NATIONAL EMPLOYMENT LAW PROJECT

TESTIMONY

Testimony of Laura Huizar
National Employment Law Project

Colorado Should Approve HB 18-1368 to Protect Local Democracy and Support Workers in High Cost-of-Living Areas

Hearing before the Senate State, Veterans, & Military Affairs Committee Regarding HB 18- 1368

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Laura Huizar
Staff Attorney

National Employment Law Project
2040 S Street NW, Lower Level
Washington, D.C. 20009
(202) 640-6521
lhuizar@nelp.org

Good afternoon and thank you for the opportunity to submit testimony for today's hearing. My name is Laura Huizar, and I am a staff attorney at the National Employment Law Project (NELP). NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues. I am based in our Washington, D.C., office.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, the minimum wage and minimum wage preemption. We have worked with dozens of city councils and state legislatures across the country and with the U.S. Congress on measures to boost pay for low-wage workers and are familiar with their economic experiences. NELP has also produced research on minimum wage preemption, supported litigation defending local home rule powers, and contributed to the education of the public and policymakers through its media work.

NELP testifies today in support of HB 18-1368, which would expressly grant local governments in Colorado the authority to adopt and enforce local minimum wage laws that could help localities better address the high cost of living in parts of the state and the pressing needs of workers in their jurisdictions.

Since 1999, Colorado law has prohibited local governments in the state from adopting local minimum wage laws.[1] At the same time, the state legislature kept the state's minimum wage frozen at the federal minimum wage rate until voters approved Initiative 42 in 2006, which increased the state's minimum wage to $6.85 per hour and required the state's minimum wage to be adjusted annually for inflation.[2] As of 2016, the state's minimum wage had reached only $8.31 per hour, however, and that level failed to reflect the cost of living in the state, making it difficult, if not entirely impossible, for workers and families to afford the basics despite working long hours.[3] Because the state legislature, again, did not raise the state's minimum wage, voters proposed and approved Amendment 70 in 2016, which will gradually raise the state's minimum wage to $12 per hour.[4]

Despite the progress that Colorado workers and their families achieved through Amendment 70, workers in a number of areas across the state continue to face high costs of living and a minimum wage that does not allow them to meet their basic needs through work. For example, single workers with no children working full time in the Boulder Metro Area already needed $21.88 per hour just to make ends meet in 2017.[5] A single worker with one child working full time in the Boulder Metro Area needed more than $35 per hour to make ends meet as of 2017.[6] In the Denver/Aurora/Lakewood Metro Area, a single worker with no children working full time needed $19.81 in 2017 to afford the basics.[7] A single worker with one child working full time in that same area in 2017 needed more than $34 per hour to make ends meet.[8] Local minimum wages provide a safety valve allowing localities to raise the minimum wage to more adequate levels when gridlock prevents the state legislature or Congress from raising it.

Extensive research shows that cities and counties can increase their minimum wage above the state minimum wage level without harming local or surrounding economies or competitiveness. Research has also documented significant benefits of higher wages for low-wage workers and their families, including positive health and educational outcomes.

While opponents of local minimum wages often cite the potential dangers of a "patchwork" of regulations, cities and counties have historically adopted a wide range of differing local laws tailored to specific local problems and needs. Such laws have addressed issues such as zoning, traffic, construction, licensing, environmental protections, and much more, and businesses have adapted. Legislators who support an economy that works for all should oppose preemption of local minimum wage laws. Moreover, a recent national survey shows that most voters believe their local government should be able to adopt policies that reflect local values and view preemption as a threat to local democracy.

NELP hopes that this committee will support HB 18-1368 in order to support local governments' ability to respond to the needs of their residents through local minimum wage rates that correspond to their unique economies and cost of living. Support for HB 18-1368 will also, more broadly, help ensure that Colorado residents can continue to rely on local democracy to voice their opinions and shape the policies that affect them most directly.

Across the Nation, Cities and Counties Rey on Higher Local Minimum Wages to Help Local Workers and Families

With job growth skewed towards low-paying jobs, over the past decade, a national movement demanding higher wages has gained momentum. This movement has resulted in minimum wage increases at the state level as well as the local level. In 2003, only two U.S. cities, Santa Fe, New Mexico, and San Francisco, had local minimum wage laws requiring a minimum wage higher than their respective state minimum wage rates.[9] Today, more than forty cities and counties in states such as California, New Mexico, Arizona, and Minnesota have adopted local minimum wage laws to help workers better afford the basics.[10]

Local minimum wage laws—which generally impact just a few high-cost communities in a particular state—have proven effective and manageable for businesses. As discussed below, the most rigorous research shows that higher minimum wages raise worker incomes without reducing employment.

Local Power to Raise the Minimum Wage Is Important for High-Cost-of-Living Communities

Local minimum wage policies play a crucial role in allowing higher-cost-of-living communities in a state adopt a baseline wage that better matches their higher housing and living costs. A U.S. Bureau of Labor Statistics analysis found that urban households in 2011 spent 18 percent more than rural households, and higher housing costs by urban consumers "accounted for about two-thirds of the difference in overall spending between urban and rural households."[11]

In Colorado, Amendment 70 has raised the state's minimum wage to $10.20 as of January 1, 2018, and the minimum wage will continue to increase until it reaches $12 per hour in January 2020.[12] Amendment 70 then requires the state to adjust the minimum wage each year to match increases in the cost of living.[13] Nevertheless, Colorado workers in many parts of the state already require more than what the state minimum wage guarantees in order to afford the basics. As show in Table 1, in the Boulder Metro Area, a single worker with no children who works full time already needed $21.88 per hour in 2017 to afford the basics. In the Denver/Aurora/Lakewood Metro Area, a single worker with no children working full time needed to earn $19.81 in 2017 to afford the basics. High-cost cities and counties like these could benefit from HB 18-1368, which would allow them to raise their local minimum wage to a level that is more appropriate given their cost of living and local economies.

The table below compares the cost of living across various Colorado metro areas and counties, and it highlights how workers in especially high-cost-of-living areas like the Boulder Metro Area could benefit from a higher local minimum wage.

Table 1. Hourly Wage Needed to Afford a Basic Household Budget in Colorado, by Family Size

Region	Family Size [a]	2017 Dollars
Denver/Aurora/Lakewood Metro Area	Single Adult	$19.81
	1 Adult 1 Child	$34.60
	2 Adults 2 Children	$23.60
Boulder Metro Area	Single Adult	$21.88
	1 Adult 1 Child	$35.86
	2 Adults 2 Children	$24.42
Colorado Springs Metro Area	Single Adult	$16.60
	1 Adult 1 Child	$28.80
	2 Adults 2 Children	$20.09
El Paso County	Single Adult	$16.60
	1 Adult 1 Child	$28.80
	2 Adults 2 Children	$20.09
Pueblo County	Single Adult	$16.16
	1 Adult 1 Child	$25.48
	2 Adults 2 Children	$18.50
Fort Collins Metro Area	Single Adult	$18.72
	1 Adult 1 Child	$30.97
	2 Adults 2 Children	$21.56
Montezuma County	Single Adult	$18.04
	1 Adult 1 Child	$25.67
	2 Adults 2 Children	$18.53
Yuma County	Single Adult	$17.22

Table 1. Hourly Wage Needed to Afford a Basic Household Budget in Colorado, by Family Size		
	1 Adult 1 Child	$25.15
	2 Adults 2 Children	$18.12

NELP analysis of Economic Policy Institute's *Family Budget Calculator*, available at https://www.epi.org/resources/budget/.

a. The "2 Adults 2 Children" category lists hourly wages per adult worker.

The Most Rigorous Research Shows That Higher Minimum Wages Raise Worker Incomes without Adverse Employment Effects

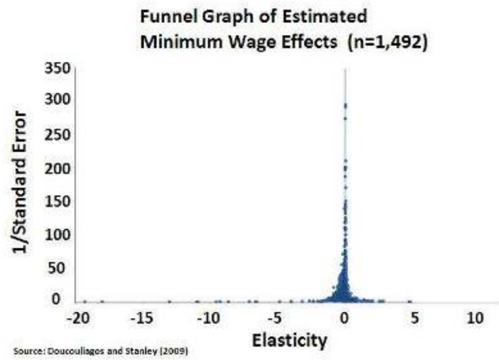
The most rigorous research over the past 20 years—examining scores of state and local minimum wage increases across the U.S.—demonstrates that these increases have raised workers' incomes *without* significant impact on employment.

The most sophisticated of the new wave of minimum wage studies, "Minimum Wage Effects Across State Borders," was published in 2010 by Arindrajit Dube, T. William Lester and Michael Reich—economists at the Universities of Massachusetts, North Carolina and California, respectively—in the prestigious journal, *Review of Economics and Statistics*.[14] That study carefully 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 minimum wage rates between 1990 and 2006. The study's innovative approach of comparing neighboring counties on either side of a state line is generally recognized as especially effective at isolating the true impact of minimum wage differences, since neighboring counties otherwise tend to have very similar economic conditions, and the study has been lauded as state-of-the-art by the nation's top labor economists, such as Harvard's Lawrence Katz, MIT's David Autor, and MIT's Michael Greenstone. (By contrast, studies often cited by the opponents of raising the minimum wage that compare one state to another—and especially those comparing states in different regions of the U.S.—cannot as effectively isolate the impact of the minimum wage, because different states face different economic conditions, of which varying minimum wage rates is but one).

Consistent with a long line of similar research, the Dube, Lester, and Reich study found no difference in job growth rates in the data from the 250 pairs of neighboring counties—such as Washington State's Spokane County compared with Idaho's Kootenai County where the minimum wage was substantially lower—and found no evidence that higher minimum wages harmed states' competitiveness by pushing businesses across the state line.

However, it is not simply individual state-of-the-art studies, but the whole body of the most rigorous modern research on the minimum wage that now indicates that higher minimum wages have had little impact on employment levels. This is most clearly demonstrated by several recent "meta-studies" surveying research in the field. For example, a meta-study of 64 studies of the impact of minimum wage increases published in the *British Journal of Industrial Relations* in 2009 shows that the bulk of the studies find close to no impact on employment.[15] This is vividly illustrated by a graph from the meta-study showing the results clustered around zero:

Figure 2: Funnel Graph of Estimated Minimum Wage Effects



Another recent meta-study of the minimum wage literature by Paul Wolfson and Dale Belman demonstrates similar results.[16]

Last year, a study by University of California economists analyzed over three decades (1979 to 2014) of teen and restaurant employment data, comparing states with high average minimum wages and those with low average minimum wages (typically, equal to the federal minimum wage). The analysis did not find disemployment effects among restaurant workers—who comprise a large share of the low-wage workforce affected by a minimum wage policy—while the effect on teen employment was only a fraction of the already negligible impact claimed by minimum wage opponents.[17] Another 2017 study, which also examined nearly four decades of data (1979 to 2016), and used a different methodology comparing the number of jobs in various wage categories (rather than total employment) prior to and following a minimum wage increase ("bunching method"), also found that jobs were not adversely impacted. The researchers concluded that any observed "job losses" were, in fact, the disappearance of jobs paying at or below the old minimum wage, with an equivalent increase in jobs at or slightly above the new higher minimum wage.[18]

The Evidence from Cities That Have Adopted Significantly Higher Local Minimum Wages Similarly Shows That They Have Not Cost Jobs and That Implementation Has Proven Manageable for Employers

The experiences of cities with higher local minimum wages—and the most rigorous economic research on the impact of city wage laws—have shown that they have raised wages broadly without slowing job growth or hurting local employers.

For example, in April 2015, Seattle began implementation of its new wage floor, which will reach $15 by 2021.[19] A recent study by University of California economists explored the impact of Seattle's higher minimum wage between 2015 and 2016. The study focused on the restaurant industry—the largest low-paying sector where any negative effects on jobs would first appear—and found that Seattle's minimum wage, which ranged from $10.50 to $13.00 during the period analyzed, had raised pay for workers without evidence of a negative impact on jobs.[20] Business press reports on Seattle's economy and job market confirm that the city is continuing to thrive as the $15 minimum wage phases in. Today, the Seattle-Bellevue-Everett area has an unemployment rate of just 3.7 percent, lower than the Washington State unemployment rate of 4.7 percent.[21]

In San Francisco, the minimum wage is $14, and it will increase to $15 in July 2018.[22] According to the latest available data from the Bureau of Labor Statistics, the San Francisco-Oakland-Hayward metro area unemployment rate dropped to 2.7 percent in December 2017[23] from 5.7 percent in July

2014—the year in which the city adopted its $15 minimum wage.[24] In addition, its restaurant sector sales grew from 5.4 percent to 6.6 percent from 2014 to 2015, a faster pace than comparable cities like New York.[25]

In San Jose, voters in 2012 approved a $10 minimum wage by wide margins, despite predictions of economic doom and gloom by opponents. Four years later, the City Council, acknowledging the need for more robust wages, unanimously voted to adopt a $15 minimum wage. In 2016, University of California researchers released a study of the city's $10 minimum wage policy. The authors found that the $10 minimum wage had raised pay without costing jobs.

In Santa Fe, a similar 2006 study conducted after the city raised its minimum wage 65 percent above the state rate compared job growth in Santa Fe with that in Albuquerque (which at that time did not have a higher city minimum wage). It determined that "[o]verall, . . . 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."[26]

Higher Wages from Minimum Wage Increases Significantly Benefit Low-Income Individuals and Households

The higher incomes that result from minimum wage increases have direct and tangible impacts on the lives of affected working households. Significant increases in minimum wages have proven an effective strategy for addressing declining wages and opportunity for low-wage workers by raising pay broadly across the bottom of the city economy. For example, over the decade that San Francisco's strong minimum wage has been in effect, it has raised pay by more than $1.2 billion for more than 55,000 workers, and it has permanently raised citywide pay rates for the bottom 10 percent of the labor force.[27] The widely recognized success of San Francisco's minimum wage led Mayor Ed Lee to broker an agreement with business and labor to place an increase to $15 on the November 2014 ballot, which the voters overwhelmingly approved.

The higher pay resulting from minimum wage increases translates to a range of other important improvements in the lives of struggling low-paid workers and their families. For workers with the very lowest incomes, studies show that minimum wage increases can lift workers and their families out of poverty.[28] Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment and health. For example, a recent study by the National Institutes of Health determined that "[a]n additional $4000 per year for the poorest households increases educational attainment by one year at age 21."[29] Another study found that raising California's minimum wage to $13 per hour by 2017 "would significantly benefit health and well-being."[30] It stated that "Californians would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness."[31] Moreover, "[i]n the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year."[32] Yet another study found that high dropout rates among low-income children can be linked to parents' low-wage jobs and that youth in low-income families have a greater likelihood of experiencing health problems.[33]

Voters across the Country Believe that Their Local Governments Should Be Able to Adopt Policies That Reflect Local Values and View Preemption As A Threat to Local Democracy

In addition to the policy and economic reasons outlined above that weigh in favor of allowing cities and counties to adopt local minimum wage laws, nationwide, voters across party lines believe that local governments are well-positioned to craft and adopt policies that correspond to local needs. A national survey of voters by Anzalone Liszt Grove Research in 2018 found that 58 percent of Republicans, 57 percent of Democrats, and 60 percent of Independents believe that "[l]ocal governments are more connected to the needs of the community and therefore can pass policies that reflect their community's values."[34] The same national poll found that 58 percent of voters believe that state legislatures "threaten local democracy and silence the voices of the people" when they pass preemption laws or strike down local ordinances.[35] Seventy percent of voters nationally also believe that when state legislatures preempt local laws, they are frequently or sometimes responding to corporate special interests and lobbyists who "convince state legislators to block a law because it would hurt their profits."[36]

Conclusion

Based on the foregoing testimony, this committee should approve HB 18-1368 and ensure that cities and counties in Colorado can respond to the needs of their residents and workers by adopting local minimum wage laws. Preemption laws like the 1999 Colorado statute that first prohibited Colorado cities and counties from using their local powers to adopt minimum wage laws constitute a dangerous attack on local democracy. HB 18-1368 would affirmatively protect local democracy and show that a state can thrive while protecting cities' and counties' ability to respond to local needs through local solutions.

Thank you very much for the opportunity to testify today. I would be happy to answer any questions that you may have.

For more information, please contact NELP Staff Attorney Laura Huizar at lhuizar@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

Endnotes

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