

The \$15 Minimum Wage Wins Where Silicon Valley Fails Hard

The fight for a \$15 minimum wage has more momentum than ever. This week, [California Governor Jerry Brown signed legislation](#) that will raise the state's minimum wage to \$15 by 2022. [Under a recent measure](#), New York City will get there even faster. About [a dozen other "Fight for \\$15" campaigns](#) are being pressed across the country.

The movement has gained traction at a time, and during an election season, when anxiety over income inequality in the United States [is spilling over into anger](#). And perhaps no place is as powerful and complex a symbol of the vast divide between haves and have-nots as Silicon Valley.

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Nowhere else has such a density of people seeking to define and transform the future of labor, through both the on-demand services they're creating and the ways they run their own companies. The technologies being invented in Silicon Valley will power [a more automated future](#) that could make many jobs obsolete. At the same time, the people creating those technologies and companies are pulling away from their fellow citizens as an elite echelon of the very well compensated.

And yet for now, the \$15 minimum wage and the movement it represents will likely have as much of a disruptive effect on the future of work as anything Silicon Valley might create. Silicon Valley may be rethinking the future of labor, but so far the fruits of those ideas have yet to meaningfully trickle down to the bottom of the wage spectrum. In the meantime, raising that floor for everyone will mean a more substantive change for workers than anything a startup has come up with.

\$15 Per Hour in the On-Demand Economy

Silicon Valley is the pioneer of the most controversial and arguably most successful alternative labor models of the past half-decade, one that so many tech startups have held up as a paradigm for the future of work: [the on-demand economy](#). That's the collection of companies, from Uber to TaskRabbit, that depend on laborers who can be instantly summoned with a smartphone app. For on-demand workers, the benefits are supposed to be plentiful: they can choose their hours, work for competitors, and ostensibly be their own bosses.

Indeed, there has been a rise in Americans working outside of a traditional employer-employee relationship. Economists Alan Krueger and Lawrence Katz [found](#) that about 16 percent of US workers are currently in some kind of alternative employment arrangement, an increase from 10 percent in 2005. But [The Wall Street Journal reports](#) that most of that shift is actually accounted for by traditional

employers in manufacturing, education, and health and public administration increasingly choosing to outsource work to contract employees.

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For all the buzziness of the on-demand economy, it turns out, it's responsible for very little of the work being done today. And questions are [still swirling](#) about the legality of a model that, [some labor advocacy groups argue](#), intentionally misclassifies workers in order to minimize business costs.

Either way, the on-demand economy itself could be affected by a higher minimum wage, according to Ken Jacobs, a labor specialist at the UC Berkeley Labor Center. On-demand businesses may feel the pressure to offer competitive compensation in order to stay viable, he says. "Uber and other on-demand companies may start needing to compete in a labor market where people can make \$15 an hour elsewhere," Jacobs says. "That will affect their ability in terms of how much they can cut payments [to workers] down in a way that they currently are."

Dmitri Iglitzin, a Seattle labor lawyer, goes even further, saying that if wages were uniform for different types of work arrangements, perhaps an arms race of perks would emerge among businesses to entice new workers to choose their company over another. "We might see non-wage competition," Iglitzin says. "Maybe we'll see more unpaid leave, health benefits, or perks in other things that sway you to work at McDonald's rather than Burger King—other than, 'We'll pay you more money.'"

Minor Impact, Major Gap

At the same time as the \$15 minimum wage potentially disrupts the on-demand economy, it also highlights the inequities that have come to characterize knowledge work-driven economies in rapidly gentrifying cities and regions like Silicon Valley. Even as Silicon Valley invents the technologies of the future, that future is increasingly beyond the grasp of its own lowest-paid workers.

More Silicon Valley

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Critics of the \$15 minimum wage say it could force businesses to counter their higher labor costs by raising prices or even cutting jobs. Economists are [still in disagreement](#) about its possible effects. But [some early research](#) shows that the negative effects [may not be too great](#)—at least in big coastal cities such as Los Angeles and Seattle, where the costs of living and labor are already high.

But if a higher minimum wage isn't likely to have a huge impact on Silicon Valley businesses' bottom lines, it also isn't likely to do much to help workers on the losing end of the wage spectrum. Rome Aloise, vice-president of Teamsters Union International, a labor union that represents shuttle bus drivers for tech companies, says this rings true to him. Some drivers for tech shuttle buses were already making about \$15 an hour and [still living and sleeping in cars](#) because they couldn't afford Bay Area rent before the Teamsters got involved, Aloise says. "[The measure] is not an extraordinary increase in my mind," he says.

Yes, percentage-wise, \$15 per hour will represent a big boost for some workers. [According to a recent report](#) compiled by labor advocacy group Silicon Valley Rising, the average annual pay for blue-collar contract workers in the region is \$19,000 per year. That translates to an hourly wage of about \$10—California's minimum wage before the new measure was passed. But in terms of raw buying power, it still won't get anyone very far.

The same report found, the average tech worker makes \$113,000 annually, or nearly \$60 per hour—which ironically still might not be enough to make rent in the San Francisco Bay Area. In February, the median rental price in the five-county San Francisco metropolitan area was \$3,350, up 10.5 percent from a year ago, [according to *The San Francisco Chronicle*](#), citing real estate data firm Zillow. Zillow also calculated that a single earner would need to earn \$67 per hour in order to reasonably afford rent.

In other words, the economic divide between well-compensated coders and the [people who drive their buses](#) and clean their offices is stark. And for all of its promises of technological advancement, Silicon Valley has still shown little evidence it's figured out how to innovate its way out of the inequalities it's helped to stoke.