



Testimony of Laura Huizar

National Employment Law Project

Missouri Should Preserve the Right of Cities and Counties, Including the City of St. Louis, to Enact Local Minimum Wage Laws

Hearing before the Committee on Local Government and Elections re: HB 1193 and HB 1194

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Good afternoon and thank you for the opportunity to testify today. 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.

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 state legislatures and city councils 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 opposition to the provisions in HB 1193 and HB 1194 which would preempt political subdivisions in Missouri, including the City of St. Louis, from enacting laws that would require a higher minimum wage or other employment benefits. Local minimum wage laws play a key role in ensuring that a worker can afford the basics in cities or counties where the cost of living is higher than in other parts of the state. More than 40 cities and counties across the country have successfully enacted local minimum wage laws.

It was in response to a high cost of living for City of St. Louis workers that the city enacted a local minimum wage ordinance in 2015 that would raise the city's minimum wage to \$11 by 2018. Although business groups challenged the validity of this law, the Missouri Supreme Court held on February 28, 2017 that cities like St. Louis have the power to raise wages for struggling workers, finding, in part, that the state's minimum wage law was intended to serve as a floor, not a ceiling.¹

The Economic Policy Institute's Family Budget Calculator estimates that a single worker working full-time in the St. Louis Metro Area in 2014 needed more than \$13 to get by.² The Missouri minimum wage is only \$7.70 per hour.³ HB 1193 and HB 1194 would therefore take away a much-needed raise for St. Louis workers and mark the first time that a state legislature has invalidated a local minimum wage raise that has already gone into effect.

Preemption of local minimum wage laws in Missouri would also mean a sharp turn away from established law in the State recognizing the right of and need for cities and counties to respond to local conditions through minimum wage legislation. In addition, preemption of higher local minimum wages would not only hurt workers in the State, but also local communities and economies that stand to benefit from the increase in consumer spending that can result from minimum wage increases.

The most rigorous modern research on the impact of raising minimum wages shows that raises increase 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. 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. Low wages paid by large, profitable employers also present a significant cost to the state and public by forcing workers to rely on public assistance in order to afford basic necessities. 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.

While proponents of minimum wage preemption often claim that their main concern is to avoid a "patchwork" of wage levels within a state, which businesses argue will make it difficult for employers in higher wage communities to compete, these concerns are not supported by the economic evidence. As noted above, the most rigorous modern research on the impact of raising the minimum wage shows that this policy boosts worker earnings with little adverse impact on employment levels. Moreover, in reality businesses are accustomed to dealing with varying rules across cities and counties. Cities in most of the country have extensive "home rule" powers allowing them to legislate over a wide range of areas in order to adequately respond to local needs. Businesses have adapted to varying rules concerning traffic, business licenses, construction, zoning, and many other local laws. Local minimum wages are no different.

Over the past four decades, the typical worker in this country has seen their pay stagnate or decline even as worker productivity rates have gone up and our economy has expanded. The vast majority of income growth has gone towards the top 1 percent. We can counter this trend with policies—including raising the minimum wage—to help ensure that prosperity is broadly shared.

The Growing List of Cities and States Enacting Minimum Wage Increases Reflects a Deepening Wage Crisis and Popular Support for Bold Change

The U.S. economy has seen steady growth and improvement in the unemployment rate in recent years, but wages have been flat or declining for much of the labor force.⁴ Averaged across all occupations, real median hourly wages declined by 4 percent from 2009 to 2014, and lower-wage occupations experienced greater declines in their real wages than did higher-wage occupations.⁵ The worsening prospects and opportunities for low-wage workers have prompted a record number of cities, counties, and states to enact higher minimum wage rates for their residents.

In 2003, only two U.S. cities, Santa Fe, New Mexico, and San Francisco, had local minimum wage laws higher than their respective state minimum wage rates. Today, more than forty cities and counties in states such as California, New Mexico, Arizona, and Iowa have adopted local minimum wage laws to help workers better afford the basics.⁶ Since November 2012, about 19 million workers throughout the country have earned wage increases through a combination of states and cities raising their minimum wage rates; executive orders by city, state and federal leaders; and individual companies raising their pay scales.⁷

Polling data shows that voters in every region of the United States strongly support such action to raise the minimum wage. A 2015 poll found that 75 percent of voters across the country support a \$12.50 minimum wage, with levels of support equally high in the Midwest and the South.⁸ And an August 2016 poll of Missouri voters found that by a 57-to-38 percent margin, they support raising the minimum wage first to \$10 an hour, and then continuing to gradually raise it to \$15.⁹

The trend in localities and states pushing for higher minimum wage rates will likely continue to intensify as wages continue to decline, inequality remains at historically high levels, and the federal government fails to take bold action to ensure that hard-working individuals can make ends meet.

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:

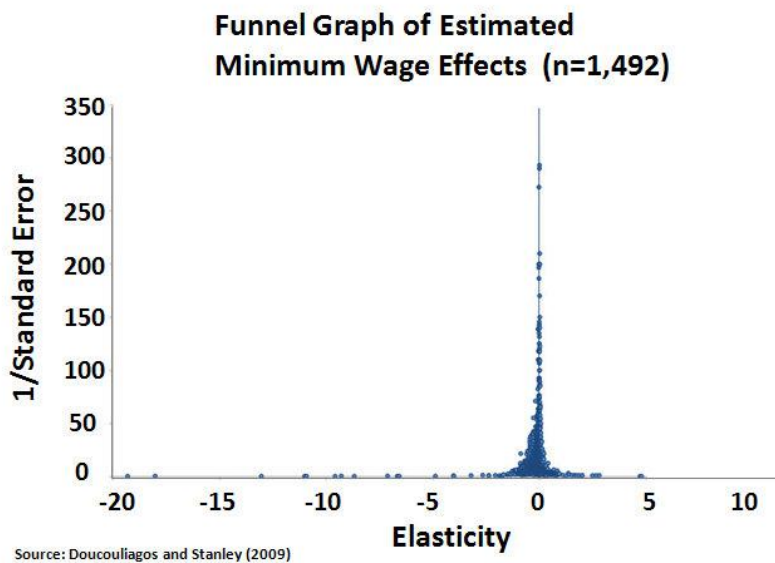
[A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks 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.¹⁰

The latest research, released in December 2016 by the White House Council of Economic Advisors, examined states that have raised their minimum wages in recent years in the U.S—including Missouri—and found that these raises have contributed to substantial wage increases for workers without a negative impact on employment or hours worked.¹¹

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*.¹² 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. 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.¹³

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.¹⁴ This is vividly illustrated by a graph from the meta-study showing the results clustered around zero:



Another recent meta-study by Paul Wolfson and Dale Belman of the minimum wage literature demonstrates similar results.¹⁵

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 than those that have not.¹⁶

Moreover, research focusing on the impact of higher minimum wages on small businesses has similarly shown that higher minimum wages do not negatively impact job growth, and it has found faster job growth in higher minimum wage states. A 2006 report published by the Fiscal Policy Institute that examined state-by-state trends for small businesses employing fewer than fifty workers found that “employment and payrolls in small businesses grew faster in the states with minimum wages above the federal level.”¹⁷

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.

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.¹⁸ 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 percent 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 about 17 percent faster in San Francisco than in surrounding counties during that period.¹⁹

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.”²⁰

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 “[t]he 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 . . .”²¹

In addition, the actual experiences of cities that have recently raised the minimum wage have shown that such increases have been manageable. For example, in San Jose, California, business groups made dire predictions before 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, “[f]ast-food hiring in the region accelerated once the higher wage was in place. By early [2014], the pace of employment gains in the San Jose area beat the improvement in the entire state of California.”²² *USA Today* similarly found, “[i]nterviews 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.”²³

The same pattern of dire predictions followed by manageable real world implementation was repeated when SeaTac, Washington, phased in its \$15 minimum wage—the nation's first at that level. As *The Seattle Times* reported, “[f]or 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 . . .”²⁴ *The Washington Post* similarly reported that “[t]hose who opposed the \$15 wage in SeaTac and Seattle admit that there has been no calamity so far,” and highlighted how even

though Seattle restaurateur, Tom Douglas, stated in April 2014 that a \$15 wage could “be the most serious threat to our ability to compete” and that he “would lose maybe a quarter of the restaurants in town,” as of September 2014, he had opened, or announced, five new restaurants that year.²⁵

In Seattle, while many business owners supported the increase, other business owners predicted that increasing the city’s minimum wage to \$15 would lead to dramatic job losses for restaurants and strain on small businesses. An article by the *Puget Sound Business Journal* reported in October 2015 that the restaurant business in Seattle is, in fact, booming.²⁶ More recent reports confirm that neither the city’s economy nor the restaurant industry has suffered.²⁷ A few months after Seattle began phasing in its minimum wage, the region’s unemployment rate hit an eight-year low of 3.6 percent, significantly lower than the state unemployment rate of 5.3 percent.²⁸ As of October 2016, the number of food services and beverage industry business licenses issued in Seattle had increased by 9 percent since the minimum wage law went into effect.²⁹

Finally, in neighboring Illinois, where the statewide minimum wage is just \$8.25,³⁰ Chicago has had a higher local minimum wage since 2014—which is currently \$10.50 an hour.³¹ During that period, Chicago has driven job growth in Illinois, generating 85 percent of all new employment statewide. Moreover, that job growth has been comprised chiefly of service sector jobs, including restaurant and retail jobs, suggesting that higher paychecks in the city are contributing to strong consumer sales and growth.³²

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. 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.³³ 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.³⁴

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 out of poverty.³⁵ Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment and health. For example, a 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.”³⁶ Another study found that raising California’s minimum wage to \$13 per hour by 2017 “would significantly benefit health and well-being.”³⁷ It stated that “Californians would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness.”³⁸ Moreover, “[i]n the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year.”³⁹ 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.⁴⁰

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

Nationally, nearly three quarters (73 percent) of enrollments in the U.S.'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 Supplemental Nutrition Assistance Program (SNAP), Medicaid, Children's Health Insurance Programs, and the Earned Income Tax Credit (EITC) 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 McDonald's 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.⁴¹ 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.⁴² A companion study from NELP found that the bulk of these costs stem from the ten largest fast-food chains, which account for an estimated \$3.8 billion per year in public costs.⁴³

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

One key function that local minimum wages play is to allow higher-cost-of-living communities in a state to adopt wages that better match 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."⁴⁴

As noted above, a single worker with no children working full-time in the St. Louis Metro Area needed more than \$13 per hour in 2014 to make ends meet. A single worker with one child working full-time in 2014 needed about \$22 per hour to afford the basics.⁴⁵ The state's minimum wage of \$7.70 per hour means that a City of St. Louis resident working 40 hours per week will not be able to survive through work alone.

Conclusion

Based on the foregoing testimony, this committee should reject the portions of HB 1193 and HB 1194 that would preempt local minimum wage or benefits laws and therefore preserve the power of Missouri cities and counties to enact local minimum wage regulations. With 42 percent of workers in the United States earning less than \$15 per hour⁴⁶ and workers in high-cost cities and counties facing especially difficult economic challenges due to a higher cost of living, localities must be able to respond to the unique needs of workers who cannot survive on the federal or state minimum wage.

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 luhizar@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

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² Economic Policy Institute, Family Budget Calculator, <http://www.epi.org/resources/budget/> (last viewed Mar. 5, 2017).

³ Missouri Department of Labor & Industrial Relations, Minimum Wage, <https://labor.mo.gov/DLS/MinimumWage> (last viewed Mar. 5, 2017).

⁴ National Employment Law Project, Occupational Wage Declines Since the Great Recession (Sept. 2015), available at <http://www.nelp.org/content/uploads/Occupational-Wage-Declines-Since-the-Great-Recession.pdf>.

⁵ *Id.*

⁶ National Employment Law Project, Fight for \$15: Four Years, \$62 Billion (Dec. 2016), <http://www.nelp.org/content/uploads/Fight-for-15-Four-Years-62-Billion-in-Raises.pdf>.

⁷ National Employment Law Project, Fight for \$15: Four Years, \$62 Billion (Dec. 2016), available at <http://www.nelp.org/content/uploads/Fight-for-15-Four-Years-62-Billion-in-Raises.pdf>.

⁸ Hart Research, Support for a Federal Minimum Wage of \$12.50 or above (Jan. 2015), available at <http://www.nelp.org/content/uploads/2015/03/Minimum-Wage-Poll-Memo-Jan-2015.pdf>.

⁹ Public Policy Polling, Support for Raising the Minimum Wage – Missouri Results (Aug. 2016), available at <http://nelpaction.org/wp-content/uploads/2016/08/MOResults1.pdf>

¹⁰ Editorial Board, "Raise the Minimum Wage," Apr. 18, 2012, *BloombergView*, available at <http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html>.

¹¹ Sandra Black et al., The minimum wage, employment levels and earnings. A view from the US, Dec. 6, 2016, *World Economic Forum*, available at https://www.weforum.org/agenda/2016/12/the-minimum-wage-employment-levels-and-earnings-a-view-from-the-us?utm_content=bufferdfb88&utm_medium=social&utm_source=plus.google.com&utm_campaign=buffer.

¹² Arindrajit Dube et al., The Review of Economics and Statistics, Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties (Nov. 2010) at 92(4): 945–964. A summary of the study prepared by NELP is available at http://nelp.3cdn.net/98b449fce61fca7d43_j1m6iizwd.pdf.

¹³ 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 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 et al., Industrial Relations, Do Minimum Wages Reduce Teen Employment? (Apr. 2011) at vol. 50, no. 2. A NELP Summary is available at http://nelp.3cdn.net/eb5df32f3af67ae91b_65m6iv7eb.pdf.

¹⁴ Hristos Doucouliagos & T.D. Stanley, British J. of Indus. Relations, Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis (May 2009) at Vol. 47, Iss. 2.

¹⁵ Paul Wolfson & Dale Belman, Upjohn Inst. for Employ. Res., What Does the Minimum Wage Do? (2014).

¹⁶ Ben Wolcott, Center for Economic & Policy Research, 2014 Job Creation Faster in States that Raised the Minimum Wage (Jun. 2014), available at <http://www.cepr.net/index.php/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage>.

¹⁷ Fiscal Policy Institute, States with Minimum Wages above the Federal Level Have Had Faster Small Business and Retail Job Growth (Mar. 2006) at 3, available at <http://www.fiscalpolicy.org/FPISmallBusinessMinWage.pdf>.

¹⁸ Michael Reich et al, Univ. of Calif.-Berkeley, The Economic Effects of a Citywide Minimum Wage (2007), available at http://www.irle.berkeley.edu/cwed/wp/economicimpacts_07.pdf.

¹⁹ Michael Reich et al. (eds.), Univ. of Calif. Press, When Mandates Work: Raising Labor Standards at the Local Level (2014) at 31, available at <http://irle.berkeley.edu/publications/when-mandates-work/>. See also Susan Berfield, "San Francisco's Higher Minimum Wage Hasn't Hurt the Economy," Jan. 22, 2014, *BloombergBusiness*, available at <http://www.businessweek.com/articles/2014-01-22/san-franciscos-higher-minimum-wage-hasnt-hurt-the-economy>; Carolyn Lochhead, "S.F. praised as model for U.S. on increasing minimum wage," Jan. 28, 2014, *SF Gate*, available at <http://www.sfgate.com/politics/article/S-F-praised-as-model-for-U-S-on-increasing-5183378.php>.

²⁰ Bureau of Business and Economic Research, University of New Mexico, Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico (June 2006), available at <http://bber.unm.edu/pubs/EmploymentLivingWageAnalysis.pdf>.

²¹ John Schmitt & David Rosnick, Center for Econ. & Policy Research, The Wage and Employment Impact of Minimum-Wage Laws in Three Cities (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 et al, 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>.

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