

NELP

**National Employment
Law Project**

TESTIMONY
OF
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ON

KANSAS CITY ORDINANCE NO. 150217: ESTABLISHING A MINIMUM WAGE FOR THE CITY
OF KANSAS CITY

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KANSAS CITY, MISSOURI

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Good afternoon and thank you for the opportunity to testify today. My name is Tsedeye Gebreselassie, and I am a senior staff attorney at the National Employment Law Project.

The National Employment Law Project (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.

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. 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. NELP has worked with most of the cities in the United States that have adopted higher city minimum wages in recent years and is familiar with their economic experiences.

NELP testifies today in support of Kansas City Ordinance No. 150217, which would enact a citywide minimum wage for Kansas City.

Growing numbers of U.S. Cities in just the last two years have adopted citywide minimum wages of up to \$15 per hour. SeaTac, Washington was the first city to do so, approved a \$15 minimum wage in 2013. San Francisco Mayor Ed Lee brokered an agreement between labor and business to place a \$15 minimum wage on the November 2014 ballot, which the voters overwhelmingly approved; Chicago Mayor Rahm Emmanuel won approval of a \$13 minimum wage in December 2014; and just this week, the Los Angeles city council preliminarily approved a \$15 minimum wage – the largest U.S. city to do so to date. Similar proposals are being considered in cities across the country such as Washington, D.C., New York City, Portland, Maine, Sacramento and Olympia.

The most rigorous modern research on the impact of minimum wages shows that they raise worker earnings with negligible adverse impact on employment levels. As more and more U.S. cities enact local minimum wages, the research has similarly shown that such local measures have no adverse effect on jobs, and implementation of higher local wages has proven manageable for employers. In locations where some employers are covered by a higher minimum wage while others are not, the employers that are covered have not found themselves placed at a competitive disadvantage – instead non-covered employers have generally found themselves forced to match the higher wages in order to compete for employees. The benefits for low-wage workers and their families of higher wages have been very significant, raising wages in the face of broader economic trends that have led to stagnant and falling wages across the bottom of our economy, reducing economic hardship, lifting workers out of poverty, and improving other life outcomes.

Low paying industries are disproportionately fueling job growth today, with more and more adults spending their careers in these positions. Raising the wage floor, which has badly eroded over the decades even as corporate profits have skyrocketed, is urgently needed to ensure that local economies can rely on workers' spending power to recover and that the growing numbers of workers relying on low wages to make ends meet can contribute fully to this recovery. It is also necessary to address the fact that many workers are forced to rely on public assistance to make ends meet at a cost to the taxpayer, even as businesses can clearly afford to pay higher wages.

Finally, raising the minimum wage would go long way toward restoring the minimum wage to where it was at its peak, when unemployment rates were low, and the minimum wage reflected much higher purchasing power and was equal to half of what the median worker earned.

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

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* reducing employment. This substantial weight of scholarly evidence reflects a significant shift in the views of the economics profession, away from a former view that higher minimum wages cost jobs. As Bloomberg News summarized in 2012:

[A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises. “Raise the Minimum Wage,” Bloomberg News (Apr. 16, 2012).¹

The most sophisticated of the new wave of minimum wage studies, “Minimum Wage Effects Across State Borders,” was published in 2010 by economists at the Universities of California, Massachusetts and North Carolina in the prestigious *Review of Economics and Statistics*.² 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 as the result of being located in neighboring states with different minimum wages. 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 has been lauded as the 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 such as those 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).

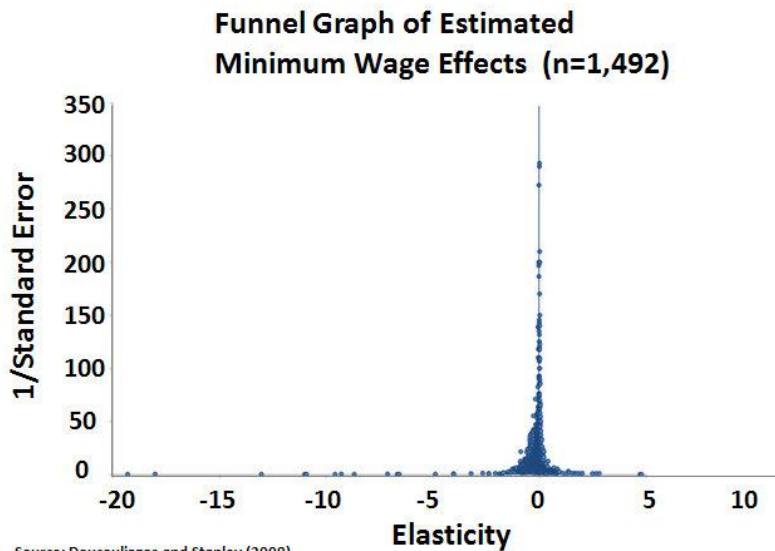
Consistent with a long line of similar research, the Dube, Lester & Reich study found no difference in job growth rates in the data from the 250 pairs of neighboring counties – such as Washington State’s Spokane County with Idaho’s Kootenai County where the minimum wage was substantially lower -- and found no evidence that higher minimum wages harmed states’ competitiveness by pushing businesses across the state line.³

¹ Available at <http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html>

² Arindrajit Dube, T. William Lester, and Michael Reich, “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties,” *The Review of Economics and Statistics*, 92(4): 945–964 (Nov. 2010). A summary of the study prepared by NELP is available at http://nelp.3cdn.net/98b449fce61fca7d43_j1m6iizwd.pdf

³ Similar, sophisticated new research has also focused in particular on teen workers – a very small segment of the low-wage workforce affected by minimum wage increases, but one that is presumed to be especially

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 Labor Relations* in 2009 shows that the bulk of the studies find close to no impact on employment.⁴ This is vividly illustrated by a graph from the meta-study showing the results clustered around zero:



Another recent meta-study of the minimum wage literature demonstrates similar results. Paul Wolfson & Dale Belman, “What Does the Minimum Wage Do?”⁵

Further underscoring how minimum wage increases are simply not a major factor affecting job growth, economists at the Center for Economic & Policy Research and Goldman Sachs have noted that the U.S. states that have raised their minimum wages above the minimal federal level are enjoying stronger job growth this year than those that have not. Center for Economic & Policy Research, “2014 Job Creation Faster in States that Raised the Minimum Wage.”⁶

vulnerable to displacement because of their lack of job tenure and experience. However, the research has similarly found no evidence that minimum wage increases in the U.S. in recent years have had any adverse effect on teen employment. See Sylvia Allegretto, Arindrajit Dube, and Michael Reich “Do Minimum Wages Reduce Teen Employment?,” *Industrial Relations*, vol. 50, no. 2 (Apr. 2011). NELP Summary *available at* http://nelp.3cdn.net/eb5df32f3af67ae91b_65m6iv7eb.pdf

⁴ Hristos Doucouliagos & T.D. Stanley, “Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis,” *British J. of Indus. Relations*, Vol. 47, Iss. 2, May 2009.

⁵ Paul Wolfson & Dale Belman, “What Does the Minimum Wage Do?,” *Upjohn Inst. for Employ. Res.* (2014).

⁶ *Available at* <http://www.cepr.net/index.php/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage>

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

Over the past several years, the number of U.S. cities with higher local minimum wages has quadrupled, as communities respond to rising rents and living costs by working to raise the minimum wage closer to a self-sufficiency level.⁷

Moreover, over the past two years – and especially in the wake of Seattle – growing numbers of U.S. cities have raised their wages to close to \$15:

Jurisdiction	Wage	Details
Major City Minimum Wage Laws		
Los Angeles, CA	\$15 (2020)	Preliminarily approved May 2015
Emeryville, CA	\$16 (2019)	Approved May 2015
San Francisco, CA	\$15 (2018)	Approved Nov. 2014
Seattle, WA	\$15 (2018-21)	Approved June 2014
SeaTac, WA	\$15 (2014)	Approved Nov. 2013
Chicago, IL	\$13 (2019)	Approved Dec. 2014
Major City Minimum Wage Proposals		
Washington, DC	\$15 (2019)	Proposed 2016 ballot initiative
New York City	\$15 (2019)	Proposal passed by NY State Assembly & endorsed by NYC Mayor Bill de Blasio
New York City & State – fast food	TBD	Proposal by NY State Gov. Andrew Cuomo to use his executive wage order authority to raise the wage
Portland, ME	\$15	Proposed ballot initiative
Sacramento, CA	\$15	Proposed ballot initiative
Davis, CA	\$15	Proposed ballot initiative
Olympia, WA	\$15	Proposed ballot initiative
Tacoma, WA	\$15	Proposed ballot initiative

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.

⁷ NELP, “City Minimum Wage Laws: Recent Trends and Economic Evidence on Local Minimum Wages, available at <https://www.nelp.org/content/uploads/2015/03/City-Minimum-Wage-Laws-Recent-Trends-Economic-Evidence.pdf>

The two U.S. cities that have had higher local minimum wages for the longest period are San Francisco, California and Santa Fe, New Mexico. Both adopted significantly higher local minimum wages in 2003 and the impact of the minimum wages has been the subject of sophisticated economic impact studies. In San Francisco, a 2007 study by University of California researchers gathered employment and hours data from restaurants in San Francisco as well as from surrounding counties that were not covered by the higher minimum wage and found that the higher wage had not led San Francisco employers to reduce either their employment levels or employee hours worked.⁸ A follow-up 2014 study examined the combined impact on San Francisco employers of the city's minimum wage ordinance and of other city compensation mandates that cumulatively raised employment costs 80% above the level of the federal minimum wage. The study again found no adverse effect on employment levels or hours, and found that food service jobs – the sector most heavily affected – actually grew 17% faster in San Francisco than surrounding counties during that period.⁹

In Santa Fe, a similar 2006 study after the city raised its minimum wage 65% 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, this analysis found that 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.”¹⁰

Finally, a sophisticated 2011 study of higher minimum wages in San Francisco, Santa Fe and Washington, D.C. compared employment impacts to control groups in surrounding suburbs and cities. It similarly found that “The results for fast food, food services, retail, and low-wage establishments . . . support the view that citywide minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment”¹¹

Additionally, when higher minimum wages are actually phased in, the real-world data from other cities shows that predictions of massive job losses have not been borne out.

For example, in San Jose, California, business groups made similar predictions before the voters in 2012 approved raising the city's minimum wage. But the actual results did not bear out those fears. As the Wall Street Journal reported this spring, “Fast-food hiring in the region accelerated once the higher wage was in place. By early this year, the pace of employment gains in the San Jose area beat

⁸ Michael Reich, Arindrajit Dube & Suresh Naidu, “The Economic Effects of a Citywide Minimum Wage,” Univ. of Calif.-Berkeley (2007), available at http://www.irl.berkeley.edu/cwed/wp/economicimpacts_07.pdf

⁹ Michael Reich, Ken Jacobs & Miranda Dietz (eds.), *When Mandates Work: Raising Labor Standards at the Local Level*, Univ. of Calif. Press (2014), at 31, available at <http://irl.berkeley.edu/publications/when-mandates-work/>. See also “San Francisco’s Higher Minimum Wage Hasn’t Hurt the Economy,” *Business Week* (January 22, 2014), available at <http://www.businessweek.com/articles/2014-01-22/san-franciscos-higher-minimum-wage-hasnt-hurt-the-economy>; “S.F. praised as model for U.S. on increasing minimum wage,” *SF Gate* (January 28, 2014), available at <http://www.sfgate.com/politics/article/S-F-praised-as-model-for-U-S-on-increasing-5183378.php>

¹⁰ Available at: <http://bber.unm.edu/pubs/EmploymentLivingWageAnalysis.pdf>

¹¹ John Schmitt & David Rosnick, “The Wage and Employment Impact of Minimum-Wage Laws in Three Cities,” Center for Econ. & Policy Research (Mar. 2011), at 1. Available at <http://www.cepr.net/documents/publications/min-wage-2011-03.pdf>. For a helpful overview of this literature on the impact of city minimum wages, see Michael Reich, Ken Jacobs & Annette Bernhardt, “Local Minimum Wage Laws: Impacts on Workers, Families and Businesses: Report prepared for the Seattle Income Inequality Advisory Committee,” (Mar. 2014), at 17-19, available at <http://murray.seattle.gov/wp-content/uploads/2014/03/UC-Berkeley-IIAC-Report-3-20-2014.pdf>

the improvement in the entire state of California.”¹² USA Today similarly found, “Interviews with San Jose workers, businesses, and industry officials show [the city minimum wage] has improved the lives of affected employees while imposing minimal costs on employers.”¹³

The same pattern of dire predictions followed by manageable real world implementation was repeated in 2014 when SeaTac, Washington adopted its \$15 minimum wage – the nation’s first at that level. As the Seattle Times reported, “For all the political uproar it caused, SeaTac’s closely watched experiment with a \$15 minimum wage has not created a large chain reaction of lost jobs and higher prices”¹⁴ The Washington Post confirmed “Those who opposed the \$15 wage in SeaTac and Seattle admit there has been no calamity so far.”¹⁵

Higher Wages from Minimum Wage Increases Have Very Significant Beneficial Effects for Low-Income Individuals and Households

The higher incomes that result from minimum wage increases have very direct and tangible impacts on the lives of the workers affected and their families. Currently, wages are falling in real terms for most of the labor force.¹⁶ Averaged across all occupations, real median hourly wages declined by 3.4% from 2009 to 2013, and lower-wage occupations experienced greater declines in their real wages than did higher occupations. Moreover, job growth over the past year – and in the recovery overall – continues to be unbalanced, with especially pronounced job gains in lower-wage industries and slow growth in mid-wage industries. There are approximately 1.2 million fewer jobs in mid and higher-wage industries than there were prior to the recession, while there are 2.3 million more jobs in lower-wage industries.¹⁷ Thus, low-wage workers and families are being squeezed between flat pay and rising living costs.

Higher city minimum wages have proven an effective strategy for addressing this squeeze by raising pay broadly across the bottom of the city economy. For example, over the decade that San Francisco’s minimum wage has been in effect, it has raised pay by more than \$1.2 billion for more than 55,000 workers, and has permanently raised citywide pay rates for the bottom 10% of the labor force.¹⁸ 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 households. For workers with the very lowest incomes, studies show that minimum wage increases lift workers and their families

¹² Eric Morath, “What Happened to Fast-Food Workers When San Jose Raised the Minimum Wage? Hold the Layoffs”, Wall Street Journal (April 9, 2014).

¹³ Paul Davidson, “In San Jose, Higher Minimum Wage Pays Benefits,” USA Today (June 14, 2014).

¹⁴ Amy Martinez, “\$15 Wage Slowly Takes Hold in SeaTac,” Seattle Times (June 3, 2014).

¹⁵ Dana Milbank, “Raising the minimum wage without raising havoc,” Washington Post (Sept. 5, 2014).

¹⁶ National Employment Law Project, “An Unbalanced Recovery: Real Wage and Job Growth Trends,” (August 2014), available at <https://www.nelp.org/content/uploads/2015/03/Unbalanced-Recovery-Real-Wage-Job-Growth-Trends-August-2014.pdf>.

¹⁷ *Id.*

¹⁸ Michael Reich, Ken Jacobs & Miranda Dietz (eds.), *When Mandates Work: Raising Labor Standards at the Local Level*, Univ. of Calif. Press (2014), available at <http://irle.berkeley.edu/publications/when-mandates-work/>

out of poverty.¹⁹ Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment, health, and rates of crime and incarceration. 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 and reduces having ever committed a minor crime by 22% at ages 16-17.”²⁰ Another study found that raising California’s minimum wage to \$13/hr by 2017 “would significantly benefit health and well-being. As a result of the proposed law, about 7.5 million lower-income Californians could expect an increase in family income. Californians would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness. In the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year.”²¹ 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.²²

Low-Paying Industries are Disproportionately Fueling Job Growth Today, With More and More Adults Spending their Careers in These Positions

As low-paying industries like retail, fast-food and home health care continue to make up the bulk of recent job growth across the country, even more workers and their families will find themselves relying on low-paying jobs to make ends meet. Low-wage occupations have made up the majority of job growth in the post-recession recovery,²³ and the Bureau of Labor Statistics estimates that low-wage jobs will make up 6 of the 10 occupations with the largest project growth over the next decade.²⁴

This means that more and more Kansas City workers will be relying on these jobs to make ends meet. The vast majority of these workers are adults. For example, 89% of workers who are expected to benefit from Congress’s proposal to raise the federal minimum wage to \$12 by 2020 are over the age of 20, and forty-five percent of them have at least some college experience.²⁵ This reflects the fact that the average low-wage worker today is both older and better educated than the average low-wage worker was in the past.²⁶ In 2011, 88 percent of low-wage workers were over the age of 20, compared with 74% in 1979. One in three low-wage workers had some college education in 2011, compared with one in five in 1979.

¹⁹ Arindrajit Dube, “Minimum Wages and the Distribution of Family Incomes” (Dec. 2013), at 31 (“... robust evidence that minimum wages tend to reduce the incidence of poverty, and also proportions with incomes under one-half or three-quarters of the poverty line.”), *available at* https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWagesFamilyIncomes.pdf

²⁰ William Copeland & Elizabeth J. Costello, “Parents’ Incomes and Children’s Outcomes: A Quasi-Experiment,” *Am. Econ. J. Appl. Econ.* (Jan. 2010), at 1.

²¹ Rajiv Bhatia, Human Impact Partners, “Health Impacts of Raising California’s Minimum Wage” (May 2014), at 1.

²² Lisa Dodson & Randy Albelda, “How Youth Are Put at Risk by Parents’ Low-Wage Jobs,” Center for Social Policy, Univ. of Mass., Boston, (Fall 2012), at 9-13.

²³ http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1

²⁴ http://www.bls.gov/emp/ep_table_104.htm

²⁵ Economic Policy Institute & the National Employment Law Project, Fact Sheet (April 2015), *available at* <http://www.epi.org/publication/its-time-to-raise-the-minimum-wage/>

²⁶ Center for Economic and Policy Research, “Low-wage Workers are Older and Better Educated than Ever,” (April 2012), *available at* <http://www.cepr.net/documents/publications/min-wage3-2012-04.pdf>

Low Wages Paid By Large Profitable Employers Present a Significant Cost to the Public by Forcing Workers to Rely on Public Assistance in Order to Afford Basic Necessities

When workers and their families do not earn enough to afford the basics, they often have no choice but to rely on public assistance in order to make ends meet. Nationally, nearly three quarters (73 percent) of enrollments in America's major public benefits programs are from working families. With wages that leave their earnings below subsistence levels, these workers must rely on additional support from programs like the Supplement Nutritional Assistance Program, Medicaid, Children's Health Insurance Programs, and the Earned Income Tax Credit in order to afford basics like food, housing, and health care.

Data available for some of the largest employers in the retail and fast-food industries indicate that the low wages paid by profitable companies like Walmart and McDonalds entail substantial costs for the public as a whole.

A 2013 report from the Democratic Staff of the U.S. House Committee on Education and the Workforce estimates that low wages paid at a single Walmart supercenter cost taxpayers between \$900,000 and \$1.7 million on average per year.²⁷

Similarly, a 2013 study from the University of California-Berkeley found that the low-wages paid by companies in the fast-food industry cost taxpayers an average of \$7 billion per year.²⁸ A companion study from the National Employment Law Project found that the bulk of these costs stem from the 10 largest fast-food chains, which account for an estimated \$3.9 billion per year in public costs.²⁹

Higher Wages Are Consistent With a Profitable Business Model for Large Employers in Competitive Industries Like Retail and Fast-Food

There are significant savings that result from paying higher wages – including reduced employee turnover and increased productivity – and these savings help offset the cost to employers of raising wages. The increased efficiency and productivity gained by paying higher wages helps explain why many leading companies such as Costco and Trader Joe's choose to invest in higher wages for their front-line employees as part of a highly competitive business strategy. For example, a Harvard Business Review study by MIT Professor Zeynep Ton shows that the starting wage for full-time employees at Trader Joe's ranges between \$40,000 and \$60,000 per year, more than twice what many of its competitors offer, and yet the sales revenue per square foot at Trader Joe's are three times higher than the average U.S. supermarket.³⁰

Thank you so much for the opportunity to testify today. I'd be happy to answer any questions that you may have.

For more information, please contact NELP Senior Staff Attorney Tsedeye Gebreselassie at tsedeye@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

²⁷<http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/WalmartReport-May2013.pdf>

²⁸http://laborcenter.berkeley.edu/publiccosts/fast_food_poverty_wages.pdf

²⁹<http://www.nelp.org/page/-/rtmw/uploads/NELP-Super-Sizing-Public-Costs-Fast-Food-Report.pdf>

³⁰Zeynep Ton, "Why Good Jobs are Good for Retailers," Harvard Business Review, January 2012, available at <http://hbr.org/2012/01/why-good-jobs-are-good-for-retailers/ar/1>