



## Policy Watch: Regional Job Growth and the Minimum Wage by Mark Price

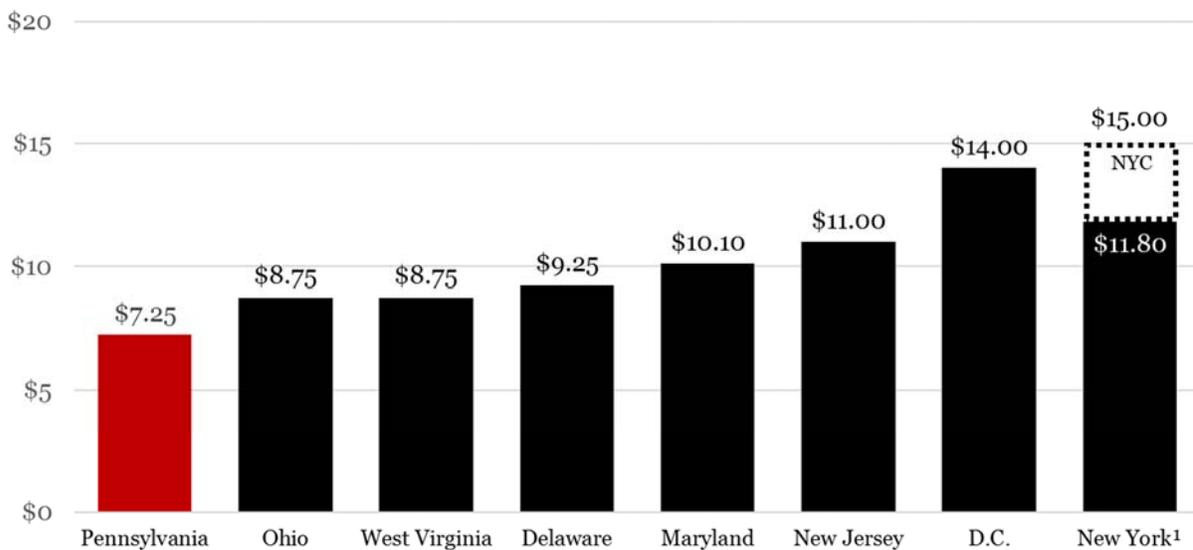
### The Minimum Wage Is Rising in Our Region—Except in Pennsylvania

This policy watch examines the recent growth in the minimum wage, average weekly wages, and employment in Pennsylvania and across Ohio, New York, New Jersey, Delaware, Maryland, the District of Columbia, and West Virginia.

Laws on the books now will set the minimum wage next January 2020 at \$9.25 in Delaware, \$14 in the District of Columbia, \$10.10 in Maryland, \$11 in New Jersey, \$11.80 in most of New York State (New York City will be at \$15), and \$8.75 in Ohio and West Virginia. Weighting by employment, that puts the regional minimum wage next January at \$10.59 an hour, a figure that is 43% higher than the minimum wage in the region in January 2012 (Figure 1).

#### Figure 1.

While the minimum wage in Pennsylvania has remained fixed at \$7.25, in our region it will have increased between January 2012 and January 2020 by an average of 43%<sup>2</sup>.



Minimum Wage in January 2020

<sup>1</sup> The minimum wage in most of New York State will be \$11.80, in New York City and Nassau, Suffolk, and Westchester Counties the minimum wage is \$15.00.

<sup>2</sup> 43% is an employment weighted average of the percent change in the minimum wage in OH, WV, NJ, DE, MD, DC, and the lower minimum wage that applies all of New York State outside of New York City, Nassau, Suffolk, and Westchester Counties.

Source: Keystone Research Center <https://www.keystoneresearch.org/minimumwage> and the Economic Policy Institute's <https://www.epi.org/minimum-wage-tracker/>

## The Minimum Wage and Employment—Evidence from the Food Services Industry

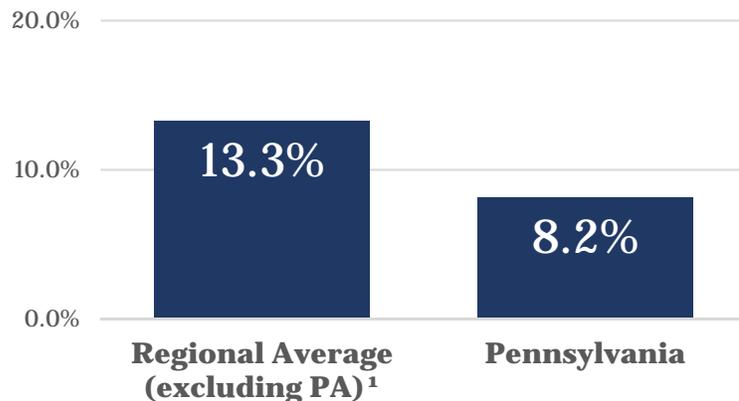
At the start of the 1980s, the research literature in economics found that a 10% increase in the minimum wage reduced the employment of teens (age 16 to 19) by between zero and 1.5 percent, but observed **no clear** relationship between minimum wage increases and adult employment.<sup>1</sup> Examining the body of research released since 2000, Dale Belman of Michigan State and Paul Wolfson of Dartmouth College concluded that, “if negative effects of employment are present, they are too small to be statistically detectable.”<sup>2</sup>

The difference between minimum wage policy in Pennsylvania and surrounding states gives us new, real-world experience with which to explore the relationship between the minimum wage and employment. The latest available employment data cover the period July 2017 and June 2018.<sup>3</sup> Between 2012-13 and 2017-18, the minimum wage increased by an average of 25% across the region while remaining fixed at \$7.25 in Pennsylvania. Adjusting this figure for the growth in prices, the real minimum wage was up 15.9% in the region and down by 6.9% in Pennsylvania (Table 1).

Over the 2012-13 to 2017-18 period, we have examined changes in employment and average weekly wages in food services, an industry with a relatively high share of workers affected by a minimum wage increase. We find, as expected, that wage growth in food services has been stronger in the rest of our region<sup>4</sup> where the minimum wage has increased (Table 1, next page). We also find that employment growth has been greater in the rest of our region than in Pennsylvania (Table 1 again). Even as the real purchasing power of the minimum wage rose, payroll growth in food services was up 13.3% compared to the much slower growth of 8.2% in Pennsylvania where the purchasing power of the wages paid to minimum wage workers fell 6.9%.

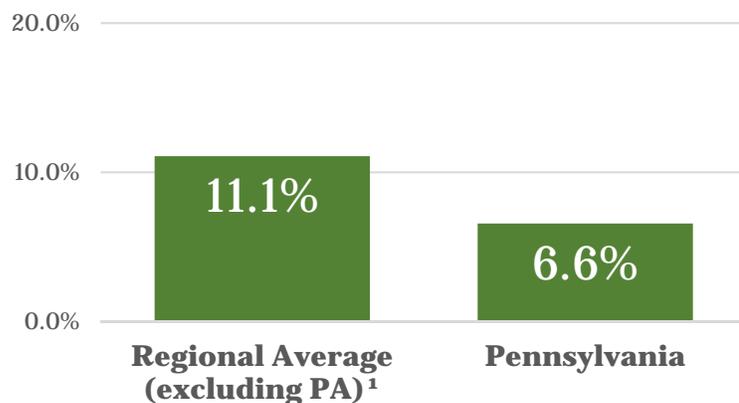
**Figure 2**

Percent Change in Employment in Food Services and Drinking Places 2012-13 to 2017-18



**Figure 3**

Percent Change in Average Weekly Wages in Food Services and Drinking Places 2012-13 to 2017-18



## The Impact of the Minimum Wage on County Food Services Employment & Wages

Map 1 and Map 2 on page 3 and 4 repeat this analysis at the county level. One key difference between the maps and our analysis in Table 1 is that in the maps we limit our analysis to the change in employment and average weekly wages between 2012 and 2017 in order to maximize the number of counties for which we have data.<sup>5</sup> The counties shaded in red in Map 1 had the most growth in wages between 2012 and 2017 and yellow, the least. As the map makes clear, there was, in general, more growth in wages in food services and drinking places across the region than in Pennsylvania. Similarly, in Map 2, employment growth in this sector at the county level has been stronger in the region (counties in dark blue grew the fastest) compared to Pennsylvania.

Table 1.

Percent change in weekly wages and the minimum wage (both adjusted for inflation [2017-18 \$]) and employment, all industries and food service and drinking places, 2012-13 to 2017-18

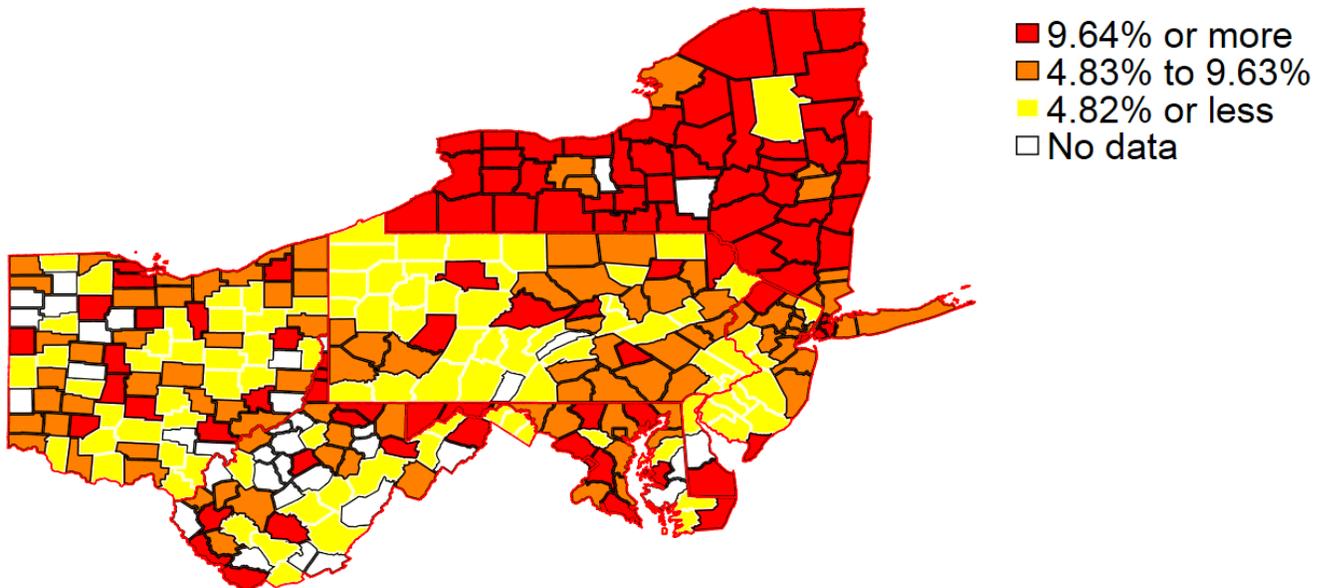
State	Percent Change in Minimum Wage (adjusted for inflation) 2012-13 to 2017-18	Percent Change in Average Weekly Wages 2012-13 to 2017-18		Percent Change in Employment 2012-13 to 2017-18	
		All industries	Food Services and Drinking Places	All industries	Food Services and Drinking Places
Delaware	5.9%	0.8%	5.1%	8.7%	13.4%
District of Columbia	41.0%	4.5%	9.5%	6.8%	22.7%
Maryland	18.7%	4.2%	11.2%	5.6%	10.7%
New Jersey	9.4%	2.3%	6.4%	6.3%	12.5%
New York	29.0%	6.4%	15.0%	8.6%	17.2%
Ohio	-1.5%	4.0%	7.1%	6.1%	9.9%
West Virginia	12.3%	3.7%	8.8%	-3.1%	1.5%
Regional Average (excluding PA) <sup>1</sup>	15.9%	4.8%	11.1%	6.9%	13.3%
Pennsylvania	-6.9%	4.6%	6.6%	4.5%	8.2%

<sup>1</sup>The percent change in real minimum wages and average weekly wages for the region is an employment weighted average across DE, DC, MD, NJ, NY, OH, and WV.

Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

# Map 1. Wage Growth in Food Services and Drinking Places in Pennsylvania Trails Most Counties in Neighboring States

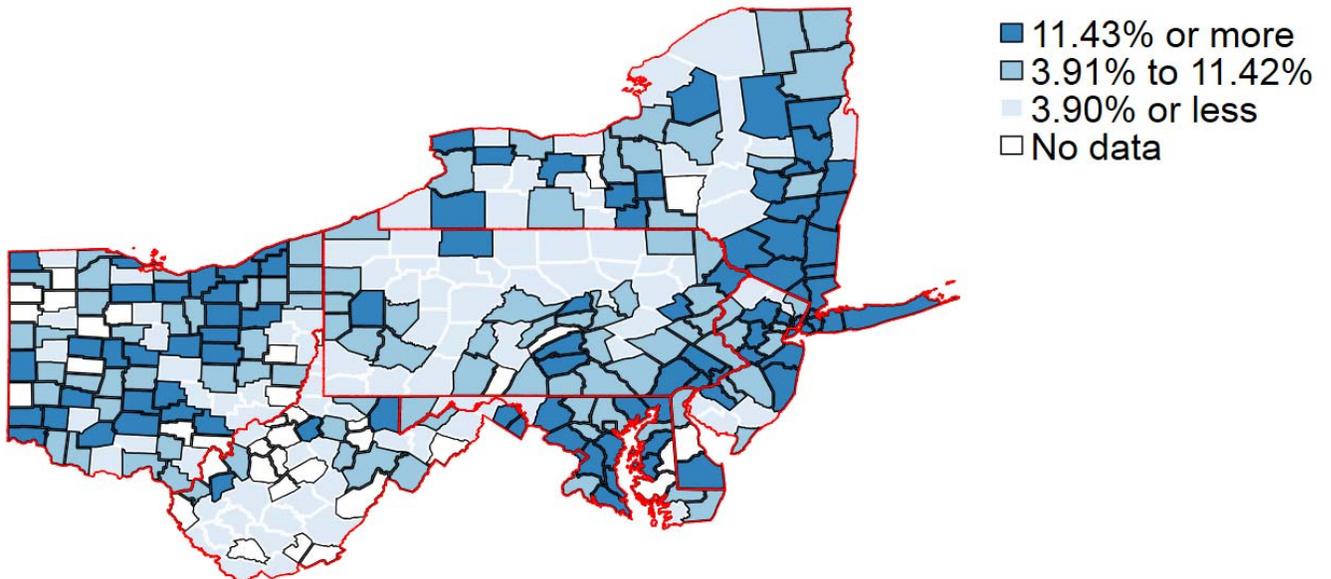
Percent Change in Real Annual Average Weekly Wage: Food Services and Drinking Places, 2012 to 2017



Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

# Map 2. Employment Growth in Food Services Also Trails Most Counties in Neighboring States

Percent Change in Annual Average Employment: Food Services and Drinking Places, 2012 to 2017



Source: Keystone Research Center analysis of Bureau of Labor Statistics Quarterly Census of Employment and Wages (<https://www.bls.gov/cew/>)

Simple descriptive analysis of employment and wage trends in Food Service and Drinking Places cannot conclusively answer whether a minimum wage increase reduced employment in the region. This is why, when academic economists study minimum wage increases, they deploy complex statistical techniques to tease out the impact of a wage increase on employment from other factors.<sup>6</sup> Even so, our descriptive analysis does suggest that corporate lobbyists who make broad public statements of economic catastrophe associated with minimum wage increases overstate their case. Where the minimum wage has increased, employment in Food Services and Drinking Places has done the opposite of what corporate lobbyists predicted—employment has increased by a larger amount.

### **Findings from the Latest Statistical Analysis of Minimum Wage Increases**

A robust research literature that deploys advanced statistical techniques finds that minimum wage increases boost incomes for low-wage workers without reducing employment opportunities. For example:

- [Cengiz et al. \(2019\)](#) study 138 prominent state-level minimum wage changes between 1979 and 2016. They find that the overall number of low-wage jobs remained essentially unchanged over five years following the increase, while wages rose.<sup>7</sup>
- [Rinz and Voorheis \(2018\)](#) use administrative tax records and find that minimum wage increases led to large annual earnings increases for those at the bottom of the income distribution.<sup>8</sup>
- [Allegretto et al's \(2018\)](#) evaluation of six city-wide minimum wage increases concluded that the policies raised earnings in the low-wage restaurant sector without any detectable change in employment.<sup>9</sup>

There is good reason to believe that raising the minimum wage would provide similar benefits to workers here in Pennsylvania.

---

<sup>1</sup> John Schmitt, “Explaining the Small Employment Effects of the Minimum Wage in the United States,” *Industrial Relations*, October 2015, <http://onlinelibrary.wiley.com/doi/10.1111/irel.12106/epdf>

<sup>2</sup> Dale Belman and Paul J. Wolfson, *What Does The Minimum Wage Do?* (Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research) Chapter 4.

<sup>3</sup> Because the Quarterly Census of Employment and Wages (QCEW) is effectively a census of employment, there is a long lag in the publication of data, making June of 2018 the most recent available month of employment data. For this reason, we focus on the change in average weekly wages and employment between the most recent year 2017-18 (July of 2017 to June 2018) and 2012-13 (July 2012 to June 2013).

<sup>4</sup> We compare Pennsylvania to a region that includes Delaware, Maryland, New Jersey, New York, Ohio, West Virginia, and the District of Columbia.

<sup>5</sup> Non-disclosure of data to protect confidentiality limits the availability of employment and average weekly wages for some small-population counties to annual averages. Our analysis in Table 1 relies on quarterly data. The last full year of data available in our data source, the Quarterly Census of Employment and Wages, is 2017.

<sup>6</sup> Sylvia Allegretto, Arindrajit Dube, Michael Reich, Ben Zipperer. 2017. “Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas and Washcher.” *ILR Review* <http://irle.berkeley.edu/credible-research-designs-for-minimum-wage-studies-a-response-to-neumark-salas-and-wascher/>

<sup>7</sup> Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer. 2019. “The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator.” NBER Working Paper No. 25434. <https://www.nber.org/papers/w25434>

<sup>8</sup> Kevin Rinz and John Voorheis. 2018. “The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data.” Center for Administrative Records Research and Applications

---

U.S. Census Bureau. <https://www.census.gov/content/dam/Census/library/working-papers/2018/adrm/carra-wp-2018-02.pdf>

<sup>9</sup> Sylvia Allegretto, Anna Godoey, Carl Nadler and Michael Reich. 2018. "The New Wave of Local Minimum Wage Policies: Evidence from Six Cities." Center on Wage and Employment Dynamics, Institute for Research on Labor and Employment University of California, Berkeley.

<http://irle.berkeley.edu/files/2018/09/The-New-Wave-of-Local-Minimum-Wage-Policies.pdf>