Research

Second Look: Labor Markets Continue to Lag in States Raising the Minimum Wage in 2017

BEN GITIS, BRIANNA FERNANDEZ | MARCH 27, 2017

On Friday, the Bureau of Labor Statistics (BLS) released the February 2017 State Employment and Unemployment Report.[1] Previously, the American Action Forum (AAF) found that in January, month-to-month private sector job growth slowed substantially in the twelve states that implemented new minimum wage laws,[2] and employment in the leisure and hospitality industry declined.[3] According to the new BLS estimates, in February job growth continued to lag in those twelve states. We again examine job growth in the private sector and in leisure and hospitality.

Private Sector

As of February 2017, 32.5 percent of private sector employees live in one of the twelve states implementing new minimum wage laws in January. Yet, so far this year, those states have only created 24.3 percent of new private sector jobs. This is a substantial decline from previous years, when during the same months those states created 32 percent to 44.7 percent of new private sector jobs in the United States.

Leisure and Hospitality

As of February, 31.6 percent of employees in leisure and hospitality work in one of those twelve states. Yet, through February, those states have created just 1 percent of new leisure and hospitality jobs in the United States. This is also a major decline from previous years, when those twelve states added 23.8 percent to 57.8 percent of new leisure and hospitality jobs in the same period.

While this is still an early glimpse at the impact of this year's minimum wage increases, the data continue to show that employers and their workers are struggling to afford the mandated wage hikes.

PRIVATE SECTOR

According to the BLS's State Employment and Unemployment report, the 50 US states and the District of Columbia collectively added 569,900 new private sector jobs in in the first two months of 2017.[4] Job growth in the twelve states that raised their minimum wages due to new laws, however, lagged relative to the rest of the country and to previous years. Table 1 shows the change in private sector employment in the twelve states that raised the minimum wage due to new laws in January, February, and the two months combined.

Table 1: Private Sector Employment

Month and 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
Jan + Feb					
2017	138.5	431.4	569.9	24.3%	32.5%
2016	191.3	285.7	477	40.1%	32.4%
2015	111.8	237.6	349.4	32.0%	32.3%
2014	149	184.2	333.2	44.7%	32.3%
January					
2017	72.7	242.8	315.5	23.0%	32.5%
2016	91.9	126	217.9	42.2%	32.4%
2015	68.4	131.5	199.9	34.2%	32.3%
2014	60.1	118.6	178.7	33.6%	32.3%
February					
2017	65.8	188.6	254.4	25.9%	32.5%
2016	99.4	159.7	259.1	38.4%	32.4%
2015	43.4	106.1	149.5	29.0%	32.3%
2014	88.9	65.6	154.5	57.5%	32.3%

As of February 2017, 32.5 percent of private sector employees live in one of the twelve states implementing new minimum wage laws. In the first two months of 2017, however, private sector employment in those states increased by a total 138,500 jobs, only representing 24.3 percent of all jobs added over the two months. This is a substantial decline from recent years, when during the same months those states created 32 percent to 44.7 percent of new jobs in the US private sector.

Within each month, job growth in the states that implemented new minimum wage laws consistently lagged from the rest of the country and from previous years. In January, the private sector added 315,500 jobs nationally.[5] Yet, in states that implemented new minimum wage laws, employment increased by 72,700 jobs, representing only 23.4 percent of all jobs added that month. Although containing 32.5 percent of all employed people in the US private sector, those states underperformed, creating less than one-quarter of all new jobs

added in January.

In February, the twelve states that implemented new minimum wage laws continued to experience slow growth relative to the rest of the country. Last month the private sector added a total of 254,400 jobs, while the twelve states that raised their minimum wage collectively created a total of 65,800. This accounts for only 25.9 percent of all private sector jobs created in February, indicating that the labor markets in those states continued to underperform.

LEISURE AND HOSPITALITY

The leisure and hospitality sector frequently employs low-wage workers and is directly impacted by minimum wage increases. In the twelve states that implemented new minimum wage laws at the beginning of the year, leisure and hospitality employment declined in January and experienced sluggish growth in February. This trend is highlighted in Table 2.

Table 2: Leisure and Hospitality Employment

Month and 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
Jan + Feb					
2017	0.7	72.5	73.2	1.0%	31.6%
2016	34.4	58.8	93.2	36.9%	31.6%
2015	25.9	83	108.9	23.8%	31.6%
2014	29.8	21.8	51.6	57.8%	31.6%
January					
2017	-3.2	36.7	33.5	-9.6%	31.7%
2016	16	18.7	34.7	46.1%	31.6%
2015	19.8	47.3	67.1	29.5%	31.7%
2014	15.8	25.1	40.9	38.6%	31.6%
February					
2017	3.9	35.8	39.7	9.8%	31.6%
2016	18.4	40.1	58.5	31.5%	31.6%

2015	6.1	35.7	41.8	14.6%	31.6%
2014	14	-3.3	10.7	130.8%	31.6%

In January and February 2017, the leisure and hospitality sector added a total of 73,200 jobs across the 50 US states and the District of Columbia. Leisure and hospitality employment in the twelve states that raised their minimum wage due to new laws, however, only rose by 700 jobs this year. Overall, 31.6 percent of leisure and hospitality employees live in one of these twelve states. Yet, the 700 jobs created in these states during the first two months of 2017 only accounted for a mere 1 percent of all new leisure and hospitality jobs in the United States. Since the leisure and hospitality sector employs a significant portion of low-wage workers, these trends are troubling for the workers that minimum wage increases are intended to help.[6]

It is also clear that the leisure and hospitality industry consistently struggled in the twelve states that implemented new minimum wage laws within each month. This is particularly true in January, directly after the minimum wage increases occurred. In January, leisure and hospitality employment declined by 3,200 jobs in those twelve states, which was a significant break from the rest of the United States and from previous Januarys. In January 2017, across all 50 states and DC, leisure and hospitality employment grew by 33,500 jobs. In the states that did not implement new minimum wage laws, leisure and hospitality employment grew by 36,700 jobs. In January, 31.7 percent of all employed people leisure and hospitality worked in one of those twelve states. Yet, the 3,200 job decline was equivalent to 9.6 percent of all net leisure and hospitality jobs added that month. The decline experienced in January directly breaks from the Januarys of previous years when the industry experienced rapid job growth in the same states. In particular, leisure and hospitality job growth in those states accounted for 38.6 percent, 29.5 percent, and 46.1 percent of all jobs add in January 2014, 2015, and 2016, respectively.

In February, the leisure and hospitality industry continued to struggle in the states that implemented new minimum wage laws. In those twelve states, leisure and hospitality employment only grew by 3,900 jobs, accounting for just 9.8 percent of all new leisure and hospitality jobs added nationwide in February. While the number of leisure and hospitality jobs in the states that implemented new minimum wage laws did grow slightly, it is clear that industry continued to struggle. In previous Februarys, leisure and hospitality job growth in these states were more robust, representing 29.5 percent to 46.1 percent of all leisure and hospitality jobs added in the United States.

CONCLUSION

The January and February state-level employment estimates provide an early look at the labor market impact of this year's minimum wage increases. So far in the states that implemented new minimum wage laws job growth has lagged 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 have only accounted for 24.4 percent of private sector jobs created so far this year. Meanwhile, the same states have only created 1 percent of new leisure and hospitality jobs in the United States. Clearly the industry that most frequently employs low-wage workers is struggling substantially in those states.

While this is still an early glimpse at the way that state labor markets are responding to minimum wage laws, the results so far should raise concerns about continued efforts to raise the minimum wage. It will be necessary to continue to track these state-level employment trends as these minimum wage laws continue to phase in.

[1] “State Employment and Unemployment—February 2017,” Bureau of Labor Statistics, March 24, 2017, https://www.bls.gov/news.release/pdf/laus.pdf

[2] 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 analyses.

[3] Ben Gitis, “First Look: Employment Trends in States Raising the Minimum Wage in 2017,” American Action Forum, March 2017, https://www.americanactionforum.org/research/first-look-employment-trends-states-raising-minimum-wage-2017/

[4] Note that this likely differs from the figures reported by 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] This number reflects a revised calculation by the BLS’s State Employment and Unemployment Report.

[6] 57 percent of workers earning at or below the federal minimum wage work in leisure and hospitality. For more information, see “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