

Employer Cost Comparison

A common theme raised during public outreach was that a one dollar increase in the hourly rate equates to more than a dollar in cost on a business's cost structure. There are multiple State and Federal taxes and fees employers must pay, which are based upon the amount of an employee's wages. These include:

- **Federal Unemployment (FUTA):** The Department of Labor oversees state programs that provide unemployment benefits to workers who become unemployed because of an incident out of their control. FUTA is 3% on the first \$7,000 of an employee's wages.
- **California Unemployment (SUTA):** A state-sponsored insurance program, provides benefits to unemployed workers, the disabled, and those on paid family leave. Range is 1.5 – 8.2 % on the first \$7,000 depending on various factors. 4% used in calculations below.
- **California Employment Training Tax (ETT):** Provides funds to train employees in targeted industries. Employers must pay 0.1% on the first \$7,000.
- **Social Security (SS):** is a federal insurance program that provides benefits to retired employees and the disabled. Employers must pay 6.2 % of taxable wages on the first 132,900.
- **Medicare (MED):** is a federal system of health insurance for people over 65 and younger people with disabilities. Employers must pay 1.45 % on all of an employee's wages.

Pay Rate	Hours per Week	Gross Pay	FUTA	SUTA	ETT	SS	Med	Gross Pay + Required Taxes	Actual Cost per hour
\$12.00	40	\$480.00	\$14.40	\$19.20	\$0.48	\$29.76	\$6.96	\$550.80	\$13.77
\$13.00	40	\$520.00	\$15.60	\$20.80	\$0.52	\$32.24	\$7.54	\$596.70	\$14.92
\$15.00	40	\$600.00	\$18.00	\$24.00	\$0.60	\$37.20	\$8.70	\$688.50	\$17.21

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The table below provides an overview of a typical small to medium size restaurant with an average employee count of 13 full time employees and the costs associated with the increase in minimum wage from \$12.00 per hour to \$15.00 per hour. There is a 25% cost increase associated with the \$3.00 an hour increase in gross pay to the employee.

Gross Pay Rate	Gross Pay + Required Taxes	Employees Count	Hours per Week	Total Weekly Cost	Total Yearly Cost	% increase
\$12.00	\$13.77	13	40	\$7160.40	\$373,340.80	
\$15.00	\$17.21	13	40	\$8,949.20	\$465,358.40	25%

The table below provides two calculations for a business that has to pay \$15.00 but is looking to hold costs of employees at the \$12.00 rate due to not being able to increase prices for customers. If the business is holding labor costs at a constant, then the business must either reduce the number of full-time employees that they have from 13 to 10 or reduce the number of hours the 13 employees have from 40 to 32.

Yearly Cost	Weekly Cost	Gross Pay + Required Taxes/hr	Weekly Cost/Pay = Available Hours	Hours per Employee/Week	Number of Employees
\$372,340.80	\$7,160.40	\$17.21	416 hours	40 hours	10 Employees
\$372,340.80	\$7,160.40	\$17.21	416 hours	32 hours	13 employees

In the scenario where the employer reduces the number of available hours, employees earning \$15.00 per hour would see their paycheck reduced from \$952.60 to \$786.69. This new amount is a small increase over the paycheck amount of \$772.72 they were previously bringing home when they were paid \$12.00 an hour at 40 hours per week.