

Proposed Minimum Wage Hike in Cleveland Could Have Maximum Impact on Employers



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Cleveland City Council had a first reading this week of legislation by initiative that will raise the minimum wage in Cleveland to \$15 per hour ([Ordinance 621-16](#)).

The initiative is driven by the Service Employees International Union (SEIU), whose Fight-for-\$15 campaign has helped make \$15 the new standard in the national debate about minimum wage. The SEIU, through the newly formed local group Raise Up Cleveland, collected enough signatures of Cleveland voters to compel council to introduce the legislation on Monday, May 16, 2016. The initiative is the latest in a series of efforts across the country to impose increased minimum wage rates on private sector employers and advance an aggressive "pro-employee" labor agenda.

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The legislation would require any person or entity that employs 25 or more employees to pay an employee working within the geographical boundaries of the City of Cleveland a minimum rate of \$15 an hour beginning January 1, 2017. Starting in January 2018, the minimum wage would be adjusted each year for inflation. Certain employment situations are excluded from the \$15 minimum wage requirement, namely: any individual employed by a solely family owned and operated business, who is a family member of one of the owners; or any individual employed on a casual basis in or about the property of the employer or at the individual's residence; an employer who has received a license issued by the State of Ohio authorizing a lower wage rate to employ individuals with mental or physical disabilities that may otherwise adversely affect their opportunity for employment; and certain tipped employees provided the employer can demonstrate that an individual employee receives tips that combined with the wages paid by the employer are equal to or greater than the minimum wage rate for all hours worked.

In cases where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to, and the employer must pay, the higher of the two minimum wage rates. At \$8.10 per hour currently, Ohio's minimum wage is already 85 cents higher than the federal rate of \$7.25 per hour. The legislation would significantly impact, and critics say harm, businesses in Cleveland by nearly doubling Ohio's existing elevated minimum wage rate.

COUNCIL VOTES WITHIN 90 DAYS

Per the city's charter, council has to vote on the legislation within 90 days and has the option to pass, amend, or reject it. If two-thirds of all council members vote to pass the legislation as introduced by the SEIU, the city's new minimum wage rate of \$15 an hour would take effect in January. Council may make changes and pass the legislation. The SEIU would then decide whether to accept the changes and allow the law to go into effect in January, or send the original legislation to the ballot for voters to decide on in the November election. Likewise, if council rejects the legislation, the SEIU could send the measure to voters. Separate from the SEIU's proposal, council could also introduce its own competing legislation to voters.

While the majority of council members have not publicly stated their opinions of the legislation, Council President Kevin Kelley and Mayor Frank Jackson have openly [denounced the proposal](#); calling for the issue to instead be addressed at the state level.

While proponents tout the need for an increased minimum wage to address inequality in pay and provide for a "living wage," critics claim that the legislation will put the city at a competitive disadvantage and is likely to lead to layoffs and businesses leaving the city.

While council members may not necessarily be opposed to raising the state minimum wage, there is not likely to be much support for legislation that seeks to impose such a significant increase on a single city, especially in a down economy. Moreover, according to the Cleveland Law Department, no city in the state of Ohio has its own minimum wage, and it is unclear whether state lawmakers would even allow Cleveland to enact one. But with President Obama recently raising the minimum wage for employees under federal contracts, and other major metropolitan cities like Seattle, New York and San Francisco adopting a \$15 minimum wage, voters may be ready for a change. And that could increase tension between the city's residents and its leaders.

The proposed increase in the minimum wage in Cleveland is a topic that will garner much debate in the coming months, and the issue certainly complicates the mayor's purported plans to renew a Cleveland school tax and raise the city's income tax by 25 percent. It also comes at a time when the city will be in the national spotlight as it hosts the Republican National Convention this summer.

NEXT STEPS

A city-wide increased minimum wage requirement will pose significant financial and administrative burdens on businesses in Cleveland. Affected employers are wise to be proactive in assessing the potential impact compliance with the legislation will have on their businesses. McDonald Hopkins will keep you informed about the status of the legislation leading up to the November election.