



# CALIFORNIA FASHION ASSOCIATION

444 South Flower Street, 37th Floor · Los Angeles, CA 90071 · ph. 213.688.6288 · fax 213.688.6290

Email: [info@calfashion.org](mailto:info@calfashion.org) Website: [www.californiafashionassociation.org](http://www.californiafashionassociation.org)

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## LA Minimum Wage Hike Poses Risks for Garment Industry

By Lara Ewen

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On September 1—Labor Day, for those seeking symbolism—Los Angeles Mayor Eric Garcetti announced a proposal to raise the minimum wage in Los Angeles from the current \$9 per hour to \$13.25 in 2017.

In its official statement on the proposal, the mayor's office said the increase would come gradually over the course of three years, rising to \$10.25 in 2015, \$11.75 in 2016, and then \$13.25 in 2017. After 2017, any increase would be tied to the Consumer Price Index. The plan has the support of many community members, including seven City Council members and labor leader María Elena Durazo, and is expected to be voted on sometime during the next several weeks.

A report by U.C. Berkeley economists on Mayor Garcetti's proposal that states, in part, "The proposed policy would provide significant gains in income to Los Angeles's low-wage workers and their families. Most businesses would be able to absorb the increased costs, and consumers would see a small one-time increase in restaurant prices. The policy's impact on overall employment is not likely to be significant."

However, there are many in the Los Angeles garment industry who disagree with that assessment, and who are concerned about the impact the wage increase will have on an already struggling sector. "There are 88 cities in Los Angeles county, and the city of Los Angeles is only one," Ilse Metchek, president, California Fashion Association (CFA) said. She added, "That is the reason this makes no sense. Contractors in Los Angeles will have to charge more than contractors in adjacent cities, so it makes no sense to raise wages just in central Los Angeles. It would be like raising the minimum wage only in Brooklyn. This is not a social issue. This is nuts."

The CFA's official position paper, released September 4, states, "It should be made clear that we embrace the concept of support for those at the entry level of employment; particularly for anyone who is part of the apparel industry of the Los Angeles region."

The paper goes on to suggest that the impact of this wage increase has not been fully studied as it relates to the Los Angeles garment industry. It further states, "When the Mayor's 'Impact Study' was released, an apparel industry reference was made: 'The impact for the apparel industry is unknown.' It is suggested that there be a delay in the implementation of this decision until there is a better understanding of its effect on 28,000



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employed in one of the city's largest employer groups."

Gary L. Toebben, President & CEO of the Los Angeles Area Chamber of Commerce, agreed with the CFA, and said that there are significant problems that have not yet been addressed regarding this issue. Toebben said, "We are concerned that the 28,000 employees in the Los Angeles garment industry will be in jeopardy of losing their jobs or having their hours reduced." He added, "The industry is very competitive, in the United States and throughout the world, and the buyers throughout the world don't really care what we do in Los Angeles. They're not going to give us any points or credit because our manufacturers are paying a higher minimum wage. So this will put us at a disadvantage, and be very damaging for our fashion industry."

Apparel manufacturers in Los Angeles have also expressed concern. "I think raising the minimum wage to \$13.25 will be a mistake," said Paige Mycoskie, owner of Aviator Nation, a vintage-inspired apparel brand that has been manufacturing in Los Angeles for eight years. "Los Angeles designers are trying really hard to keep their manufacturing local, but this will make it nearly impossible. The last thing we need right now is to be giving even more of our jobs to China."

There are, however, still opportunities for Los Angeles businesses to discuss the issue with the mayor's office, and find ways to come together on this divisive issue. "The mayor's office has continued to say that they are open to suggestions from the business community, and I believe there are some opportunities here," said Toebben. "I would not say the proposal by the mayor is a done deal."

For its part, the CFA offered up several possible suggestions in its position paper that aim to ameliorate some of the potential problems the wage increase might create. The CFA's suggestions included a reduction of certain defined business taxes, as they relate to manufacturing; a manufacturing tax credit for the purchase or lease of new machinery relative to employment; and a 'training wage' for 60 days at the current California minimum wage.

Yet these measures, even if they were to be implemented, might not completely offset the added expenses to area businesses. Mycoskie said, "The only way we can respond to this is to either raise our prices dramatically or cut our staff back and push the people we keep harder." She noted, "Unfortunately, raising prices is not an option for most companies manufacturing here in Los Angeles, because our prices are already much higher than our competitors, who are making their garments overseas. Cutting jobs and pushing people harder is definitely not ideal, and I would hate to be forced into a situation like that."

There is some hope that the increase, should it come, might not completely eliminate the garment sector. Kate Sofis, executive director of SFMade, an organization founded in 2010 and focused on developing the local manufacturing sector in San Francisco, said that the garment industry in San Francisco was doing well despite the wage hike there. "We have only had small annual adjustments to our minimum wage over the past four years during which SFMade has been in operation," she said. "Irrespective, our garment manufacturing sector in San Francisco is healthier now than it has been in a decade, fueled by strong demand for locally-made designer brands. Actually, garments and other sewn product companies is the largest sector of SFMade's 540 local manufacturers."

According to Metchek, however, there is little relation between the small industry in San Francisco and the much larger industry in Los Angeles. "You're talking apples and oranges here," Metchek said. "In Los Angeles, you're dealing with major companies. In San Francisco, it's an incubator situation. It's a noble effort, but it's certainly not what we're



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doing here, statistically. And for the larger companies in San Francisco, Los Angeles is making things for them now."

The CFA's position paper also addresses the San Francisco question, albeit more dramatically, stating, "San Francisco has set the precedent...When their minimum wage was mandated over the California rate, almost all of a then-thriving apparel manufacturing sector in the Chinatown district closed or moved. They could not compete."

Thus, competition is one of the core issues at the heart of this debate. "Competitors for restaurants are in neighboring towns, but competitors for fashion industry are everywhere," said Toebben. "I think the fashion industry is rather fragile in Los Angeles. I think the fashion industry here has good reason to be concerned about the additional costs that they will incur. And it will be a challenge for them to remain competitive in the global marketplace."

According to the mayor's own study, the wage hike will lead to additional direct costs to Los Angeles businesses of over \$1 billion a year, however, Mayor Garcetti was confident that his city's economy could weather the expenses. In a statement about the wage increase, Mayor Garcetti said that he's added 40,000 jobs, and that unemployment has dropped 2 percent, since his election in 2013. But the gains may not be coming quickly enough to withstand any additional expenses. For a city that is currently seeing an over 9 percent unemployment rate, the additional costs may prohibit future hires, and further destabilize the job market.

"We're not back yet to pre-recession numbers," said Toebben. "We still have 50,000 fewer jobs today than when the recession started."

Despite the potential difficulties, Mycoskie, for one, is prepared to stay the course. "I employ a factory of people, and that is one of my favorite aspects of my business," she said. "No matter how hard it may be or get, I will figure out a way to keep it here."