

July 2024

Minimum Wage Economic Analysis

Longmont Summary

Prepared for: The Boulder County Minimum Wage Economic Study Scoping Team,
Consisting of the Cities of Boulder, Longmont, Louisville, and Lafayette and the Town of
Erie

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Introduction

This document summarizes findings from the Minimum Wage Economic Analysis conducted by ECONorthwest for the municipalities of Boulder, Erie, Lafayette, Longmont, and Louisville. The analysis provides regional and municipal-specific information about current economic conditions and the potential effects of increasing the minimum wage beyond the level required by the state of Colorado. This summary focuses primarily on municipality-specific information. The full report provides additional regional context and findings and details data sources and analytic methods.

ECONorthwest applied an equity framework throughout this project, which relies on an understanding of the historical context, in which communities of color have not had the same educational and economic opportunities as white communities and are disproportionately represented among low-wage earners. Wherever possible we used data that can be disaggregated by race/ethnicity, income, and other demographics. In using such data, we seek to fully understand the limitations of any data source with respect to equity considerations.

Comparison Municipalities with Minimum Wage Increases

The selection process for comparison municipalities began with examining factors similar to those present in the Scoping Team's five municipalities. We analyzed data from these comparison areas before and after their minimum wage laws were enacted to understand potential impacts on the Scoping Team's municipalities. As of 2024, 61 cities and counties have separate minimum wage laws, a ten-fold increase since 2012. We determined our final selection of 10 U.S. cities/counties based on the best alignment with the Scoping Team's municipalities on the following factors: population size, industry mix, geographic diversity, and the availability of studies on minimum wage effects.

Our review of research on local minimum wages indicates that localities with higher minimum wages differ significantly from those without and can tailor policies to local conditions without major economic disruption. Analysis of outcomes in 10 cities/counties with recent minimum wage increases suggests these changes do not necessarily result in large negative economic effects. The data show varied impacts on unemployment, poverty, labor force participation, and employment rates, without a consistent pattern indicating positive or negative effects on these outcomes.

Potential Impacts of Minimum Wage Increases

The Minimum Wage Economic Analysis incorporates a large body of economic research to model potential municipality-level impacts of the defined minimum wage increase. While a



growing consensus indicates that minimum wage increases are unlikely to lead to the severe outcomes often projected by opponents, they also do not provide the comprehensive solution sometimes portrayed by supporters. In practice, the research suggests a mix of positive and negative effects, and a high degree of uncertainty about their magnitude, which will depend in large part on many local conditions.

Over the past three decades, economists have been studying the myriad and sometimes counterintuitive impacts of raising the minimum wage. The understandable initial focus on employment has been greatly expanded to include impacts on capital investment, prices, business productivity, poverty, inequality, and more. This rich body of academic literature reveals a complex picture, with empirical evidence frequently bolstering arguments for both limited and moderate impacts on various outcomes of interest.

Research Summary:

- » **Employment:** A rich body of research on the impact of a minimum wage increase on aggregate employment shows a complex picture of dynamics, however the overall consensus indicates limited negative impacts on aggregate employment.
- » **Capital Investment:** One explanation for the limited employment impacts of a minimum wage increase is that employment effects are short-term, and that employers can and will shift towards more capital-intensive (less labor-intensive) operations over the long term.
- » **Prices:** In the traditional economic framework, wage increases lead to higher prices and recent empirical research provides evidence that minimum wage increases are passed on to consumers, however the estimated effects on price are relatively small.
- » **Business Productivity:** Current research indicates both positive and negative effects on business productivity, depending on firm size and industry, across varying metrics such as worker productivity, firm revenue, and product quality.
- » **Poverty and Income Inequality:** For low-income workers, researchers have found that a minimum wage increase can reduce income inequality, as well as the racial and gender wage gaps. Other effects, both positive and negative, have been documented, including improved social and health outcomes for children, low-income workers commuting to areas with higher minimum wages, and diminished access to jobs for workers without a high school diploma.

What is clear from the literature is that the often assumed simple, direct relationship between increases in the minimum wage and reductions in employment is overly simplistic. **Research has shown that increases in the minimum wage can have both positive and negative impacts of varying degrees on a wide array of economic outcomes over different time horizons.**

On net, the literature indicates that increases in the minimum wage can be an effective way to improve outcomes for low-wage workers. There is not



necessarily a single minimum wage approach optimal for all places; localities need to evaluate the relative importance of each potential impact to their communities.

City of Longmont Population Characteristics

The population of Longmont was 99,779 in 2022. Longmont's population has grown at an annual average rate of 1.2 percent between 2010-2022. Of the five municipalities, Longmont has the second largest population and a third lowest population growth.

City of Longmont has a BIPOC population of 31 percent, the highest compared to the other municipalities, and residents of Hispanic or Latino origin make up 23 percent of the total population. **46 percent of the population 25 years or older received a bachelor's degree or higher, and 38 percent received a high school diploma or attended some college.** For the population age distribution, 20 percent of Longmont's population are under the age 18 while those 65 years or older compose 17 percent of the population, the highest of the municipalities.

The annual median household income Longmont residents is \$89,720. **Income is relatively low compared to the other municipalities, with a relatively higher share of residents below the Federal Poverty Level (FPL) (8 percent).**

Across the region, a disproportionate share of young, BIPOC, and female workers earn the minimum wage:

- ◆ 57 percent of workers aged between 18 and 24 earn the minimum wage, compared to only 12 percent of those above 25 years old;
- ◆ 28 percent of Hispanic or Latino workers and 23 percent of non-Hispanic BIPOC¹ workers earn the minimum wage, while 20 percent of white workers earn the minimum wage;
- ◆ 25 percent of female workers and 18 percent of male workers earn the minimum wage.

Common across all municipalities, Longmont has a concentration of employment in professional and technical services, and manufacturing. In addition to these industries, Longmont employment is relatively concentrated in agriculture, and retail trade. **About 40 percent of Longmont employment is in low-wage industries.**² Additionally, 85 percent of businesses in Longmont are small businesses, those with less than 25 employees, and 32 of workers are employed at small businesses.

A questionnaire administered as part of this study asked residents and business owners across the five municipalities questions regarding a minimum wage increase. The results indicate that the majority of respondents who work in Longmont support a minimum wage increase (52 percent). Of business owners in Longmont, 31 percent reported employing at

¹ Non-Hispanic BIPOC includes individuals who identify as Asian, Black or African American, AIAN, NHPI, Two or more races, or Some other race.

² Low-wage industries include service and retail industries, in addition to a few others. See full report for details.



least one worker who earns under \$15.69 per hour. Businesses owners were generally less supportive of an increase than other respondents.

Minimum Wage Scenarios

The impact model for this analysis evaluates four minimum wage scenarios. The Colorado state minimum wage, indexed to inflation, serves the baseline. All scenarios assume inflation of 3.0 percent in all future years. Colorado's current (2024) minimum wage is \$14.42 per hour, a 5.6 percent increase from 2023, and will reach \$19.96 by 2035. We compare the modeled effects of proposed scenarios against those of increases in the state minimum wage to arrive at a net impact of each proposed scenario.

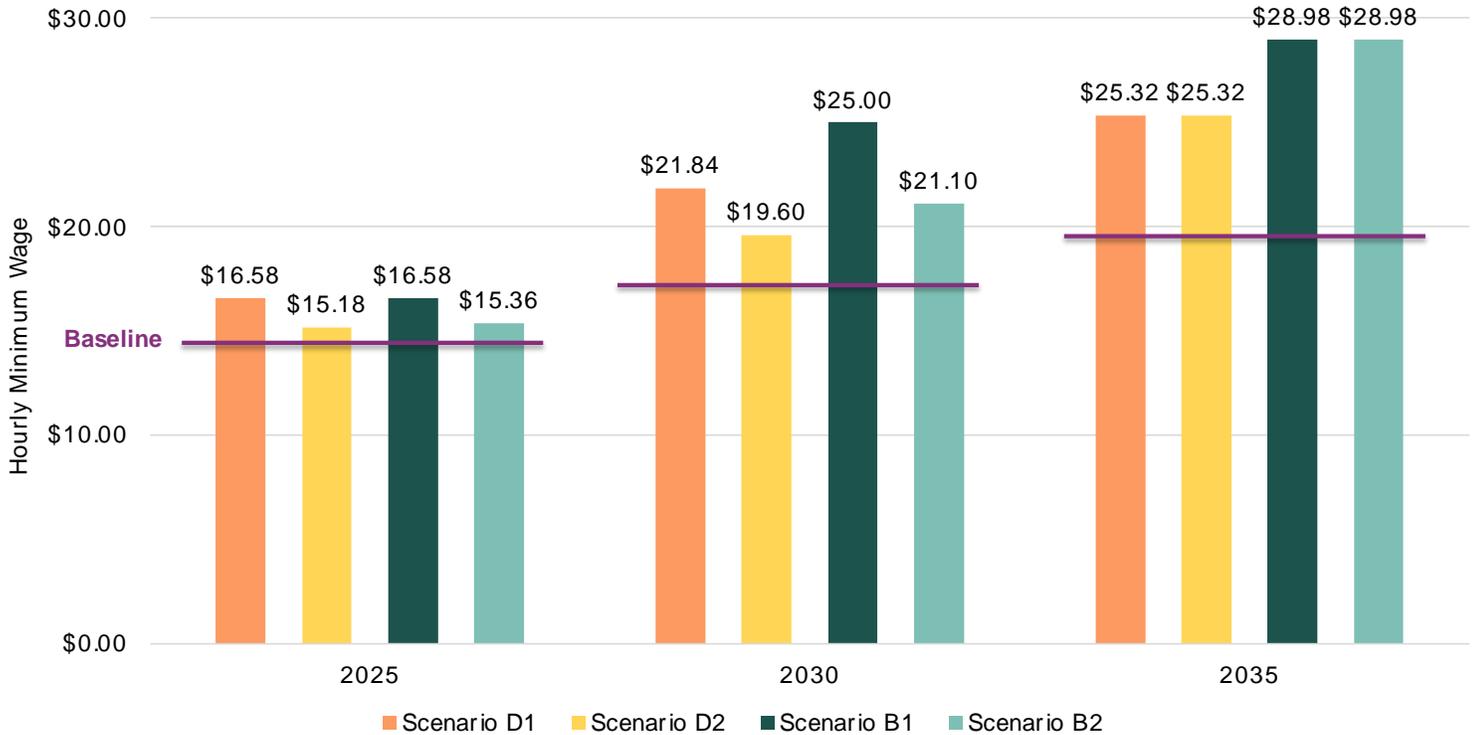
Two scenarios assume a minimum wage that increases to meet that of Unincorporated Boulder County's in either 2025 ("B1") or 2035 ("B2"). The remaining two scenarios assume an minimum wage that reaches Denver's in 2027 ("D1") or 2035 ("D2"). These scenarios reflect a range of minimum wage increases from relatively slow (D2) to as quickly as possible under state law (B1 and D1). Exhibit 1 shows the minimum wage levels by scenario in 2025, 2030, and 2035.

Comparing the proposed minimum wage scenarios to the Self-Sufficiency Standard highlights whether the proposed wage thresholds allow workers to adequately meet their basic needs without relying on public assistance. The Standard, developed by the University of Washington's Center for Women's Welfare and published by the Colorado Center on Law and Policy (CCLP), provides a more accurate and localized measure of the income required to cover essential expenses, reflecting the true cost of living in Boulder County.³ Unlike the Federal Poverty Level, Self-Sufficiency Standards take into account the current cost of living, such as housing, child care, food, transportation, and healthcare. Exhibit 2 shows the 2025 minimum wage threshold under each proposed scenario and compares it to the Standard across example household types. **In 2025, all scenario wage-levels would only exceed the 2022 self-sufficiency wage for households with two working adults.** If the self-sufficiency wage were to remain the same, the proposed minimum wage scenarios in 2030 would exceed the Standard for one adult households but would still not meet the requirement for households with two working adult and two children. Note that projections of the self-sufficiency wage are not available to date and are likely to increase in the future.

³ Colorado Center on Law and Policy. (2022). *The Self-Sufficiency Standard*. Accessed at: <https://copolicy.org/resource/self-sufficiency-standard-for-colorado-2022/>



Exhibit 1. Proposed Minimum Wage Scenarios, 2025, 2030, 2035



Source: ECONorthwest analysis and Scoping Team, 2024

Exhibit 2. 2025 Proposed Minimum Wage Scenarios Compared to the Self-Sufficiency Standard

SCENARIO	2025 MINIMUM WAGE	DIFFERENCE FROM SS STANDARD (MIN. WAGE MINUS SS)		
		1 ADULT (\$19.44)	2 ADULTS (\$13.79)	2 ADULTS 1 PRESCHOOLER + 1 SCHOOL-AGED (\$25.44)
Baseline	\$14.85	-\$4.59	\$1.06	-\$10.59
Scenario B1	\$16.58	-\$2.86	\$2.79	-\$8.86
Scenario B2	\$15.36	-\$4.08	\$1.57	-\$10.08
Scenario D1	\$16.58	-\$2.86	\$2.79	-\$8.86
Scenario D2	\$15.18	-\$4.26	\$1.39	-\$10.26

Source: ECONorthwest analysis and CCLP, Self-Sufficiency Standard, Boulder County, 2022

Note: 2 Adult household wages assume both adults are working full-time.



Impact Analysis of a Minimum Wage Increase

EMPLOYMENT AND INCOME OF DIRECTLY AFFECTED WORKERS

Exhibit 3 shows the number of employees that would be laid off due to the defined minimum wage increase at 2030 levels. Under all scenarios, teenagers and young adults are most likely to be affected by job loss due to a minimum wage increase. The loss of employment in Scenario B1 is the highest compared to other scenarios in 2030, due to the comparatively faster minimum wage increase. Overall, the Unincorporated Boulder County-based scenarios are associated with greater employment loss compared to the Denver-based scenarios.

Despite the potential loss of employment due to the minimum wage increase, many more workers will have increased earnings. Exhibit 4 shows the number of employees that would see an increase in their earnings in the average work week under each scenario. The number of workers (directly- and potentially-affected) ranges between 1 percent and 8 percent of Boulder’s current employment. The share of workers with increased earnings due to a minimum wage increase is highest in food service and accommodation, and retail trade industries. Specifically, 17 percent of restaurant workers could see increased earnings under Scenario B1 by 2030.

Exhibit 3. Change in Employment Relative to Baseline, 2030

SCENARIO	TEENAGERS & YOUNG ADULTS	ADULTS	ALL WORKERS	SHARE OF CURRENT EMPLOYMENT
Scenario B1	-437	-70	-507	-1.0%
Scenario B2	-263	-42	-305	-0.6%
Scenario D1	-315	-42	-357	-0.7%
Scenario D2	-158	-24	-182	-0.4%

Source: ECONorthwest analysis. CDLE, Confidential QCEW, 2023

Notes: Teenagers are those 16-19 years old and Younger Adults are those 20-24 years old.

Exhibit 4. Workers with Increased Earnings Relative to Baseline, 2030

SCENARIO	TOTAL WORKERS	SHARE OF CURRENT EMPLOYMENT
Scenario B1	3,936	8.0%
Scenario B2	1,272	2.6%
Scenario D1	1,736	3.5%
Scenario D2	460	0.9%

Source: ECONorthwest analysis. CDLE, Confidential QCEW, 2023

Note: Total workers include those directly and potentially affected. See report for full detail.



EFFECT ON POVERTY

The FPL is widely regarded as inadequate for assessing family economic resiliency, with measures such as the CCLP Self-Sufficiency Standard allowing for better and more holistic assessments.⁴ Due to limitations in the research literature and available data, the economic model relies on a stratification of family income relative to the FPL at the regional (five municipalities combined). Families with lower incomes benefit more from minimum wage increases and tend to spend a higher portion of their income. Families with incomes below 300 percent FPL experience an increase in income in all scenarios. Under Scenario B1, that with the fastest increase in the minimum wage, families below 300 percent of the FPL could see increases in average annual income of between \$77 and \$152. The full report provides detailed results by family income level.

Exhibit 5 presents the reduction of people in poverty in 2030 associated with each scenario. In Longmont, between 35 to 165 people would be lifted out of poverty by 2030, across scenarios.

Exhibit 5. Change in Poverty Relative to Baseline, 2030

SCENARIO	CHANGE IN POPULATION IN POVERTY	CHANGE IN POVERTY RATE
Scenario B1	-165	-0.17%
Scenario B2	-35	-0.04%
Scenario D1	-57	-0.06%
Scenario D2	0	0.00%

Source: EConorthwest analysis

ECONOMIC EFFECTS ACROSS THE FIVE MUNICIPALITIES

Exhibit 6 shows the change in prices, GDP, and local (county and municipality) tax revenue relative to baseline for the five municipalities combined in 2030.

The cumulative increase in prices is at maximum less than 0.1 percent in 2030. Under Scenario B1, prices could be 0.09 percent higher in 2030, and under Scenario B2, could be 0.05 percent higher. The Scenarios D1 and D2 show slightly lower price differences of between 0.03 and 0.06.

By 2030, Boulder County economic output under all scenarios increases minimally or remains unchanged, and then turns slightly negative by 2035. This small shift is due to reductions in average family income, particularly among higher-income households affected by price increases. More households have incomes above three times the FPL than below, and their income reductions lead to a slight reduction in economic output.. In 2035, the negative impact ranges from a decrease in GDP of 0.02 percent (Scenario D2) to 0.06

⁴ Colorado Center on Law and Policy. (2024). Self-Sufficiency Standard. Accessed at: <https://copolicy.org/resources-publications/publications/self-sufficiency-standard/>



percent (Scenario B1). Additionally, impacts to local (county and municipality combined) tax revenues in Boulder County are expected to be negligible compared to overall municipality budgets. They range from increases of \$5,000 (Scenario B2) to \$20,900 (Scenario B1) in 2030, to decreases of \$98,000 under the Denver-based scenarios and about \$386,000 under the Unincorporated Boulder County-based scenarios in 2035.

Exhibit 6. Change in Prices, GDP, and Local Tax Revenue Relative to Baseline, Five Municipalities Combined, 2030

SCENARIO	CHANGE IN GDP	CHANGE IN LOCAL TAX REVENUE	CUMULATIVE CHANGE IN PRICES
Scenario B1	0.0012%	\$20,853	0.094%
Scenario B2	0.0003%	\$4,944	0.050%
Scenario D1	0.0005%	\$7,973	0.061%
Scenario D2	0.0000%	\$0	0.032%

Source: ECONorthwest analysis

Note: Change in cumulative prices is the upper estimate of potential price changes.

BORDER CONSIDERATIONS

Municipalities that straddle county boundaries may have concerns about business location and migration and worker commuting patterns. As described in the full report, the literature in the business migration space is limited and suggests that business relocations following an increase in the minimum wage are rare. At the same time, studies have shown that increases in the minimum wage can affect the location decisions of *new* businesses. Regarding commuting, analysis in the full report shows that low-income workers already regularly commute to jobs out of their resident municipalities. A higher minimum wage in a neighboring locality may incentivize some workers to commute into the area, potentially increasing competition for jobs while boosting wages for those workers.

