



BRIEF SERIES 2 OF 7

# Raising Residents' Wages

The lack of consistent growth in low-income wages, exacerbated by the economic impacts of the COVID-19 pandemic, has pushed cities to consider new ways to support families' economic needs.<sup>1</sup> The federal minimum wage has not been raised in over a decade and is inadequate to raise most workers and their families above poverty. A Wall Street Journal analysis found that workers earning minimum wage today must work significantly more hours just to meet basic needs than minimum wage workers 50 years ago.<sup>2</sup> For example, a worker in Pittsburgh would have to work 30 hours at the current federal minimum wage to afford rent, compared to 14 hours in 1968. However, if today's wage was increased to \$15 per hour the worker would need to work just 15 hours to afford rent.

.....

City leaders have seen residents struggling to pay for basic needs, such as rent, utilities, food, or other emergencies during the pandemic with disproportionate impacts on communities of color. The Bureau of Labor Statistics' 2021 first-quarter weekly earnings and salary data showed that workers' median weekly earnings increased by 3.3 percent over the previous year.<sup>3</sup> However, Black Americans still only earn

79 percent of White Americans' median weekly earnings, which did not change from 2020.

When residents' pay reflects the local standard of living, they can afford healthy food, pay down debt, and save for their family's future. Raising wages is an essential component of addressing the [racial wealth divide](#) and advancing an economy that fosters dignity for all workers.

# Cities Taking Action

Cities are creating innovative ways to increase the wages of their residents as part of broader local strategies to advance economic mobility for residents. A living wage takes into account the typical costs of living in a particular region and reflects the hourly wage a person must earn in a full-time job to meet basic needs.

Fifty-one cities and counties currently have ordinances that increase wages for all or some employees in their communities.<sup>4</sup> However, some cities have experienced challenges in implementing wage increases for residents due to preemption policies at the state level. Currently, 26 states prohibit cities from raising local minimum wages, and 11 states have banned cities from requiring city contractors to pay workers a prevailing wage.<sup>5</sup> The National Employment Law Project reports that women and workers of color are the most affected by state preemption laws focused on wages.<sup>6</sup> Even with these restrictions, many cities have options to integrate living wages into the policies and procedures they can control. With any policy changes that increase wages, it is important to support the transition to the new policy.



## Increasing wages for city employees

Often municipal government is the largest employer in a region and can set an example for other employers by ensuring employees receive a living wage.

**The City of East Point, GA, increased the base pay for all city employees to \$13.50 per hour with plans to gradually raise it to reflect the local cost of living. City leaders hope this will also impact city vendors and contractors to increase competitiveness.<sup>7</sup>**

**Indianapolis City-County passed a living wage ordinance in 2017 for employees, raising the minimum wage to \$13 per hour, indicating this was a baseline to set an example for area businesses.<sup>8</sup>**



## Wage and benefits requirements for city contractors

Cities also can pass legislation requiring city contractors and consultants of specific sizes to pay employees equally regardless of gender or ethnicity. In addition to wages, responsible contracting by local government promotes provision of benefits such as health insurance and paid sick days.<sup>9</sup>

**In 2018, the City of San Diego, Calif., adopted an equal pay ordinance requiring companies that contract with the city to pay employees equal wage rates for equal or substantially similar work, regardless of an employees' gender, race, or ethnicity.<sup>10</sup> The Contract Compliance Unit, within the division of Purchasing & Contracting Department, works to enforce the Living Wage Program by educating employers on their obligations, conducting reviews, investigating complaints, and providing reports to City Council.<sup>11</sup>**

**Somerville, Mass., incentivized contractors by creating a living wage ordinance certification form.<sup>12</sup> Only bidders who pay a living wage, no less than \$15.29 per hour, will be considered for contracts with the city. The city also defines in its ordinance that contractors cannot fund wage increases by reducing the health insurance benefits of its employees.**





## Citywide minimum wage increase

Cities that are not impacted by state preemption laws can also pass ordinances that require employers of a certain size within city limits to pay their employees' wages higher than the state minimum wage.

**Saint Paul, Minn., passed a citywide minimum wage ordinance that tiers its scheduled rate increases over nine steps based on business size. The municipality and “macro businesses” (over 10,000 employees) will raise the wage from \$12.50 in 2020 to \$15 in 2022. Other employers with fewer employees will have more time to transition to \$15 per hour based on categories of business size.<sup>13</sup>**

**The City of Chicago's minimum wage is set to increase each year on July 1. As of July 1, 2021, the minimum wage in Chicago is \$15.00 per hour for employers with 21 or more workers and \$14.00 per hour for employers with 4 to 20 workers. Tipped workers (workers who receive tips as part of their wage, like restaurant servers) have a minimum wage of \$8.40 for employers with 4 to 20 workers, and \$9.00 for employers with 21 or more workers. If a tipped worker's wages plus tips do not equal the full minimum wage, the employer must make up the difference.<sup>14</sup>**



## Supporting high-wage employers

Cities can track which local sectors or businesses currently pay a living wage and which populations have access to living wage opportunities. They can offer incentives to these high-wage employers, such as recognition.

**Richmond, Va., created a living wage certification program. The city recognizes employers who are already paying their workers a living wage, urges consumers to patronize those businesses, and encourages other employers to raise their wages to the program's thresholds.<sup>15</sup>**





## Data Considerations

Local living wage standards can be calculated using tools available online. The Massachusetts Institute of Technology created one such tool that estimates the cost of living based on local data in every state.<sup>16</sup>

Partnering with local chambers of commerce can help cities assess the current pay structures of various industries. The American Community Survey and census data give insights into the intersection of income and poverty as cities seek to target specific populations with traditionally lower wages, such as women and Black, Indigenous, People of Color (BIPOC) residents.<sup>17</sup>

# Action Steps

As cities identify options for supporting increased wages for residents, local leaders should consider these key action steps:

- 1 Find out** if the city has the option to change wage policies or if there are state preemption challenges; strategize on possible alternatives.
- 2 Collect and analyze** local wage data to better understand the pain points for employees and employers and any gaps in local data.
- 3 Identify** steps the city can take to ensure higher wages for employees and serve as a model municipal employer.
- 4 Support** local employers that are transitioning to offering living wages to their employees through recognition and incentives.

Supporting increased wages for low-income and hourly workers can improve a city's overall economic health by ensuring that residents can contribute to the tax base. Advancing living wages is also an important part of reducing historical racial inequities which have impacted BIPOC communities for many generations.

## Key Resources

[State of Working America Wages 2019](#),  
Economic Policy Institute

[Fighting Wage Preemptions: How Workers Have Lost Billions in Wages and How We Can Restore Local Democracy](#), National Employment Law Project

[Income and Poverty in the United States: 2019](#), United States Census Bureau

[Out of Reach, The High Cost of Housing](#),  
National Low Income Housing Coalition

---

## Acknowledgments

The National League of Cities (NLC) created this series of resources as part of the [Equitable Economic Mobility Initiative \(EEMI\)](#), a two-year project intended to catalyze municipal action to expand economic mobility for residents while eliminating longstanding racial economic inequities. Through the Initiative, NLC aims to help cities recover and rebuild after the devastating impacts of the COVID-19 pandemic through strategies that support residents' economic stability (meeting basic needs), economic security (stable employment and ability to cover expenses) and set them on a path to building wealth (ability to save for family's future). EEMI is made possible by the generous support from the Bill & Melinda Gates Foundation.

This brief series is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

Learn more about taking action to expand economic mobility for your residents and visit <https://www.nlc.org/initiative/equitable-economic-mobility-initiative/>

# Endnotes

- <sup>1</sup> Economic Policy Institute (2020, February 20). State of Working America Wages 2019. Retrieved from <https://www.epi.org/publication/swa-wages-2019/>
- <sup>2</sup> McGill, Brian & Rust, Max. (2021, March 4). How Much Does the Federal Minimum Wage Buy You? Now vs. Then. *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/how-much-does-the-federal-minimum-wage-buy-you-now-vs-then-11614866413>
- <sup>3</sup> United States Bureau of Labor Statistics. (2021, July 16). Usual Weekly Earnings of Wage and Salary Workers Second Quarter 2021. Retrieved from <https://www.bls.gov/news.release/pdf/wkyeng.pdf>
- <sup>4</sup> University of California Berkeley Labor Center (2021, July 12). Inventory of US City and County Minimum Wage Ordinances. Retrieved from <https://laborcenter.berkeley.edu/inventory-of-us-city-and-county-minimum-wage-ordinances/>
- <sup>5</sup> Economic Policy Institute (2019, August). Worker rights preemption in the U.S. A map of the campaign to suppress worker rights in the states. Retrieved from <https://www.epi.org/preemption-map/>
- <sup>6</sup> Huizar, Laura & Lathrop, Yannet. (2019, July). Fighting Wage Preemption: How Workers Have Lost Billions in Wages and How We Can Restore Local Democracy. *The National Employment Law Project*. Retrieved from <https://s27147.pcdn.co/wp-content/uploads/Fighting-Wage-Preemption-Report-7-19.pdf>
- <sup>7</sup> Huff, Dominique. (2017, March 7). East Point Raises Minimum Wage for City Employees. *Home Rule News*. Retrieved from <http://myhomerulenews.com/east-point-raises-minimum-wage-for-city-employees-p484-109.htm>
- <sup>8</sup> Briggs, James (2017, August 15). \$13 Living Wage Approved for Indianapolis City and County Workers. *Governing*. Retrieved from <https://www.governing.com/archive/tns-indianapolis-living-wage-public-workers.html>
- <sup>9</sup> Sonn, Paul K. & Gebreselassie, Tsedeye (2009, June). The Road to Responsible Contracting Lessons from States and Cities for Ensuring That Federal Contracting Delivers Good Jobs and Quality Services. *The National Employment Law Project*. Retrieved from <https://www.nelp.org/wp-content/uploads/2015/03/responsiblecontracting2009.pdf>
- <sup>10</sup> San Diego Purchasing & Contracting Department. (n.d.). *Equal Pay Ordinance*. Retrieved from <https://www.sandiego.gov/purchasing/programs/equal-pay-ordinance>
- <sup>11</sup> San Diego Purchasing & Contracting Department (n.d.). *Living Wage Program*. Retrieved from <https://www.sandiego.gov/purchasing/programs/livingwage/>
- <sup>12</sup> Somerville Purchasing Division. (2020, May 4). Somerville Living Wage Ordinance Certification Form. Retrieved from <https://www.somervillema.gov/sites/default/files/living-wage-ordinance-form-fy21.pdf>
- <sup>13</sup> Saint Paul Human Rights & Equal Economic Opportunity Department. (2021, July 15). *Minimum Wage*. Retrieved from <https://www.stpaul.gov/departments/human-rights-equal-economic-opportunity/labor-standards-enforcement-and-education-0>
- <sup>14</sup> Chicago Business Affairs and Consumer Protection Department (n.d.). *Minimum Wage*. Retrieved from [https://www.chicago.gov/city/en/depts/bacp/supp\\_info/minimumwageinformation.html](https://www.chicago.gov/city/en/depts/bacp/supp_info/minimumwageinformation.html)
- <sup>15</sup> Virginia Living Wage Certified. (n.d.). Richmond Living Wage Certification Program. Retrieved from <http://www.livingwagevirginia.org/richmond/>
- <sup>16</sup> Glasmeier, Amy K. (2020). Living Wage Calculator. Massachusetts Institute of Technology. Retrieved from [livingwage.mit.edu](http://livingwage.mit.edu).
- <sup>17</sup> United States Census Bureau. (2020, September 15). Income and Poverty in the United States: 2019. Retrieved from <https://www.census.gov/library/publications/2020/demo/p60-270.html>