



An Economic Success Story: Job Growth and Poverty Reduction in States that have Raised the Minimum Wage

Twenty two states, and the District of Columbia, have raised their minimum wage above the federal minimum.¹ New Mexico will again attempt to raise its minimum wage in the 2007 legislative session. This analysis by New Mexico Voices for Children's Fiscal Policy Project looks at the impact on economic growth in states that have raised their minimum wage. The impact of the increase in Santa Fe's minimum wage on that local economy is also examined.

The combination of inflation and government inaction has pushed down the purchasing power of a minimum wage to its lowest point in three decades...

The last increase in the federal minimum wage was in 1997. Since then, about 20% of the value of the minimum wage has been lost. A full-time minimum wage worker has lost \$2,236 each year as a result.

...forcing states to take action ...



¹ Alaska, California, Connecticut, Delaware, Florida, Hawaii, Illinois, Maine, Massachusetts, Nevada, Oregon, Rhode Island, Vermont, and Washington.

In response to inaction at the federal level, states have taken action to improve wages. Since the federal minimum wage was last raised, 22 states and the District of Columbia have set a minimum wage above the federal level. Florida, Vermont, Washington and Oregon have indexed their minimum wage to keep pace with the increase in the cost of living.

Job growth steady in states with increased minimum wage ...

Increasing the state minimum wage has not affected the job growth rate within a state. The vast majority of the states that have increased their minimum wage show steady job growth between March 2002 and March 2006.² (See Table 1).

Even within the employment sector most affected by raising the minimum wage – retail trade – job growth rates continue consistent with the state’s overall job growth pattern. (See Table 2).

Based on the experience of other states, an increase in New Mexico’s minimum wage to \$7.50 would not result in job losses.

Job Growth after Santa Fe’s Wage Increase ...

Job growth in Santa Fe has accelerated to nearly 3% per year since the minimum wage was increased to \$8.50 an hour a year ago: a rate not seen since the first half of the 1990s. The hospitality and food service sector has regained its health after the doldrums of the 2001-2004 period, even with an increased minimum wage.

Increasing the minimum wage decreases poverty in states ...

A large percentage (40%) of states that have not raised their minimum wage above the federal level have a poverty level above the national average. (See Table 3) Conversely, states that have raised their minimum wage tend to have poverty rates below, or near, the national rate. (See Table 4)

The minimum wage is crucial for New Mexico because such a large portion of our workforce earn the minimum wage

The portion of New Mexico’s hourly workforce that is paid the current minimum wage (\$5.15) is more than twice the national average. Almost 6% of New Mexicans earn the minimum wage, compared to the national average of approximately 3%.³

² Current Employment Survey conducted by the U.S. Bureau of Labor Statistics.

³ Other states with a higher-than-average portion of minimum wage workers include Louisiana (5%), Oklahoma (close to 5%), Texas (almost 4%); Colorado (close to 4%), Arizona (about 3%) and Utah (almost 3%).

Table 1

Overall employment growth comparison in states with and without higher minimum wages

MW: States with minimum wage higher than federal rate

		August Total Employment		
	State	2002	2005	Percent change
	Alabama	1879.8	1972.3	4.92%
MW	Alaska	315.8	337.0	6.71%
	Arizona	2245.4	2617.6	16.58%
	Arkansas	1143.2	1192.1	4.28%
MW	California	14404.4	14971.0	3.93%
	Colorado	2199.7	2290.3	4.12%
MW	Connecticut	1652.0	1662.3	0.62%
MW	Delaware	417.9	439.4	5.14%
MW	Washington, D.C.	669.9	695.0	3.75%
	Florida	7154.5	8056.6	12.61%
	Georgia	3875.6	4109.4	6.03%
MW	Hawaii	554.2	613.1	10.63%
	Idaho	575.9	648.2	12.55%
MW	Illinois	5910.8	5970.9	1.02%
	Indiana	2912.7	2956.1	1.49%
	Iowa	1435.6	1498.6	4.39%
	Kansas	1323.6	1320.1	-0.26%
	Kentucky	1790.8	1852.5	3.45%
	Louisiana	1888.2	1769.6	-6.28%
MW	Maine	618.2	625.3	1.15%
	Maryland	2490.3	2599.3	4.38%
MW	Massachusetts	3241.3	3220.9	-0.63%
	Michigan	4479.2	4334.1	-3.24
	Minnesota	2673.3	2786.5	4.23
	Mississippi	1128.3	1138.6	0.91%
	Missouri	2677.6	2749.0	2.67%
	Montana	402.0	441.6	9.85%
	Nebraska	908.0	947.4	4.34%
	Nevada	1057.5	1293.8	22.35%
	New Hampshire	621.9	644.0	3.55%
	New Jersey	3970.8	4082.8	2.82%
	New Mexico	768.3	836.0	8.81%
	New York	8441.2	8587.5	1.73%
	North Carolina	3843.1	3990.4	3.83%
	North Dakota	327	347.7	6.33%
	Ohio	5456.6	5462.4	0.11%
	Oklahoma	1842.8	1525.4	-17.22%
MW	Oregon	1592.9	1714.7	7.65%
	Pennsylvania	5614.2	5736.5	2.18%
MW	Rhode Island	479.5	494.3	3.09%
	South Carolina	1813.9	1908.0	5.19%

	Table 1 Continued			
	South Dakota	383.4	405.7	5.82%
	Tennessee	2674.7	2783.9	4.08%
	Texas	9401.0	9964.7	6.00%
	Utah	1066.5	1201.0	12.61%
MW	Vermont	293.9	303.5	3.27%
	Virginia	3487.0	3723.4	6.78%
MW	Washington	2660.3	2874.3	8.04%
	West Virginia	735.4	757.1	2.95%
	Wisconsin	2800.5	2888.0	3.12%
	Wyoming	255.4	282.5	10.61%
<i>Source: Current Employment Survey, US Bureau of Labor Statistics, US</i>				

Table 2

Retail employment growth comparison in states with and without higher minimum wages

MW: States with minimum wage higher than federal rate

		August Employment		
	State	2002	2005	Percent change
	Alabama	224.1	233.4	4.15%
MW	Alaska	35.6	38.5	8.15%
	Arizona	266.8	322.6	20.91%
	Arkansas	129.5	133.2	2.86%
MW	California	1570.8	1655.4	5.39%
	Colorado	243.5	248.9	2.22%
MW	Connecticut	192.9	189.9	-1.56%
MW	Delaware	51.9	54.6	5.20%
MW	Washington, D.C.	16.8	17.8	5.95%
	Florida	910.7	999.9	9.79%
	Georgia	446.9	471.0	5.39%
MW	Hawaii	64.1	70.7	10.30%
	Idaho	73.1	80.4	9.99%
MW	Illinois	629.8	632.9	0.49%
	Indiana	340.6	332.8	-2.29%
	Iowa	181.5	180.3	-0.66%
	Kansas	152.2	147.8	-2.89%
	Kentucky	211.4	213.1	0.80%
	Louisiana	224.2	212.0	-5.44%
MW	Maine	88.8	88.7	-0.11%
	Maryland	294.8	300.3	1.87%
MW	Massachusetts	358.0	355.7	-0.64%
	Michigan	532.2	493.7	-7.23%
	Minnesota	303.4	303.8	0.13%
	Mississippi	140	142	1.43%
	Missouri	310.3	321.6	3.64%
	Montana	54.6	57.5	5.31%
	Nebraska	107.7	106.1	-1.49%
	Nevada	114.1	139.0	21.82%
	New Hampshire	96.9	99.7	2.89%
	New Jersey	464.4	474.9	2.26%
	New Mexico	90.4	95.7	5.86%
	New York	856.8	888.4	3.69%
	North Carolina	436.5	441.4	1.12%
	North Dakota	40.5	43.8	8.15%
	Ohio	634.9	604.7	-4.76%
	Oklahoma	170.9	169.5	-0.82%
MW	Oregon	186.1	201.9	8.49%
	Pennsylvania	663.7	654.8	-1.34%
MW	Rhode Island	53.3	52.6	-1.31%
	South Carolina	224.2	236.6	5.53%

Table 2 Continued				
	South Dakota	49.1	50.7	3.26%
	Tennessee	310.6	331.7	6.79%
	Texas	1090.2	1131.8	3.82%
	Utah	131.0	139.5	6.49%
MW	Vermont	40.5	40.9	0.99%
	Virginia	402.8	415.5	3.08%
MW	Washington	306.3	329.2	7.48%
	West Virginia	88.1	89.3	1.36%
	Wisconsin	317.4	314.3	-0.98%
	Wyoming	31.4	32.2	2.55%
<i>Source: US Department of Labor - Bureau of Labor Statistics</i>				

Table 3

Poverty levels in states with minimum wages at the U.S. level in 2005

State	Percent in Poverty	State	Percent in Poverty
Alabama	17.0	Nevada	11.1
Arizona	14.2	New Hampshire	7.5
Arkansas	17.2	New Jersey	8.7
Colorado	9.4	New Mexico	18.5
Florida	11.1	New York	13.8
Georgia	14.4	North Carolina	15.1
Idaho	13.9	North Dakota	11.2
Indiana	12.2	Ohio	13.0
Iowa	10.9	Oklahoma	16.5
Kansas	11.7	Oregon	14.1
Kentucky	16.8	Pennsylvania	11.9
Louisiana	19.8	South Carolina	15.6
Maryland	8.2	South Dakota	13.6
Michigan	13.2	Tennessee	15.5
Minnesota	9.2	Texas	17.6
Mississippi	21.3	Utah	10.2
Missouri	13.3	Virginia	10.0
Montana	14.4	West Virginia	18.0
Nebraska	10.9	Wisconsin	10.2
		Wyoming	9.5
<i>Source: U.S. Census Bureau, American Community Survey 2005</i>			

Table 4
Poverty levels in states with minimum wages higher than U.S. in 2005 *

State	Minimum Wage	Poverty Rate
Alaska	7.15	11.2%
California	6.75	13.3%
Connecticut	7.10	8.3%
Delaware	6.15	10.4%
Washington, D.C.	6.15	19.0%
Hawaii	6.25	9.8%
Illinois	5.50 (\$6.50 - 2005)	12.0%
Maine	6.25	12.6%
Massachusetts	6.75	10.3%
Oregon	7.05 indexed	14.1%
Rhode Island	6.75	12.3%
Vermont	6.75 (\$7.00 - 2005)	11.5%
Washington	7.16 indexed	11.9%
United States	\$5.15	13.3%
* Does not include Nevada and Florida, which increased their respective minimum wage rates in 2005, for which poverty rates are unavailable.		
Source: U.S. Department of Labor		