



FREQUENTLY ASKED QUESTIONS: MINIMUM WAGE PREEMPTION

What is local minimum wage preemption?

A Local minimum wage preemption is a state reform that blocks municipalities from raising their minimum wage levels above the state minimum wage and overrides any local governments that have already implemented higher minimum wages. This confines the minimum wage debate to where it belongs—the state level.

Why do we need this reform?

Local governments often abuse their authority when passing minimum wages that exceed state wage floors. Municipalities are also more vulnerable to special interest groups that lobby lawmakers to disrupt local business environments. In recent years, over 40 cities and counties have responded to these political pressures. By dramatically raising their minimum wages, they artificially inflate labor costs, harm small businesses, and increase unemployment.

By preventing cities from engaging in risky economic experiments, local preemptions can protect small businesses and low-income workers, as well as ensure consistent business environments across a state.

Who benefits from local minimum wage preemption?

Younger, entry-level job seekers are helped when states prevent local minimum wage hikes. Half of minimum wage earners are under 25 years old, and many have minimal prior work experience. Increased wage floors saw off the bottom rung of the economic ladder by making it harder for workers to find entry-level jobs.

As of the end of 2017, the unemployment rate for 20- to 24-year-olds remains above seven percent, and the teenage unemployment rate is close to 14 percent. Both rates are significantly higher than the under-four percent unemployment rate for those over 25 years old. 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 it in 1948.

How does local minimum wage preemption affect taxpayers?

By creating a better business environment and allowing businesses to hire more workers, this reform decreases unemployment and saves taxpayer money that is spent on welfare programs.



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What states have implemented local minimum wage preemptions?

So far, 25 states—including Florida, Ohio, and Missouri—have passed minimum wage preemption laws. Notably, all three of the previously-mentioned states were able to implement statewide minimum wage increases in 2017—rather than squelching minimum wage debates, preemption ensures that minimum wage policies are implemented responsibly, with the proper debate that state legislatures can provide.

Aren't local control and federalism desirable?

Local minimum wage preemption does nothing to limit federalism, which ensures that political power lies primarily with the states.

Local control can be beneficial, but not when local policies directly burden the state budget. A high local minimum wage has been shown to keep certain types of workers unemployed and stifle economic growth. When local choices keep people out of work, drive up prices, and create poor business environments, states are forced to pay more for welfare programs while collecting less tax revenue.

America's Founding Fathers understood that local control rests ultimately with the individual, so true localism is about protecting workers and their families. If cities are abusing their authority and harming state residents, states have the right and the ability to overrule municipal governments.

Aren't cities just trying to enforce a "living wage?"

Arguing that the minimum wage should be a "living wage" misses what kind of people work minimum wage jobs. Less than three percent of Americans earn the federal minimum wage, and two-thirds of these earners work part-time.

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. But minimum wage hikes make employers less likely to hire young, inexperienced workers and increases the rate at which businesses switch to automation.



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Furthermore, in 2012, the average income of a household with a federal minimum wage earner was \$53,000. This is because most minimum wage earners are young and secondary earners.

Admittedly, it is very difficult to live or support a family on a federal or state minimum wage. But thankfully, most minimum wage earners are not trying to do this in the first place.

Who are the supporters and opponents of local minimum wage preemption?

Preemption policies are supported by small business owners who cannot afford to pay high wages to unskilled workers. Without preemption, many small businesses are at risk of shutting down or laying off workers if local governments implement minimum wage hikes.

Young, inexperienced workers also want and need the freedom to work. Teenagers and young adults need entry-level work experience to build the skills necessary to support themselves and the U.S. economy. Without preemption, young people living in areas with high minimum wages struggle to find work because they lack the skills necessary to compete with more experienced workers for higher paying jobs.

The strongest voices opposing minimum wage preemption are large labor unions, who are suffering declining membership and decreasing economic leverage. While trying to protect current workers with enough skills to command a higher wage, they are locking out the unemployed, inexperienced, and low-skilled.