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policymattersohio.org/minimum-wage-increase-dec2011

Ohio to increase minimum wage on New Year's Day

Raise will benefit 347,000 low-wage workers and strengthen economy
More Ohio workers directly affected than in any other state

Washington, DC – On January 1st, Ohio's minimum wage will increase 30 cents to \$7.70 an hour, raising wages for 347,000 low-wage workers in the state. Ohio's minimum wage increase means an extra \$624 per year in wages for a full-time minimum wage worker. The increase is the result of a state constitutional amendment approved by Ohio voters in 2006 that provides for annual rate adjustments that keep pace with the rising cost of living. Ohio is joined by seven states – Arizona, Colorado, Florida, Montana, Oregon, Washington and Vermont – that will also raise state minimum wage rates on New Year's Day, boosting wages for more than 1.4 million workers nationwide. More Ohio workers will be directly affected by this increase than in any of the other states seeing a boost this week.

Key findings

- Ohio's minimum wage will increase 30 cents to \$7.70 and hour;
- Raise means an extra \$624 per year in wages for a full-time minimum-wage worker;
- Raising the minimum wage effectively boosts low-wage workers' incomes without reducing the number of low-wage jobs or hours.

The increased consumer spending generated by the raises will lead to an additional \$366 million in GDP and create the equivalent of more than 3,000 full-time jobs, according to an [analysis](#) by the Economic Policy Institute. While weak consumer demand is holding back business expansion, raising the minimum wage puts more money in the pockets of low-wage workers who have little choice but to spend that money immediately on goods and services.

The National Employment Law Project hailed the upcoming increases for spurring recovery for families and the economy and called on Congress to follow suit. "These minimum wage increases represent bright spots on an otherwise bleak economic horizon," said **Christine Owens, executive director of the National Employment Law Project**. "Workers' buying power is the secret weapon in the fight to get our economy back on track. Ohio is taking action to protect that critical buying power. Congress should follow Ohio's example to realize these benefits for the national economy."

An estimated 291,000 workers in Ohio will be directly impacted as the new minimum wage rate will exceed their current hourly pay, and 56,000 more will see a raise as pay scales are adjusted upward to reflect the new minimum wage, according to an analysis of government data by the Economic Policy Institute. Seventy-three percent of these low-wage workers are over age 20; 71 percent work 20 hours per week or more. [See Table 1 for a complete [demographic breakdown](#).]

Strengthening the buying power of low-wage workers is especially critical in the current economic climate. A [recent NELP study](#) finds that the majority of new jobs created in the wake of the recession are in low- and mid-wage occupations. And while the share of the workforce comprised of low-paid workers is growing, the wages for this group are declining: workers in lower-wage occupations (with median wages under \$13.52) have seen a 2.3 percent decline in real wages since the recession began. The proliferation of lower-wage jobs in the economy means the impact of the minimum wage will be even greater in setting wage scales for growing industries in which millions of workers will spend their careers. Wages and salaries are now the lowest share of GDP since 1955, while corporate profits are the largest share of GDP since 1950.

“The increase in the minimum wage will help Ohio’s lowest wage workers have a bit more in their pockets, which will in turn boost Ohio’s struggling economy,” said **Amy Hanauer, executive director of Policy Matters Ohio, which released the EPI analysis in Ohio.**

“Although it’s a modest change, this small boost is in the right direction for Ohio workers, Ohio communities and the Ohio economy.”

Eighteen states plus the District of Columbia have minimum wage rates above the federal level of \$7.25 per hour, which is just over \$15,000 per year for a full-time minimum wage earner. Unlike the federal rate – which loses value every year it is not increased by an act of Congress – 10 states increase their minimum wage rates annually to ensure that real wages for the lowest-paid workers do not fall even further behind: Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington. Nevada indexes its minimum wage in July; Missouri announced that the state minimum wage remains below the federal minimum wage, and that the federal rate will continue to apply this year.

A large body of research shows that raising the minimum wage effectively boosts low-wage workers’ incomes without reducing the number of low-wage jobs or hours. A groundbreaking 1994 [study](#) by David Card and Alan Krueger, who now heads President Obama’s Council of Economic Advisers, found that an increase in New Jersey’s minimum wage did not reduce employment among fast-food restaurants. These findings have been confirmed by 15 years of economic research, including a 2010 [study](#), published in the *Review of Economics and Statistics*, which analyzed data from more than 500 counties and found that minimum wage increases did not cost jobs. Another recent [study](#), published in April 2011 in the journal *Industrial Relations* found that even during times of high unemployment, minimum wage increases did not lead to job loss.

The data in Table 1 reflect the impact of the 30-cent increase in the Ohio minimum wage to \$7.70 an hour on January 1, 2012.

Table 1									
Impact of the January 1, 2012 indexed state minimum wage increases									
	Arizona	Colorado	Florida	Montana	Ohio	Oregon	Vermont	Washington	Total
New minimum wage (increase)	\$7.65 / hour (+ \$0.30)	\$7.64 / hour (+\$0.28)	\$7.67 / hour (+ \$0.36)	\$7.65 / hour (+ \$0.30)	\$7.70 / hour (+ \$0.30)	\$8.80 / hour (+ \$0.30)	\$8.46 / hour (+ \$0.31)	\$9.04 / hour (+\$0.37)	
Total estimated number of workers	2,574,000	2,154,000	7,180,000	369,000	4,790,000	1,529,000	291,000	2,869,000	21,756,000
Estimated number of workers affected by increase									
Directly Affected	84,000	74,000	226,000	15,000	291,000	143,000	18,000	194,000	1,045,000
Indirectly Affected	49,000	17,000	155,000	6,000	56,000	19,000	5,000	87,000	394,000
Total:	133,000	91,000	381,000	21,000	347,000	162,000	23,000	281,000	1,439,000
Percentage of total number of workers	5.2%	4.2%	5.3%	5.7%	7.2%	10.6%	7.9%	9.8%	6.6%
Characteristics of those affected by the increase									
Percentage over age 20	85.7%	80.2%	83.7%	76.2%	72.9%	80.2%	69.6%	81.9%	80.0%
Percentage working 20 hours per week or more	83.3%	80.6%	83.8%	79.5%	71.4%	76.0%	67.2%	75.0%	77.6%
White	45.4%	66.4%	45.6%	88.1%	83.5%	73.5%	95.3%	61.7%	63.7%
Black	4.5%	2.9%	21.9%	-	9.6%	1.7%	-	3.0%	9.5%
Hispanic	42.9%	26.3%	31.0%	4.7%	3.3%	18.8%	1.3%	20.6%	20.9%
Asian	7.1%	4.4%	1.5%	7.2%	3.5%	6.0%	3.3%	14.7%	5.9%
<small>Source: EPI Analysis of Current Population Survey, 2010 Annual Social and Economic Study</small>									
<small>Note: For cells denoted with an '-'; there may be affected workers within these groups, however the sample sizes for these groups were too small to generate estimates statistically significantly different from zero at the 90% confidence level.</small>									

Policy Matters Ohio is a non-profit, non-partisan policy research institute dedicated to a more prosperous, equitable, sustainable and inclusive Ohio, online at policymattersohio.org.

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers, online at nelp.org.

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