

Learning from Others:

The Causes and Effects of Successful City Minimum Wage Ordinances

MALCOLM M. KENTON
GUILFORD COLLEGE

The purpose of this section is to draw insights from the experiences of other US cities that have succeeded in enacting a higher citywide minimum wage than that of the state they are in. With the effort to raise its citywide minimum wage to \$9.36 per hour, Greensboro would join a very select group of medium-sized and large US cities, so there are few similar cases from which to learn. The three cities examined here, and their current minimum hourly wages, are Albuquerque, New Mexico (\$7.15), Santa Fe, New Mexico (\$10.50) and San Francisco, California (\$9.36). These are not the only cities that have a higher minimum wage than the surrounding state; they were selected based on their size and the large discrepancy between their enacted minimum wages and those of the surrounding state (New Mexico's statewide minimum is \$6.50 per hour and California's is \$8.00 per hour).

Albuquerque's Minimum Wage Ordinance (MWO) was passed by its City Council in April 2006. This was preceded by a similarly-worded city ballot initiative in 2005. This initiative was defeated at the polls, but by a very slim margin of less than two percent.¹ The local chamber of commerce ran a significant campaign to defeat the initiative and was able to turn out the deciding margin of voters in an off-year election. Five months later, the Council passed an only slightly modified version of the initiative by a 6-3 vote. This move was in response to the lack of state-level action to raise the minimum wage and bolstered by Santa Fe's successful passage of its own MWO. It was also done under pressure from New Mexicans for a Fair Wage, which threatened to place the question on the ballot again if Council failed to act. The group has now turned its efforts towards other municipalities in the state.²

The Albuquerque ordinance dictates that the citywide minimum wage will increase in staggered amounts each year to a peak at \$7.50 per hour beginning

¹ Chris Wolpert, *The Sky is Falling: Chicken Little and the Albuquerque Minimum Wage Ordinance* (New Mexico Bar Association
<<http://www.nmbar.org/AboutSBNM/sections/EmploymentLaborLaw/Enewsletters/ABQMinimumWageOrdinance.pdf>>).

² Sharon Kayne, *Albuquerque City Council Passes Minimum Wage Ordinance* (New Mexico Fiscal Policy Project, April 2006
<http://www.nmvoices.org/fpppressrelease_4_21_06_minwagepass.htm>).

January 1st, 2009, after which further increases will require approval by City Council or by the voters through the initiative process.³ Its coverage is broad, but it exempts many kinds of workers, including those who work for non-profit organizations, and permits employers to pay certain employees \$1 less per hour if they also provide them health insurance. A report by New Mexico Voices for Children shows direct correlation between higher minimum wages and lower poverty levels and greater increases in employment on the state level, and notes that the job growth rate in Santa Fe actually increased after the city raised its minimum wage. According to the report, “New Mexico has a larger portion of its hourly work force paid the minimum wage than any other state in the nation. About 1/8th of the workforce -- 123,000 people -- would directly benefit if the state minimum wage is raised to \$7.50 per hour,” the vast majority being adults beyond college age.⁴ Neither Albuquerque nor Santa Fe have suffered the consequences that business leaders feared in anticipation of the cities’ wage hikes.

Santa Fe’s MWO, adopted by large majority of the City Council in May 2003, exempts non-profits and businesses with fewer than 25 employees and includes the value of benefits in the calculation of a worker’s wage.⁵ The city’s minimum wage has peaked at \$10.50 per hour this year, the highest minimum wage in the United States, and further increases will require Council action. At the time of its passage, the ordinance affected 9,250 workers, about 80% of them full-time equivalent, and imposed an average annual cost increase of \$56,051 per non-exempt firm operating within city limits. Of this cost, mandated wage increases (for employees who previously less than the original city minimum of \$8.50 per hour) accounted for 74.3%, while ripple-effect wage hikes for those who made more than \$8.50 constituted 18.5%. For the average firm, these costs amounted to 1.0% of sales, but for businesses in the accommodation and food-service industries, they amounted to 3 to 4% of sales.⁶

Firms do not respond to city wage hikes only by laying off workers or relocating outside city limits, but also by raising prices, operating more productively

³ Wolpert, *The Sky is Falling*.

⁴ Kayne, *Albuquerque City Council*.

⁵ Robert Pollin, Mark Brenner, Jeannette Wicks-Lim and Stephanie Luce, *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States* (Ithaca, NY: ILR Press, 2008): 70.

⁶ *Ibid*, 79.

or giving a greater share of their total payments to low-wage workers. The latter three are more likely to occur than the former two.⁷ The accommodation and food-service industries, fortunately, are characterized by clientele who view themselves as “being more quality and value conscious as opposed to price conscious” and are also more likely to respond positively to businesses that show social responsibility.⁸ Additionally, the money saved by the reduction in turnover and increased productivity resulting from pay increases to low-wage workers was estimated, even by the most conservative valuation, to offset 30–40% of the cost increase of the higher wages.⁹ With this factored in, the price of a \$20.00 restaurant meal becomes \$20.60, and the price of a \$100-per-night hotel room rises to \$104 per night. These increases were not predicted to be significant enough to effect demand, and being able to offset the higher labor cost by raising prices removes the need to lay off workers or relocate.

San Francisco’s MWO was approved by the city’s voters in 2003. The initiative petition, drafted by the Brennan Center at New York University’s School of Law, got 21,000 signatures of registered city voters in two weeks, more than twice the 10,000 needed to qualify. The petition drive was led by the local chapter of the Association of Community Organizations for Reform Now (ACORN) and assisted by “community groups, unions and anti-poverty advocates.”¹⁰ It now covers all employers in the city, having given a 2-year grace period to non-profits and businesses with less than 10 employees, and is set to increase on January 1st of each year indefinitely in accordance with the Consumer Price Index (it is currently \$9.36 per hour). One small business owner said that the MWO “is a way for those of us in the business community to do our part to help working families make ends meet.”¹¹

A 2005 study by the Institute of Industrial Relations at the University of California at Berkeley “found a city minimum wage would raise pay for 50,000 low-

⁷ Ibid, 85.

⁸ Ibid, 89.

⁹ Ibid, 94.

¹⁰ Amanda Cooper and John Eller, *Grassroots Push for \$8.50 City-Wide Wage Ordinance in San Francisco Starts Out Strong* (Brennan Center for Justice at N.Y. University School of Law, July 2003

<http://www.brennancenter.org/content/resource/grassroots_push_for_850_city_wide_wage_ordinance_in_san_francisco_starts_ou/>)

¹¹ Ibid.

income workers with only moderate costs for most businesses affected.”¹² Full-time employment in San Francisco restaurants increased during that time, while average prices for menu items increased minimally. The MWO caused no business closures. The conclusion of this study, as well as a similar one done on Santa Fe, is that “the effects of both citywide minimum wage laws on employment are small, positive [meaning increased employment] and statistically insignificant.”¹³ The number of different businesses operating in San Francisco increased after the MWO was implemented, and the much-ballyhooed exodus of retail businesses was not experienced. The total number of large retailers in San Francisco increased from 47 in 2003 to 52 in 2006.¹⁴

The trend of the data gleaned from Albuquerque, Santa Fe and San Francisco contradicts the fears expressed by business leaders and others in Greensboro who oppose increasing the city’s minimum wage to \$9.36 per hour. It shows that businesses are able to offset their higher labor costs in ways other than massive layoffs or relocating, and that the effect of higher minimum wages on overall employment and the number of firms operating in each city is negligible and sometimes positive. It is also worth noting that the process that led to each city adopting a MWO generally took about two years, during which backers gathered support from labor unions, churches, and other community organizations, and once the ordinance was introduced, it either received a favorable vote from City Council in a timely manner or was able to gather the requisite number of signatures in a very short time as a ballot initiative. All of these are lessons that supporters of Greensboro’s minimum wage effort can apply to the local situation.

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¹² Kathleen Maclay, *San Francisco living well with minimum wage law* (University of California, UC Newsroom, January 2006 <<http://www.universityofcalifornia.edu/news/article/7763>>)

¹³ Arindrajit Dube, Ethan Kaplan, Micael Reich and Felix Su, *Do Businesses Flee Citywide Minimum Wages* (UC Berkeley Institute of Industrial Relations, IIR Policy Brief, September 2006).

¹⁴ Ibid.

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