



RESIDENCY REQUIREMENTS: A CASE OF  
POLITICS OVER ECONOMICS

By  
*Frank Gamrat, Ph.D., Senior Research Associate  
Allegheny Institute for Public Policy*

*Allegheny Institute Report #01-06  
September 2001*

© by Allegheny Institute for Public Policy. All rights reserved.

Note: The Allegheny Institute is a 501 (c)(3) non-profit, non-partisan educational organization. Nothing written here is to be construed as an attempt to support, endorse or oppose any candidate or proposed legislation.

Allegheny Institute for Public Policy  
835 Western Avenue\* Suite 300\* Pittsburgh, PA 15233  
(412) 231-6020 \* Fax (412) 231-6037 \* e-mail [aipp@alleghenyinstitute.org](mailto:aipp@alleghenyinstitute.org)  
[www.alleghenyinstitute.org](http://www.alleghenyinstitute.org)

## Table of Contents

Key Findings	2
Introduction	3
Residency Requirements: Who Has Them and Why	4
Legal Challenges to the Residency Requirement Law	7
The Supply of Labor for Municipal Jobs and the Effect on Wages	9
Political Motives	10
Efficiency	10
Urban Flight	10
Unions and Residency Requirements	11
Conclusions	12

## Key Findings

Residency requirements for government employment have long been a part of the local political landscape. Reasons for implementing and maintaining these laws are more political than economical. This paper finds that residency requirements:

- Are most likely to be implemented in cities with high local unemployment rates. Pressure on city officials to enact a residency requirement will be greater if the demographics of the city include poor or uneducated persons. However, replacing productive suburban workers with less productive city residents will make local government less efficient and increase the cost of providing public goods.
- Reduce the supply of labor available for municipal jobs. This reduction in the labor supply will be accompanied by a wage premium for municipal jobs over similar jobs in the private sector. The wage premium is necessary to compensate municipal workers for being required to live in the city.
- Are most likely to be implemented in cities with high tax rates. Imposing a residency requirement may cause persons to move into the city in order to keep their jobs. This increase to the population of the city will also increase the city's tax base, as more of the wage premium will be captured in the local tax base.
  - However, if the increase in the cost of producing greater levels of public goods associated with the greater population outweighs the increase to the tax base, the city will be forced to raise taxes to cover the difference. Increasing taxes will over time devalue property and cause private sector workers to move out of the city.

Residency requirements are not in the best economic interests of the cities that enact them. Therefore the reason that they are popular is that they are politically valuable to the politicians that enact them. Residency requirements encourage:

- Patronage as grateful workers are more likely to vote for the politicians that helped them secure jobs. This becomes easier to do when municipal workers are afforded election day off from work.
- The passage of referenda on projects that involve public spending. The public workers who stand to benefit from these projects will be able to vote for them in greater numbers than private sector workers who are not afforded election day off.
- Political influence for unions. Residency requirements represent a mixed bag for unions. On one hand, politicians can use a residency requirement to force a union to higher from within the city limits on public projects. This affords minorities and women opportunities to work on public projects at the expense of union members who are suburban residents. On the other hand, unions representing municipal works have more clout in negotiations if their members are city residents and have the power of the vote.

Residency requirements have withstood numerous court challenges. The Supreme Court has ruled that residency requirements, as a condition of government employment, do not violate the Constitution and do not infringe on an employee's right to free travel or due process.

## Introduction

In June of 2001, the Pennsylvania state legislature passed a revision of the state School Code that eliminated the residency requirement for teachers and non-teaching professionals in the Philadelphia and Pittsburgh school districts.<sup>1</sup> The Philadelphia school district was having trouble attracting qualified applicants for teaching positions and it was believed that the residency requirement was the main reason for this problem. It was cited that many positions went unfilled and a number of teachers in the prior academic year were not certified. This inability to attract certified teachers to Philadelphia prompted the legislative action. Although the Pittsburgh school district did not have recruitment problems like Philadelphia's, the legislature included Pittsburgh in the change.<sup>2</sup>

The elimination of the residency requirement for teachers in the Pittsburgh school district has created a stir among other groups of city workers, in particular the city's police officers. One week after the state passed its legislation for the schoolteachers, the police union, the Fraternal Order of Police (FOP) announced that it would challenge in court the residency requirement imposed on the City's police force. One issue brought forward by the FOP is that it is "hard to police your neighbors". Having officers living so close to the persons that they have to arrest or issue citations to, often puts the officer (and their families) at the risk of harassment and retaliation.

But in more general terms the FOP, as well as other municipal workers, claim that the residency requirement restricts their right to be able to choose where they live. Employees that may be dissatisfied with city taxes or city schools are not able to choose alternatives unless they leave their municipal jobs. Other arguments against residency requirements claim that if a restriction were in place, then a lower skilled city workforce may be the result and lower levels of public goods will be produced. Likewise, in order to attract well-qualified individuals to city employment, wage rates may have to be raised to compensate the worker for the inconvenience of moving and abiding by the residency requirement. This of course would lead to higher city taxes to pay for the increased wage.

Proponents of residency requirements for government employment claim that since salaries are paid from tax dollars, city employees should pay those taxes themselves. And since they live in the community, they will spend their paychecks with local merchants thereby participating in the local economy. Another argument in favor of residency requirements is that emergency personnel are more readily able to respond to a crisis if they live within city borders. Also, since municipal employees live in the city in which they work they have a better understanding of the community and would have more of a personal stake in making sure the job was done right.

Whichever side one takes, this much is clear; the debate tends to be more emotional than factual. Historically, the courts have ruled in favor of upholding the requirements. Courts have ruled that there is no fundamental right to government employment and the arguments in favor of residency requirements provide a rational basis for the law. In the following sections, the arguments for and against residency requirements will be examined in further detail.

---

<sup>1</sup> Non-professionals such as janitors and secretaries are still subject to the requirement.

<sup>2</sup> Philadelphia and Pittsburgh were the last school districts in the Commonwealth with such a requirement. Therefore, the legislature included Pittsburgh with Philadelphia when the law was changed.

## **Residency Requirements: Who Has Them and Why**

Many reasons are given for the implementation of a residency requirement such as: having fire, police and paramedics quickly available in case of emergency; workers who live in the community have a better understanding of the problems facing the community in which they live; public employees whose salaries are funded from tax dollars, should pay those tax dollars; being part of the local economy; and reducing competition for city jobs.

Authors Paul Courant and Daniel Rubinfeld, in their paper "Robbing Peter to Pay Peter: The Economics of Local Public Residency Requirements", attempt to statistically model the causes and results of residency requirements.<sup>3</sup> The authors look at the short-term impact of a residency requirement in a city under two hypothetical situations: full employment and unemployment.

In the model with full employment the authors' assume that: the city is smaller than the surrounding area; there are no barriers to moving between jurisdictions; the labor market is completely competitive; and municipal and private sector wages are identical. If the city imposes a residency requirement in this model it would result in higher wages to compensate suburban public sector employees for being forced to move into the city. The public sector wage has now risen above the private sector wage and the winners are the public sector employees who were already residents. However, the city as a whole may be better off if the increase in the tax base is greater than the increase in the cost of producing the extra public good needed to accommodate the increase in residents. This will happen if: the public sector wage rate is not very responsive to external factors; the tax rate is large; and the ratio of suburban public sector employees to total public sector employees is small.

The less responsive is the public sector wage, the more attractive it will be to implement the residency requirement. The authors explain that this low responsiveness of the public sector wage assures that as the requirement takes effect, the wage rate for public workers does not rise rapidly. "In other words, the gains from a residency requirement occur because the increased number of public sector employees who take up residency in the city add to the tax base."<sup>4</sup> If the wage rate to these employees rises too quickly, it will follow that the city's tax rate will have to be raised because the price of producing public goods will increase faster than the rise in the tax base.

The number of non-resident municipal workers to overall municipal workers, prior to the enactment of a residency requirement, needs to be small in order for the city as a whole to benefit from the law. The increased wages associated with the residency requirement will be captured most in the local tax base if more municipal workers are current residents. If the increased wages are paid more to suburbanites that are now required to move into the city, then whatever gains are made to the local tax base will be offset by the increase in the cost of providing more public goods to accommodate the increased population. However, with relatively few newcomers, the increase in the tax base will more than offset the extra expense associated with the increased levels of public goods.

If the city in question already has a large tax rate, the more likely they are to institute a residency requirement. The authors note that, "the larger the tax rate, the greater the gain (on the margin) to be achieved if the tax price of the public good can be lowered, since the tax rate provides a

---

<sup>3</sup> Courant, Paul N. and Daniel L. Rubinfeld. "Robbing Peter to Pay Peter: The Economics of Local Public Residency Requirements." *Journal of Urban Economics*. Vol. 23. 1988. Pp. 291-306.

<sup>4</sup> *Ibid.* Page 297.

measure of the level of the public good consumed."<sup>5</sup> However, the more nearly private the local public good, the lower the benefit of attracting an additional employee to reside in the city, since the cost of the good rises substantially.

According to the theory presented above, if a city were operating in an era of fully employed resources, with the restrictions as outlined above, then a residency requirement may be economically viable in the short-run. However, if all of the above conditions are not present, city residents will be unambiguously worse off. In the longer-run, the authors predict that taxes will then be increased to pay the new wages which will in turn start to devalue aggregate land values, and over time the city would start to lose its private sector-employed population. As the authors note, if a city, without all of the stringent assumptions outlined above, were to enact a residency requirement it would be "self-defeating from the city residents' point of view."<sup>6</sup>

In a situation where unemployment exists, a residency requirement is also not likely to be economically beneficial. However, one popular reason for instituting a residency requirement is that it insulates unemployed residents from suburban competition for city jobs. This rationale assumes that unemployed city residents are not as qualified as non-city residents when competing for municipal jobs (otherwise they would not be unemployed). Therefore, this model suggests that a residency requirement can be beneficial to a city if the increases to the local tax base are enough to offset the cost of using less productive resident employees instead of more productive suburban ones.

The assumptions in this model are similar to the employed resources model except that the authors make an additional caveat that there are two types of workers: productive (employed) and unproductive (unemployed) city residents. The authors assume that the residency requirement will allow the city to replace non-resident municipal workers with unemployed (unproductive) city residents. This assumes that suburban public workers will not want to relocate to the city but instead seek employment in the suburbs. Whether or not the residency requirement is viable depends upon the relative difference between the productivity of the unemployed city residents and the productivity of the incumbent suburban municipal workers. Therefore, the smaller the gap between the productivity of the two groups, the more desirable the residency requirement.

However the difference in productivity is only part of the model. The other part deals with the individual resident's individual share of city taxes. In the unemployment model, a residency requirement is more desirable the larger the individual tax share. As the city's unemployed becomes employed (through the displacement of suburban municipal workers) they will increase the city's tax base. But, since using less productive workers increases the cost of producing public goods, the benefit of a residency requirement only occurs up to the point where the marginal benefit of the increased tax base is greater than or equal to the increased marginal cost of producing the public good.

To summarize the academic models, residency requirements may work in the short run if certain conditions are present. Residency requirements reduce the supply of labor for municipal jobs, and increase the wage. The only way they work is if the increase in the tax base outweighs the increased costs of providing more public goods to the new residents. This is most likely to happen in situations where city residents are hired to replace incumbent suburban workers. The wage increases, as well as new wages, will be captured completely in the city's tax base and the

---

<sup>5</sup> Ibid.

<sup>6</sup> Ibid. Pg.299.

increase in the cost of public goods will be minimal. However, the problem with this scenario is that by replacing productive suburban workers with less productive city residents (otherwise they would not have been unemployed in the first place) leads to inefficiencies in government. Inefficiencies lead to increased costs as it takes more workers (or the same amount of workers more time) to complete the same job. In the long run, residency requirements are detrimental to the city, as it will raise taxes to pay for the higher wages and inefficiencies. Higher taxes will lead to lower land values, which will cause private sector workers to move out of the city. This starts a cycle of a lower tax base for the city, which then raises taxes to continue to pay for the same (or comparable) level of public goods.

The authors conclude that even though certain conditions exist that would make a residency requirement viable in theory, the conditions are too restrictive and not in the long run interest of the public. In fact the authors find that a residency requirement reduces overall economic efficiency of city government. Even though it holds true that residency requirements are not in the best interest of the general public, in either model, the authors postulate that there may be non-economic reasoning for their implementation. The two reasons given are both political: union busting and voting.

If the city municipal workforce is unionized, and it is stipulated in the collective bargaining agreement that senior members are paid more, then the city may use residency requirement to break the union.<sup>7</sup> Here the authors change the assumption that unemployed city residents are not as productive as suburban public employees. The new assumption is that residents are not unemployed because of a lack of skill, but instead are unable to be hired because of union rules. Therefore the purpose of the residency requirement is to force out more expensive suburban union workers out of their jobs so that the city can replace them with (formerly) unemployed resident workers. In this case the residency requirement helps the city reduce unemployment, lower the cost of labor and increase the city's tax base.<sup>8</sup>

The other political reason for instituting a residency requirement is voting on public referenda. By instituting a residency requirement, the city is assured of a voting pool that is more than likely going to pass referenda involving local spending. This is especially true in instances where private sector voter turnout is light. In some cases, public sector employees are given Election Day off so that they can vote, a luxury not afforded most private sector employees. Therefore, a residency requirement can have an indirect effect on public spending. If the percentage of public sector voters is greater than private sector voters, then the greater the likelihood of passing a referendum involving government spending.

In addition to passing referenda involving publicly financed projects, the re-election of public officials becomes more likely. As mentioned above, a residency requirement increases the number of public sector voters in an election. In a city where unemployed residents were afforded jobs with the city, these voters are more than likely going to vote for the officials that helped them become employed. An incumbent politician will have a great advantage over any challengers in an election. Therefore, residency requirements can promote patronage within city hall.

---

<sup>7</sup> Courant and Rubinfeld assume that the union is able to obtain wages for their members that are higher than the prevailing private sector wage. Page 302.

<sup>8</sup> Hirsch and Rufolo (1985) assert that residency requirements lower the public wage because civil servants would not resort to striking for better wages. Workers would not strike out of loyalty to their city and out of embarrassment in front of their friends and neighbors.

Finally, cities that are not growing are more likely to enact residency requirements. A city with a high local unemployment rate and declining population could put pressure on elected officials to establish a requirement. This pressure tends to be greater if the demographics of the local population include poor or uneducated persons. However, leaders from a city that is growing may feel pressure from their constituents to impose a residency requirement as a measure to protect their jobs from "immigrants".

If a city is having trouble filling positions, they will not institute a residency requirement. Because they were having difficulty filling positions, the Philadelphia school district petitioned the state legislature for the removal of its residency requirement for teachers and other non-teaching professionals. According to the President of the Philadelphia Federation of Teachers, there were 200 unfilled teaching positions in the 2000 school year, while 2,000 of the district's 12,500 teachers were not certified. The Philadelphia Federation of Teachers had conducted a survey of student teachers and found that half did not want to teach in the district because of the residency requirement. This underlies the argument that residency requirements can prevent qualified applicants from applying for a job.

### **Legal Challenges to the Residency Requirement Law**

Across the country, residency requirements have been in effect for decades. The city with the oldest residency requirement in this sample is Pittsburgh (1903), while Phoenix recently instituted theirs in 2000. Table 1 examines a variety of cities and notes whether or not there is a requirement in effect and when that ordinance either became activated or deactivated. Of the cities listed, 14 of 21 (66%) have a residency requirement in effect. Of those 14 cities, 5 require that employees reside in the surrounding county or counties. Charlotte requires that only heads of departments live within a 45-mile radius of the city and emergency personnel to live within the state.

Even though residency requirements have been around for decades, there have been numerous legal challenges to these laws. The basis of most challenges have centered on the 14<sup>th</sup> Amendment's equal protection clause, the due process clause, and the right to travel. Each challenge has met with defeat. In 1976, the U.S. Supreme Court upheld a challenge to the residency requirement in the City of Philadelphia (*McCarthy v. Philadelphia Civil Service Commission*). The Court ruled that the 14<sup>th</sup> Amendment does not protect "nondurational" residency requirements.<sup>9</sup> The Court has also declared that the arguments for residency requirements are not "irrational" under the protection of due process or equal protection clauses, ruling that they do not infringe on an employee's right to free travel. The Justices also ruled that there is no fundamental right to government employment.<sup>10</sup>

---

<sup>9</sup> Nondurational residence refers to daily visits, whereas durational ones involve migration.

<sup>10</sup> Hirsch, Werner Z. and Anthony M. Rufolo. "Economic Effects of Residence Laws on Municipal Police". *Journal of Urban Economics*. Vol. 17. 1985. Pp. 335-348.

**Table 1**

	RESIDENCY REQ. FOR ALL WORKERS	POLICE	FIRE	DATE RESIDENCY REQ. WAS INSTITUTED /ABANDONED
ATLANTA	NO	NO	NO	N/A
BALTIMORE	NO	NO	NO	1995 (CITY RESIDENTS GET PREFERENCE)
BOSTON	YES	YES	YES	1976
BUFFALO	YES	YES (ONLY 1 YR.)	YES (ONLY 1 YR.)	N/A
CHARLOTTE	ONLY DEPT. HEADS (WITHIN 45 MI. RADIUS OF CITY)	MUST LIVE IN N.C.	MUST LIVE IN N.C.	N/A
CINCINNATI	YES (HAMILTON COUNTY)	YES	YES	1992
CLEVELAND	YES	YES	YES	N/A
COLUMBUS	YES (FRANKLIN OR ADJACENT COUNTIES)	YES	YES	1992
DALLAS	NO	NO	NO	N/A
DENVER	YES (7MI COUNTY RADIUS)	YES	YES	1994-95
DETROIT	NO	NO	NO	ABANDONED 2000
INDIANAPOLIS	YES (MARION COUNTY)	YES	YES	1977
JACKSONVILLE	NO	NO	NO	N/A
MILWAUKEE	YES	YES	YES	1997
MINNEAPOLIS	NO	NO	NO	2001
PHILADELPHIA	YES	YES	YES	1953
PHOENIX	YES (EXEC. IN CITY, OTHERS MARICPA COUNTY)	YES	YES	2000
PITTSBURGH	YES	YES	YES	1903
PORTLAND	YES (NOT ENFORCED)	YES (NOT ENFORCED)	YES (NOT ENFORCED)	1988
SAN JOSE	NO	NO	NO	N/A
ST. LOUIS	YES	YES	YES	1914 (POLICE WERE INCLUDED 1973)

In 1983, the Supreme Court again took on the issue in *White v. Massachusetts Council of Construction Employers*. This case challenged the requirements as a violation of the commerce clause. The Court ruled that residency requirements were only used to affect hiring practices of local governments and therefore did not violate the commerce clause in which governments seek to regulate other market participants. On the state level, in *City of Chester v. Fraternal Order of Police, Lodge 19*, (1992), a court ruled that under Pennsylvania law, residency requirements were traditionally considered a term and condition of employment and were subject to collective bargaining. Therefore, unless local law strictly prohibits them, or restricts them to being subject to negotiations, the courts have decided that residency requirements are not in violation of the Constitution and have sided with government.<sup>11</sup>

<sup>11</sup> The only exception is when courts have found that residency requirements were seen as contributing to discrimination.

## **The Supply of Labor for Municipal Jobs and the Effect on Wages**

Economically speaking, imposing a residency requirement should cause a reduction in the supply of labor. This decrease should be accompanied by an increase in the wage as the supply curve shifts to the left. Brian Duncan, using census data, finds that in cities with comprehensive residency requirements wages are in fact higher by almost one dollar per hour (when comparing municipal jobs with comparable private sector jobs) than in those cities without such restrictions.<sup>12</sup> "In fact, in Cities without residency requirements, municipal workers earn the same or less than non-municipal workers."<sup>13</sup>

However, he believes that there are enough private sector employees to insure that the supply of labor facing the city is stable. As municipal wages (or other benefits) increase in response to supply shortages, private sector workers change over. This will occur until the public sector wage equates itself with the private sector. Municipal workers living outside of the city will now switch to vacant private sector jobs. Newly passed residency requirement laws facilitate job switching required to reach equilibrium by exempting current municipal employees. Given these restrictions, the author believes that residency requirements, by themselves do not affect wages, but rather set in motion a series of events that allow movement to a new wage equilibrium.

Duncan believes that a residency requirement by itself is not enough to cause a family to move into the city. However, it can affect a family's choice of neighborhoods if accompanied by a wage premium. People like to locate in communities that offer them the appropriate level of public goods such as schools. Families are willing to pay higher taxes and housing costs to find such communities. Residency requirements do hamper a family's ability to move to more desirable communities. Therefore, Duncan suggests that a wage premium exists (or some other non-pecuniary benefit) to compensate families affected by residency requirements.<sup>14</sup>

The author hypothesizes that with this wage premium, families use it to enroll their children into private schools. He believes that a family is about 40-50% more likely to enroll a child in private school with the wage premium. The underlying assumption is that families perceive suburban schools are better than city schools and would prefer to live in the suburbs. However, the residency requirement has mandated that they move into the city, which does not have the same quality of schools. Therefore the wealth effect of the wage premium is likely to increase the probability that a family will enroll a child in private school. Empirically, the author finds that "controlling for the wealth effect, the residency requirement has increased private school enrollment rates by 39.4%."<sup>15</sup>

---

<sup>12</sup> Duncan, Brian. "Using Public Employment to Disguise Public Policy: The Impact of Municipal Residency Requirements on Wages, Neighborhood Choice and Private School Enrollment." Working Paper (Journal of Economic Literature). 1998.

<sup>13</sup> Ibid. Page 13.

<sup>14</sup> City officials may disguise the wages as a subsidy. Duncan pg. 2.

<sup>15</sup> Duncan, page 16.

## Political Motives

### *Efficiency*

Residency requirements alter the supply of labor and are associated with wage premiums over what the private sector is paying workers in similar jobs. The wage premium discussed above certainly raises the cost of government. So why is it that the government fights for these restrictions? The answer lies in more political reasons, but another possibility is improved worker efficiency. Proponents believe that residency requirements improve government productivity. If workers in a residency requirement situation are more productive, then it should permit the government to utilize a smaller workforce to produce the same level of public goods. Hirsch and Rufolo postulate that since public services have an inelastic demand, and a relatively fixed input mix characteristic, then the supply of labor should decrease. However, since public services have a fixed mix of inputs, the demand for public labor should decrease as well since it will take fewer persons to provide the same level of good.<sup>16</sup> As a result of the simultaneous changes to the supply and demand for labor, there should be an indeterminate effect on municipal wages.

In fact, efficiency is the main reason given for enacting residency requirements for emergency workers. Those in favor of residency requirements believe that it helps to have those workers in the city in case of an emergency they can be on the scene quickly. However, Duncan shows that comprehensive residency requirements, which also cover municipal employees such as accountants, engineers, and parks and recreation workers, are not associated with efficiency. Where these workers live has no bearing on their ability to do their jobs and unlike fire or paramedics, they are not called upon to react to emergency situations. The reason for using a blanketed residency requirement to cover these workers includes improving the employee's knowledge of the community and feeling of connection.

Proponents also say that having emergency workers in the neighborhood provides citizens with a sense of security. However, opponents of residency requirements, specifically the Fraternal Order of Police (FOP), claim that by forcing police officers to live in the same community with the same people that they have to arrest and issue tickets, puts the officers and their families at risk of harassment and retaliation. The FOP claims that it is difficult to police their neighbors and they have testified on specific cases where a spouse or child has been harassed while shopping or at school.<sup>17</sup> The FOP states that living outside the city would make it more difficult for criminals to find off-duty officers and their families. Finally, the FOP asserts that communities often extend beyond political boundaries. A worker does not have to live within city boundaries to be connected to the community.<sup>18</sup>

### *Urban Flight*

City leaders may be worried about municipal workers fleeing the city limits. They believe that without the residency requirements, there would be a mass out migration of workers. The results of such an occurrence would cause the city to lose tax revenue and become less racially diverse leading to segregated schools. Cities typically claim that they wish to keep their employees

---

<sup>16</sup> Hirsch and Rufolo. Page 338.

<sup>17</sup> Lash, Cindi and Gary Rotstein. "Eyeing the Burbs: Pittsburgh Workers Want Residency Option That Teachers Won." *Pittsburgh Post-Gazette*. July 8, 2001.

<sup>18</sup> Nash, Bob. "Residency Requirements: Sometimes a Litigation Issue, More Often a Legislative One". *The FOP Journal*. 2000.

within the city limits because they are the kind of people they want in the city. They are typically persons who earn good salaries, rent or buy homes, maintain properties, pay taxes, and vote.

An example of using a residency requirement to prevent out-migration happened in Denver, Colorado. In the late 1970s, the City of Denver amended its city charter to include a residency requirement in response to "urban flight". The requirement covers all new city employees hired after 1979. The impetus for this amendment was a 10 percent decline in the city's population and a nearly 50 percent decline in public school enrollment in the early 1970s. The law was designed to keep approximately 12,000 city workers and their families (estimated to be between 40,000 and 50,000 persons) within the city.<sup>19</sup> Residency requirements may be an overreaction to "urban flight". If given a choice, most people would choose to live in the community in which they work. An example of non-urban flight happened in Nashville, Tennessee. Nashville abandoned its residency requirement law in 1994. Prior to that year, it was estimated that one percent of the city's police officers lived outside of Davidson County (through special exemptions).<sup>20</sup> By the year 2000, it was estimated that only 6% of the officers resided outside of the county. As noted by the FOP, "In Nashville, the city council demonstrated its confidence in the quality of life their community offered--the community they governed. Employees, in return, have demonstrated that that confidence was well founded."<sup>21</sup>

#### *Unions and Residency Requirements*

The Fraternal Order of Police union has conflicting feelings over residency requirements. On the one hand, they want the freedom for their employees to be able to choose their place of residence, but on the other hand they realize that if enough of their members migrate out of the city limits, they will lose bargaining power. When contracts expire, one of the main threats that unions have over city leaders is the power of the vote. If elected city officials do not bend to the demands of the unions, and then union leaders could organize their members to vote against certain politicians and unseat them from power. However, if the union's rank and file does not live within the political boundaries, that threat is reduced. City and wage arbitrators may not respect the unions if their members could not vote for them. If the removal of a residency requirement leads to the loss of the unions' voting base, one remedy could be for the union to form a political action committee.

Unions are also opposed to residency requirements on public contracts. Cities are now using residency restrictions to dictate whom works on projects that are being funded by public dollars. This new movement has been brought about by harsh feelings over women and minorities being left out of urban building booms. Proponents believe that if public money is being used, then the public should benefit. If the purpose of public investment is to stimulate the local economy, then the jobs should go to city residents who are more likely to spend that paycheck in city establishments. Suburban residents are believed to be taking that money (city tax dollars) and spend it outside of city limits meaning the city would not see increased tax revenues. If women and minorities see this as a benefit, then unions see it as a constraint. Among the complaints from unions are that the restriction will force them to hire non-union craftsmen and will also create bookkeeping problems to ensure that workers are not falsifying records.

Contractors claim that hiring unskilled resident workers will take jobs away from (union) skilled workers. They claim that by doing so it will increase the time frame and cost of the project.

---

<sup>19</sup> Duncan, Page 4.

<sup>20</sup> The City of Nashville makes up a large portion of Davidson County.

<sup>21</sup> Nash, Page 2.

According to one contractor who had to adhere to such a restriction, "We had to teach them how to be an employee. We had to go and get them in the morning and show them how to fill out forms. It's unfair to say there are not consequences."<sup>22</sup> One of the consequences is teaching a new worker how to use specialized equipment. Due to increasing technology in the construction industry, learning curves are too great to have a person become skilled enough to do the job in a short period of time. It could cause delays, which increase the cost of the project (require more tax dollars) and cause serious safety concerns. However, residency requirements for construction projects have been upheld in both Ohio and Massachusetts.

## **Conclusions**

Residency requirements are not in the economic interests of the cities that enact them. They restrict the supply of labor from which the city can hire. They are associated with wage premiums of nearly one dollar per hour (when compared to private sector wages for the same type of occupation) and do not improve efficiency among municipal workers. The question to ask therefore, is why are they so popular and widespread? The answer lies in the arena of politics rather than sound economic reasoning.

Some of the political reasons given are union busting, patronage, and voting power. Cities may use a residency requirement to turn over older suburban union workers to install lower paid non-union residents. This move would not only break the union, but also potentially lower the cost of government. Using the restriction in conjunction with public building projects forces the unions to hire residents (minorities and women) to do jobs held by non-resident union tradesmen. The idea behind this type of regulation is that if the project is being funded with city funds, then city residents should benefit by receiving the paychecks from the job. They will in turn spend their paychecks with city merchants and the city as a whole benefits from the project.

By only hiring city residents, politicians are ensuring that a healthy voting base is in place for any re-election bids. Municipal workers are even given Election Day off to make sure that they vote for their bosses. Having resident city workers outnumber non-municipal working voters, not only gives the voting edge to city leaders for their own campaign, but also in referenda voting. City workers are going to be more likely to vote in favor of projects that benefit them directly, than will private sector employees.

Residency requirements are used as more of a political tool to address problems such as city unemployment, urban flight, and keeping emergency personnel close as a precautionary measure. These reasons have stood the test of time and the courts. The courts have ruled that these reasons are sufficient and not in violation of the Constitution. Therefore, it appears that residency requirements are a permanent fixture of the political landscape.

---

<sup>22</sup> Lott, Ethan. "Hitching a Ride on a Building Boom". *Pittsburgh Business Times*. August 13, 1999.