

The Impact of an \$11 Minimum Wage in St. Louis

Economic Analysis By: Dr. David Macpherson, Trinity University and Dr. William Even, Miami University

The Missouri Supreme Court recently ruled that the city of St. Louis acted within its authority to approve a 43 percent minimum wage increase to \$11 an hour by 2018. This decision is currently being appealed, and Missouri state legislators are considering legislation that would nullify the municipal wage hike and set one minimum wage at the state level.

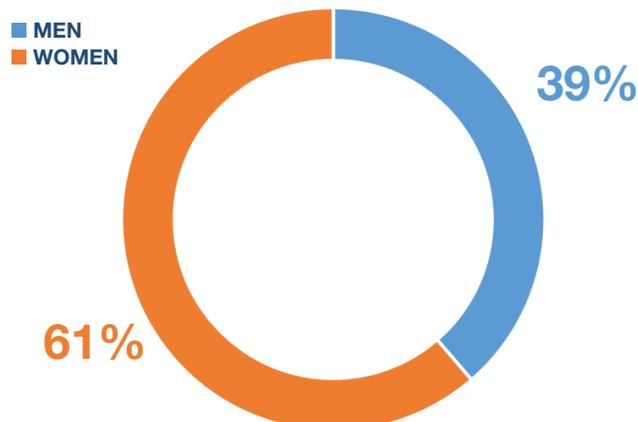
Minimum wage proponents in the city have portrayed the proposed increase as a no-lose proposition. The labor union funded group Missouri Jobs With Justice has even suggested a minimum wage hike would help local businesses and the economy. But a wide body of economic research, including a 2014 Congressional Budget Office (CBO) report, concludes that minimum wage hikes reduce job opportunities especially for the young and less-skilled.

A new analysis by Dr. David Macpherson of Trinity University and Dr. William Even of Miami University finds that an \$11 minimum wage in St. Louis would cost the city roughly 1,000 jobs, with the job loss mostly occurring among the city's most vulnerable populations.

JOB LOSS

Using Census Bureau data and CBO methodology, Drs. Macpherson and Even estimate that 25,758 employees in St. Louis would be affected by the \$11 minimum wage proposal. Of these employees, the economists predict 1,007 would lose their jobs.

JOB LOSS BY GENDER

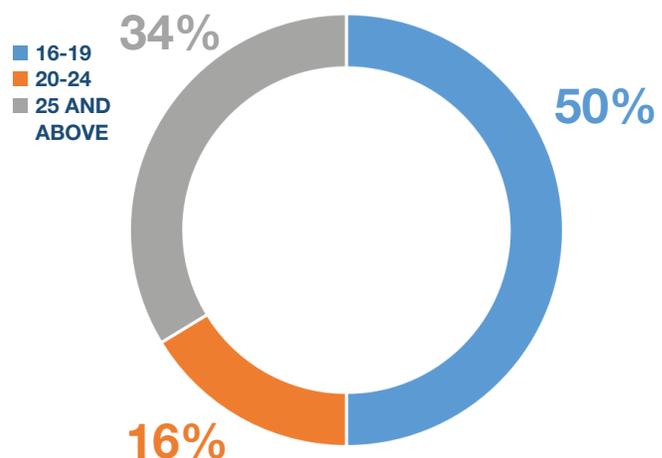


JOB LOSS BY GENDER AND AGE

The use of detailed Census Bureau Current Population Survey data allows Drs. Macpherson and Even to examine the demographic characteristics of this job loss. They find that 61 percent (617) of these lost jobs would come among women.

Drs. Macpherson and Even predict that half (503) of the lost jobs would come among young employees aged 16 to 19. Another 16 percent (164) of the job loss would come among those aged 20-24, meaning that two-thirds (667) of the city's lost jobs would come among young employees aged 16 to 24. The employment prospects of young jobseekers in St. Louis are already precarious, with nearly one-third of teens unemployed in 2015, according to American community survey data.

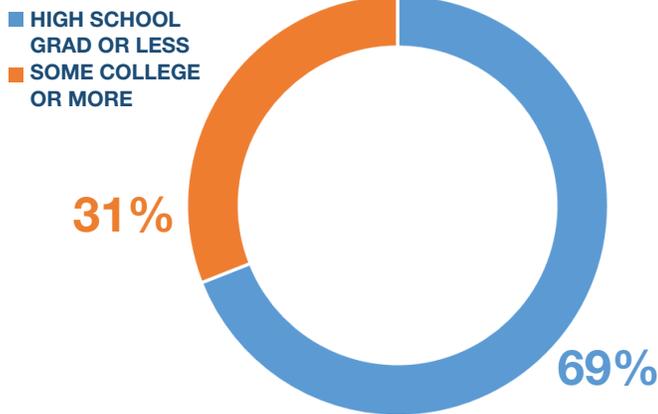
JOB LOSS BY AGE



JOB LOSS BY EDUCATIONAL ATTAINMENT

Drs. Macpherson and Even predict that the job loss would disproportionately fall on those with the least education. They find that 69 percent (695) of lost jobs would come among those with no more education than a high-school degree. Like women and young employees, those with less education are more likely to work in industries with razor-thin profit margins most affected by minimum wage increases.

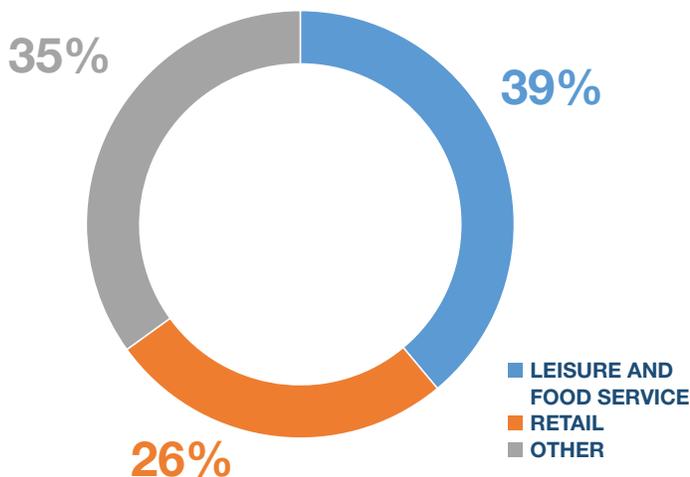
JOB LOSS BY EDUCATIONAL ATTAINMENT



JOB LOSS BY INDUSTRY

Drs. Macpherson and Even find that nearly two-thirds (655) of lost jobs would occur in just two low margin industries: Leisure & Food Service (392) and Retail (263). Other industries like Manufacturing, Health Care, Social Assistance, and Education would lose relatively fewer jobs because they generally employ higher-skilled employees not affected by the proposed \$11 mandate.

JOB LOSS BY INDUSTRY



POOR TARGETING

Beyond the consequences to the labor market, raising the minimum wage has been criticized on the grounds that it's poorly-targeted to low income families. For instance, an earlier analysis found that the average family income of a beneficiary of a \$12 minimum in Missouri exceeds \$57,000 a year. (Many of the employees are second- or third-earners in higher-income households.) Similarly, Census Bureau data show that over half (52 percent) of the state's poor residents don't work, and wouldn't be impacted by a raise.

METHODOLOGY

Drs. Macpherson and Even use data from the Current Population Survey (CPS) Outgoing Rotation Groups (ORG) from January 2014 through December 2016 to determine the number and demographics of those affected by the proposed \$11 minimum wage. (Demographic breakdowns may not sum to total due to rounding.) After generating the forecast of the 2018 distribution of wages reflecting wage growth and the effects of indexing in Missouri on the minimum wage, they identify workers who would be affected by the new law mandating a \$11.00 minimum as those with wages between the predicted minimum wage legislated for 2018 (\$7.88) and the new minimum (\$11). They then use Congressional Budget Office (CBO) methodology to generate their job loss conclusions. The CBO based its methodology off of 60 peer-reviewed academic studies on the jobs impact of a higher minimum wage. In its 2014 study, the CBO estimated that 500,000 would be lost nationally at a \$10.10 federal minimum wage. In a separate analysis, Macpherson and Even used this methodology to find that 770,000 would be lost nationally if a \$12 federal minimum wage took effect.

View the full methodology [here](#).

References:

- "The Effects of a Minimum-Wage Increase on Employment and Family Income." Congressional Budget Office. February 2014.
- "The Impact of a \$12 Federal Minimum Wage." Drs. David Macpherson and William Even. Minimumwage.com. November 2015.
- "Minimum Wages and Poverty: Will a \$9.50 Federal Minimum Wage Really Help the Working Poor?" Richard Burkhauser and Joseph Sabia. *Southern Economic Journal* 2010, 76(3), 592–623.