



LOOKING FOR BLAME IN ALL THE WRONG PLACES

Minimum Wage Increases Do Not Cause Part-Time Job Loss

BY KAI FILION

In a post on the *New York Times* Economix blog, Casey Mulligan claims that the federal minimum wage increase on July 24, 2009 caused a loss of part-time jobs. To support this, he uses nationwide data showing a significant slow-down in the growth of part-time jobs just after the 2009 minimum wage increase. (Interestingly, his data also show, although he does not point this out, that the previous federal minimum wage increase on July 24, 2008 had no impact whatsoever on part-time jobs.)

Mulligan's simple exercise is deeply flawed: the summer of 2009, when the wage increase occurred, was a period of significant economic turmoil, and job losses averaged 350,000 per month from June to August. His simple pre- and post-enactment analysis will not separate the impact of the minimum wage increase from the many other changes in the economy over that time period.

A closer analysis of these same data, which takes into account state-by-state variation in minimum wages, shows no evidence that the minimum wage increase led to a loss in part-time jobs. Many states have minimum wages that are higher than the federal minimum, and so the 2009 federal minimum wage increase had little or no impact in some states and a stronger impact in others. This creates a "natural experiment" where one can look at the growth of part-time jobs in both the affected and unaffected states.¹

The data in **Table 1** show the growth in part-time jobs for states from the fourth quarter of 2008 to the fourth quarter of 2009.² The states are grouped by the size of minimum wage increases, including a category for those that did not see an increase because the state minimum was already at or above the new federal minimum.

Looking at the data this way, there is little evidence that part-time job growth was hurt by the minimum wage increase. In fact, job growth was stronger in states that saw the full size of the federal increase—the exact opposite of Mulligan's claim.

TABLE 1

Part-time employment

Size of minimum wage increase	2008Q4	2009Q4	Growth
<i>No increase</i>	5,720,699	6,011,384	5.1%
<i>\$0.10 to 0.25</i>	4,820,454	5,089,984	5.6
<i>\$0.26 to 0.69</i>	5,600,104	5,869,262	4.8
<i>\$0.70 and up</i>	10,067,659	10,837,836	7.7
Total	26,208,917	27,808,466	6.1

SOURCE: EPI analysis of CPS data.

One possible explanation for why the states with the biggest minimum wage increases showed larger part-time job growth is that these states have been hit less hard by the recession. There is some evidence for this, as shown in **Table 2** below. The states that experienced a minimum wage increase had slightly less full-time job loss compared to the unaffected states. Also, the unaffected states typically had higher unemployment rates than the affected ones, and larger increases in their unemployment rates over the past 12 months.

TABLE 2

Labor market indicators by size of minimum wage increase

Size of minimum wage increase	Full-time jobs			Unemployment rate		
	2008Q4	2009Q4	Growth	2008Q4	2009Q4	Change (percentage point)
<i>No increase</i>	22,486,087	20,865,827	-7.2%	8.0%	11.9%	4.0
<i>\$0.10 to 0.25</i>	22,081,113	20,862,071	-5.5	6.4	9.5	3.1
<i>\$0.26 to 0.69</i>	24,235,471	22,497,867	-7.2	6.8	10.1	3.3
<i>\$0.70 and up</i>	49,488,789	46,690,006	-5.7	6.0	8.8	2.8
Total	118,291,460	110,915,771	-6.2	6.8	10.0	3.2

SOURCE: EPI analysis of CPS and BLS data.

However, regardless of economic conditions, if the minimum wage were to have a stronger impact on part-time jobs than on full-time jobs, we would expect to see the part-time share of employment increase less in the affected states than in the unaffected states. **Table 3** shows very little evidence of a minimum wage effect: the share of part-time employment increased by about the same amount in all categories, regardless of the size of their minimum wage increase. In fact, the percentage-point change in the most affected category was the same as for the nation overall.

In short, using more detailed state-level data (and not generalizing across the entire nation) shows there is no evidence that recent minimum wage increases had a negative impact on part-time employment. In fact, states with no increase in the minimum wage had slower temporary job growth than those with an increase. Mulligan's claims to the contrary are based on an oversimplified analysis of the data.

TABLE 3**Part-time employment as share of total employment**

Size of minimum wage increase	2008Q4	2009Q4	Change (percentage point)
<i>No increase</i>	20.3%	22.4%	2.1
<i>\$0.10 to 0.25</i>	17.9	19.6	1.7
<i>\$0.26 to 0.69</i>	18.8	20.7	1.9
<i>\$0.70 and up</i>	16.9	18.8	1.9
<i>Total</i>	18.1	20.0	1.9

SOURCE: EPI analysis of CPS data.

The problem of this lengthy and ongoing recession is not that workers are overpaid, but the enormous loss of jobs. Millions of workers are suffering from unemployment or cutbacks in their hours—they don't need their wages cut as well. What workers do need is more federal investment in job creation efforts and continued support for those who are trying to find jobs in a terrible labor market.

Endnotes

1. We look at how minimum wages changed over the period from December 31, 2008 to October 1, 2009. This captures many states' increases, in addition to the federal increase. Although these categories may seem somewhat arbitrary, the results are robust to a variety of different groupings. The state-by-state data are available here: http://www.epi.org/page/-/ib274/ib274_state_data.csv.
2. We compare results from the same quarter of two different years because these data are not seasonally adjusted.