

Minimum Wage Basics

City Minimum Wage Laws: Recent Trends and Economic Evidence

NELP's Minimum Wage Basics series sheds light on key issues related to the minimum wage, drawing on the latest research and campaign developments.

Introduction

While the U.S. economy continues to see steady growth and an improvement in the jobless rate, wages have been flat or falling for much of the labor force. This dynamic has prompted a record number of municipal leaders to tackle this problem locally with city minimum wage ordinances that substantially raise the wage floor for low-paid workers in their communities. Equally significant, cities today are calling for higher minimum wages than ever before. With wage levels of \$15 per hour or more, these new measures go beyond simply catching up the minimum wage for inflation; they begin to raise pay broadly across the bottom of local economies.

This fact sheet provides an overview of recent trends in local minimum wage ordinances, paying particular attention to how businesses have adjusted to the implementation of local wage increases over time. Overall, the economic evidence indicates that local minimum wages have proven to be effective tools for raising pay and improving job quality without reducing employment or encouraging businesses to leave cities.

Local Minimum Wages Have Become Mainstream Policy Tools in Diverse Cities Across the Country

Over the past year, an unprecedented number of cities and counties have moved to adopt higher local minimum wages. In addition, cities are proposing substantially higher wage levels than in past years (see Table 1). Indicative of this new wave of action around local minimum wages was the U.S. Conference of Mayors' "Cities of Opportunity Task Force," which in August 2014 endorsed higher city minimum wages as key tools for fighting income inequality at the local level.¹

Attachment 2a

Table 1. Local Minimum Wage Ordinances in the U.S.

| Passed in 2003 | Minimum Wage |
|----------------------------|----------------------|
| Santa Fe, NM | \$10.84 |
| San Francisco, CA | \$12.25 |
| Passed in 2012 | Minimum Wage |
| Albuquerque, NM | \$8.75 |
| San Jose, CA | \$10.30 |
| Passed in 2013 | Minimum Wage |
| Bernalillo County, NM | \$8.65 |
| Washington, DC | \$11.50 (by 2016) |
| Montgomery County, MD | \$11.50 (by 2017) |
| Prince George's County, MD | \$11.50 (by 2017) |
| SeaTac, WA | \$15.24 |
| Passed in 2014 | Minimum Wage |
| Las Cruces, NM | \$10.10 (by 2019) |
| Santa Fe County, NM | \$10.84 |
| Mountain View, CA | \$10.30 |
| Sunnyvale, CA | \$10.30 |
| San Diego, CA | \$11.50 (by 2017)* |
| Oakland, CA | \$12.25 |
| Berkeley, CA | \$12.53 (by 2016) |
| Richmond, CA | \$13.00 (by 2018) |
| Louisville, KY | \$9.00 (by 2017) |
| Chicago, IL | \$13.00 (by 2019) |
| San Francisco, CA | \$15.00 (by 2018) |
| Seattle, WA | \$15.00 (by 2018-21) |

Table 1. Local Minimum Wage Ordinances in the U.S.

| Passed in 2015 | Minimum Wage |
|--------------------------|----------------------|
| Emeryville, CA | \$15.00 (by 2018) |
| Los Angeles, CA | \$15.00 (by 2020) |
| Portland, ME | \$10.68 (by 2017) |
| Kansas City, MO | \$13.00 (by 2020)** |
| Birmingham, AL | \$10.10 (by 2017) |
| St. Louis, MO | \$11.00 (by 2018)** |
| Palo Alto, CA | \$11.00 (by 2016) |
| Johnson County, IA | \$10.10 (by 2017) |
| Los Angeles County, CA | \$15.00 (by 2020-21) |
| Mountain View, CA | \$15.00 (by 2018) |
| Sacramento, CA | \$12.50 (by 2020) |
| Lexington, KY | \$10.10 (by 2018)** |
| Tacoma, WA | \$12.00 (by 2018) |
| Bangor, ME | \$9.75 (by 2019) |
| Current Proposals | Proposed Rate |
| Olympia, WA | \$15.00 |
| Davis, CA | \$15.00 |
| Sacramento, CA | \$15.00 |
| Washington, DC | \$15.00 (by 2020) |
| Pasadena, CA | \$15.00 |
| Palo Alto, CA | \$15.00 (by 2018) |
| Long Beach, CA | \$16.00 |
| Sunnyvale, CA | \$15.00 (by 2018) |

*San Diego increase awaits review by votes in 2016

**Preemption lawsuits currently ongoing in Kansas City, MO, Louisville, MO, and Lexington, KY

The Distinct Role of Local Minimum Wages

Local minimum wages offer several distinct advantages that differentiate these policies from state or federal minimum wage laws:

- They allow higher-cost cities to set minimum wage rates that better correspond to higher local living costs;
- They allow localities in states where the legislature is slow to raise the minimum wage to address the problem on their own;
- They provide venues for demonstrating the feasibility of substantially higher minimum wages, and pursuing key reforms such as annual inflation indexing and higher tipped-minimum wages, which are less commonly adopted at the state level.

How Have Local Businesses Responded to Recently Adopted City Minimum Wages?

Reports from cities that have adopted significantly higher minimum wages in recent years have shown that higher wages have been manageable for businesses and have not led to layoffs or slowed job growth.

In both San Jose and San Francisco, for example, jobs in the restaurant industry grew faster after the minimum wage was increased than they did in surrounding cities and counties that did not raise wages. In SeaTac, Washington—the first city in the United States to fully transition to a \$15 minimum wage for workers in the hospitality and travel industries—predicted layoffs and expansion-plan cancellations did not materialize, and in fact some business owners, who were previously opposed to the wage increase, have expanded operations. And in Seattle, which began phasing-in its \$15 minimum wage in April 2015, initial signs are positive. The Seattle region’s unemployment rate hit an eight-year low of 3.6 percent in August 2015, significantly lower than the state unemployment rate of 5.3 percent. And King County, where Seattle is located, is well on its way to breaking last year’s record for the number of business permits issued to food service establishments.

This is how the media has reported on city minimum wage increases in San Jose, SeaTac, and Seattle:

“Interviews with San Jose workers, businesses, and industry officials show it has improved the lives of affected employees while imposing minimal costs on employers.”

– USA Today, “In San Jose, Higher Minimum Wage Pays Benefits” (June 14, 2014) ²

“Fast-food hiring in the region accelerated once the higher wage was in place. By early this year, the pace of employment gains in the San Jose area beat the improvement in the entire state of California.”

– Wall Street Journal, “What Happened to Fast-Food Workers When San Jose Raised the Minimum Wage? Hold the Layoffs” (April 9, 2014) ³

"Those who opposed the \$15 wage in SeaTac and Seattle admit there has been no calamity so far."

- Washington Post, "No Calamity Yet as SeaTac, WA, Adjusts to \$15 Minimum Wage" (September 5, 2014) ⁴

"For all the political uproar it caused, SeaTac's closely watched experiment with a \$15 minimum wage has not created a large chain reaction of lost jobs and higher prices..."

- Seattle Times, "\$15 Wage Floor Slowly Takes Hold in SeaTac" (June 13, 2014) ⁵

"When Seattle's pioneering \$15 minimum wage law was the subject of fierce debate last year, Tom Douglas predicted it would inflict a \$5 million hit on his empire of more than a dozen restaurants ... Yet six months after the first wage increase to \$11 per hour took effect, the fear of soaring payrolls shows no signs of killing the appetite of Douglas — or the rest of the Seattle restaurant world — for rapid expansion. Dozens of new restaurants have opened in the city since April 1, including many new eateries run by the law's fiercest critics, such as Douglas." -

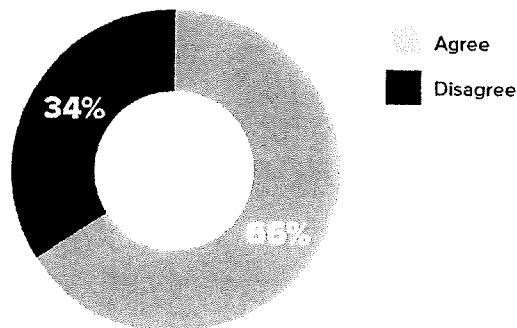
- Puget Sound Business Journal, "Apocalypse Not: \$15 and the Cuts that Never Came" (October 23, 2015) ⁶

Small Businesses Favor Citywide Minimum Wages to Match Local Costs of Living

As more cities consider local minimum wages, opinion research has begun to examine the views of employers on such measures. Polling and interviews with individual business owners have shown that employers find that the statewide minimum wage is often insufficient to reflect local living costs and support cities' adopting higher local minimum wages. For an example from New York, see Figure 1.

Figure 1. Two-Thirds of New York Small Business Owners Support Local Minimum Wages⁷

Do you agree or disagree that cities and counties in New York should have the ability to determine their own minimum wage rates above the level of the state minimum wage?



Source: Small Business Majority, 2014

The Economic Evidence Shows that City Minimum Wages Boost Earnings Without Reducing Employment

Economic evidence indicates that the higher city minimum wages enacted in U.S. cities to date have boosted earnings without slowing job growth or causing business relocations. These findings are consistent with the bulk of modern research on higher state minimum wages, which has generally found no statistically significant evidence of job losses resulting from minimum wage increases passed over the last 20 years in the United States.

This is partly because the bulk of the low-wage positions affected by city minimum wages are in fields such as restaurants, retail, building services, home health care, and child care – jobs that serve city-based customers such as residents, office workers, and tourists at city locations. As a result, most cannot practically be moved by their employers to locations outside of the city while still retaining their customer bases.

Table 2 below summarizes the most rigorous research examining the employment impact of minimum wage increases at the local level. The studies below pay particular attention to the experience of minimum wage increases in Santa Fe and San Francisco, which have had local minimum wages in place for over a decade now and offer the most complete picture of how businesses in low-wage sectors have adjusted to higher wage floors.

Table 2. Summary of Economic Research on Citywide Minimum Wages

| Study | Year Published | Cities Studied | Summary of Findings |
|---|----------------|--|---|
| <p>"The Wage and Employment Impact of Minimum-Wage Laws in Three Cities"⁸</p> <p>Center for Economic and Policy Research</p> | 2011 | San Francisco, CA Santa Fe, NM Washington, DC ⁹ | "The results for fast food, food services, retail, and low-wage establishments... support the view that citywide minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment..." |
| <p>"When Mandates Work: Raising Labor Standards at the Local Level"¹⁰</p> <p>University of California-Berkeley</p> | 2014 | San Francisco, CA | This book-length study of San Francisco's minimum wage, living wage, health care, and paid sick leave laws, which collectively raised the compensation of low-wage workers 80 percent higher than the federal minimum wage, found that these laws raised pay without costing jobs. Researchers found that from 2004 to 2011, private sector employment grew by 5.6 percent in San Francisco but fell by 4.4 percent in other Bay Area counties that did not have a higher local wage. Among food-service workers, who are more likely to be affected by minimum wage laws, employment grew 17.7 percent in San Francisco, faster than in the other Bay Area counties. San Francisco employers absorbed the higher costs through a combination of reduced employee turnover and improved customer service and worker productivity. |

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|---|------|--|--|
| <p>"The Economic Effects of a Citywide Minimum Wage" ¹¹</p> <p>University of California-Berkeley</p> | 2007 | San Francisco, CA | <p>"We find that the San Francisco wage floor policy increased pay significantly at affected restaurants.... We do not detect any increased rate of business closure or employment loss among treated restaurants; this finding is robust across a variety of alternative specifications and control subsamples."</p> |
| <p>"Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico" ¹²</p> <p>University of New Mexico, Bureau of Business and Economic Research</p> | 2006 | Santa Fe, NM | <p>"Overall, this analysis found that the living wage had no discernible impact on employment per firm, and that Santa Fe actually did better than Albuquerque in terms of employment changes."</p> |
| <p>"Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties"</p> <p>University of California-Berkeley, University of Massachusetts-Amherst, and University of North Carolina-Chapel Hill ¹³</p> | 2010 | 288 pairs of contiguous U.S. counties with differing minimum wage rates at any point between 1990 and 2006 | <p>Taking advantage of the fact that a record number of states raised their minimum wages in the 1990s and 2000s, this widely cited study compares employment levels among every pair of neighboring U.S. counties that had differing minimum wage rates at any point between 1990 and 2006 and finds that higher minimum wages did not reduce employment. This is a particularly important finding regarding the impact of higher minimum wages at the local level, as the county-level analysis found no evidence of businesses crossing borders or reducing employment in response to higher minimum wages.</p> |

Endnotes

1. "Cities of Opportunity Task Force Commitment to Action," U.S. Conference of Mayors, August 2014, available at: <http://www1.nyc.gov/office-of-the-mayor/news/397-14/cities-opportunity-task-force-commitment-action#/0>
2. "In San Jose, Higher Minimum Wage Pays Benefits," Paul Davidson, USA Today, June 14, 2014, available at: <http://www.usatoday.com/story/money/business/2014/06/14/minimum-wage-san-jose/9968679/>
3. "What Happened to Fast-Food Workers When San Jose Raised the Minimum Wage? Hold the Layoffs" Eric Morath, Wall Street Journal, April 9, 2014, available at: <http://blogs.wsj.com/economics/2014/04/09/whathappened-tofast-food-workers-when-san-jose-raised-the-minimum-wage/>
4. No Calamity Yet as SeaTac, WA, Adjusts to \$15 Minimum Wage," Dana Milbank, Washington Post, September 5, 2014, available at: http://www.washingtonpost.com/opinions/dana-milbank-no-calamity-yet-as-seatacwashadjusts-to-15-minimum-wage/2014/09/05/d12ba922-3503-11e4-9e92-0899b306bbea_story.html
5. "\$15 Wage Slowly Takes Hold in SeaTac," Amy Martinez, Seattle Times, June 3, 2014, available at: http://seattletimes.com/html/localnews/2022905775_seatacprop1.xml.html
6. "Apocalypse Not: \$15 and the Cuts that Never Came," Jeanine Stewart, Puget Sound Business Journal, October 23, 2015. Available at: <http://www.bizjournals.com/seattle/print-edition/2015/10/23/apocalypse-not-15-and-the-cuts-that-never-came.html>
7. "New York Small Businesses Support Higher Minimum Wages for Cities and Counties," Small Business Majority, Opinion Poll, April 2014, available at: <http://www.smallbusinessmajority.org/small-business-research/downloads/042114-New-York-Minimum-Wage-Poll.pdf>

8. John Schmitt and David Rosnick, *The Wage and Employment Impact of Minimum Wage Laws in Three Cities* (March 2011), available at <http://www.cepr.net/documents/publications/min-wage-2011-03.pdf>.articles/abc-123-xyz.html.
9. Study finds that the minimum wage increase implemented in Washington, DC, in 1993 was too small to raise wages in fast-food, food services, retail, and other low-wage establishments. The citywide increase therefore does not allow the authors to draw conclusions about the employment effects of citywide minimum wages for DC.
10. 9. Michael Reich, Ken Jacobs and Miranda Dietz (eds.), *When Mandates Work: Raising Labor Standards at the Local Level*, University of California Press (2014), available at <http://irle.berkeley.edu/publications/whenmandateswork/>; "San Francisco's Higher Minimum Wage Hasn't Hurt the Economy," *Business Week* (January 22, 2014), available at <http://www.businessweek.com/articles/2014-01-22/san-franciscos-higher-minimum-wagehasnthurt-the-economy>; "S.F. praised as model for U.S. on increasing minimum wage," *SF Gate* (January 28, 2014), available at <http://www.sfgate.com/politics/article/S-F-praised-as-model-for-U-S-on-increasing-5183378.php>
11. 10. Michael Reich, Arindrajit Dube, and Suresh Naidu, "The Economic Effects of a Citywide Minimum Wage," University of California-Berkeley, (2007), available at: http://www.irle.berkeley.edu/cwed/wp/economicimpacts_07.pdf
12. University of New Mexico, Bureau of Business and Economic Research, "Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico," (June 30, 2006), available at: <http://bber.unm.edu/pubs/EmploymentLivingWageAnalysis.pdf>
13. Michael Reich, Arindrajit Dube, and T. William Lester, "Minimum Wage Effects Across State Borders," *Review of Economics and Statistics* (2010): 945-964, available at: <http://www.irle.berkeley.edu/workingpapers/157-07.pdf>