more money into consumers' pockets."

For Frias, it's not just about a bit more change in his pocket.

"Hey, it's a little over $10 — it's a little bit of respect."

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