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Cities That Raise the Minimum Wage May Have to Pay Their Workers More.

As a candidate for Seattle mayor last fall, Ed Murray campaigned on a pledge to lift his city's minimum wage to \$15 an hour, which could make Seattle the first major U.S. city to have a wage floor that high. But Murray quickly encountered a problem that may serve as a lesson to other government leaders who chastise the private sector for paying low wages: Seattle city government would see an increase of \$690,000 in labor costs if it met the standard Murray proposed, according to reporting by Crosscut.com, a nonprofit news site. That's because 663 city government employees — about 6 percent of city staff — currently make less than the living wage Murray says he wants for all workers in Seattle.

So far, the budget impact hasn't scared off Murray. For his first executive order, signed last Friday, he directed the city budget office and personnel department to draft a plan for implementing a minimum wage of \$15 an hour for all full-time city employees. Ultimately, any proposal would require legislation from the city council. The estimated cost of raising wages would be less than a quarter of 1 percent of all spending in the city's 2013 budget. Still, the fact that Seattle, a bastion of liberal policy making, doesn't already pay its own employees \$15 an hour, hints at the uphill battle labor unions and advocates for the working poor may face as they try to convince the private sector to increase pay amid a slow economic recovery.

Murray's interest in ratcheting up the wage floor comes at a time when President Barack Obama and Democrats in the U.S. Senate are calling for an increase to the federal minimum wage. Fast food workers have scheduled at least two national strikes in past year demanding higher pay. Last year several states decided to elevate their minimum wage above the federal standard of \$7.25 an hour, either by popular vote or through legislation. The topic is likely to become a focus for some Democratic governors, such as Maryland Gov. Martin O'Malley, and other left-leaning local elected leaders in 2014.

A poll by the Pew Research Center and USA TODAY last year found that 71 percent of Americans favored a higher minimum wage (from \$7.25 to \$9) but support varied by political persuasion. About 87 percent of Democrats favored the proposal, but only 50 percent of Republicans. Independents fell between the two groups, with about two-thirds supporting an increase. Even when Republicans support a wage hike, as New Jersey Gov. Chris Christie did last year, it's typically with caveats, such as a multi-year phased-in approach that dilutes the impact relative to annual cost-of-living increases.

When the New Jersey State Legislature evaluated a bill to increase the state's minimum wage from \$7.25 to \$8.25 an hour — a more modest proposal than what's being discussed in Seattle — legislative fiscal analysts concluded that some city and county governments would see their labor costs go up. Essex County, for example, paid 211 seasonal employees in the parks department a wage of \$8 per hour in 2012. Assuming the county continued to pay these workers minimum wage and kept the same number of staff, it would pay \$25,800 more in labor costs. The analysis also noted that some private contractors that provide services on behalf of state, county and city government may pay their employees minimum wage and would see an increase in labor costs.

By contrast, in the District of Columbia, raising the minimum wage by \$3.25 over three years would hardly make a dent in the district's labor costs. That's because no hourly government employee who works for the district today makes less than \$11.75 an hour. The chief financial officer did note, however, that the district would have to hire two auditors and an administrative assistant to implement and enforce the policy change, amounting to about \$225,000 per year in new labor costs for those three positions.

The Seattle proposal is on the high end of state and local minimum wages across the country. In December the city council in the District of Columbia passed legislation that would set the minimum wage at \$11.50 by 2016, with future increases tied to the local Consumer Price Index (CPI), a proxy for the rising cost of living. San Francisco's wage floor is \$10.74, with automatic increases each year. Washington state has the highest state-level minimum wage at \$9.32 per hour, which also goes up automatically each year.

Voters in SeaTac, a small city with a population of 27,000 residents that is best known for its international airport, passed a ballot measure in November that sets the local minimum wage at \$15 an hour; however a King County Superior Court judge ruled that the law doesn't apply to workers at the airport, so the law only affects about 1,600 people who work at hotels and car services outside the airport.

Like private employers, governments can absorb the higher labor costs by reducing other costs, including the number of staff, and by charging more for services; in Seattle, for example, the city could glean extra revenue from parking fees and facility rentals at the former Seattle Sonics basketball stadium, Key Arena.

The Seattle budget office estimates assumed that the city would increase its minimum wage immediately, rather than phasing in higher wages over several years — as the District of Columbia and its neighboring Maryland counties decided to do in December. Murray has carefully worded his support of raising the minimum wage as “moving towards a \$15 living wage” and has left open the possibility that Seattle would also increase the wage floor in increments.

BY J.B. WOGAN | JANUARY 7, 2014