

Fiscal Analysis

PRE-EMPTION OF LOCAL LIVING WAGE LAWS



Bill/Sponsor **HOUSE BILL 4160 SUBSTITUTE (H-1)**, Rep. Fulton J. Sheen

House Committee Employment Relations, Training and Safety

Analysis

Summary

The direct impact of the bill would be to reduce local costs in those municipalities that have chosen to enact local living wage ordinances. The amount of this reduction is indeterminate, but would likely be very small when compared to overall local costs. State and, where applicable, local revenues could also decrease due to reduced incomes. However, any revenue impact would be negligible.

Fiscal Impact

The bill would amend the Minimum Wage Law of 1964 by prohibiting a local unit of government from enacting, maintaining, or enforcing a minimum wage rate that is greater than either the state minimum wage or the federal minimum wage (both currently are \$5.15 per hour). It clarifies that this provision does not prohibit a local unit from entering into a collective bargaining agreement or other arrangement to pay its own employees a minimum wage that exceeds these levels. Essentially, the bill would prohibit local units of government from enacting or maintaining “living wage” ordinances – which require certain employers (e.g. those contracting with the municipality) to pay minimum wages which exceed the current state and federal minimum wage

Prohibiting such living wage arrangements would likely reduce wage levels for at least some employees working for employers currently affected by living wage arrangements. The direct impact of the bill would be to reduce local contractual costs in those municipalities that have chosen to enact local living wage ordinances. The amount of this reduction is indeterminate, but would likely be very small when compared to overall local costs. State and, where applicable, local revenues could also decrease due to reduced incomes. However, any revenue impact would be negligible. Also, some have argued that living wages can indirectly reduce local costs by promoting increased productivity from workers and reduced turnover due to the higher wage. While such impacts can not be verified, these factors could limit the direct impact of the bill on costs and revenue.

Analyst(s)

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FLOOR ANALYSIS - 2/24/03

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