

Research



First Look: Employment Trends in States Raising the Minimum Wage in 2017

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At the beginning of January, 19 states increased their minimum wages. Twelve of the minimum wage increases were due to new laws and seven were annual inflation adjustments required under previous laws. Previously, the American Action Forum (AAF) estimated that this year's minimum wage increases could alone cost 383,000 jobs. In addition, the minimum wage increases scheduled to go into effect over the next few years could cost 2.6 million jobs.^[1] Last week the Bureau of Labor Statistics (BLS) released its January State Employment and Unemployment report.^[2] While it is still very early and the data are limited, this report gives us a first look at how those states' labor markets are responding to the January minimum wage increases. According to the BLS data, month-to-month private sector job growth slowed substantially between December and January in states that implemented new minimum wage laws, and employment in the leisure and hospitality industry declined.

JANUARY 2017 MINIMUM WAGE INCREASES

In January, 12 states implemented new laws that mandated substantial minimum wage increases.^[3] Those minimum wage increases and the entire increases mandated by the new state laws are illustrated in Table 1.

Table 1: January 2017 State Minimum Wage Increases due to New Laws

State	2016	2017	New Law	Inflation Index
Arizona	\$8.05	\$10.00	\$8.05 in 2016 to \$12 in 2020	Yes
Arkansas	\$8.00	\$8.50	\$7.25 in 2014 to \$8.50 in 2017	No
California	\$10.00	\$10.50	\$10 in 2016 to \$15 in 2022	Yes
Colorado	\$8.31	\$9.30	\$8.31 in 2016 to \$12 in 2020	Yes
Connecticut	\$9.60	\$10.10	\$8.25 in 2013 to \$10.10 in 2017	No
Hawaii	\$8.50	\$9.25	\$7.25 in 2014 to \$10.10 in 2018	No

Maine	\$7.50	\$9.00	\$7.50 in 2016 to \$12 in 2020	No
Massachusetts	\$10.00	\$11.00	\$8 in 2014 to \$11 in 2017	No
Michigan	\$8.50	\$8.90	\$7.40 in 2013 to \$9.25 in 2018	Yes
New York				
NYC	\$9.00	\$11.00	\$9 in 2016 to \$15 in 2019	Yes
NC, SC, & WC	\$9.00	\$10.00	\$9 in 2016 to \$15 in 2022	Yes
Rest of State	\$9.00	\$9.70	\$9 in 2016 to \$12.50 in 2021	Yes
Vermont	\$9.60	\$10.00	\$8.73 in 2014 to \$10.50 in 2018	Yes
Washington	\$9.47	\$11.00	\$9.47 in 2016 to \$13.50 in 2020	Yes

These minimum wage increases tend to be very large. For instance, the minimum wage jumped from \$8.05 to \$10 in Arizona (24.2 percent), \$8.31 to \$9.30 in Colorado (11.9 percent), \$7.50 to \$9 in Maine (20 percent), \$10 to \$11 in Massachusetts (10 percent), \$9 to \$11 in New York City (22.2 percent), and \$9.47 to \$11 in Washington state (16.2 percent).

In the following, we examine the January job growth in these twelve states in both the entire private sector and in the leisure and hospitality industry.

PRIVATE SECTOR EMPLOYMENT

According to the BLS's State Employment and Unemployment report, the 50 US states and the District of Columbia together added a substantial 286,300 private sector jobs in January.^[4] In the twelve states that raised their minimum wages due to new laws, however, January job growth lagged relative to both the rest of the country and to previous years. Table 2 shows the change in private sector employment in January in the twelve states that raised the minimum wage due to new laws.

Table 2: January Employment Changes, Private Sector

Year	Jobs Added in Minimum Wage States (thousands)	Jobs Added in Rest of States	Total Jobs Added (thousands)	Percent of New Jobs in Minimum Wage States	Percent of Total Employed Population in Minimum Wage States
January 2017	61.3	225	286.3	21.4%	32.5%
January 2016	75.3	126	201.3	37.4%	32.4%

January 2015	68.4	131.5	199.9	34.2%	32.3%
January 2014	60.1	118.6	178.7	33.6%	32.3%

32.5 percent of all employed people in the US private sector worked in one of the twelve states that implemented new laws raising the minimum wage. However, in January private sector employment in those states increased by 61,300, only representing 21.4 percent of all jobs added that month. So despite containing about one-third of all private sector workers, those states under performed and only created about one-fifth of all new jobs in January. Moreover, this is a substantial decline from recent years, when those same states represented 33.6 percent to 37.4 percent of private sector jobs added in January.

LEISURE AND HOSPITALITY

The leisure and hospitality industry most frequently employs low-wage workers and consequently its workers are most likely to be directly impacted by the January minimum wage increases. In 2015, for instance, the leisure and hospitality industry employed 57 percent of all workers earning at or below the federal minimum wage.^[5]

In January, while leisure and hospitality employment in the United States grew overall, it declined in the twelve states that implemented new minimum wage laws. Table 3 shows this trend.

Table 3: January Employment Changes, Leisure and Hospitality

Year	Jobs Added in Minimum Wage States (thousands)	Jobs Added in Rest of States	Total Jobs Added (thousands)	Percent of New Jobs in Minimum Wage States	Percent of Total Employed Population in Minimum Wage States
January 2017	-4.3	23.8	19.5	-22.1%	32.4%
January 2016	16	19.8	35.8	44.7%	32.3%
January 2015	19.8	42.5	62.3	31.8%	32.3%
January 2014	15.8	25.1	40.9	38.6%	32.2%

In the states that implemented new minimum wage laws in January, employment in the leisure and hospitality industry fell by 4,300 jobs. This is a significant break from the rest of the United States and from employment changes in previous Januarys. Across all 50 states and DC, employment in leisure and hospitality grew by 19,500 jobs in January. In the states that did not implement new minimum wage laws, leisure and hospitality employment grew by 23,800 jobs. 32.4 percent of all employed people in leisure and hospitality worked in one of those twelve states. Yet, the 4,300 employment decline was equivalent to 22.1 percent of all net leisure and hospitality jobs added in January.

Additionally, the decline experienced in January directly breaks from the Januarys of previous years when these twelve states experienced rapid leisure and hospitality job growth. In those twelve states, the leisure and hospitality job decline in January 2017 came after employment in the industry grew by 15,800 jobs in January 2014, 19,800 in January 2015, and 16,000 in January 2016. In those previous years, the twelve states were

responsible for 31.8 percent to 44.7 percent of all leisure and hospitality jobs added in January.

CONCLUSION

Many believe that this year will provide economists with a natural experiment for the impact of the minimum wage on employment as several states implement new minimum wage laws. The BLS's January State Employment and Unemployment report provides us with an early glimpse at the impact of the minimum wage increases. The result so far? Private sector and leisure and hospitality employment growth in states that implemented new minimum wage laws lagged substantially behind the rest of the United States, and behind that seen in previous years. While the twelve states that implemented new minimum wage laws represent 32.5 percent of all private sector jobs, they only accounted for 21.4 percent of private sector jobs created in January. In leisure and hospitality, meanwhile, employment fell after those states implemented new minimum wage laws. Clearly, the industry that most frequently employs low-wage workers is struggling in the face of new minimum wage laws.

On Friday, the BLS will release the February State Employment and Unemployment report. It will be necessary to examine how employment in these states changes going forward and how the previous month's estimates get revised.

[1] Ben Gitis & Curtis Arndt, "The Job and Wage Implications of State Minimum Wage Increases in 2017 and Beyond," American Action Forum, February 2017, <https://www.americanactionforum.org/research/job-wage-implications-state-minimum-wage-increases-2017-beyond/>

[2] "State Employment and Unemployment—January 2017," Bureau of Labor Statistics, March 13, 2017, <https://www.bls.gov/news.release/pdf/laus.pdf>

[3] We only examined states where the minimum wage is rising due to a new law, not states where the minimum wage already rises each year with inflation. The minimum wage increases due to inflation are very small and are unlikely to make a substantial impact on month-to-month employment trends. This decision is consistent with our previous analysis.

[4] Note that this is substantially larger than the 221,000 jobs added per the national Employment Situation report. The BLS state level employment statistics are based on a data series that aims to develop accurate estimates for each individual state. Consequently, the BLS does not attempt to make the state-level estimates sum to the national estimates in the Employment Situation report, which is based on a separate data series intended to accurately reflect national employment levels.

[5] "Characteristics of minimum wage workers, 2015," Table 5, Bureau of Labor Statistics, April 2016 <https://www.bls.gov/opub/reports/minimum-wage/2015/home.htm>