



Insight

\$9 minimum wage would cost 1.4 million new jobs

BEN GITIS | NOVEMBER 5, 2013

As the White House renews its call for an increase in the minimum wage, it's worth assessing the impact such a policy would have. The proposal is intended to increase the welfare of low-wage earners, a noble goal. But what happens to future job growth? Turns out an increase to a \$9 minimum wage would cost nearly 1.4 million new jobs.

While there is an ongoing controversy regarding the impact of the minimum wage in the *level* of employment, new research by [Meer and West \(2013\)](#) suggests that a negative impact of the minimum wage can be isolated by focusing on employment *dynamics*. Specifically, they find that a 10 percent increase in the real minimum wage is associated with a 0.53 percentage point decrease in the net job growth rate.^[1]

In a [recent study](#), AAF applied Meer and West's work to California's new law that raises the state's minimum wage from \$8 per hour to \$10 per hour (effective in 2016), finding that the wage increase will cost the state 191,000 new jobs. If every state followed suit, over 2.3 million jobs would be lost nationwide. Similarly, a \$9 federal minimum wage can be detrimental to job growth.

Using the same data and methodology, ^[2] AAF finds that the White House's proposal to raise the federal minimum wage to \$9 per hour would cost almost 1.4 million new jobs across the country. Illustrated in the table below, the net job growth rate would shrink in every state except Washington, where the state minimum wage is already above \$9 per hour. In addition, several states would have negative net job growth rates, indicating that the number of jobs would decrease. 18 states and the District of Columbia are currently experiencing positive employment growth and would face a decrease in employment if the minimum wage were \$9 per hour. As with a \$10 minimum wage, the cost of a \$9 minimum wage is clearly quite high for the 11.3 million unemployed persons currently looking for work.

Reduced Hiring with a \$9 Minimum Wage (in thousands)

State	Loss in Job Growth	Current Net Job Growth	Net Job Growth with \$9 Minimum Wage
Total	1380.3	2026.7	646.4

Reduced Hiring with a \$9 Minimum Wage (in thousands)

Alabama	24.1	13.3	-10.8
Alaska	2.9	-1.8	-4.7
Arizona	20.1	48.7	28.6
Arkansa	15.0	12.2	-2.8
California	95.7	223.9	128.2
Colorado	19.2	56.8	37.6
Connecticut	7.9	15.4	7.5
Delaware	5.4	6.7	1.3
District of Columbia	3.5	1.4	-2.1
Florida	61.0	131.4	70.4
Georgia	50.6	91.6	41.0
Hawaii	7.8	2.3	-5.5
Idaho	8.0	17.5	9.5
Illinois	27.7	55.4	27.7
Indiana	37.2	50.6	13.4
Iowa	19.4	19.8	0.4
Kansas	17.4	13.8	-3.6
Kentucky	23.4	21.3	-2.1
Louisiana	24.6	38.9	14.3
Maine	6.3	4.1	-2.2
Maryland	32.9	43.3	10.4

Reduced Hiring with a \$9 Minimum Wage (in thousands)

Massachusetts	21.7	45.1	23.4
Michigan	46.2	67.7	21.5
Minnesota	34.9	56.9	22.0
Mississippi	14.1	20.4	6.3
Missouri	31.8	36.6	4.8
Montana	3.6	8.4	4.8
Nebraska	12.3	9.5	-2.8
Nevada	14.6	25.2	10.6
New Hampshire	8.1	5.3	-2.8
New Jersey	49.8	64.7	14.9
New Mexico	8.5	8.9	0.4
New York	112.8	92.5	-20.3
North Carolina	51.0	66.7	15.7
North Dakota	5.6	13.1	7.5
Ohio	40.1	32.5	-7.6
Oklahoma	20.6	9.8	-10.8
Oregon	0.5	27.7	27.2
Pennsylvania	73.3	39.1	-34.2
Rhode Island	4.0	1.7	-2.3
South Carolina	23.7	35.2	11.5
South Dakota	5.3	5.8	0.5

Reduced Hiring with a \$9 Minimum Wage (in thousands)

Tennessee	34.7	32.2	-2.5
Texas	139.6	274.7	135.1
Utah	16.0	32.1	16.1
Vermont	0.7	4.6	3.9
Virginia	47.7	33.3	-14.4
Washington	0.0	64.3	64.3
West Virginia	9.8	7.6	-2.2
Wisconsin	35.6	35.3	-0.3
Wyoming	3.7	3.2	-0.5

[1] Jonathan Meer and Jeremy West, “Effects of the Minimum Wage on Employment Dynamics,” (July 2013), available at http://econweb.tamu.edu/jmeer/Meer_West_Minimum_Wage.pdf