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## LOCAL MINIMUM WAGE PREEMPTION

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**The Problem:** Over the last few years, there has been a national movement to increase the minimum wage dramatically. Though this movement has found some success with state legislators, it has gained considerably more traction on the local level. There are over 40 cities and counties that have increased their minimum wages to levels above that of their states.<sup>i</sup>

As cities across the country continue raising their minimum wages to unprecedented levels, early results indicate that these policies harm the low-wage workers who they are meant to help. Seattle, for instance, has seen a decrease in low-wage workers' take-home pay since raising its minimum wage by 50 percent from 2014 to 2017.<sup>ii</sup> And despite some workers receiving raises, the increase in unemployment from artificially driving up the cost of employing workers more than negated the higher pay. Yet Seattle's minimum wage increased by another \$2 at the beginning of 2018 to a total of \$15 an hour. As cities like Minneapolis and Los Angeles implement \$15 an hour minimum wages and other cities through the country follow these progressive cities' leads, similar negative results will likely follow.

In addition to harming low-income workers, high minimum wages make it harder for young workers to find jobs and increase labor costs in ways that disproportionately affect small businesses. Because businesses have the option to not pay the minimum wage by laying off workers, minimum wage increases also speed up the rate at which businesses switch to automation.<sup>iii</sup> The more expensive labor becomes, the more businesses are willing to invest in labor-saving capital like self-ordering or self-checkout kiosks.

Proponents of drastic minimum wage increases claim that workers deserve a "living wage." But most workers do not have to support their families with minimum wage jobs—because these workers move up the wage scale after their first job, less than three percent of Americans earn the federal minimum wage of \$7.25 an hour. Half of these minimum wage earners are under 25 years old, and two-thirds work part-time.<sup>iv</sup> Additionally, the average income of a household with a worker who earned the federal minimum wage was \$53,000 in 2012, showing that it is primarily young workers and second earners who work minimum wage jobs.<sup>v</sup>

The reason why one in eight Americans has worked in McDonald's 700,000-person workforce is that minimum wage jobs offer entry-level positions that enable people to begin learning professional skills and climbing the economic ladder.<sup>vi</sup> But minimum wage hikes make employers less likely to hire young, inexperienced workers and more likely to look instead for candidates who have skills that can command a higher hourly wage. Decreasing the number of entry-level jobs prevents young people from getting the early work experience that they need to succeed in their future careers.

Though the economy has steadily improved since the Great Recession, young Americans are still struggling with a sluggish labor market. At the end of 2017, the unemployment rate for 20- to 24-year-olds remained above seven percent, and the teenage unemployment rate was close to 14 percent. Both rates are significantly higher than the

under-four percent unemployment rate for those over 25 years old.<sup>vii</sup> And the percentage of teens and young people employed or looking for work—or the labor-force participation rate—is currently 57 percent, nearly its lowest level since the government began tracking the statistic in 1948.<sup>viii</sup>

**How to Fix It:** Minimum wage decisions need to be made at the state level to ensure consistent business environments across the state. It is vital that states prevent progressive activists from using cities and towns for risky economic experiments.

To prevent these experiments, and to counter cities' lack of concern for the harmful effects of minimum wage increases on low-skilled and young workers, 25 states have passed preemption laws that ban local minimum wage increases—including Florida, Ohio, and Missouri. And yet, all three of the previously-mentioned states were able to implement statewide minimum wage increases in 2017.<sup>ix</sup> This shows that preemption does not stop minimum wage debates or increases. Instead, it ensures that minimum wage policies are implemented responsibly, with the proper debate that state legislatures can provide.

Though minimum wage supporters often portray this type of legislation as states “suppressing” local control, this depiction misses why local control is often desirable. Just as America’s Founding Fathers understood that local control rests ultimately with the individual, true local control is about protecting workers and their families. If cities are abusing their authority and harming state residents by drastically increasing the minimum wage, states have the right and the ability to overrule municipal governments.<sup>x</sup> States have a strong interest in helping job creators and job seekers prosper. After all, if a city’s prohibitions on work trap low-income state residents in welfare, then the state budget must pay—literally—for the local government’s decision.

The main opponents of local minimum wage preemption are large labor unions. While they are trying to help current workers who possess enough skills to command higher wages, increasing the local minimum wage can keep the unemployed, inexperienced, and low-skilled out of the workforce. Labor unions are suffering declining membership, especially among young workers, and are largely behind the “Fight for 15” movement.<sup>xi</sup>

The best venue to debate the tough economic trade-offs that come with increases in the minimum wage is state capitals, not city councils.

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<sup>i</sup> “Minimum Wage Tracker,” Economic Policy Institute (2017).

<sup>ii</sup> Ekaterina Jardim et al., “Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle,” NBER Working Paper 23532 (2017).

<sup>iii</sup> Grace Lordan and David Neumark, “People Versus Machines: The Impact of Minimum Wages on Automatable Jobs,” NBER Working Paper 23667 (2017).

<sup>iv</sup> “Characteristics of minimum wage workers, 2016,” Bureau of Labor Statistics (2017).

<sup>v</sup> James Sherk, “Who Earns the Minimum Wage? Suburban Teenagers, Not Single Parents,” Heritage Foundation (2013).

<sup>vi</sup> Eric Schlosser, *Fast Food Nation: The Dark Side of the All-American Meal*, Mariner Books (2012).

<sup>vii</sup> Bureau of Labor Statistics, “Employment and Unemployment Among Youth Summary,” U.S. Department of Labor (2017).

<sup>viii</sup> Bureau of Labor Statistics, “The Employment Situation—August 2017,” U.S. Department of Labor (2017).

<sup>ix</sup> “Fighting Preemption: The Movement for Higher Wages Must Oppose State Efforts to Block Local Minimum Wage Laws,” National Employment Law Council (2017).

<sup>x</sup> Jon Russell, “Federalism, Dillon Rule and Home Rule,” American Legislative Exchange Council (2016).

<sup>xi</sup> Bureau of Labor Statistics, “Union Member Summary,” U.S. Department of Labor (2017) and Jared Meyer, “Union Bosses Use Fast-Food Workers for Personal Gain,” *The Federalist* (2015).