

## **Testimony of Yannet Lathrop**

National Employment Law Project

# **In Support of HB 4237, Which Would Repeal Preemption and Allow Local Governments to Raise Wages and Adopt Other Labor Protections**

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## **Hearing before the Michigan House Labor Committee**

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**Yannet Lathrop**  
Senior Researcher and Policy Analyst

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**National Employment Law Project**  
1350 Connecticut Avenue NW, Suite 1050  
Washington, DC 20036

(202) 640-6518

[ylathrop@nelp.org](mailto:ylathrop@nelp.org)

Thank you, Chair Haadsma, Vice Chairs Mentzer and Wozniak, and members of the House Labor Committee for the opportunity to provide testimony at today’s hearing. My name is Yannet Lathrop, and I am a senior researcher and policy analyst at the National Employment Law Project (NELP). Founded in 1969, NELP is a non-profit, non-partisan leading advocacy organization with the mission to build a just and inclusive economy where all workers have expansive rights and thrive in good jobs. 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, labor law preemption including wage preemption. 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 underpaid workers and are familiar with their economic experiences. NELP has also produced research on minimum wage preemption, supported litigation defending local home rule powers, and contributed to the public education on preemption through our research and media work.

**NELP testifies today in support of HB 4237**, which would repeal Public Act 105 of 2015—a law that currently prohibits local governments from adopting ordinances setting their own local standards on minimum wage, scheduling, paid or unpaid leave, and other important labor protections.<sup>1</sup> The repeal of Public Act 105 of 2015 would give cities and counties in Michigan the ability to set their minimum wages higher than the state minimum wage (currently just \$10.10) and enact other local labor policies.

In the testimony that follows, I will focus on the importance of local minimum wage policies.

### **Colorado’s Experience: After Wage Preemption Repeal in 2019, Denver Raised Its Own Wage and Now Boulder County Seeks to Follow**

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In 2019, Colorado repealed its law banning local minimum wages,<sup>2</sup> becoming the first state to ever do so.<sup>3</sup> Soon after, Denver adopted its own minimum wage, increasing its wage floor from the state minimum wage of \$11.10 in 2019 to \$15.87 by 2022.<sup>4</sup> Today, after adjusting it for inflation, Denver’s minimum wage is \$17.29<sup>5</sup>—one of the strongest local wages in the country. Since 2019, when Denver adopted its own minimum wage, the Denver metropolitan area has added over 61,000 jobs—a gain of nearly 4 percent between 2019 and 2022.<sup>6</sup>

Not surprisingly, city and county elected officials in Boulder County are actively discussing adopting their own regional minimum wage of \$25 by 2028—a wage level that local economic researchers have proposed as a living wage.<sup>7</sup> Advocates expect success by the end of this year.

### **The ability to Enact Local Wage Laws is a Crucial Power of Local Governments and Ensures Wages Reflect Local Costs of Living**

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With job growth skewed towards jobs that pay at or just above the minimum wage, a decade ago a national movement led by underpaid Black and other workers of color emerged to become one of the most influential movements in recent U.S. history. The movement, known as the Fight for \$15, had as one of its core demands an increase in the minimum wage, a demand it won in dozens of cities and counties (and 28 states). Prior to the Fight for \$15, only two U.S. cities—Santa Fe, New Mexico, and San Francisco, California—had local

minimum wage laws that provided workers a higher minimum wage than the respective state minimum wage rates.<sup>8</sup> Today, 58 cities and counties from coast-to-coast have recognized the high cost of living in their localities by adopting local minimum wage laws.<sup>9</sup>

**Table 1. Cost of Living in Selected Michigan Localities**

State or Local Jurisdiction	Single Adult	1 Adult & 1 Child	1 Adult & 2 Children	2 Adults & 2 Children
Washtenaw County	\$18.87	\$42.81	\$61.64	\$32.50
Ann Arbor MSA	\$18.67	\$42.57	\$61.38	\$32.37
Detroit MSA	\$16.43	\$38.69	\$54.36	\$29.05
Hillsdale County	\$15.30	\$31.67	\$41.30	\$22.94
Mackinac County	\$15.03	\$31.37	\$41.09	\$22.83
Michigan’s Current Minimum Wage	\$10.10	\$10.10	\$10.10	\$10.10

Source: MIT Living Wage Calculator. Values are reported in December 2022 dollars.

While federal and state minimum wage laws set important baselines to protect workers from exploitatively low hourly wages, local minimum wage policies play a crucial role in strengthening that baseline to a wage rate that better matches local costs of living, and ideally to a rate that serves as a living wage. Under current law, the Michigan minimum wage is only \$10.10<sup>10</sup>—possibly increasing to at least \$12 per hour this year, depending on the outcome of ongoing litigation.<sup>11</sup> Yet, the cost of living throughout the state—even in Michigan’s least expensive counties, such as Mackinac and Hillsdale—is much higher.

**Table 2. Cost of Living for Single Adults in Selected Michigan Localities, Compared to State Minimum Wage**

State or Local Jurisdiction	Single Adult Wage	Deficit (\$)	Deficit (%)
Washtenaw County	\$18.87	\$8.77	86.8%
Ann Arbor MSA	\$18.67	\$8.57	84.9%
Detroit MSA	\$16.43	\$6.33	62.7%
Hillsdale County	\$15.30	\$5.20	51.5%
Mackinac County	\$15.03	\$4.93	48.8%

Source: NELP analysis of MIT Living Wage Calculator.

As shown in Tables 1 and 2, above, in higher cost-of-living counties and metropolitan areas of Michigan, such as Washtenaw County, Ann Arbor, and Detroit, single adults without family responsibilities need to earn substantially more than \$10.10 per hour to afford food, shelter,

and other basics—as much as 87 percent more than the current state minimum wage. Parents, whether single or married, need to earn even more per hour to provide for themselves and their families. High-cost cities and counties like these could benefit from HB 4237, which would allow local leaders to raise their local minimum wage to a level that is more responsive to their communities’ needs given the local cost of living and economies.

## **Minimum Wage Policies Advance Racial Equity, While Preemption Laws Disproportionately Harm Communities of Color**

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Higher wages benefit all workers but have a greater impact in communities that have been historically underpaid due to structural racism, sexism, and enduring occupational segregation. This dynamic puts workers of color in a situation with few choices besides the most underpaid jobs in the economy as the following research suggests. A 2021 study by the University of California estimates that minimum wage increases from 1990 to 2019 reduced the Black-white wage gap by 12 percent.<sup>12</sup> A separate 2020 study estimates that the 1966 amendment to the Fair Labor Standards Act—which expanded minimum wage protections to previously excluded occupations in which workers of color were overrepresented—explains more than 20 percent of the reduction in the racial earnings and income gaps between 1967 and 1980.<sup>13</sup>

According to analysis of the federal Raise the Wage Act of 2021, although Black and other workers of color comprise just 24 percent of the Michigan workforce, they make up 33 percent of workers who would be impacted by a \$15 minimum wage.<sup>14</sup> What’s more, over 40 percent of *all* Black workers and nearly 45 percent of *all* Latinx workers in Michigan, would benefit—compared to just 25 percent of all white Michigan workers.<sup>15</sup> What these figures suggest is that Black and Latinx workers are overrepresented in underpaid occupations and would benefit the most from minimum wage policy—whether state or local.

In 2019, NELP published a report, which analyzed the impact of minimum wage preemption in five states, affecting 12 cities and counties that had adopted local wages prior to their legislatures voting to preempt. We estimated that wage preemption policies harmed 346,000 workers, who lost \$1.5 billion in additional annual wages.<sup>16</sup> In many of the preempted cities, majorities or substantial shares of workers were Black or other workers of color. In fact, it had been communities of color that had pushed for local wage increases, only to be met by preemption from their mostly white legislatures.<sup>17</sup>

## **The Case for Local Minimum Wages: Higher Worker Earnings, No Negative Employment Effects, and Early Evidence of *Positive* Job Impacts**

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The local minimum wage laws adopted by nearly five dozen localities throughout the country have proven effective and manageable for businesses. As discussed below, the most rigorous research over the past 30 years demonstrates that minimum wage increases have raised workers’ incomes without negative impacts on employment. In fact, some research suggests that higher minimum wages can lead to higher employment, and to positive effects beyond bigger paychecks.

**Research on employment impacts:** Individual studies, as well as “meta-studies” (studies of studies) surveying research in the field, show that minimum wage increases boost workers

incomes as intended without jeopardizing their employment.<sup>18</sup> Some of them are especially relevant and worth highlighting:

- A University of California **study from 2018** focused on the impact of *local* minimum wage policies in six large U.S. cities that had adopted some of the nation's highest minimum wages at the time. Using state of the art methods to isolate the *causal* effect of local minimum wage policies, the authors found that each 10 percent increase in the minimum wage increased the earnings of workers in the food services industry between 1.3 and 2.5 percent without job losses.<sup>19</sup>
- A **2020 study** by University of Massachusetts and University College London economists analyzed the effects of minimum wage policies in 21 cities with populations over 100,000. The authors found that, "city-level minimum wages seem to be able to tailor the policy to local economic environment without" affecting employment.<sup>20</sup>
- A new **study published in May 2023** by University of California researchers found that the largest state-level minimum wage increases ever adopted in the United States—when CA and NY raised pay to \$15 for fast food workers—did not cause job losses; instead, they increased employment.<sup>21</sup> This is because low wages pose staffing challenges: Businesses paying low wages face high employee turnover costs and ongoing job vacancies. When minimum wage policies are adopted, higher wages attract more workers, helping firms fill their job openings, and retain workers longer. As a result, after minimum wage increases, firms can hire more workers than before, driving employment up.
- A **2022 NELP analysis** of the impact of the last decade of minimum wage increases estimates that state and local minimum wage policies have led to \$87.6 billion in additional annual economic output, which supports 452,000 jobs each year.<sup>22</sup>

**How employers adjust to higher wages:** In a 2013 report, *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, the Center for Economic and Policy Research spotlighted two meta-studies analyzing extensive research conducted since the early 1990s. Those meta-studies concluded that "the minimum wage has little or no discernible effect on the employment prospects of low-wage workers." The report also explored varied means of adjustment that offset minimum wage increases, such as the increased spending power of workers, increased worker productivity, and "reductions in labor turnover, which yield significant cost savings to employers."<sup>23</sup>

**Higher incomes and other benefits to workers:** The higher incomes that result from minimum wage increases have direct and tangible impacts on the lives of affected working households. Significant increases in minimum wages have proven an effective strategy for addressing declining wages and opportunity for workers earning at or just above the minimum wage by raising pay broadly across the bottom of the local economy. The higher pay resulting from minimum wage increases translates to a range of other important improvements in the lives of underpaid workers and their families. For workers with the very lowest incomes, studies show that minimum wage increases can lift workers and their families out of poverty.<sup>24</sup> Similarly, higher incomes for workers earning at or just above the minimum wage and their households translate to improved educational attainment and health. For example, a 2010 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."<sup>25</sup> A 2019 study published in the *American Journal of Preventive*

Medicine found that, “A one-dollar increase in the real minimum wage was associated on average with a 1.9% decrease in the annual state suicide rate.”<sup>26</sup> And in a 2021 report, University of California researchers summarized and analyzed growing evidence of an association between higher minimum wages and positive outcomes for children, including improved math and reading test scores, educational attainment, birth weight, mental health, and health in adulthood.<sup>27</sup>

## Conclusion and Recommendations

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Based on the foregoing testimony, NELP urges this committee to approve HB 4237 and ensure that cities, counties, and other localities in Michigan can respond to the needs of their residents and workers by adopting local minimum wage and other labor laws. Thank you very much for the opportunity to provide testimony today. I am available to answer any questions that you may have.

## Endnotes

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<sup>1</sup> 2015 PA 105, MCL 123.1381 to 123.1396

<sup>2</sup> HB19-1210, Colorado General Assembly, 2019 session, <https://leg.colorado.gov/bills/hb19-1210>.

<sup>3</sup> Local Solutions Support Center, *Colorado Lawmakers Pass Historic Bill Repealing Minimum Wage Preemption*, May 6, 2019, <https://www.supportdemocracy.org/the-latest/colorado-lawmakers-pass-historic-bill-repealing-minimum-wage-preemption>.

<sup>4</sup> Mayor’s Office, *A Livable Wage for Denver*, <https://www.denvergov.org/Government/Agencies-Departments-Offices/Agencies-Departments-Offices-Directory/Mayors-Office/Programs-and-Initiatives/Livable-Wage>. Accessed June 13, 2023.

<sup>5</sup> *Id.*

<sup>6</sup> NELP analysis of U.S. Bureau of Labor Statistics, *Local Area Unemployment Statistics*, 2019-2022 for the Denver-Aurora-Lakewood metropolitan statistical area.

<sup>7</sup> Matthew Bennett, “Longmont City Council to Contemplate a Regional Minimum Wage Tuesday,” *The Denver Post*, June 6, 2023, <https://www.denverpost.com/2023/06/06/longmont-city-council-contemplates-regional-minimum-wage/>.

<sup>8</sup> Analysis on file with author.

<sup>9</sup> *Id.*

<sup>10</sup> Michigan Labor and Economic Opportunity, “Michigan’s Minimum Wage Set to Increase on January 1, 2023,” <https://www.michigan.gov/leo/news/2022/12/05/michigan-minimum-wage-set-to-increase-on-january-1-2023>. Accessed June 12, 2023.

<sup>11</sup> Michigan Labor and Economic Opportunity, “Wage & Hour Update Regarding Litigation on Minimum Wage and Paid Medical Leave,” [https://www.michigan.gov/leo/bureaus-agencies/ber/wage-and-hour/ruling-on-minimum-wage-and-paid-medical-leave?sc\\_site=leo](https://www.michigan.gov/leo/bureaus-agencies/ber/wage-and-hour/ruling-on-minimum-wage-and-paid-medical-leave?sc_site=leo). Accessed June 12, 2023.

<sup>12</sup> Jesse Wursten and Michael Reich, *Racial Inequality and Minimum Wages in Frictional Labor Markets*, Institute for Research on Labor and Employment, IRLE Working Paper No. 101-21, February 2021, <https://irle.berkeley.edu/files/2021/02/Racial-Inequality-and-Minimum-Wages.pdf>.

<sup>13</sup> Ellora Derenoncourt and Claire Montialoux, *Minimum Wages and Racial Inequality*, August 31, 2020, <http://www.clairemontialoux.com/files/DM2020.pdf>.

<sup>14</sup> NELP analysis of Economic Policy Institute, *Demographic Characteristics of Michigan Workers Who Would Benefit if the Federal Minimum Wage Were Raised to \$15 by 2025*, [https://files.epi.org/uploads/State\\_demographic\\_tables.xlsx](https://files.epi.org/uploads/State_demographic_tables.xlsx). Accessed June 13, 2023.

<sup>15</sup> *Id.*

<sup>16</sup> Laura Huizar & Yannet Lathrop, *Fighting Wage Preemption: How Workers Have Lost Billions in Wages and How We Can Restore Local Democracy*, National Employment Law Project, July 2019, <https://www.nelp.org/wp-content/uploads/Fighting-Wage-Preemption-Report-7-19.pdf>.

<sup>17</sup> *Id.*

<sup>18</sup> For meta studies, see Hristos Doucouliagos & T.D. Stanley, *British J. of Indus. Relations*, Publication Selection Bias in Minimum-Wage Research? A MetaRegression Analysis (May 2009) at Vol. 47, Iss. 2; and Paul Wolfson & Dale Belman, *Upjohn Inst. for Employ. Res.*, *What Does the Minimum Wage Do?* (2014). Individual studies are too numerous to cite individually. Some of the most prominent include, 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; and Doruk Cengiz et al., “The Effect of Minimum Wages on the Total Number of Jobs: Evidence from the United States Using a Bunching Estimator,” *Society of Labor Economists* (Apr. 2017). (Updated Dec. 2017 version can be accessed from the American Economic Association, <https://www.aeaweb.org/conference/2018/preliminary/1530>).

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- <sup>20</sup> Arindrajit Dube and Attila S. Lindner, “City Limits: What do Local-Area Minimum Wages Do?,” *National Bureau of Economic Research*, NBER Working Paper No. 27928, November 2020, <https://www.aeaweb.org/articles?id=10.1257/jep.35.1.27>.
- <sup>21</sup> Justin C. Wiltshire, Carl McPherson and Michael Reich, “High Minimum Wages and the Monopsony Puzzle,” University of California, *IRLE Working Paper No. 104-23*, May 2023, <https://irle.berkeley.edu/publications/working-papers/high-minimum-wages-and-the-monopsony-puzzle/>.
- <sup>22</sup> Yannet Lathrop, Matthew D. Wilson, and T. William Lester, Ten-Year Legacy of the Fight for \$15 and a Union Movement: Reducing the Racial Wealth Gap and Generating Tens of Billions in Additional Economic Activity, National Employment Law Project, November 2022, <https://www.nelp.org/wp-content/uploads/Ten-Year-Legacy-of-the-Fight-for-15-and-a-Union-Movement-Reducing-the-Racial-Wealth-Gap-and-Generating-Tens-of-Billions-in-Additional-Economic-Activity-FINAL.pdf>. At 9.
- <sup>23</sup> John Schmitt, *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, Center for Economic and Policy Research, Feb. 2013, <http://cepr.net/documents/publications/min-wage-2013-02.pdf>. See also Hristos Doucouliagos & T.D. Stanley, “Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis,” *British Journal of Industrial Relations*, Vol. 47, Iss. 2, (May 2009); and Paul Wolfson & Dale Belman, “What Does the Minimum Wage Do?,” *W.E. Upjohn Institute for Employment Research*, 2014, [http://research.upjohn.org/up\\_press/227/](http://research.upjohn.org/up_press/227/).
- <sup>24</sup> Arindrajit Dube, *American Economic Journal: Applied Economics* Vol. 11, No. 4, October 2019, <https://www.aeaweb.org/articles?id=10.1257/app.20170085>.
- <sup>25</sup> William Copeland & Elizabeth J. Costello, *Am. Econ. J. Appl. Econ.*, Parents’ Incomes and Children’s Outcomes: A Quasi-Experiment (Jan. 2010) at 1.
- <sup>26</sup> Alex K. Gertner, Jason S. Rotter and Paul R. Shafer, “Association Between State Minimum Wages and Suicide Rates in the U.S.,” *American Journal of Preventive Medicine*, Vol. 56, Issue 5, May 2019, <https://www.sciencedirect.com/science/article/abs/pii/S0749379719300285>.
- <sup>27</sup> Anna Godøy and Ken Jacobs, “The Downstream Benefits of Higher Incomes and Wages,” Federal Reserve Bank of Boston, *Discussion Paper No. 2021-1*, April 2021, <https://www.bostonfed.org/publications/community-development-discussion-paper/2021/the-downstream-benefits-of-higher-incomes-and-wages>.

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