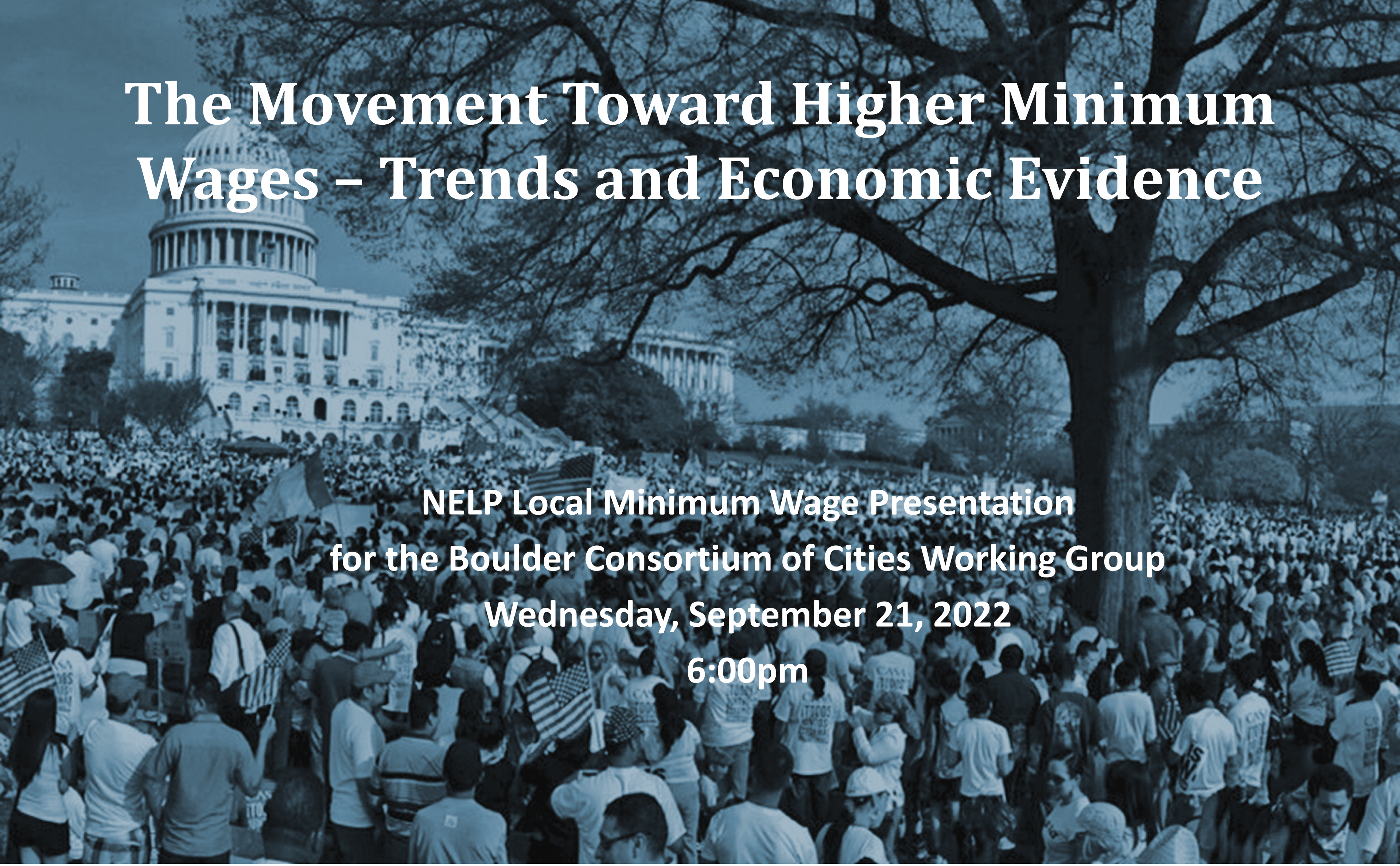

The Movement Toward Higher Minimum Wages – Trends and Economic Evidence

NELP Local Minimum Wage Presentation

for the Boulder Consortium of Cities Working Group

Wednesday, September 21, 2022

6:00pm

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History and Current Landscape of Minimum Wage Floors

- Federal Minimum Wage: $7.25/hr
- State Minimum Wage Movement: 30 states + DC above federal floor
- Local Minimum Wage Movement

  2004: One local MW law
  2022: At least 60 local MW laws

- Wage floors higher than ever before

  42% of U.S. workforce covered by a $15 MW law

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Why the trend toward higher minimum wages on local level?

- Lack of progress on federal level – including for tipped, disabled workers

- National trend toward more expansive use of local lawmaking power on these issues

    in states where state will not take action (not CO)

    in states where cost of living is much higher in locality taking action

- Economic evidence and real world experience point to benefits of raising wages, without feared costs

- Worker organizing, through ballots or legislative actions

- Popularity with the public

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Extensive economic research shows that jurisdictions can increase the minimum wage without negative employment effects

- "Minimum Wage Effects Across State Borders"(2010):

- analyzed minimum wage impacts across state borders by comparing employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different MW rates between 1990 and 2006 as the result of being located in states with different MW rates. Found no adverse employment effects and no evidence that higher minimum wages pushed businesses across the state line.

- "Why Does the Minimum Wage Have No Discernible Effect on Employment" (2013):

- CEPR study spotlighting two meta-studies concluding that "minimum wage has little or no discernible effect on employment" and summarizing varied means of adjustment that offset minimum wage increases, such as increased spending power of low-wage workers, increased worker productivity, and reductions in labor turnover yielding significant employer cost savings

- "The Effect of Minimum Wages on Low-Wage Jobs" (2019):

- Quarterly Journal of Economics analyzed effects of 138 state level MW increases btwn 1979 and 2016, finding no evidence of adverse employment effects, a finding that held even when looking at populations of special concern – people with fewer educational credentials, younger workers and even when the minimum wage was set at a fairly high rate compared with the state's median wage.

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Extensive economic research shows that jurisdictions can increase the minimum wage without negative employment effects (cont'd)

- "Evidence of the Minimum Wage Doing What It's Supposed to Do: Help Workers" (2018)

- Council of Economic Advisors Jared Bernstein examining employment trends overall in three low-wage sectors – retail, leisure and hospitality, and food services – among states that raised their minimum wages between 2013 and 2017 and states that did not, finding that both overall and in the lower-wage sectors, job growth was slightly faster in states that raised their wage and unemployment fell a bit more

- "Are Minimum Wage Effects Greater in Low-Wage Areas? (2021)

- Analysis of impact of higher minimum wages at county level found that even in low-wage counties (more likely to be impacted), MW increase does not lead to adverse effects on employment weekly hours, or annual weeks worked – findings that applied also to women, Black workers and Latinx workers who are typically over-represented in underpaid workforce. Authors also observed reduced household and child poverty in the most impacted counties

- "The New Wave of Local Minimum Wage Policies: Evidence from Six Cities," (2016)

- UC Berkely first comprehensive analysis of effects of minimum wage policies in the six largest U.S. cities first to raise the MW higher than $10 found significant pay increases and no significant employment reductions. Economists examined the food services industry, a major employer of low-wage workers, and compared BLS data on these 6 cities with 173 metro counties across the U.S. that did not experience a minimum wage change.

Businesses adapt to higher minimum wages through multiple channels of adjustment

- Research shows multiple channels of adjustments, including price adjustments, significantly reduced turnover costs, higher worker productivity

- Price adjustments: Typically used by restaurants and grocery stores, but less common in other industries. A 10 percent increase in the wage floor translates to a very small (0.5 percent) increase in prices, with little to no impact on overall inflation or restaurant sales.

- Lower turnover rates: Minimum wage increases improve worker retention, leading to employer services. Reduced turnover estimated to absorb approximately 15 percent of the higher costs of a minimum wage increase. Turnover costs include both direct costs for administrative activities associated with departure, recruitment, selection, orientation, and training of workers, and the indirect costs associated with lost sales and lower productivity as new workers learn on the job

- Increased worker productivity: Studies find improved worker productivity, because among other things higher wages (1) attract more productive workers (2) enhance quality customer service (3) reduce absenteeism (4) are associated with better health, which means less illness (5)mean workers are less concerned about income security

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Selected Resources

- Tsedeye Gebreselassie, Director of Work Quality, tgebreselassie@nelp.org
- National Employment Law Project, "Raises from Coast to Coast in 2022".
- Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects across State Borders: Estimates Using Contiguous Counties" *The Review of Economics and Statistics*, Vol. 92, No. 4 (Nov. 2010): 945–64.
- John Schmitt, Center for Economic and Policy Research, "Why Does the Minimum Wage Have No Discernible Effect on Employment?" (Feb. 2013)
- Doruk Cengiz, Arindrajit Dube, Attila Lindner and Ben Zipperer, *"*The Effect of Minimum Wages on Low-Wage Jobs*,"* The Quarterly Journal of Economics, Vol. 134, Issue 3 (August 2019): 1405–1454,
- Jared Bernstein, "New Evidence of the Minimum Wage Doing What It's Supposed to Do: Help Low-Wage Workers," *The Washington Post*, 3/8/2018

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Selected Resources (cont'd)

- Anna Godøy and Michael Reich, "Are Minimum Wage Effects Greater in Low-Wage Areas?", *Industrial Relations: A Journal of Economy and Society*, Vol. 60, No. 1 (2021): 1-144.
- UC Berkeley, Center on Wage and Employment Dynamics, "The New Wave of Local Minimum Wage Policies: Evidence from Six Cities," (Sept. 2018)
- Heather Boushey and Sarah Jane Glynn, There Are Significant Business Costs in Replacing Employees, Center for American Progress, November 16, 2012
- The Impact of Wages and Turnover on Security and Safety in Airports: A Review of the Literature, UC Berkeley Labor Center, October 18, 2017
- Wayne F. Cascio, "The High Cost of Low Wages," Harvard Business Review, December 2006
- Justin Wolfers and Jan Zilinsky, "Higher Wages for Low-Income Workers Lead to Higher Productivity," Raising Lower-Level Wages: When and Why It Makes Economic Sense, PIIE Briefing 15-2, (April 2015)

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