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# POLICY MATTERS OHIO

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Available at: [http://www.policymattersohio.org/pdf/good\\_for\\_business.pdf](http://www.policymattersohio.org/pdf/good_for_business.pdf)

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## **High Minimum Wage States Perform Better Economically** **Small business jobs, establishments, payrolls grow more where minimum wage is high**

The Center for American Progress's John Podesta and Policy Matters Ohio's Amy Hanauer will present findings of a new study on the benefits of minimum wage for small businesses, at a Wednesday, May 10 press conference hosted by Ohioans for a Fair Minimum Wage. Employment, payrolls and number of establishments grew more at small businesses in states with a higher state minimum wage than in states where the federal minimum wage prevailed between 1997 and 2003, according to the new analysis.

**The study is embargoed for release at the 10:15 a.m. press conference on Wednesday, May 10 in the state capital's North Hallway outside the Governor's Ceremonial Office.**

The study compares performance of small businesses (establishments under 500 employees) in the 39 states where the federal minimum wage prevailed before 2003 to performance in the twelve states (including the District of Columbia) that had minimum wages above the federal level in January, 2003.

Nine new states have joined the high-wage group since, and a grassroots coalition in Ohio seeks to put an initiative before Ohio voters in November to raise this state's minimum wage to \$6.85 an hour. This intensive state action comes because the federal minimum wage's real value is at its lowest point in more than fifty years.

The study found that between 1997 (when more states began having higher minimums) and 2003:

- ◆ Employment in small businesses grew more (9.4 percent) in states with higher minimum wages than federal minimum wage states (6.6 percent) or Ohio.
- ◆ Inflation-adjusted small business payroll growth was stronger in high minimum wage states (19.0 percent) than in federal minimum wage states (13.6 percent) or Ohio.

More data became available in 1998, allowing further analysis. Between 1998 and 2003:

- ◆ The number of small business establishments grew more in higher minimum wage states (5.5 percent) than in federal minimum wage states (4.2 percent) or Ohio.

- ◆ Small business retail employment grew more in higher minimum wage states (9.2 percent) than in low minimum wage states (3.0 percent) or Ohio. Retail payroll also grew more in higher minimum wage states (12.3 percent) than in low minimum wage states (6.4 percent) or Ohio.
- ◆ States with high and low minimum wages had similar growth in number of restaurants, restaurant payrolls, and restaurant employment.

Above findings weight states with more workers more, but nearly all findings remain true if each state is counted equally. The findings are in keeping with most recent empirical research on the minimum wage.

*Policy Matters Ohio is a non-profit, non-partisan Ohio-based research institute. The Center for American Progress is a nonpartisan research and educational institute, based in Washington, D.C. **Good For Business: Small Business Growth and State Minimum Wages**, a joint release from the two organizations, will be released at 10:15 a.m. on Wednesday, May 10, at a press conference in the Ohio State Capital, in the North Hallway outside the Governor's Ceremonial Office. The report is available at [www.policymattersohio.org/pdf/good\\_for\\_business.pdf](http://www.policymattersohio.org/pdf/good_for_business.pdf)*