Citywide Minimum Wage Laws
A New Policy Tool for Local Governments

By Paul K. Sonn

Over the past four years, a new trend in wage legislation has emerged in several cities across the United States. In response to Washington's longstanding refusal to preserve the value of the federal minimum wage at a meaningful level, growing numbers of cities are enacting minimum wage laws of their own. These citywide minimum wage laws require local employers to pay a minimum wage that is higher than the state or federal minimum wage. And significantly, these new laws apply to a far greater number of employers than do better-known and much more numerous “living wage” laws. While living wage laws also require higher minimum wages, they generally extend only to those businesses that receive contracts or business subsidies from cities. The new citywide minimum wage laws are substantially more comprehensive in that they cover most or even all employers in a city. Because of their broad coverage, citywide minimum wage laws offer local governments a valuable new policy tool for helping low-income workers and families in their communities.

This policy brief recounts some key facts about our nation's minimum wage landscape. It then describes the new citywide minimum wage laws in the context of other wage legislation. Finally, it summarizes research findings on the economic impact of enacting these citywide measures.

Years of Neglect: The Diminished Value of Our Minimum Wage

The minimum wage is one of our country’s most important public policies for ensuring the wellbeing of low-income Americans. Yet Washington has let its value drop dramatically over the past several decades. As shown in Table 1, the federal minimum wage would be worth $9.19 today if Congress had consistently updated it to keep pace with inflation over the past thirty-five years. Instead it stands at $5.15 — 44% below its real value in 1968.

<table>
<thead>
<tr>
<th>Wage Required Today to Meet the Basic Needs of a 1-Parent, 1-Child Family in a Typical U.S. City</th>
<th>Hourly Wage</th>
<th>Annual Earnings(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today's Federal Minimum Wage</td>
<td>$5.15</td>
<td>$10,712</td>
</tr>
<tr>
<td>Wage Required Today to Meet the Basic Needs of a 1-Parent, 1-Child Family in a Typical U.S. City</td>
<td>$17.16(^3)</td>
<td>$35,693</td>
</tr>
</tbody>
</table>

\(^1\)As of May 2006
The level of the minimum wage affects pay rates throughout the bottom of the labor market because employers use it as a guide for setting pay scales. The drop in the minimum wage has therefore contributed to the rapid growth of low-wage jobs in our economy. Today almost 30 million Americans — about a quarter of our nation’s workforce — work in jobs paying less than the federal poverty level for a family of four.

Restoring the Wage Floor: State and Local Initiatives

As Congress and the President have failed to maintain the real-dollar value of the minimum wage, state and local policymakers have responded by taking action to restore the wage floor. As outlined in Table 2, these initiatives have taken several forms.

The first phase of local action started in 1994 when cities began enacting “living wage” laws. These local laws establish higher minimum wages that apply to businesses receiving contracts or tax breaks from a city government. The label “living wage” communicates that the higher wage level — typically between $9.00 and $11.00 an hour — is closer to the wage needed to enable a low-income worker to meet basic needs or to help sustain a family. Over the past decade, living wage laws have spread rapidly across the United States. Today more than 130 cities and counties have enacted such measures.

Because of the limited coverage of these laws, the number of workers directly affected ranges from a few hundred to many thousands, depending on the size of the city and its programs. While these numbers are relatively small, living wage campaigns have also played a key role in giving voice to the growing national concern about the needs of the working poor and the inadequacy of the $5.15 federal minimum wage.

During the same period that local living wage laws began to proliferate, advocates and lawmakers increasingly began acting as well at the state level to raise the minimum wage. Either through state legislation or voter ballot initiatives, to date twenty states have adopted minimum wages higher than the federal level. Spanning the country, these states include Arkansas, Florida, Alaska, Hawaii, California, Oregon, Washington State, Minnesota, Wisconsin, Illinois, Michigan, Maryland, Delaware, New Jersey, New York, Connecticut, Massachusetts, Rhode Island, Vermont and Maine. And more states — including Arizona, Colorado, Missouri, Ohio and Nevada — are currently considering doing the same.

The New Trend: Citywide Minimum Wage Laws

Spurred on by the success of these local and state initiatives, a second phase of local action has recently emerged: cities are beginning to enact their own citywide minimum wage laws. Broader than the earlier living wage laws, these new laws require all employers in a community to pay a higher minimum wage.

Although American cities have occasionally enacted minimum wage laws in the more distant past, local lawmakers and activists have shown greater interest in such measures in recent years. Currently four cities have citywide minimum wage laws and proposals are under consideration in others.
### TABLE 2. Types of Wage Laws at the Federal, State & Local Level*

<table>
<thead>
<tr>
<th>Where Does It Apply?</th>
<th>Federal Minimum Wage</th>
<th>State Minimum Wage</th>
<th>Citywide Minimum Wage</th>
<th>City Living Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What Is the Wage Rate (Per Hour)?</strong></td>
<td>Nationwide</td>
<td>20 states</td>
<td>4 cities (laws that were later blocked)</td>
<td>Over 130 cities &amp; counties&lt;sup&gt;5&lt;/sup&gt;</td>
</tr>
<tr>
<td>$5.15</td>
<td>Ranges from $7.63 in Washington to $6.15 in Delaware</td>
<td>$9.50 in Santa Fe, NM $8.82 in San Francisco, CA $7.00 in Washington, DC $6.75 in Albuquerque, NM</td>
<td>Typically $9.00-$11.00 + health benefits</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Which Businesses Are Covered?</th>
<th>All businesses (with some exceptions)</th>
<th>All businesses (with some exceptions)</th>
<th>All businesses (with some exceptions)</th>
<th>Businesses receiving city contracts or business subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How Many Workers Are Affected by an Increase?</strong></td>
<td>Almost 10 million workers when last increased to $5.15 in 1996-97&lt;sup&gt;7&lt;/sup&gt;</td>
<td>Typically 5-15% of the state workforce</td>
<td>Typically 5-15% of the local workforce</td>
<td>Ranges from hundreds of workers in an average medium-sized city to many thousands in a large city like New York</td>
</tr>
<tr>
<td></td>
<td>For example, 1.5 million workers when California increased to $6.75 in 2002&lt;sup&gt;8&lt;/sup&gt;</td>
<td>For example, 54,000 workers when San Francisco increased to $8.50 in 2004&lt;sup&gt;10&lt;/sup&gt;</td>
<td>For example, 177,000 workers when Oregon increased to $6.50 in 1999&lt;sup&gt;9&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>177,000 workers when Oregon increased to $6.50 in 1999&lt;sup&gt;9&lt;/sup&gt;</td>
<td>17,000 workers when Santa Fe increased to $8.50 in 2004&lt;sup&gt;11&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| How Is It Enacted? | Statute | Statute or ballot initiative | Ordinance or ballot initiative | Ordinance or ballot initiative |

<sup>*As of May 2006</sup>

### TABLE 3. Citywide Minimum Wage Laws*

<table>
<thead>
<tr>
<th>City</th>
<th>Year Enacted</th>
<th>Wage Rate (Per Hour)</th>
<th>Types of Businesses Covered</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington, DC</td>
<td>1993</td>
<td>$7.00</td>
<td>All businesses (with minor exceptions)</td>
<td>In effect since 1993 &amp; raised in 2005</td>
</tr>
<tr>
<td>Santa Fe, NM</td>
<td>2003</td>
<td>$9.50 increasing to $10.50 by 2008&lt;sup&gt;16&lt;/sup&gt;</td>
<td>Large businesses</td>
<td>In effect since 2004 after court rejected legal challenge</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>2003</td>
<td>$8.82 increasing each year for inflation&lt;sup&gt;17&lt;/sup&gt;</td>
<td>All businesses but phase-in for non-profits &amp; small businesses</td>
<td>In effect since 2004 &amp; increased automatically for inflation in 2005</td>
</tr>
<tr>
<td>Albuquerque, NM</td>
<td>2006</td>
<td>$6.75 increasing to $7.50 by 2009&lt;sup&gt;18&lt;/sup&gt;</td>
<td>All businesses (with minor exceptions)</td>
<td>Takes effect January 1, 2007&lt;sup&gt;19&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>* As of May 2006</sup>
The Effects of Citywide Minimum Wage Laws

As more cities consider enacting their own minimum wage laws, researchers have begun to analyze the impact of such measures on local workers, businesses and communities.

Impact on Local Workers & Families. Because of their broad coverage, citywide minimum wage laws usually raise the pay of thousands of low-income working families:

- In San Francisco, an estimated 54,000 low-income workers received raises when the citywide minimum wage took effect in 2004. In Santa Fe, the total was estimated to be 17,000 when that city’s wage law took effect that same year.
- In Santa Fe, the minimum wage workers who received raises were overwhelmingly adults (89%), predominantly people of color (67.3%), and typically living in families where the low-wage worker contributed a significant share of the family’s income (51.6% on average).
- 60% of Santa Fe households with low-wage workers currently cannot meet basic family needs and benefited substantially from the minimum wage increase.

Impact on Local Businesses & Economies. Because citywide minimum wage laws are still so new, analyses of their actual effects on local businesses and economies are only now beginning to emerge. Instead, local governments have been guided by economic research examining the impact of minimum wage increases at the state and federal levels. This research has generally found few, if any, negative effects on employment, even for youth of color and other vulnerable workers. As a result, leading American economists now agree that the risk of job losses from increasing the minimum wage is very small.

Moving beyond this body of research on state and federal minimum wages, the first wave of analysis of citywide minimum wage laws has consisted of surveys and projections of their impact prepared before they took effect. These analyses have generally found that the impact on local businesses would be fairly modest:

- An analysis of the Santa Fe law found that the median employer would experience a cost increase equal to just 1% of its sales revenue, and that the impact in the most heavily affected industry — restaurants — would be 3.4% of sales. Figures presented in court by four restaurants challenging the Santa Fe law indicated that the actual cost impact for three of the four would be even less.
- A survey of local businesses commissioned by San Francisco similarly found that 82% of employers would see less than a 1% increase in their operating costs under the new law. Only 5% of all businesses would see cost increases of 5% or more.
- A survey in New Orleans found even smaller impacts — averaging 0.9% of operating costs for employers overall, and 2.2% for restaurants — from a proposed city-wide minimum wage.
- The studies in Santa Fe, San Francisco and New Orleans also concluded that few employers would be likely to relocate outside of the cities to avoid the higher minimum wage levels. This was because the businesses most affected were ones that needed to stay close to their customer base in the city — for example, restaurants, hotels and retailers.

The first examinations of the actual impact of citywide minimum wage ordinances in cities that have implemented them are showing comparable results:
Economists at the University of California surveyed restaurants in San Francisco and surrounding cities before and after San Francisco’s $8.50 citywide minimum wage took effect. Their study found that the new minimum wage raised pay for tens of thousands of low-income workers without causing job losses. The survey found no reduction in staffing levels or hours worked at affected restaurants, nor any increase in the rate at which restaurants in the city closed. These findings are striking since the San Francisco ordinance does not allow any tips received by workers to be counted towards payment of the minimum wage.30

A more limited examination of Santa Fe’s overall economic performance in 2004 after the citywide minimum wage took effect found no evidence of adverse effects. Instead, gross receipts in the retail sector increased by 5.7%, significantly outpacing inflation, while 200 new jobs were added in the retail sector and another 400 in the restaurant industry. Unemployment dropped by 0.6% and the Temporary Assistance for Needy Families caseload dropped by an average of 4.9%. By contrast, at the state level during the same period the caseload actually rose by 4.5%.31

Research also indicates that employers required to increase their wages can cover the higher labor costs through a combination of modest price increases and efficiency improvements that result from higher wages.

The average employer affected by San Francisco and Santa Fe’s minimum wage laws could fully cover the higher labor costs by raising prices less than 1%, although a small portion would need to raise prices by closer to 3.4% in Santa Fe and 5% in San Francisco.32

Focusing on the restaurant industry, San Francisco’s recent survey found that restaurant prices in fact increased by just 2.2% compared with neighboring cities after the citywide minimum wage increase, although prices rose by 6.2% in a smaller group of limited service restaurants. At the limited service restaurants, the survey also found that workforce stability improved as the restaurants increased their use of full-time employees, employees stayed on the job longer, and more employees received health insurance from their employers.33

Other recent research has also found improvements in workforce stability and resulting employer efficiency gains after a minimum wage increase. A study of the effects of a wage law at the San Francisco International Airport found that turnover decreased by 60% among firms that were required to raise wages by 10% or more, and that such firms reported improvements in work performance, employee morale and consumer satisfaction.34

Impact on Local Consumer Spending. Increases in the minimum wage can also function as an economic stimulus for low-income neighborhoods. While higher-income households usually save a substantial portion of a pay increase, low-income households generally spend their higher wages. And they do so in their local communities on necessities such as food, rent and transportation.35

The scale of this new spending can be significant. The February 2004 San Francisco minimum wage increase is estimated to have boosted spending in low-income communities in the Bay Area by as much as $70 to $90 million annually.36 This increase is three to four times as much as the Private Industry Council of San Francisco spends annually on job training services, employer wage subsidies, and other economic development initiatives.37
Legal Feasibility

The power of cities to enact citywide minimum wage laws varies from state to state. In a few states such as New Mexico, Maryland and California, the legislature or the courts have already made clear that cities have the power to enact minimum wages.38 A few others — Louisiana, Florida, Texas, Georgia, Arizona, Colorado, Utah, South Carolina, Oregon and now Wisconsin — have passed laws that actually forbid citywide minimum wage laws.39 But in most states, the issue has not yet been tested. Legal analysis indicates that, in most states, cities may regulate minimum wages under their local “home rule” authority to enact legislation to safeguard the health, safety and welfare of their communities.

Looking Ahead

A complete assessment of the effects of citywide minimum wage laws will require further research that examines the impact of these laws on businesses, workers, and local economies. In the meantime, it is likely that more local governments will explore citywide minimum wage laws as a new tool for helping greater numbers of low-income workers and families in their communities make ends meet.

1 Annual earnings calculation based on 2,080 hours worked each year.


3 Example uses data from Chicago as a typical U.S. city. In 1999, a family with one parent and one child in Chicago needed to earn $29,762 in order to meet basic needs of housing, food, healthcare, childcare and transportation. See Heather Boushey, Chauna Brocht, Bethney Gundersen & Jared Bernstein, Hardships in America: The Real Story of Working Families (Washington, DC: Economic Policy Institute, 2001), Table A4.1. Adjusted for inflation using the U.S. Department of Labor’s Consumer Price Index Calculator (available at http://www.bls.gov/cpi/), that figure is the equivalent of $35,693 in 2006 dollars. Wage rate calculation is based on 2,080 hours worked each year.


6 U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division, Minimum Wage Laws in the States (available at http://www.dol.gov/esa/minwage/america.htm). Note that the recently approved minimum wage increases in New Jersey, which takes effect October 1, 2005, and Minnesota, which takes effect August 1, 2005, had not yet been updated on the U.S. Department of Labor website as of May 2005.


8 Minimum Wage Increases Bring Real Wage Gains to California Workers (Sacramento, CA: California Budget Project, Oct. 2002), p. 1 (available at http://www.cbp.org). Estimate includes indirect impact on workers earning slightly more than the new minimum wage level who also received a pay increase when the wage was raised.

9 Jeff Thompson & Charles Sheketoff, Getting the Raise They Deserved: The Success of Oregon’s Minimum Wage and the Need for Reform (Portland, OR: Oregon Ctr. for Public Policy, Mar. 2001) (available at http://www.ocpp.org). Estimate includes indirect impact on workers earning slightly more than the new minimum wage level who also received a pay increase when the wage was raised.

10 Michael Reich & Amy Laitinen, Raising Low-Pay in a High Income Economy: The Economics of a San Francisco Minimum Wage (Berkeley, CA: Univ. of Calif., Institute for Labor and Employment, May 2003), p. 31 (available at http://www.iir.berkeley.edu/livingwage). This 34,000 total includes both 23,000 workers who were previously earning less than the $8.50 city minimum wage, and 31,000 more who were earning slightly more than $8.50 but who were also expected to receive a pay increase when the wage was raised.

11 Expert Report of Dr. Robert Pollin submitted in New Mexicans for Free Enterprise v. City of Santa Fe, No. D-0101-CV-2003-468, (N.M. 1st Jud. Dist Ct., Mar. 9, 2004), p. 10. This 17,000 total includes both 9,000 workers who were previously earning less than the $8.50 city minimum wage, and 8,000 more who were earning slightly more than $8.50 but who were also expected to receive a pay increase when the wage was raised.

12 ACORN, Living Wage Wins, supra note 5.


14 Nevada voters in 2004 approved a ballot initiative to raise the minimum wage. If approved by voters a second time in 2006, it will become law.
Slowdown Slow It Down

Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase

Wage," 1991 and 1992 federal minimum wage increases and of other recent state or federal minimum wage increases have found


As the President’s Council of Economic Advisors found in 1999, “[T]he weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment. In fact, a recent study of the 1996 and 1997 [federal minimum wage] increases, using several different methods, found that the employment effects were statistically insignificant. Moreover, the unemployment rates of black teenagers and high school dropouts — two groups of workers most likely to be affected by the wage hike — are lower today than they were just prior to the increases.” Economic Report of the President (Washington, DC: U.S. Gov’t Printing Office, 1999), p. 112. Nobel laureate Robert Solow of the Massachusetts Institute of Technology explains, “The main thing about the research is that the evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small.” Quoted in Louis Uchitelle, “A Pay Raise’s Impact," N.Y. Times (Jan. 12, 1995), p. D1. Richard Freeman of Harvard University, perhaps the country’s foremost labor economist, has said “the entire literature on the minimum wage [now agrees] that employment losses are modest.” Quoted in J.W. Mason, “Living Wage Junkonomics,” City Limits (May 2002).


Reich & Laitinen, supra note 10, p. 42. “Neighborhood and small town food and retail stores and restaurants, in particular, would be likely to see sales increase as a result of a minimum wage hike . . . .” Ann Markusen, Jennifer Ehert & Martina Cameron, The Case for a Substantial Minimum Wage Hike for Minnesota, (Minneapolis, MN: Univ. of Minn., Humphrey Institute of Public Affairs, Sept. 2003), p. 6 (available at http://www.hhh.umn.edu/projects/prie/minwagemiddraft.pdf).

This calculation is derived from Reich & Laitinen, supra note 10, p. 32, Table 12. Average starting wages in each current wage level category in the table were multiplied by the average percentage wage increase that would result from an $8.50 minimum wage, and then multiplied again by the number of workers in each category. That last figure was derived by multiplying the percentage of the San Francisco workforce in each category by 596,000, the city’s total workforce. Finally, the total hourly wage increase for the San Francisco workforce generated by the preceding calculation was multiplied by the number of hours worked per year by typical workers affected estimated at ranging between 25 and 35 hours per week.

According to its website, the annual budget of the Private Industry Council of San Francisco for program year 2004-05 was approximately $22 million (available at http://www.picsf.org).

New Mexicans for Free Enterprise v. City of Santa Fe, No. D-0101-CV-2003-468 (N.M. 1st Jud. Dist., June 24, 2004) (upholding power of New Mexico cities to enact minimum wage laws); Baltimore v. Sitnick; 255 A.2d 376 (Md. 1969) (upholding power of Maryland cities to enact minimum wage laws); California Labor Code § 12050(d) (amending California state law to provide that it does not preempt the power of cities to enact minimum wage laws).

In most cases, these state laws still permit local governments to enact living wage laws applying to businesses that receive city contracts or business subsidies.
Resources

Technical assistance is available for local lawmakers and activists exploring citywide minimum wage laws for their communities. These resources include:

**Brennan Center for Justice at New York University School of Law** for assistance with legal analysis, legislative drafting, and legal defense. The Brennan Center assists activists and lawmakers in cities and states across the country in designing, enacting and defending new laws to raise the minimum wage, expand access to health care, and protect low-wage workers and families. The Center has supported the new citywide minimum wage movement by helping San Francisco, Santa Fe, and Albuquerque in drafting and/or defending their citywide minimum wage laws.

www.brennancenter.org  
**Contact:** Paul Sonn  
(212) 998-6328  
paul.sonn@nyu.edu

**ACORN Living Wage Resource Center** for assistance with campaign and organizing strategy. ACORN supports initiatives across the country to raise the minimum wage.

www.livingwagecampaign.org  
**Contact:** Jen Kern  
(617) 740-9500  
jkern@acorn.org

**University of Massachusetts, Political Economy Research Institute (PERI)** for economic analysis and research. PERI has analyzed the impact of minimum wage laws at the state and local levels, and provides economic analysis to campaigns across the country.

www.umass.edu/peri/  
**Contact:** Dr. Robert Pollin  
(413) 577-0126  
pollin@econs.umass.edu

**Economic Policy Institute (EPI)** for economic analysis and research. EPI has analyzed the impact of minimum wage laws at the state and local levels, and provides economic analysis to campaigns across the country.

www.epinet.org  
**Contact:** Jeff Chapman  
(202) 533-2579  
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