

*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**

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**M**ore than five years after the Great Recession, job growth continues to improve steadily across the country yet remains disproportionately concentrated in low-paying industries.<sup>1</sup> The unbalanced economic recovery, compounded by continued congressional gridlock over raising the federal minimum wage, 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**

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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.<sup>2</sup>

<b>Table 1. Local Minimum Wage Ordinances in the U.S.</b>	
<b>Passed in 2003</b>	<b>Minimum Wage</b>
Santa Fe, NM	\$10.84
San Francisco, CA	\$12.25
<b>Passed in 2012</b>	<b>Minimum Wage</b>
Albuquerque, NM	\$8.75
San Jose, CA	\$10.30
<b>Passed in 2013</b>	<b>Minimum Wage</b>
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
<b>Passed in 2014</b>	<b>Minimum Wage</b>
Las Cruces, NM	\$10.10 (by 2019)
Santa Fe County, NM	\$10.84
Mountain View, CA	\$10.30 (by July 2015)
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)
<b>Passed in 2015</b>	<b>Minimum Wage</b>
Emeryville, CA	\$16.00 (by 2019)
Los Angeles, CA	\$15.00 (by 2020-21)
<b>Current Proposals</b>	<b>Proposed Rate</b>
Washington, DC	\$15.00 (by 2020)
New York, NY – Governor	\$11.50 (by 2016)
New York, NY – Mayor	\$15.00 (by 2019)
Portland, ME	\$10.68 (by 2017)

\* San Diego increase awaits review by voters in 2016

## **The Distinct Role of Local Minimum Wages**

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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 avenues 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 Businesses Responded to Recently Adopted City Minimum Wages?**

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“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)<sup>3</sup>

“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)<sup>4</sup>

“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)<sup>5</sup>

“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)<sup>6</sup>

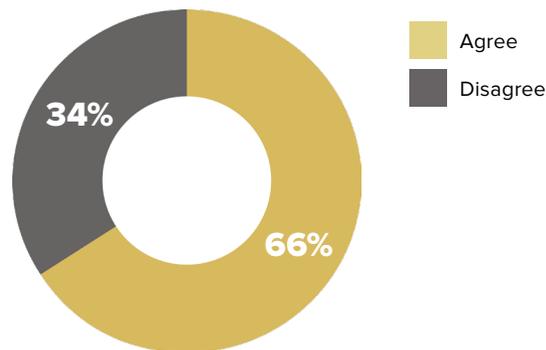
## Small Businesses Favor Citywide Minimum Wages to Match Local Costs of Living

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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 Wages<sup>7</sup>**

**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?**



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Source: Small Business Majority, 2014

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

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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”<sup>8</sup></p> <p>Center for Economic and Policy Research</p>	2011	<p>San Francisco, CA</p> <p>Santa Fe, NM</p> <p>Washington, DC<sup>9</sup></p>	<p>“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>
<p>“When Mandates Work: Raising Labor Standards at the Local Level”<sup>10</sup></p> <p>University of California-Berkeley</p>	2014	San Francisco, CA	<p>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.</p>
<p>“The Economic Effects of a Citywide Minimum Wage”<sup>11</sup></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”<sup>12</sup></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>2010</p>	<p>288 pairs of contiguous U.S. counties with differing minimum wage rates at any point between 1990 and 2006</p>	<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>
<p>University of California-Berkeley, University of Massachusetts-Amherst, and University of North Carolina-Chapel Hill<sup>13</sup></p>			

## Endnotes

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2. “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>
3. “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/>
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5. “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-seatac-wash-adjusts-to-15-minimum-wage/2014/09/05/d12ba922-3503-11e4-9e92-0899b306bbee\\_story.html](http://www.washingtonpost.com/opinions/dana-milbank-no-calamity-yet-as-seatac-wash-adjusts-to-15-minimum-wage/2014/09/05/d12ba922-3503-11e4-9e92-0899b306bbee_story.html)
6. “\$15 Wage Slowly Takes Hold in SeaTac,” Amy Martinez, Seattle Times, June 3, 2014, available at: [http://seattletimes.com/html/localnews/2022905775\\_seatacproplxml.html](http://seattletimes.com/html/localnews/2022905775_seatacproplxml.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, Why Does the Minimum Wage Have No Discernable Impact on Employment? (February 2013), Center for Economic and Policy Research, available at: <http://www.cepr.net/documents/publications/minimum-wage-2013-02.pdf>
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. 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/when-mandates-work/>; “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-wage-hasnt-hurt-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>
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