

How Market-Based Sectoral Pay Standards Raise Wages and Improve Affordability

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Introduction and summary

This year, New York City and Baltimore adopted compensation standards for private security guards, requiring all employers in the sector to pay decent market-based wages and benefits.¹ The standards—to be set at about \$18 per hour plus hourly benefits contributions in both cities—will improve the lives of tens of thousands of workers, prevent low-road firms from undermining industry compensation norms, and improve public safety.

The New York and Baltimore laws are part of a broader trend of jurisdictions extending prevailing wage and other laws that set pay and benefit requirements on government-supported work to all firms in a sector regardless of whether they receive public funds. While advocates and policymakers refer to these policies by a variety of terms, such as prevailing industry standards and occupational pay requirements, this report refers to them as market-based sectoral pay standards or simply sectoral pay standards. A number of cities and states have adopted market-based sectoral pay standards to level the economic playing field for security, janitorial, construction, and airport service workers. There are at least three main reasons for more jurisdictions to follow suit.

First, research shows that standardizing pay across a specific labor market helps residents earn decent wages and cover basic living costs.² Research reveals that workers in sectors covered by similar wage requirements earn more, are more likely to receive employer-provided health care, and can afford other middle-class necessities, such as buying a home and saving for retirement.³ Indeed, the current affordability crisis is driven not only by rising prices, but a decades-long slowdown in wage growth that has failed to keep pace with productivity increases.⁴

Second, such laws can help address broader public challenges. The New York City Council adopted a market-based sectoral pay standard to honor Aland Etienne, a private security guard who was shot and killed while protecting others last year.⁵ Advocates contend that adequate pay and benefits not only support guards who risk their lives when responding to active shooters and other workplace emergencies,

but also reduce high turnover rates in the profession, thereby maintaining an experienced workforce prepared to respond when needed.⁶ In other sectors, policymakers have adopted industry standards to prevent workforce shortages, attract the next generation of workers, and protect worksites with unique security risks. In addition, wage standards help reduce taxpayer costs by lowering reliance on public assistance and increasing local tax revenues.⁷

Third, these laws build worker power by standardizing compensation rates across union and nonunion worksites. Sectoral pay standards are particularly effective when a significant portion of the covered workforce is unionized, resulting in wage standards that more closely reflect collectively bargained rates. Moreover, because labor costs are narrowed across the sector, union employers cannot be undercut, nonunion employers are less likely to oppose unionization efforts, and the playing field is level for all firms to compete based on quality rather than low labor costs.

States and cities with sufficient home-rule authority should adopt sectoral pay standards as part of a multipronged approach to boost earnings and increase affordability for residents. This report provides background to interested policymakers and advocates.

What is a sectoral pay standard?

Sectoral pay standards are relatively new but are similar to other long-standing wage-setting policies in terms of policy design and outcome goals.

Numerous cities and states have adopted prevailing wage laws that set pay standards among private sector recipients of various types of public investment, ensuring a well-qualified workforce can deliver goods and services on time and on budget. State and local prevailing wage laws often apply to construction and service occupations. These laws cover various types of government spending, including contracts, tax incentives, grants, and loans, and require workers on these projects be paid wages and benefits comparable to those paid to other similarly placed workers in a region.⁸

Jurisdictions use a variety of methods to determine wage and benefit rates, including occupational surveys and reference to collective bargaining agreements, with compensation determinations varying by occupation, location of work, and industry sector. In sectors where compensation is very low, some prevailing wage standards require recipients of public investments to pay the higher of the market wage or a contractor minimum wage.

Some policymakers have adopted sectoral pay standards that extend compensation requirements for government-supported work across an entire sector, including among companies that receive no direct government funding. By covering work that receives no public support, sectoral pay standards share some similarities with state and local minimum wage laws and draw on the same legal authorities. Yet, minimum wage and sectoral pay standards are complementary, not competing policies. Sectoral pay standards support decent market-based pay in targeted sectors and typically include benefits requirements. Meanwhile, minimum wage laws help the most vulnerable workers by ensuring that hourly pay in a jurisdiction does not fall below a certain, typically poverty-level, threshold. Moreover, sectoral standards should be designed to rise as wages increase in a market and do not need to be updated legislatively.

These sorts of wage-setting mechanisms can reflect collective bargaining norms and complement other approaches to setting compensation across sectors. Sectoral pay standards are most effective when a significant portion of employers pay decent wages and benefits and respect their workers' rights. Under these conditions, wage and benefit requirements will likely come close to the collectively bargained rate, reducing nonunion employers' incentives to oppose unionization by taking labor costs out of competition.

In industries where wages are low and workers have little power, sectoral pay standards should pay the higher of the market wage, or a minimum wage. Alternatively, other sectoral standard-setting mechanisms may be adopted to boost wages.⁹ California uses a sectoral pay standard (see below) to set pay for registered apprentices in construction but is using other sorts of sectoral standard-setting mechanisms to improve conditions for fast-food workers and rideshare drivers.¹⁰ Cities and states should include sectoral pay standards in their toolbox of policies to raise wages and build worker power across sectors.

Read more:

[Government on Workers' Side: How State and Local Policymakers and Advocates Can Raise Standards for Publicly Supported Work](#)

[A How-To Guide for Strengthening State and Local Prevailing Wage Laws](#)

Sectoral pay standards for security guards

While Baltimore and New York City enacted a security officer sectoral pay standard earlier this year, Washington, D.C., adopted a similar standard in 2008, requiring security officers in all commercial office buildings to be paid wages and benefits at the rates set by the federal McNamara-O’Hara Service Contract Act (SCA).¹¹ The laws establish baseline standards across a sector where wages have stagnated, employers have difficulty retaining qualified staff, and security contractors feel pressure to suppress labor costs to win contracts.

Previous analysis by the Center for American Progress found that security officers’ wages have flatlined at around a median wage of \$17 per hour over the past 15 years, even as the cost of living has soared.¹² Poor working conditions disproportionately affect Black and Hispanic guards, who account for the majority of workers in the occupation and earn about 10 percent less than white security officers. Furthermore, 40 percent of security officers lacked employer-provided health insurance and 17.8 percent were covered by Medicaid in 2023, according to the CAP report.

Guards who work for private security firms rather than directly for the businesses they protect tend to earn lower wages, are less likely to be enrolled in employer-provided health insurance and are more reliant on public assistance. Funding cuts mandated by the 2025 Big Beautiful Bill are expected to reduce access to affordable care and will potentially require states to shoulder more of the costs of health care.

Poor compensation contributes to rapid turnover across the industry. Nationally, turnover among security officers stands at more than 50 percent annually and, according to analysis from the University of California, Berkeley Labor Center, is even higher in New York City (77 percent in 2024).¹³ One industry publication cites high turnover as a factor in training gaps, increased error rates, and a lack of experience during “high-stakes scenarios where quick, well-informed responses are required.”¹⁴

Supporters advanced sectoral pay standards to address a range of issues, including those noted above, arguing that standardizing job quality would improve workers' lives, reduce turnover, and support a well-qualified workforce that is better prepared to protect the public.¹⁵ In establishing its standard, Washington, D.C., stated that poor compensation among security guards "constitutes unfair competition against other employers and their employees, threatens the stability of industry, reduces the purchasing power of employees, and requires, in many instances, that their wages be supplemented by the payment of public moneys for relief or other public and private assistance."¹⁶

Read more:

[Low Standards Hurt Security Officers' Ability To Make Ends Meet](#)

Indeed, sectoral pay standards help close gaps between employers that pay decent wages and respect workers' right to unionize and low-road employers that do not. Under New York City's standard, the existing compensation rates mandated for local government contract workers will be extended to all security guards.¹⁷ While New York's new standard will be implemented over three years, current government contracting rates require unarmed guards to be paid a minimum of \$18.87 per hour and receive benefits or a cash equivalent of \$7.95 per hour.¹⁸ Pay and benefits for more experienced and trained workers are set at a higher level, helping to create an incentive for guards to stay.

Both Washington, D.C., and Baltimore laws set pay and benefit rates for guards that are pegged to SCA requirements.¹⁹ The federal government typically determines SCA wage rates by occupation and geographic location, using national survey data collected by the Bureau of Labor Statistics.²⁰ In Washington, D.C., security officers must earn at least \$19.39 per hour in wages plus an additional \$5.36 per hour in benefits or their cash equivalent.²¹ Although the Baltimore law takes effect next year, the current wage and benefit rate in the city is equivalent to \$23.84 per hour, comprising \$18.29 in wages and \$5.55 per hour in benefits.²²

Benefits of sectoral pay standards

Adopting a sectoral pay standard can provide significant advantages for workers, employers, and the public. Drawing on a significant body of research regarding the effects of wage standards on government-supported employment, as well as the experiences of jurisdictions that have implemented industry-wide standards, advocates for pro-worker policies should expect the following benefits.

Boosted wages and economic security: Research on the effects of prevailing wage laws shows that they help boost workers' economic security, reduce poverty, and ensure that covered workers earn middle-class incomes. One national study of wage standards among building service workers found that the laws support higher wages and narrow racial pay gaps.²³ In addition, construction workers in states with prevailing wage laws experience higher homeownership rates and greater housing wealth.²⁴

Increased health care affordability: In a 2026 poll, Americans ranked health care as their number one household expense concern, topping mortgage, food, or utility costs.²⁵ Yet, the recent federal rollbacks of Medicaid and marketplace subsidies mean that many Americans will be unable to afford these expenses.²⁶ Sectoral pay standards require that covered employers contribute toward benefits, with research on prevailing wage standards showing that these laws increase workers' access to employer-provided health insurance.²⁷

Targeted workforce stabilization: Sectoral pay standards help to stabilize industries in which inadequate compensation drives high turnover and support the recruitment of new workers in industries experiencing labor shortages. Research shows that wage standards reduce industry turnover, which in turn increases workforce experience levels and reduces overall recruitment costs.²⁸ After San Francisco adopted an airport worker pay standard, security screener turnover fell from nearly 95 percent to 19 percent, saving employers about \$4,275 per employee in restaffing costs.²⁹

Improved ability to address public challenges: High turnover limits workers' ability to build skills that make them effective on the job. In the security sector, where guards respond to health emergencies, fires, acts of violence, and other disturbances, maintaining a stable supply of well-qualified workers improves public safety. Sectoral pay standards can be used to address other public concerns, such as preventing workforce shortages, attracting the next generation of workers, and protecting other worksites with unique security risks. Furthermore, research shows that prevailing wage laws increase apprenticeship training, boost worker productivity, and reduce injury rates.³⁰

Reduction of public costs: Insufficient worker compensation imposes hidden costs on the public, which must provide services to supplement workers' incomes, such as housing and nutrition assistance, Medicaid and other subsidized health insurance, and earned income tax credits. Research indicates that pay standards reduce worker reliance on government programs such as the Supplemental Nutrition Assistance Program.³¹ In fact, research shows that these laws generate positive fiscal outcomes by increasing local employment, thus reducing the outflow of local dollars and boosting state and local tax revenues.³²

Standardized market-based wages and benefits: Robust sectoral pay standards prevent companies from eroding the higher labor standards workers achieve through collective bargaining. These standards provide stability for unionized workers and employers by ensuring that low-road companies cannot undercut labor standards negotiated through private sector bargaining. Additionally, sectoral pay standards can help standardize compensation rates across union and nonunion worksites by extending market-based wages and benefits—which at times reflect collectively bargained rates—to all workers. This is particularly important for protecting standards in areas with strong unions.

Read more:

[Prevailing Wages:](#)
[Frequently Asked](#)
[Questions](#)

Sectoral pay standards in other industry sectors

Beyond setting standards for security guards, several other cities and states are extending sectoral pay standards to firms that do not receive government support. Although the use of these policies is limited thus far, the concept holds promise for broader applicability.

Construction and building service workers on utility projects and facilities

Several states have passed legislation requiring utility companies to apply prevailing wage standards to construction projects, irrespective of whether the work includes any public funding.³³ Under its prevailing wage standard, Maryland covers projects contracted by investor-owned gas and electric companies on underground infrastructure and solar energy system developments generating more than 1 megawatt.³⁴ New York state extends prevailing wage laws to underground utility projects requiring permits, while Michigan includes privately funded construction of solar and wind facilities, as well as energy storage facilities, under its prevailing wage law.³⁵

New York state requires building service employees, including janitors and security guards at major active energy-generation facilities or at critical infrastructure transmission or distribution facilities, earn at least the prevailing wage and benefits.³⁶ Lawmakers enacting the standard included a legal justification that the measure will improve the security of critical infrastructure by reducing turnover and promoting a trained workforce.³⁷

Registered apprentices on private construction projects in California

Policymakers in California require registered apprentices on construction projects, not subsidized by the government, be paid at the prevailing wage rate. Starting pay for registered apprentices on private construction projects must be at least 40 percent of the prevailing per diem wage package for journey workers in the relevant

occupation and geographic area of the project.³⁸ By maintaining competitive wages for entry-level workers, these policies can help attract new workers to the industry. It is projected that the construction industry will need to hire 350,000 additional workers nationwide in 2026.³⁹ According to one industry survey, 92 percent of contractors reported difficulty in recruiting workers.⁴⁰

Airport workers in cities nationwide

Policymakers in multiple cities and states have established pay standards for service workers at airports, such as airport cleaners, baggage handlers, caterers, concessions workers, and passenger service agents. These workers help ensure airports and flights operate smoothly and must respond to emergencies such as extreme weather, active shooter situations, and terrorist attacks. But research shows they are often poorly paid and have limited access to benefits.⁴¹

Airport worker wage standards vary by jurisdiction. In some cases, they function much like a sector-wide minimum wage standard, while in others they incorporate market-rate wage and benefit benchmarks. For example, New Jersey and New York state have adopted legislation that sets pay and benefit rates for covered workers based on federal SCA compensation requirements.⁴² Philadelphia's airport worker compensation standard requires covered workers' wages and benefits to be based on the greater of SCA requirements, the city living wage, or the compensation paid to the majority of applicable workers in the city, or, if no single majority exists, a weighted average compensation level is used.⁴³

Read more:

[Too Many Airport Service Workers Earn Low Wages and Benefits](#)

Conclusion

Sectoral pay standards help ensure that workers earn fair wages, receive benefits, and can afford necessities. Additionally, these standards help address broader social challenges and promote standardized compensation rates across union and nonunion worksites. State and local policymakers have a significant opportunity to adopt the best practices from other jurisdictions and extend sectoral pay standards to additional sectors.

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