

Local Control of Minimum Wage (HB18-1368)

Testimony to the House Local Government Committee
Rich Jones, Director of Policy and Research
April 18, 2018

Thank you for the opportunity to testify today.

I'm Rich Jones, the director of policy and research at the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

The Bell Policy Center supports HB18-1368 to repeal the state law that prohibits local units of government from setting a minimum wage for their communities. Allowing local governments, either through an act of their governing body or through initiative or referendum, to set a higher minimum wage will give them the power to respond to the varied and unique needs of their communities. They will be better able to respond to the challenges faced by those who work in low-wage jobs who are trying to keep pace with the increasing cost of living in many communities. Economic analyses indicate local minimum wage hikes enacted by over [40 U.S. cities and counties](#) have boosted earnings and improved job quality without reducing employment or encouraging businesses to leave cities.

Thirty-four U.S. cities including Albuquerque, NM, Flagstaff, AZ, Minneapolis, MN, Portland, ME, and Tacoma, WA and several counties including Bernalillo and Santa Fe in New Mexico have adopted minimum wages that are higher than the federal or their state's minimum wage. These [local wages](#) better reflect higher local living costs than do the federal or state minimum wages.

Colorado is a varied state with significant differences in the cost of living among its many communities. For example, according to the 2015 [Self-Sufficiency Standard for Colorado](#) published by the Colorado Center on Law and Policy, the hourly wage needed to be self-sufficient for an adult and a preschooler is \$26.86 in Boulder County, \$17.41 in Mesa County, \$20.18 in El Paso County and \$14.80 in Yuma County. The amount needed to be self-sufficient varies by family size, composition and location. Yet the state minimum wage is the same for all.

The same [variation](#) also shows up when you compare the state minimum wage to median wages in different parts of the state. In 2017, the \$9.30 per hour minimum wage represented 50 percent of the 2016 statewide median hourly wage of \$18.76. However, it represented only 42 percent of the Boulder-Longmont metro area \$22.21 median hourly wage and 46 percent of the Denver-Aurora metro area \$20.26 median hourly wage.

Economic evidence indicates higher minimum wages enacted in U.S. cities have boosted earnings without slowing job growth or causing businesses to leave. A [detailed analysis](#) of San Francisco's minimum wage shows 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, employment grew by 17.7 percent in San Francisco, faster than in the other Bay Area counties.

An [analysis](#) of 288 pairs of contiguous U.S. counties with different minimum wages between 1990 and 2006 finds higher minimum wages did not reduce employment. In addition, it finds no evidence of businesses crossing borders or reducing employment in response to higher minimum wages.

Other [rigorous analyses](#) of local minimum wage laws find they raise the incomes of workers in low-wage jobs without affecting employment. For example, Santa Fe's higher local minimum wage increased workers' income with no negative effect on employment, including in the accommodation and food services industries that have a high proportion of workers earning the minimum wage.

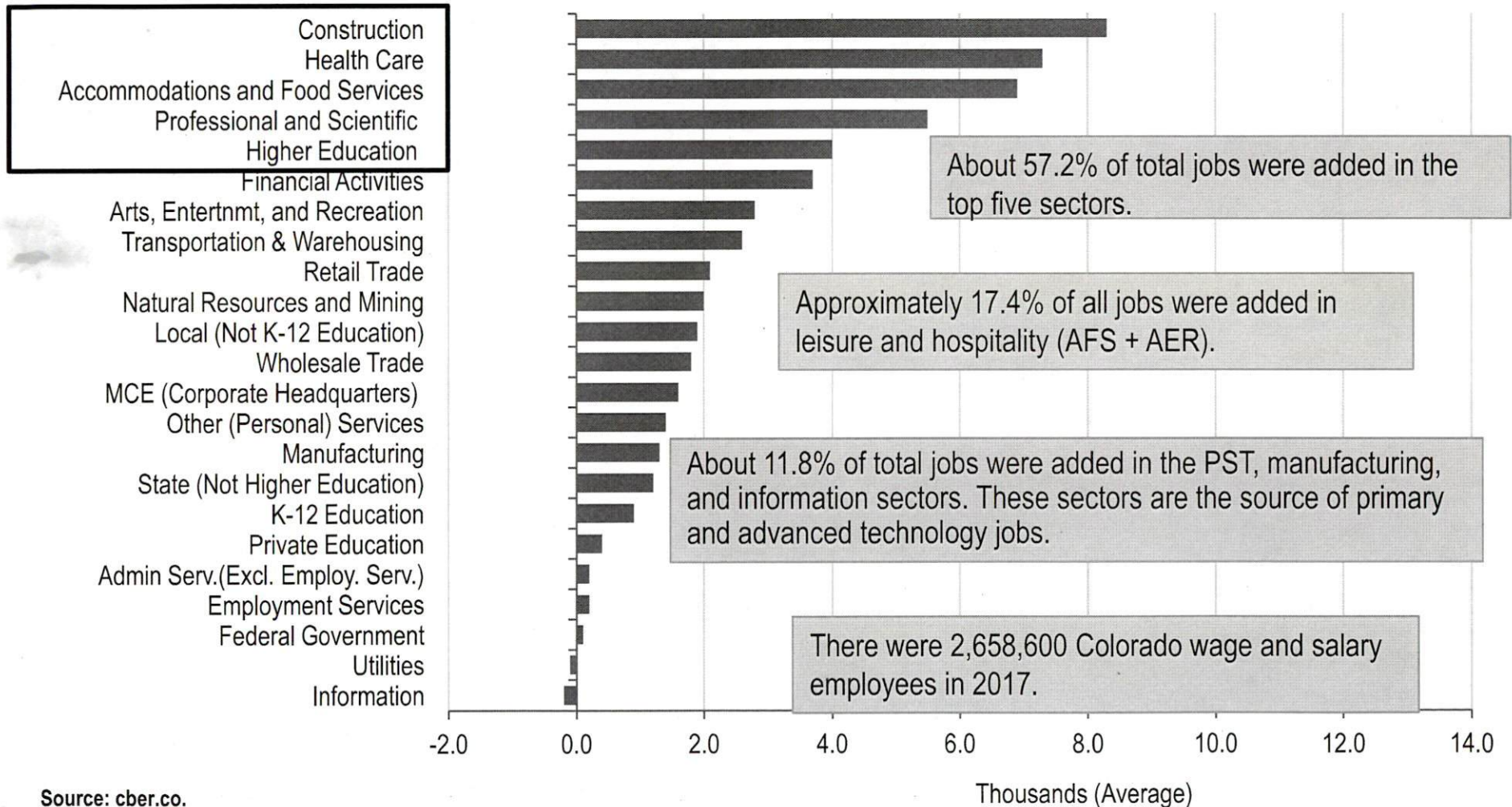
We urge you to support HB18-1368 to give local governments in Colorado the ability to raise the minimum wage to better meet the unique needs of their communities.

We thank the sponsors for bringing this bill to you today. We also thank the committee for the opportunity to share our thoughts with you. I am happy to answer any questions.

Projected Job Changes

2017 Benchmarked Changes by Sector

Job Change All Sectors

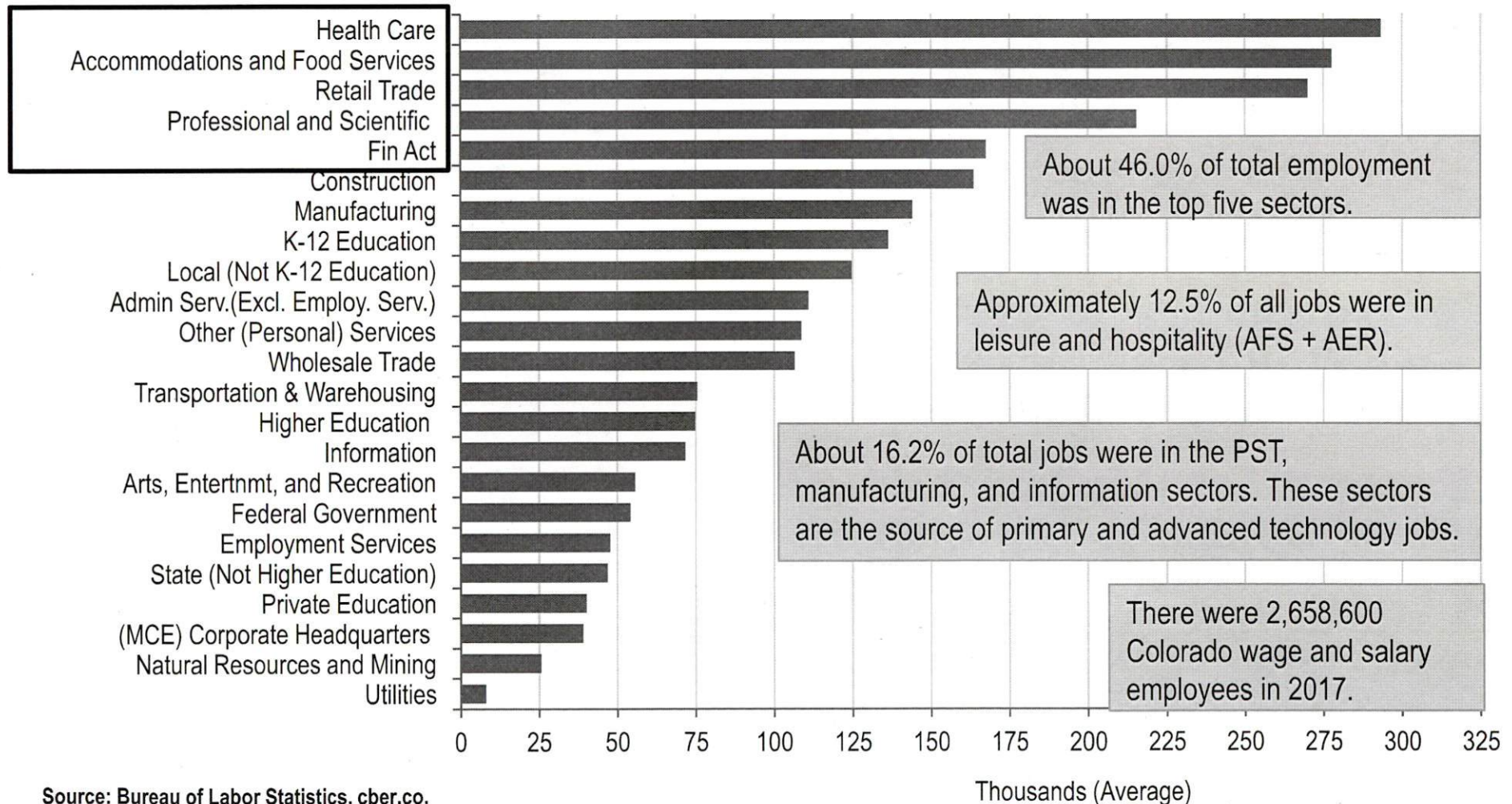


Source: cber.co.

Colorado Wage and Salary Employment

2017 Benchmark Revision

Total Sector Employment



About 46.0% of total employment was in the top five sectors.

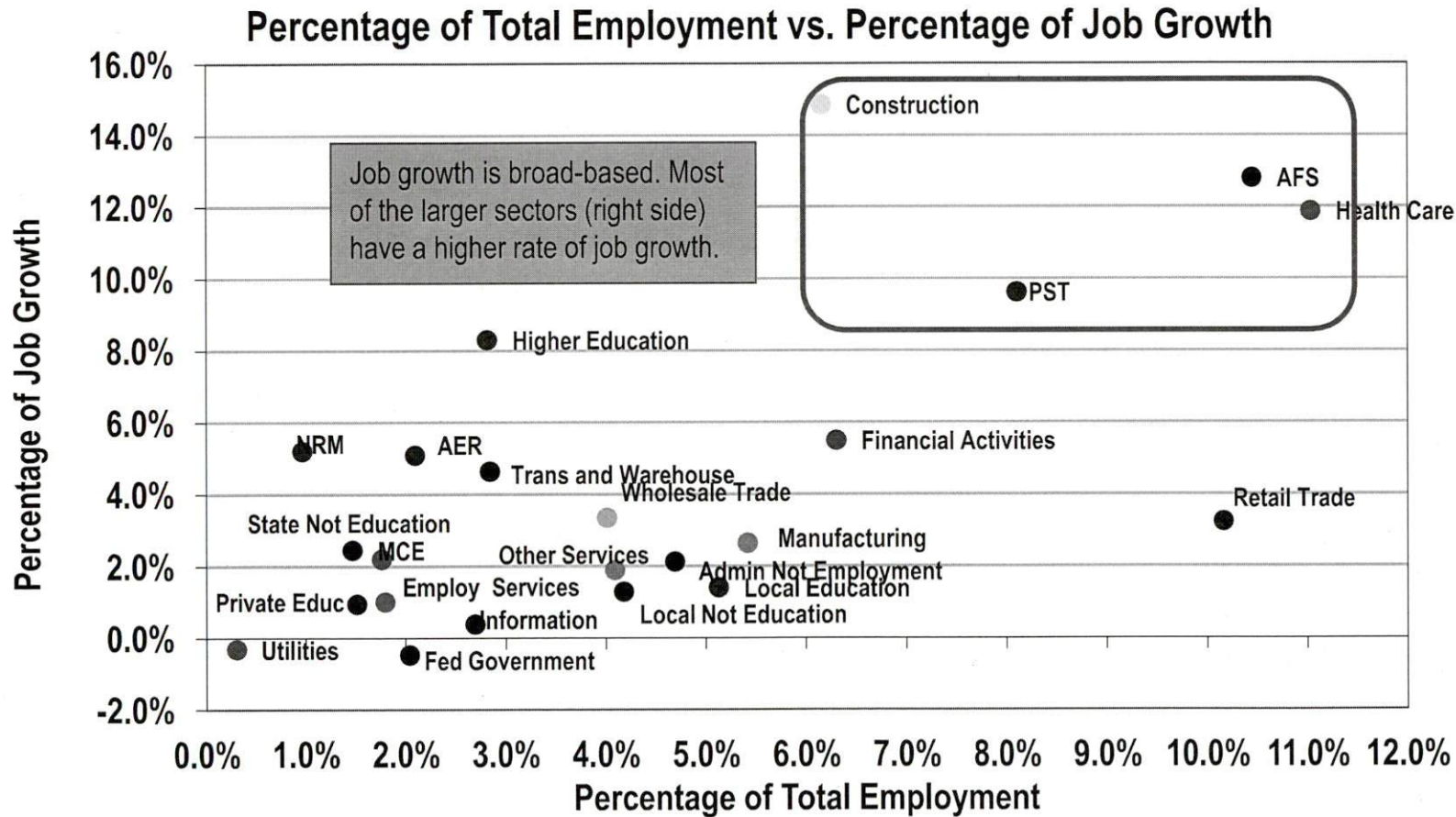
Approximately 12.5% of all jobs were in leisure and hospitality (AFS + AER).

About 16.2% of total jobs were in the PST, manufacturing, and information sectors. These sectors are the source of primary and advanced technology jobs.

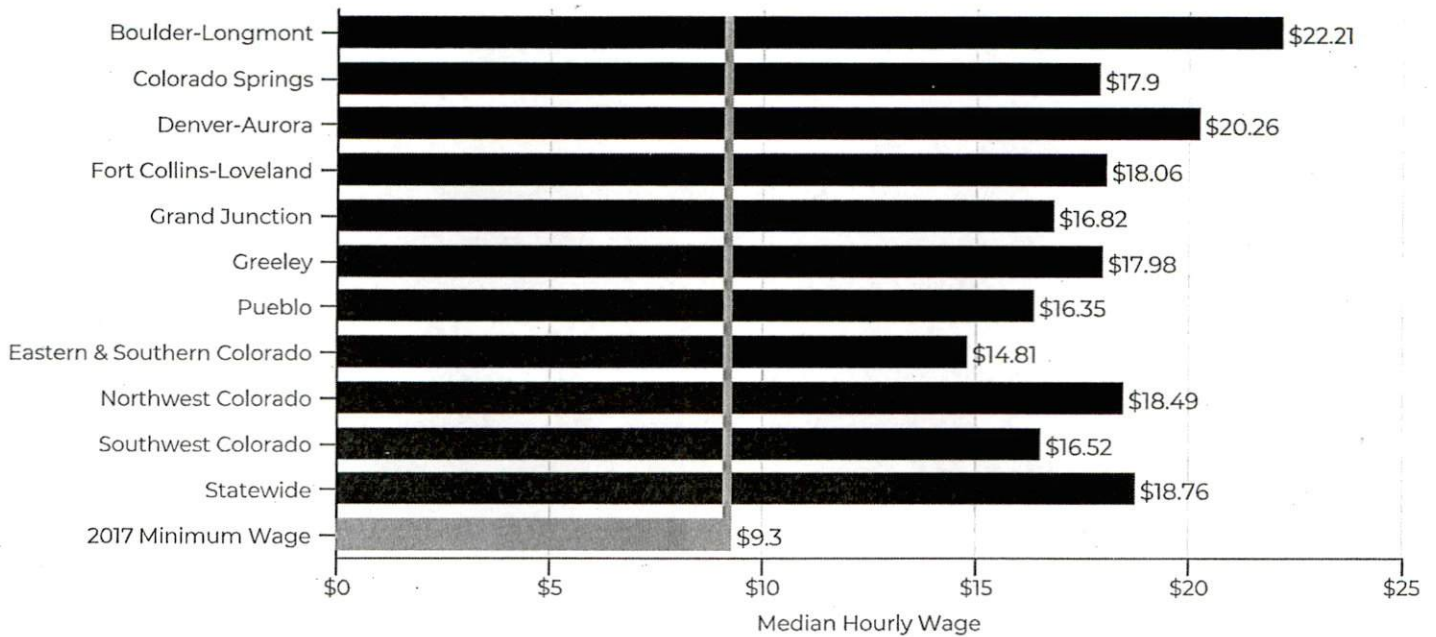
There were 2,658,600 Colorado wage and salary employees in 2017.

Colorado Job Growth by Sector

% of Total Employment vs. % of Job Growth



Ratio of Minimum Wages to Median Wages Across Colorado



Source: Colorado Department of Labor and Employment, Occupational Employment and Wage Rates (OES), 2016

Minimum Wage

In 2016, Colorado voters approved a Constitutional amendment to gradually increase the state minimum wage each year from \$8.31 to \$12.00 per hour by 2020. Following 2020, it will be increased to keep pace with inflation. This was a major accomplishment and will raise the wages for 477,000 hardworking Coloradans. Women, adult workers aged 25 and older, workers of color, and working parents significantly benefit from the increase.

For many parts of the state, raising the minimum wage to \$12.00 makes sense. For other areas, such as the Denver metro area or mountain resort communities, where the cost of living — housing and child care costs have grown much faster than median incomes in these areas — is much higher, it might be more appropriate to have a higher minimum wage.

One way to assess the adequacy of the minimum wage is to compare it to median wages. The 2017 minimum of \$9.30 equals 50 percent of statewide median wages in 2016, but only 42 percent of the median wages in the Boulder-Longmont metro area and 46 percent in the Denver-Aurora metro area.

In recent years, more than 40 cities and some counties nationally have adopted minimum wages that are higher than the federal or state minimum wage. These local wages better reflect living costs, and a recent study shows these increases provide needed raises for low-wage workers with little negative effect on job growth.

Colorado law currently prohibits local governments from setting a minimum wage higher than the federal or state minimum wage. Local officials and voters are in a better position to understand and reflect the needs of their communities, such as workers' ability to afford the local cost of living and businesses capacity to pay higher wages. Local city councils or county commissions could vote to set higher minimum wages in their communities. Citizens could also set higher minimum wages through local ballot measures.

Recommendation

Colorado should remove the prohibition on local governments setting minimum wages that are higher than the state minimum wage. Local governments and citizens should consider whether a higher local minimum wage is appropriate for them.