

Fact sheet on regional minimum wage proposals

Millions of workers would lose out on billions of dollars under a regionally adjusted federal minimum wage

Fact Sheet • By [David Cooper](#) and [Heidi Shierholz](#) • March 6, 2019

From time to time, politicians, policy analysts, and academics muse about whether the federal minimum wage should be set region by region, rather than as one national floor. We analyzed a regional minimum wage proposal, described below, that is similar to proposals that have been considered in policy discussions. This analysis allows us to compare the impact such a proposal would have on workers with the impact of raising the federal minimum wage to \$15 nationwide by 2024, the increase proposed in the Raise the Wage Act of 2019 (RTWA). The policy that we modeled is roughly similar to a proposal put forth by Third Way in 2016. That proposal grouped metropolitan areas into five tiers based on their Regional Price Parity (RPP), an index that measures the differences across regions in the prices of goods and services, calculated by the U.S. Bureau of Economic Analysis. It selects a base minimum wage and then assigns higher or lower minimum wages to tiers based on their RPP index.

For our analysis, we assigned a minimum wage of \$13 in 2019 dollars to the highest tier, which is composed of Metropolitan Statistical Areas (MSAs) where prices are more than 10 percent higher than the national average according to their RPP. This is similar to, but slightly higher than, the Third Way proposal, which (using updated data) would assign a minimum wage of \$12.80 to the top tier. Since it is highly unlikely such an increase would be implemented in one step, we assumed a phase-in similar to that used in the RTWA—including a similar phase-out of the tipped minimum wage—which translates into a minimum wage of \$14.70 in 2024 for the highest tier (note, this is close to \$15 in 2024, the national level under the RTWA). The next tier—those MSAs where prices are between 5 percent and 10 percent higher than the national average—would have a minimum wage of \$14.03 in 2024. The middle tier—those MSAs where prices are between 5 percent lower and 5 percent higher than the national average—would have a minimum wage of

\$13.08 in 2024. The next lower tier—those MSAs where prices are between 5 percent and 10 percent lower than the national average—would have a minimum wage of \$12.10 in 2024. The bottom tier—those MSAs where prices are more than 10 percent lower than the national average, along with all areas that are outside an MSA—would have a minimum wage of \$11.42 in 2024.

Key findings

- Under the regional proposal, **15.6 million fewer workers would get a raise** than under the RTWA, *and more than one-third of workers who would be left behind by the regional proposal are women of color*. Specifically, **5.6 million fewer women of color would get a raise**.
- Under the RTWA, over a quarter (**26.6 percent**) of all workers would get a raise. Under the regional proposal, only **16.2 percent** of all workers would get a raise.
- The total increase in wages for affected workers would be reduced from **\$118 billion** under the RTWA to an estimated **\$35.7 billion** under the regional proposal. That is a **loss of \$82.3 billion in earnings for low-wage workers**.
- The average raise for affected workers under the regional proposal would be **roughly half** of what it would be under the RTWA. Black workers would be particularly harmed; **among black workers, the average raise** in annual income for a year-round worker under the regional proposal **is \$1,700 less** than under the RTWA.
- **Workers in the South tend to get much smaller raises under regional proposals** than under a universal \$15 floor, locking in lower wages in the region. The states with the largest loss of average annual income for affected year-round workers under the regional proposal relative to the RTWA are:
 1. **Mississippi** (\$2,700 less per year under the regional proposal than under the RTWA)
 2. **Alabama** (\$2,700 less per year)
 3. **Kentucky** (\$2,600 less per year)
 4. **Louisiana** (\$2,500 less per year)
 5. **North Carolina** (\$2,400 less per year)
 6. **Tennessee** (\$2,400 less per year)
 7. **Ohio** (\$2,400 less per year)
 8. **Idaho** (\$2,300 less per year)
 9. **Oklahoma** (\$2,200 less per year)
 10. **West Virginia** (\$2,200 less per year)