

**STATES WITH HIGHER
MINIMUM WAGES
ADDED MORE JOBS**
April 2015 – April 2016



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Many Economists Support a Higher Minimum Wage

Over 600 economists across the country have advocated for a modest increase in the minimum wage. According to the economists, “the weight of evidence now show[s] that increases in the minimum wage have little or no negative effect on the employment of minimum-wage workers” and “could have a small stimulative effect on the economy.” They add that raising the minimum wage would primarily benefit adults, women, and those who work at least 20 hours a week ([EPI, 2014](#)).

In Illinois, 51 out of 81 surveyed Ph.D. economists and public policy professors (63 percent) at accredited universities respond that the state’s minimum wage should be above \$8.25 per hour. The average value suggested by the economics and policy experts was \$9.45 per hour and the median was \$10.00 an hour ([Manzo, 2015](#)). Importantly, if Illinois had a minimum wage that was pegged to inflation from 2010 to 2016, the state’s minimum wage would be \$9.15 today – close to the average wage floor suggested by the experts ([Manzo, 2016](#)).

There are many reasons why economists support small increases in the minimum wage ([Bruno & Manzo, 2014](#)). First, the preponderance of the economic evidence finds that a higher minimum wage has no discernible impact on employment ([Schmitt, 2013](#)). A higher minimum wage is associated with reduced employee turnover and increased job stability ([Dube et al., 2013](#)). Employers respond to a higher minimum wage through other “channels of adjustment,” such as accepting marginally lower profits or slowing pay increases for higher-wage workers ([Schmitt, 2013](#)). Second, the minimum wage is effective at reducing income inequality. The declining real value of the federal minimum wage has accounted for about half of the rise in inequality in America ([Autor et al., 2010](#); [Mishel, 2013](#)). Finally, raising the minimum wage can stimulate the economy through increased consumer demand. The Federal Reserve Bank of Chicago found, for example, that “spending increases substantially after a minimum wage hike.” For every dollar increase in the minimum wage, families with a minimum wage worker increase spending by \$744 to \$869 per year on average ([Aaronson et al., 2009](#)).

This Illinois Economic Policy Institute (ILEPI) Economic Commentary provides even further evidence against claims that a higher minimum wage is a “job-killing” policy. While employment is only analyzed over one year, the data show that states with a higher minimum wage tended to add more jobs from April 2015 to April 2016.

State Minimum Wages and Recent Employment Growth

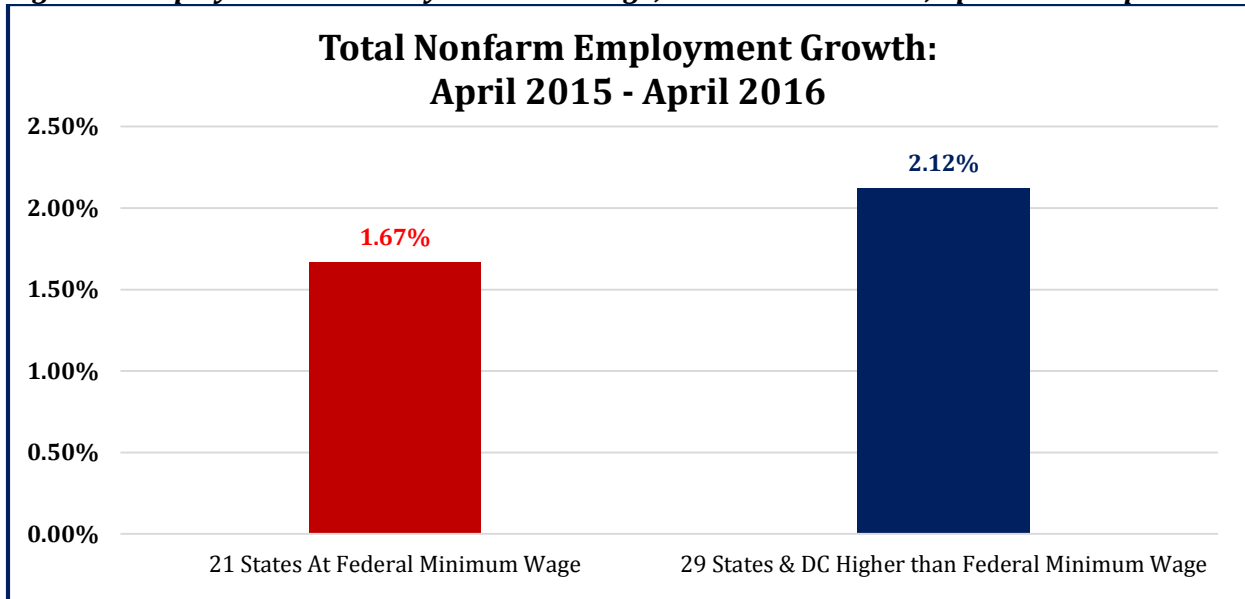
A higher minimum wage has *not* deterred employment growth within states over the past 12 months. In fact, states with higher minimum wages actually added more jobs from April 2015 to April 2016. Figures 1 and 2 present the Bureau of Labor Statistics (BLS) data from the *Current Employment Statistics* payroll survey.

There are 21 states where the federal minimum wage of \$7.25 an hour applies. In these states, nonfarm employment totaled 55.63 million workers in April 2015. One year later, total nonfarm employment increased to 56.56 million workers, a gain of nearly 930,000 jobs. Year-over-year employment growth was **1.67 percent** in states with a minimum wage at the federal level.

As of January 2016, 29 states and the District of Columbia have a minimum wage that exceeds the federal level. In these states, nonfarm employment totaled 85.74 million workers in April 2015. One year later, total nonfarm employment increased to 87.56 million workers, a gain of over 1,820,000 jobs. Year-over-year employment growth was **2.12 percent** in states with a minimum wage higher than the federal level.

Thus, annual job growth was **0.45 percentage points higher** in states with a minimum wage above the federal level.

Figure 1: Employment Growth by Minimum Wage, At or Above Federal, April 2015 - April 2016



Source: *BLS, 2016 - "Employment, Hours, and Earnings" from the Current Employment Statistics (CES).*

Figure 2: Minimum Wage and Employment, At and Above Federal, April 2015 – April 2016

State	Minimum Wage 2016	Employment April 2015	Employment April 2016	Employment Growth Rate
AK	\$9.75	340,200	336,700	-1.03%
AR	\$8.00	1,199,900	1,225,100	2.10%
AZ	\$8.05	2,615,800	2,697,200	3.11%
CA	\$10.00	15,931,300	16,381,500	2.83%
CO	\$8.31	2,526,100	2,593,800	2.68%
CT	\$9.60	1,669,700	1,689,800	1.20%
DC	\$10.50	443,400	460,000	3.74%
DE	\$8.25	765,600	777,400	1.54%
FL	\$8.05	8,029,400	8,283,900	3.17%
HI	\$8.50	633,900	646,500	1.99%
IL	\$8.25	5,944,600	6,012,100	1.14%
MA	\$10.00	3,477,500	3,551,000	2.11%
MD	\$8.25	2,648,900	2,704,800	2.11%
ME	\$7.50	609,800	612,700	0.48%
MI	\$8.50	4,226,200	4,330,700	2.47%
MN	\$9.00	2,851,600	2,891,800	1.41%
MO	\$7.65	2,779,100	2,816,200	1.33%
MT	\$8.05	460,700	466,600	1.28%
NE	\$9.00	1,002,100	1,017,400	1.53%
NJ	\$8.38	4,002,500	4,066,400	1.60%
NM	\$7.50	825,900	827,600	0.21%
NV	\$8.25	1,250,200	1,283,100	2.63%
NY	\$9.00	9,209,800	9,343,300	1.45%
OH	\$8.10	5,405,900	5,477,800	1.33%
OR	\$9.25	1,766,600	1,828,900	3.53%
RI	\$9.60	484,000	489,100	1.05%
SD	\$8.55	428,000	432,100	0.96%
VT	\$9.60	311,200	317,200	1.93%
WA	\$9.47	3,136,800	3,241,700	3.34%
WV	\$8.75	766,100	761,200	-0.64%
29 States and DC Higher than Federal Minimum Wage		85,742,800	87,563,600	+2.12%
AL	\$7.25	1,939,500	1,965,600	1.35%
GA	\$7.25	4,230,500	4,371,300	3.33%
IA	\$7.25	1,560,800	1,580,800	1.28%
ID	\$7.25	669,000	694,700	3.84%
IN	\$7.25	3,023,800	3,073,100	1.63%
KS	\$7.25	1,396,100	1,395,500	-0.04%
KY	\$7.25	1,870,000	1,904,900	1.87%
LA	\$7.25	1,990,800	1,978,500	-0.62%
MS	\$7.25	1,129,100	1,144,500	1.36%
NC	\$7.25	4,215,900	4,311,500	2.27%
ND	\$7.25	457,500	439,900	-3.85%
NH	\$7.25	654,800	663,500	1.33%
OK	\$7.25	1,665,700	1,663,600	-0.13%
PA	\$7.25	5,822,700	5,877,700	0.94%
SC	\$7.25	1,987,300	2,040,500	2.68%
TN	\$7.25	2,869,200	2,953,000	2.92%
TX	\$7.25	11,780,300	11,969,900	1.61%
UT	\$7.25	1,367,100	1,414,100	3.44%
VA	\$7.25	3,823,700	3,907,100	2.18%
WI	\$7.25	2,881,600	2,923,600	1.46%
WY	\$7.25	292,500	281,700	-3.69%
21 States At Federal Minimum Wage		55,627,900	56,555,000	+1.67%

Source: BLS, 2016 – “Employment, Hours, and Earnings” from the Current Employment Statistics (CES).

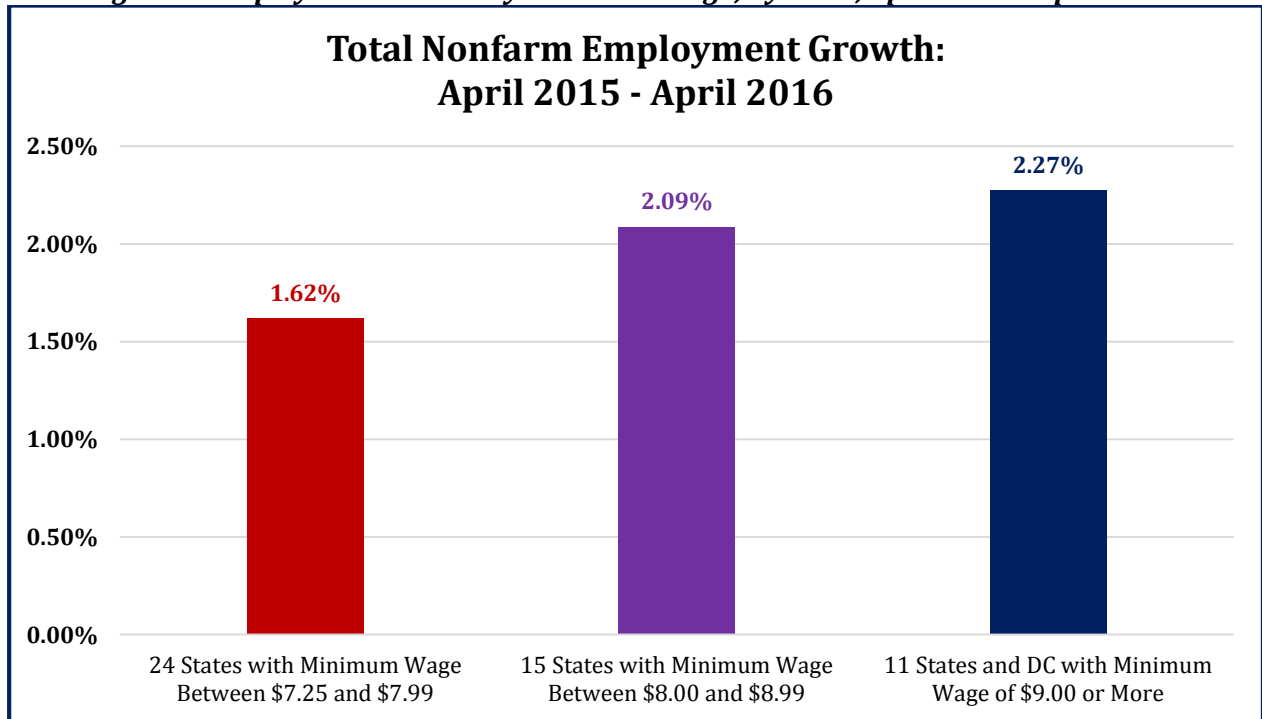
Further data analysis reveals that states with particularly high minimum wage levels had even *stronger* employment growth over the past year. Once again, Figures 3 and 4 present BLS data from the *Current Employment Statistics* payroll survey.

There are 24 states where the adult minimum wage is less than \$8.00 an hour. In these states, nonfarm employment totaled 59.84 million workers in April 2015. One year later, total nonfarm employment increased to 60.81 million workers. Year-over-year employment growth was **1.62 percent** in states with a minimum wage below \$8.00 an hour.

There are 15 states where the adult minimum wage is between \$8.00 and \$8.99 an hour. In these states, nonfarm employment totaled 40.90 million workers in April 2015. One year later, total nonfarm employment increased to 41.76 million workers. Year-over-year employment growth was **2.09 percent** in states with a minimum wage between \$8.00 and \$8.99 an hour. Thus, annual job growth was **0.47 percentage points higher** in these states than in states with a minimum wage below \$8.00 an hour.

In 11 states and the District of Columbia, the adult minimum wage is \$9.00 an hour or more. In these states, nonfarm employment totaled 40.62 million workers in April 2015. One year later, total nonfarm employment increased to 41.55 million workers. Year-over-year employment growth was **2.27 percent** in states with a minimum wage that is at least \$9.00 an hour. Thus, annual job growth was **0.65 percentage points higher** in states with a minimum wage of \$9.00 or more than in states with a minimum wage below \$8.00 an hour.

Figure 3: Employment Growth by Minimum Wage, By Level, April 2015 – April 2016



Source: BLS, 2016 – “Employment, Hours, and Earnings” from the *Current Employment Statistics (CES)*.

Figure 4: Minimum Wage and Employment, By Wage Floor, April 2015 – April 2016

State	Minimum Wage 2016	Employment April 2015	Employment April 2016	Employment Growth Rate
DC	\$10.50	443,400	460,000	3.74%
CA	\$10.00	15,931,300	16,381,500	2.83%
MA	\$10.00	3,477,500	3,551,000	2.11%
AK	\$9.75	340,200	336,700	-1.03%
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NE	\$9.00	1,002,100	1,017,400	1.53%
NY	\$9.00	9,209,800	9,343,300	1.45%
11 States and DC with Minimum Wage of \$9.00 or More		40,624,200	41,548,400	+2.27%
WV	\$8.75	766,100	761,200	-0.64%
SD	\$8.55	428,000	432,100	0.96%
HI	\$8.50	633,900	646,500	1.99%
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AR	\$8.00	1,199,900	1,225,100	2.10%
15 States with Minimum Wage Between \$8.00 and \$8.99		40,903,800	41,758,700	+2.09%
MO	\$7.65	2,779,100	2,816,200	1.33%
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WI	\$7.25	2,881,600	2,923,600	1.46%
WY	\$7.25	292,500	281,700	-3.69%
24 States with Minimum Wage Between \$7.25 and \$7.99		59,842,700	60,811,500	+1.62%

Source: BLS, 2016 – “Employment, Hours, and Earnings” from the Current Employment Statistics (CES).

Conclusion and Implications for Illinois

States with higher minimum wages tended to have greater employment growth over the past year. Of course, this short-term data does not mean that raising the minimum wage will necessarily cause employment to increase. It does, however, *negate* the claim that a modest increase in the minimum wage inevitably kills jobs. There is no recent evidence to support the latter assertion.

Illinois needs a minimum wage of \$10.00 per hour just to keep up with inflation (Manzo, 2016). This policy change would reduce inequality and would increase consumption by low-income households (Bruno & Manzo, 2014). At the same time, there is no evidence that a small increase in the minimum wage would negatively impact total employment. In fact, as the state-level data presented in this paper show – and as over 600 economists wrote – an increase in the minimum wage “could have a small stimulative effect on the economy” (EPI, 2014).

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