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The Effects of the Proposed Arizona Minimum Wage Increase

By David Macpherson

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The Effects of the Proposed Arizona Minimum Wage Increase

Executive Summary

The minimum wage has become a favorite election-year issue at both the state and national levels, with many politicians arguing that a hike is needed to pull hardworking families out of poverty. Unfortunately, raising the minimum wage has unintended consequences, which often hurt the very people the hike was intended to help. Decades of research show that higher mandated wages are associated with job loss among the most vulnerable employees and displacement of low-skilled adults by wealthy teens. Ironically, while the poor bear a disproportionate burden of job loss and displacement, the vast majority of the benefits go to families living far above the poverty line.

This paper by economist Dr. David Macpherson from Florida State University analyzes the proposed initiative to increase the minimum wage in Arizona from $5.15 to $6.75 in January 2007, and index it to inflation starting in January 2008. By using Current Population Survey data and labor demand estimates, this research shows that the proposed increase will be an expensive mandate on the employers—and citizens—of Arizona. Even more troubling, this enormous expense will do little to increase the quality of life for the state's poor—and will greatly worsen conditions for those who lose their jobs following the increase.

The poor targeting of this proposal is clear in the distribution of benefits—and burdens—that are anticipated from the increase. Nearly 70 percent of the benefits will go to families above the poverty line, with more than 25 percent of the benefits going to families with annual incomes of over $60,000. Unfortunately, the families living in poverty will bear the brunt of the attendant job loss, with 37 percent of the job loss accruing to families with annual incomes of less than $25,000. The least-skilled members in the workforce will also suffer disproportionately, with high school dropouts experiencing 29 percent of the job loss.

Overall, the minimum wage hike is projected to cause 4,627 employees to lose their jobs, causing an annual income loss of $54.8 million for these employees. The leisure and hospitality industry will be particularly hard hit, bearing 66 percent of the job loss. Meanwhile, employers' labor costs would go up $87.4 million annually.

The findings reported in this paper, and the calculation of the enormous economic cost of a mandated wage increase, ought to temper enthusiasm for a minimum wage hike, especially since the proposed initiative would confer most of its benefits on families who are not poor and impose a significant burden on those who are.

The Effects of the Proposed Arizona Minimum Wage Increase

I. Introduction

"Living wage" laws have been enacted in more than one-hundred states and cities. According to their proponents, a living wage is approximately one-half of the average local or state wage. In an attempt to increase the wages of low-income workers to meet this goal, living wage supporters have proposed minimum wage levels greater than the federal minimum wage of $5.15.

This paper examines in a variety of dimensions the effects of one such proposal. In Arizona, the minimum wage is proposed to rise from $5.15 to $6.75 in January 2007, and indexed to inflation starting in January 2008. The study reaches several conclusions regarding this proposed minimum wage increase. First, the workers who would be affected by this proposed increase tend to be younger and less educated than the average Arizona worker. Second, only about one-sixth of the affected workers are the sole earner for a family supporting one or more children. Third, nearly 70 percent of the income gains will go to families above the poverty line. Fourth, the minimum wage increase is projected to cause 4,627 workers to lose their jobs with two-thirds of the job losses in leisure and hospitality industries. This would cause an annual income loss to these workers of $54.8 million. Fifth, the cost to employers would be substantial. It is estimated to raise their labor costs by $87.4 million per year.

The study is organized as follows. The data employed to calculate some of the consequences of a higher minimum wage are described in section 2, and a statistical portrait of the workers affected by the minimum wage increase is provided in section 3. The impact of the increase on the distribution of family income is discussed in section 4. An analysis of the employment effects of the minimum wage increase is presented in section 5, and an investigation of the cost to employers of the wage hike as well as the income loss to laid-off workers is reported in section 6. Lastly, section 7 provides a summary and conclusion.

II. The Data

To analyze the effects of the proposed Arizona minimum wage increase, data are drawn from the May 2004 through April 2006 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The CPS ORG has the important advantage of being a large and representative sample of the population.

The main sub-sample of the CPS ORG data employed here includes wage and salary workers who are residents of Arizona, 16 years of age or older, and whose hourly wage is between $5.15 and $6.75 in January 2007 dollars. Observations missing data necessary to compute the hourly wage, family income, or other relevant variables are deleted from the sample. The data appendix describes the calculation of the hourly wage variable and other data issues.

III. Who Will Be Affected by the Minimum Wage Increase?

A vivid statistical portrait of the workers affected by the minimum wage increase (i.e., earning $5.15 to $6.75 in January 2007 dollars) emerges from Table 1, which presents the means of demographic variables for such workers. For comparison purposes, means for all Arizona residents and workers who are 16 years of age and older are also included. The results reveal that a large fraction of workers affected by the higher minimum wage are young. In fact, 30.1% of affected workers are between 16 and 19 years of

age, and an additional 21.3% are between 20 and 24 years of age. Thus, 51.4% of affected workers are 24 or younger.

The affected workers differ from the average Arizona resident on several other demographic characteristics. The affected workers are substantially less educated than the average Arizonan as more than two-fifths have not graduated from high school. Also, they are much more likely to be never married (61.2%) and female (54.9%) than the population as a whole.

Workers affected by the minimum wage increase are less likely to be supporting a family than the typical Arizona worker. For example, 30.4% of the workers are living with their parent or parents, while only 7.6% of all Arizona workers are in this category. Also, affected workers are much less likely to be a dual earner in a married couple (17.1% versus 38.6%) than the typical Arizona worker. Lastly, about one-sixth of affected workers are a single head or a single earner in a married couple supporting a family with children.

The family income of the affected worker is somewhat lower than the average Arizona resident ($41,380 versus $57,839). However, only 30% of the minimum wage workers are in families with an income of less than $15,000. In fact, 58% are in families with an income of $25,000 or more.

The affected workers are less involved in the labor market than the average Arizona worker. About 50% of the affected workers are employed part-time, while only 15% of all Arizona employees work part-time. In addition, the affected workers are employed 3.7 fewer weeks per year than the typical worker.

The location of the affected workers differs from the typical Arizona resident and worker. The affected workers are much more likely to live in Tucson (24.1%) than the average Arizona worker (14.3%). On the other hand, they are less likely to live in Phoenix-Mesa-Scottsdale (57.6%) than the average Arizona worker (71.6%).

IV. What Will Be the Impact on the Distribution of Family Income?

Table 2 provides calculations of the annual income increases for workers affected by the minimum wage increase as well as the resulting impact on family income. The top row shows the mean increase in annual income is $1,171. Since the average family income of the affected families is $42,603 per year, the resulting increase in average family income would be 2.7%.

Column 4 of Table 2 presents the percentage share of the total income gains resulting from the minimum wage increase that accrue to families in various family income groupings. The gains are roughly proportional to the percentages of affected families in each grouping. For example, 28.9% of the affected families have incomes of less than $15,000, a rough approximation of the poverty threshold. The share of total income gains going to these families is 31.1%. In other words, nearly 70 percent of the total income gains will go to affected families living above the poverty level.

To provide a broader view of the impact on income distribution, Table 3 presents calculations of the impact of the minimum wage increase on before-tax family income across all families. The mean increase in family income across persons 16 and over is $53. Since the average income of all families is $53,464 per year, the resulting increase in average family income would be 0.1%.

A problem with minimum wage increases is that many low-income persons are not affected by them since they do not work. The impact of this problem is shown when the results are broken out by income. For persons in families below the poverty level, the increase in income would be $95. These numbers are substantially less than the corresponding figures presented in Table 2.

V. How Many Workers Will Be Laid Off?

An important effect of the minimum wage increase is that some workers will lose their jobs

since it will be no longer profitable for firms to employ them. In order to estimate the job loss, the following procedure was used. First, the fractional wage gain due to the minimum wage increase is computed for each affected worker and then averaged across the sample. Second, estimated fractional wage gain is used in the following formula to calculate the employment loss:

(1) Employment Loss = Fractional Wage Gain * Affected Worker Employment * Labor Demand Elasticity

This study uses an estimate of labor demand elasticity (–0.22) for minimum wage workers reported by Neumark and Wascher (2000). An elasticity of –0.22 implies that a 10% increase in wages results in a 2.2% decrease in employment of the affected group.

Table 4 presents the results of these calculations for all of the affected workers as well as subgroups of workers. Overall, the analysis indicates that 4,627 workers are projected to lose their jobs due to the minimum wage increase. The breakdowns by age, family income, and location are not surprising. More than one-half of the layoffs would occur among workers under the age of 25. More than one-third of the layoffs would occur among workers with a family income below $25,000. More than one-half of the job losses (2,622) would occur in the Phoenix-Mesa-Scottsdale metro area. About one-quarter of the job losses would occur in the Tucson metropolitan area.

The results by industry indicate that about two-thirds of the job losses are projected to occur in the leisure and hospitality industry (3,352 jobs). This is not surprising since more than one-fifth of the workers in the leisure and hospitality industry will be affected by this increase. Another 504, or 10.9 percent, of the losses are projected to occur for workers in the retail trade industry. Lastly, about 8 percent of the job losses are projected to occur in the educational and health services industry.

The findings by occupation show that nearly three-quarters of the losses are predicted to be for those in service occupations. Another 9.9% would occur for those in sales occupations.

VI. What Will Be the Cost to Employers and the Income Loss to Laid-off Workers?

Another critical issue is the cost to employers of the minimum wage increase. These higher costs will be either passed on to consumers through higher prices or profits will be reduced for firms. Also, an important cost to workers is the loss in income due to the layoffs caused by the minimum wage increase.

These costs are calculated with the following manner. First, the increase in labor cost that would occur if no workers are laid off is calculated. This figure is estimated by multiplying the annual increase in wages due to the minimum wage increase times the number of affected workers. Second, the lost income to workers (and thus reduction in labor cost) due to the layoffs is estimated. This number is calculated by multiplying the number of workers who are projected to lose their jobs times their average wage before the minimum wage increase. Third, the net increase in labor cost to employers is calculated by taking the difference between the cost to employers if no layoffs occurred and the reduction in costs due to the layoffs of employees.

Table 5 presents the results of these calculations. The first row of the table indicates that if no layoffs occurred then the cost of labor to employers would rise by $142.2 million. The projected worker layoffs of 4,627 will cause $54.8 million of worker income to be lost. The net rise in the cost of labor to employers is estimated to be $87.4 million.

The results by industry and location indicate these costs are clearly concentrated in certain industries and locations. In the leisure and hospitality industry, net labor costs will rise by $35.1 million, and the income of laid-off workers will be reduced by $41.5 million. For the retail trade industry, the net employer cost will rise by $17.0

million and the income loss to displaced workers will be $4.7 million. The net labor cost to employers in the Phoenix-Mesa-Scottsdale area will rise by $48.5 million, while fired workers will suffer an income loss of $33.8 million. For the Tucson metropolitan area, the employer costs will rise by $20.8 million and laid-off workers are projected to have a $14.7 million, reduction in income.

VII. Summary and Conclusions

This paper examines in a variety of dimensions the effects of the proposed rise in the Arizona minimum wage to $6.75 in January 2007. The study reaches several conclusions regarding this proposed minimum wage increase. First, the workers affected by this increase tend to be younger and less educated than the average Arizona worker. Second, about one-sixth of the affected workers are the sole earner for a family supporting one or more children. Third, much of the wage gains would go to low-wage workers in higher-income families, rather than those most in need. For example, more than two-fifths of the wage gains would go to workers in families with incomes of $40,000 or greater. Fourth, the minimum wage increase is projected to cause 4,627 workers to lose their jobs with about two-thirds of the job losses in the leisure and hospitality industry. This will cause an annual income loss to these workers of $54.8 million. Fifth, the cost to employers will be quite substantial. It will raise their labor costs by $87.4 million per year.

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Data Appendix

Hourly Wage

This study uses data from the May 2004 through April 2006 Current Population Survey (CPS) Outgoing Rotation Group (ORG) files. The main sub-sample of the CPS data employed here includes wage and salary workers who are residents of Arizona, 16 years of age or older, and whose hourly wage is between $5.15 and $6.75 in January 2007 dollars or tipped workers whose wage before tips was between $2.13 (the current Arizona minimum) and $3.75 (the proposed minimum wage before tips in Arizona).

The hourly wage is constructed to account for problems caused by workers with variable hours, "topcoded" or "capped" earnings, tips, commissions, and overtime, inflation, and changes in the minimum wage.

The first step is to assign a wage for workers who don't have these difficulties. Non-topcoded workers who are paid by the hour and receive tips, commissions, or overtime are assigned their reported hourly earnings. For all non-hourly workers, the hourly wage is constructed by dividing usual weekly earnings (which includes tips, commissions, and overtime pay) by usual hours worked per week.

The second step is to estimate usual weekly earnings for workers whose weekly earnings are topcoded or capped at a maximum value. The CPS ORG files have a topcode of $2,885 per week or about $150,000 per year for year-round workers. If the earnings of topcoded workers were not adjusted, average earnings would be understated. To estimate the mean earnings of topcoded workers it is assumed that the upper tail of weekly earnings distribution follows a Pareto distribution. These estimated mean values for the CPS ORG files using this approach are presented in Hirsch and Macpherson (2005) by gender and year and are used in this study.

The third step is to estimate usual weekly hours for workers who indicate their weekly hours are variable. This is calculated by using the results of a regression model based on a sample of workers that have non-missing data on usual hours worked. The model is estimated by gender and year and includes controls for hours worked in the prior week, full-time status, marital status, years of schooling, age, race and ethnic status, broad occupation, and broad occupation interacted with full-time status. The parameters from this regression model are then used to estimate the usual hours for those whose weekly hours are variable.

The next step is to assign a wage for hourly workers who receive tips, commissions, or overtime pay or are topcoded workers. In this case, their hourly wage is constructed by dividing usual weekly earnings (adjusted for topcodes) by usual hours worked (or estimated usual hours if usual hours is missing).

The last step is to adjust the wages of workers for inflation and changes in the minimum wage. Wages of workers are adjusted for inflation to January 2007 using the CPI-U (a 2.5% annual inflation rate is assumed for the period between June 2006 and January 2007). Workers who earned exactly the minimum wage at the time of the survey are assigned a wage of $5.15 in January 2007 dollars. Workers whose wage at the time of the survey was less than the legal minimum wage ($5.15 per hour) were deleted from the sample.

Family Income

Family income is reported as categorical variable in the CPS ORG and includes all sources of money income received during the previous 12 months. The income ranges are:

less than $5,000; $5,000; $5,000–$7,499; $7,500–$9,999; $10,000–$12,499; $12,500–14,999; $15,000–$17,499; $17,500–$19,999; $20,000–$24,999;$25,000–$29,999; $30,000–$34,999; $35,000–$39,999; $40,000–$49,999; $50,000–$74,999; $75,000–$99,999; $100,000–$149,999; and $150,000 and up.

To assign a dollar value to these categories, mean values of family income for persons in each income range were calculated from a sample of Arizona residents in the March 2005 CPS (which reports family income received in the previous year as a continuous variable).

Annual Income

Though the CPS ORG provides measures of hourly earnings and hours worked, it does not indicate the number of weeks worked per year. Thus, to generate annual income estimates for workers affected by the higher minimum wage, an alternative data source must be used and merged with the CPS ORG. Fortunately, the April 1993 CPS provides such a measure and the mean usual weeks worked was calculated for all workers earning $5.15-$6.75 per hour in January 2007 dollars.

Endnotes

1. See Employment Policies Institute (2005).

2. Hourly wages are adjusted for changes in the minimum wage and inflation and other data issues. See the data appendix for a more detailed explanation. The sample also includes tipped workers whose wage before tips was between $2.13 (the current Arizona minimum) and $3.75 (the proposed minimum wage before tips in Arizona).

3. These calculations are based on the assumption that all affected workers increase their wage to the new minimum wage of $6.75 per hour. Hence, we are not allowing for noncompliance or exemptions from the law.

4. The Earned Income Tax Credit (EITC) would bring a single worker supporting two children slightly above the poverty level for such a family.

5. The average elasticity reported by a survey of labor economists at leading universities is –0.21. See Fuchs, Krueger, and Poterba (1998). Other research confirms that a 10 percent hike leads to at least a 2 percent decrease in employment for employees affected by the hike. See, e.g., Neumark, Schweitzer, and Wascher (2004) (for employees at the minimum wage, a 10 percent increase in the minimum wage reduces employment by about 2 percent and reduces hours of work by about 6 percent). Some studies using micro-data on individuals, or panel data using year and state and the unit of observation, have documented much higher negative employment effects. See Neumark, Schweitzer, and Wascher (2004) and Burkhauser, Couch, and Wittenberg (2000). Longer-term effects are likely to be larger because there is more time for employers to make adjustments.

6. Workers may reduce this income loss is they are able to obtain employment in a job not covered by the minimum wage.

7. This calculation ignores the cost of payroll taxes. If they were included, the cost to employers would be at least 7.65% higher (the employer portion of the Social Security tax).

Tables

Table 1				
Means for Selected Variables				
Variable	Affected Workers		All Workers Percent	All 16 + Percent
	Percent	Population		
Age:				
16 to 19	30.1%	35,606	4.8%	7.0%
20 to 24	21.3%	25,144	11.1%	8.9%
25 to 29	12.8%	15,197	12.9%	10.0%
30 to 39	13.7%	16,205	24.8%	18.6%
40 to 64	20.3%	24,019	44.1%	39.8%
65 to 99	1.8%	2,094	2.4%	15.8%
Average	29.3		38.9	44.2
Years of Schooling:				
0 to 8	15.0%	17,711	6.0%	7.4%
9 to 11	31.0%	36,694	9.1%	13.0%
12	26.0%	30,776	26.9%	27.8%
13 to 15	24.3%	28,743	31.9%	29.0%
16 or more	3.7%	4,341	17.5%	14.9%
Average	11.2		13.2	12.9
Race:				
White	87.1%	103,002	89.7%	89.7%
Black	4.3%	5,130	3.7%	3.3%
Asian	2.3%	2,712	1.8%	2.2%
Other Race	6.3%	7,421	4.8%	4.9%
Ethnic Status:				
Hispanic	46.9%	55,424	28.9%	27.2%
Non-Hispanic	53.1%	62,841	71.1%	72.8%
Gender:				
Male	45.1%	53,299	54.5%	49.2%
Female	54.9%	64,966	45.5%	50.8%

Table 1 *(continued)*				
Variable	Affected Workers		All Workers Percent	All 16 + Percent
Marital Status:				
Married, Spouse Present	28.1%	33,277	52.5%	53.0%
Divorced, Separated, Widowed	10.7%	12,652	18.7%	21.0%
Never Married	61.2%	72,336	28.8%	26.0%
Family Status:				
Single Individual	20.9%	24,758	24.1%	NA
Single Head	11.7%	13,780	11.9%	NA
Single Head with no children	2.6%	3,082	2.6%	NA
Single Head with 1 child	3.8%	4,451	4.9%	NA
Single Head with 2 children	2.3%	2,727	2.9%	NA
Single Head with 3+ children	3.0%	3,520	1.5%	NA
Single Earner in Married Couple	11.0%	13,026	13.9%	NA
Single Earner with no children	3.1%	3,625	5.0%	NA
Single Earner with 1 child	4.1%	4,862	2.9%	NA
Single Earner with 2 children	2.0%	2,406	3.1%	NA
Single Earner with 3+ children	1.8%	2,133	3.0%	NA
Dual Earner in Married Couple	17.1%	20,251	38.6%	NA
Dual Earner with no children	5.5%	6,469	14.9%	NA
Dual Earner with 1 child	1.7%	2,024	7.9%	NA
Dual Earner with 2 children	7.6%	8,942	10.7%	NA
Dual Earner with 3+ children	2.4%	2,816	5.1%	NA
Living with Parent(s)	30.4%	35,954	7.6%	NA
Other Relative	8.9%	10,496	3.9%	NA
Family Income:				
< $15,000	30.0%	35,495	9.4%	14.2%
$15,000-$24,999	12.5%	14,795	9.1%	11.4%
$25,000-$39,999	18.2%	21,483	19.7%	20.7%
$40,000-$49,999	9.4%	11,163	11.2%	10.2%
$50,000-$50,999	4.0%	4,700	10.2%	9.2%
$60,000-$74,999	11.9%	14,122	13.4%	11.2%
$75,000 or more	14.0%	16,507	27.1%	23.1%
Mean	$41,380		$62,571	$57,839
Median	$31,818		$53,919	$44,632

Table 1 *(continued)*				
Variable	Affected Workers		All Workers Percent	All 16 + Percent
Non-Metro/Small Metro Areas	12.9%	15,239	11.2%	14.1%
Phoenix-Mesa-Scottsdale	57.6%	68,169	71.6%	66.8%
Prescott	3.0%	3,510	1.8%	2.4%
Tuscon	24.1%	28,497	14.3%	15.9%
Yuma	2.4%	2,850	1.0%	0.8%
Hours Per Week	31.8		39.2	NA
Full-time	50.2%		85.1%	NA
Weeks Worked Per Year	46.3		50.0	NA
Population	118,265		2,380,341	4,370,044
Sample Size	225		4,604	8,620

Source: May 2004 to April 2006 Outgoing Rotation Group Current Population Survey files.

Table 2				
Income Increases for Families of Workers Affected by Minimum Wage Increase to $6.75				
Group	% in Class Before Increase	Annual Income Increase	% Increase In Family Income	% share of Total Income Increase
All	100.0%	$1,171	2.7%	100.0%
Family Income:				
< $15,000	28.9%	$1,257	16.1%	31.1%
$15,000–$24,999	12.2%	$1,190	6.2%	12.4%
$25,000–$39,999	17.8%	$911	2.9%	13.8%
$40,000–$49,999	9.3%	$1,520	3.4%	12.1%
$50,000–$50,999	4.5%	$1,316	2.4%	5.0%
$60,000–$74,999	12.7%	$1,049	1.6%	11.4%
$75,000 or more	14.5%	$1,138	1.0%	14.1%
Mean Family Income	$42,603			

Source: May 2004 to April 2006 Outgoing Rotation Group Current Population Survey files.

Table 3				
Income Distribution Impact of Minimum Wage Increase to $6.75 Across All Families				
Group	% in Income Class Before Increase	Annual Income Increase	% Increase In Family Income	% share of Total Income Increase
All	100.0%	$53	0.1%	100.0%
Family Income:				
< $15,000	17.4%	$95	1.1%	31.0%
$15,000–$24,999	12.4%	$53	0.3%	12.4%
$25,000–$39,999	21.0%	$35	0.1%	13.8%
$40,000–$49,999	10.0%	$64	0.1%	12.1%
$50,000–$50,999	8.6%	$31	0.1%	5.0%
$60,000–$74,999	10.2%	$59	0.1%	11.4%
$75,000 or more	20.5%	$37	0.0%	14.3%
Mean Family Income	$53,464			

Source: May 2004 to April 2006 Outgoing Rotation Group Current Population Survey files.

Table 4

Employment Levels and Job Losses by Sector for Minimum Wage of $6.75

Group	Employment All Workers	Affected Workers	Projected Job Loss	Percent of all Job Loss
All	2,380,341	118,265	4,627	100.0%
Age:				
16-19	113,185	35,606	1,254	27.1%
20-24	263,500	25,144	1,275	27.6%
25-29	306,099	15,197	821	17.7%
30-39	589,903	16,205	616	13.3%
40-64	1,050,750	24,019	627	13.6%
65-99	56,904	2,094	34	0.7%
Family Income:				
< $15,000	223,977	35,495	1,233	26.6%
$15,000-$24,999	217,578	14,795	480	10.4%
$25,000-$39,999	468,345	21,483	580	12.5%
$40,000-$49,999	265,739	11,163	545	11.8%
$50,000-$50,999	242,070	4,700	279	6.0%
$60,000-$74,999	318,414	14,122	751	16.2%
$75,000 or more	644,217	16,507	758	16.4%
Gender:				
Male	1,296,592	53,299	2,134	46.1%
Female	1,083,749	64,966	2,493	53.9%
Race:				
White	2,134,953	103,002	3,965	85.7%
Black	87,615	5,130	172	3.7%
Asian	42,454	2,712	98	2.1%
Other Race	115,319	7,421	392	8.5%
Ethnic Status:				
Hispanic	688,656	55,424	1,553	33.6%
Non-Hispanic	1,691,685	62,841	3,074	66.4%
Years of Schooling:				
0 to 8	142,067	17,711	330	7.1%

Table 4 *(continued)*				
Group	Employment All Workers	Affected Workers	Projected Job Loss	Percent of all Job Loss
9 to 11	217,099	36,694	1,012	21.9%
12	640,604	30,776	1,172	25.3%
13 to 15	758,326	28,743	1,797	38.8%
16 or more	622,245	4,341	316	6.8%
Location:				
Non-Metro/Small Metro Areas	267,505	15,239	496	10.7%
Phoenix-Mesa-Scottsdale	1,704,883	68,169	2,622	56.7%
Prescott	42,600	3,510	161	3.5%
Tuscon	341,478	28,497	1,283	27.7%
Yuma	23,875	2,850	64	1.4%
Industry:				
Agriculture, forestry, fishing, and hunting	12,799	382	18	0.4%
Mining	4,922	-	-	0.0%
Construction	224,669	1,819	46	1.0%
Manufacturing	199,395	3,795	52	1.1%
Wholesale trade	79,884	407	8	0.2%
Retail trade	306,907	21,192	504	10.9%
Transportation and utilities	131,987	1,097	90	1.9%
Information	50,841	1,168	29	0.6%
Financial activities	185,573	3,057	62	1.3%
Professional and business services	227,885	11,799	272	5.9%
Educational and health services	449,654	11,722	362	7.8%
Leisure and hospitality	249,386	54,476	3,047	65.9%
Other services	114,951	7,351	137	3.0%
Public administration	141,488	-	-	0.0%
Occupation:				
Management, business, and financial occupations	320,515	2,786	113	2.4%
Professional and related occupations	440,291	6,835	166	3.6%
Service occupations	445,026	66,860	3,352	72.4%
Sales and related occupations	285,404	18,814	458	9.9%
Office and administrative support occupations	350,985	7,183	203	4.4%
Farming, fishing, and forestry occupations	9,257	382	18	0.4%
Construction and extraction occupations	176,365	1,378	16	0.3%
Installation, maintenance, and repair occupations	103,849	1,825	39	0.8%
Production occupations	123,798	6,399	122	2.6%
Transportation and material moving occupations	124,851	5,803	141	3.0%

Source: May 2004 to April 2006 Outgoing Rotation Group Current Population Survey files.

Table 5			
Cost to Employers and Lost Income to Workers of Minimum Wage Increase to $6.75			
Group	Rise in Labor Cost if no Layoffs of Workers	Lost Income due to Layoffs	Net Rise in Cost of Labor to Employers
All	$142,227,515	$54,787,033	$87,440,482
Industry:			
Agriculture, forestry, fishing, and hunting	$938,332	$206,433	$731,899
Mining	$-	$-	$-
Construction	$1,072,934	$381,998	$690,936
Manufacturing	$3,068,556	$681,787	$2,386,769
Wholesale trade	$237,952	$52,350	$185,602
Retail trade	$21,769,223	$4,727,407	$17,041,816
Transportation and utilities	$2,195,862	$1,956,903	$238,959
Information	$1,373,655	$224,151	$1,149,504
Financial activities	$2,702,695	$619,630	$2,083,065
Professional and business services	$13,743,346	$3,211,824	$10,531,522
Educational and health services	$11,800,742	$3,292,643	$8,508,099
Leisure and hospitality	$76,641,554	$41,511,273	$35,130,281
Other services	$6,682,664	$1,451,978	$5,230,686
Public administration	$-	$-	$-
Location:			
Non-Metro/Small Metro Areas	$18,631,357	$4,745,062	$13,886,295
Phoenix-Mesa-Scottsdale	$82,371,570	$33,822,352	$48,549,218
Prescott	$3,536,790	$1,172,935	$2,363,855
Tuscon	$35,576,235	$14,732,946	$20,843,289
Yuma	$2,111,563	$509,523	$1,602,040

Source: May 2004 to April 2006 Outgoing Rotation Group Current Population Survey files.

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