



Research

The Job Implications of the 2016 Election's State Minimum Wage Initiatives

BEN GITIS | OCTOBER 28, 2016

On November 8th, voters in Arizona, Colorado, Maine, and Washington will decide on whether their respective states will raise the minimum wage for all workers. Specifically, residents in Arizona, Colorado, and Maine will consider increasing the minimum wage to \$12 per hour and residents in Washington state will vote on increasing the minimum wage to \$13.50 per hour.^[1] While proponents of these measures hope they will improve the welfare of low-wage workers, American Action Forum (AAF) [research](#) has consistently shown that proposals to raise the minimum wage often hurt those they intend to help by increasing joblessness among low-skilled workers and failing to deliver income gains to those who actually need assistance. So, what would happen in these states if each measure were approved? These minimum wage increases would come at a total cost of 290,000 jobs.

The proposed minimum wage increases are quite similar, as they would all be fully implemented by 2020. The current minimum wage levels and proposed increases are illustrated in table 1.

Table 1: State Minimum Wage Proposals				
Year	Arizona	Colorado	Maine	Washington
2016	\$8.05	\$8.31	\$7.50	\$9.47
2017 (Proposed)	\$10.00	\$9.30	\$9.00	\$11.00
2018 (Proposed)	\$10.50	\$10.20	\$10.00	\$11.50
2019 (Proposed)	\$11.00	\$11.10	\$11.00	\$12.00
2020 (Proposed)	\$12.00	\$12.00	\$12.00	\$13.50

If the ballot questions were to be approved, by 2020 the minimum wages would increase from \$8.05 to \$12 in Arizona, \$8.31 to \$12 in Colorado, \$7.50 to \$12 in Maine, and \$9.47 to \$13.50 in Washington. After being fully implemented in 2020, each state's minimum wage would automatically rise with inflation each year going forward.

While proposals to raise the minimum wage are well intended, it is important to take into account the negative

labor market consequences. Recently, [Meer & West \(2015\)](#) found that raising the minimum wage reduces job creation. Specifically, they found that a 10 percent increase in the real minimum wage is associated with a 0.3 to 0.5 percentage-point decrease in the net job growth rate. As a result, three years later employment becomes 0.7 percent lower than it would have been absent the minimum wage increase.

This may not seem very problematic, but the new minimum wage levels under consideration would be drastic increases over current law. Table 2 contains the difference between current law projected minimum wage levels in 2020 and the levels proposed by each ballot initiative.

Table 2: Labor Market Implications			
State	Baseline Minimum Wage	Proposed Minimum Wage	Percent Change in Minimum Wage
Arizona	\$8.60*	\$12.00	39.5%
Colorado	\$9.07*	\$12.00	32.3%
Maine	\$7.50	\$12.00	60.0%
Washington	\$9.99*	\$13.50	35.1%
*2020 baseline minimum wages for Arizona, Colorado, and Washington would be higher than current minimum wage levels because under current law the minimum wages in these states will rise with inflation.			

In Arizona, Colorado, and Washington, these ballot initiatives if successful would mandate a 39.5 percent, 32.3 percent, and 35.1 percent increase in each minimum wage, respectively.^[2] In Maine, the ballot initiative would mandate a massive 60 percent increase in the statewide minimum wage.

As illustrated in table 3, these minimum wage initiatives could be substantial drags on employment in the four states.

Table 3: Resulting Job Losses		
State	Percent Reduction in Employment by 2023	Jobs Lost
Total	2.6%	289,782
Arizona	2.8%	89,733
Colorado	2.3%	73,001

Maine	4.2%	27,982
Washington	2.5%	99,066

Applying the Meer & West (2015) estimate, if the minimum wage initiatives in these states were to be fully implemented by 2020, then by 2023 employment would be 2.3 percent to 4.2 percent lower than under current law. Using the official employment projections from each state’s labor department as a baseline, this comes out to losses of 89,733 jobs in Arizona, 73,001 jobs in Colorado, 27,982 jobs in Maine, and 99,066 jobs in Washington.[3] Employment in these states combined would be 2.6 percent lower than under current law, translating to a loss of 289,782 jobs.

Previously we applied the Meer & West (2015) estimate to [New York’s](#) and [California’s](#) \$15 minimum wage laws and found they would cost 432,500 and 692,235 jobs respectively. If each of the four ballot initiatives were approved, the minimum wage increases in New York, California, Arizona, Colorado, Maine, and Washington combined could cost about 1.1 million jobs.

While initiatives to raise the minimum wage are popular, it is important to understand that they have a cost. The low-wage, low-skill workers who labor advocates want to help are the very workers who bear this cost, as hundreds of thousands would be unable to maintain their current job or attain a new one. And the evidence is all too obvious. In 2015, for instance, major cities that began implementing minimum wage increases suffered substantial [declines](#) in restaurant employment growth. These consequences will likely not be any different in Arizona, Colorado, Maine, or Washington.

[1] South Dakota voters will also consider a ballot initiative to raise the minimum wage to \$8.50 specifically for workers under the age of 18. Since this proposal will only impact a small minority of workers in the state, we do not include it in this analysis.

[2] Note that the baseline minimum wages for Arizona, Colorado, and Washington do not match the current 2016 minimum wage levels. Each state’s current law mandates that the minimum wage increases each year with a measure of inflation. For inflation adjustments, [Arizona](#) uses the federal CPI-U, [Colorado](#) uses the CPI-U for the Denver-Boulder-Greeley metropolitan statistical area, and [Washington](#) uses the CPI-W, all of which are reported by the Bureau of Labor Statistics. This means that by 2020 the minimum wage in those states under current law will likely be higher than their current 2016 levels. To project the minimum wage under current law in 2020, we calculate the compounded annual growth rate in each inflation measure from 2007 to 2016 and assume the same growth rate will continue until 2020. This yields the projected 2020 baseline minimum wage levels listed in table 2. In Maine, in 2020 the minimum wage will be \$7.50 under current law because the state’s law does not mandate that the minimum wage rises with inflation.

[3] [Arizona Labor Statistics](#) projects employment growth between 2014 and 2024, the [Colorado Labor Market Gateway](#) projects growth between 2015 and 2025, the [Maine Center for Workforce Research and Information](#) projects growth between 2014 and 2024, and the [Washington State Employment Security Department](#) projects growth from 2014 to 2019 and from 2019 to 2024. While each report employment levels in the first and last years of the projection (and middle year in Washington’s case), no state reports employment for every year in the projection. To estimate each state’s projected employment level in 2023 (three years after the minimum wages are implemented), we calculated the compounded annual total employment growth rate implied by each official projection. We then apply that growth rate to project employment levels specifically to 2023.