



IT'S TIME TO RAISE THE WAGE IN LOUISIANA

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MARCH 2018
labudget.org



INTRODUCTION

Louisiana workers are long overdue for a pay raise. Although the state's unemployment rate is at its lowest rate in a decade, far too many workers are not earning enough to make ends meet. The federal minimum wage of \$7.25 per hour has not been raised since 2009, and has lost 12.5 percent of its value since then.¹ **Nearly 14 percent of working families in Louisiana earn below the poverty line of just \$24,036 per year for a family of four.**²

While Congress refuses to raise the federal minimum wage, many states and localities have moved to increase local minimums. Twenty-nine states and Washington D.C. have taken action to ensure their workers established minimum wages above the federal minimum, ranging from \$7.85 in Missouri to \$12.50 per hour in the nation's capital.³ Forty-one localities across the country—including cities in New Mexico, Maine, and Illinois—have local minimum wage ordinances above the federal and state minimums.⁴

In Louisiana, legislative efforts to establish a statewide minimum wage above the federal minimum have been unsuccessful, despite widespread public support. The Legislature has rejected a series of statewide minimum wage proposals, while also forbidding local governments from raising the minimum wage. This minimum wage “preemption,” in effect since 1997, has wrested control from Louisiana's local elected officials and left tens of thousands of low-wage workers without a path to economic security.

Louisiana state lawmakers will have the chance to right these wrongs during their 2018 session, and join the states and cities that have given working families a long-overdue pay raise. The Legislature will consider a variety of bills relating to the minimum wage, including proposals to: establish a statewide minimum wage above the federal minimum, lift the law that prohibits local government from establishing a minimum wage, and allow voters to decide on a constitutional amendment that would establish a statewide minimum wage.

The public understands that a policy change is needed. **A 2016 poll by Louisiana State University found that 76 percent of Louisianans support increasing the minimum wage, including 88 percent of Democrats and 59 percent of Republicans.**⁵ Powerful special interest groups should not drown out the voices of hardworking Louisiana families, all of whom deserve a chance at economic prosperity.

BACKGROUND

Louisiana has the highest percentage of workers earning at or below the minimum wage in the nation. According to the Bureau of Labor Statistics, 5.3 percent of the state's workers earn \$7.25 per hour or less, compared to 2.7 percent nationwide.⁶ Working minority families are disproportionately impacted by the low wages, with nearly 1 in 4 earning below the poverty line.⁷

A common perception is that most minimum wage workers are young, single people working part-time jobs while in high school or college. But the numbers tell a different story. Many are parents, have college degrees, and most work full-time. They live in every town and city, work hard yet are struggling to maintain a dignified standard of living for themselves and their families.

Boosting wages for the lowest-paid workers would put upward pressure on wages for all workers, which would lift more Louisianans into the middle class and help them stay there. A minimum wage increase would also pump hundreds of millions of dollars in additional wages into the state's economy by giving workers more money to spend at local businesses.

For this report, the Louisiana Budget Project analyzed data provided by the Economic Policy Institute to estimate how changes to minimum wage policies in Louisiana would impact workers, including:

- The impact on workers if the Legislature established a statewide minimum wage of \$8.50 per hour in 2020.
- The impact on workers if the Legislature repealed the state law that prohibits localities from setting wage standards in 2018 and any of Louisiana's seven largest metro areas established a minimum wage of \$8.50, \$10, or \$12 per hour.

KEY FINDINGS

Increasing the Statewide Minimum Wage

- More than 1 in 10 Louisiana workers (193,000) would be impacted if the state raised the minimum wage to \$8.50 on January 1, 2020.
- The common perception is that most minimum wage workers are young, single people working part-time jobs while in high school or college. But the numbers tell a different story.

Of the workers who would be impacted by a raise to \$8.50 per hour in 2020:

- 65 percent are women
 - 55 percent are full-time workers
 - 28 percent are a single or married parent
 - Nearly half (42 percent) are white
 - 48 percent are between the ages of 25 and 54
 - 39 percent have some college education or a college degree
- If Louisiana had a statewide minimum wage of \$8.50 in 2020, total wages paid would be \$159 million more than under the current federal minimum wage.

Lifting Minimum Wage Preemption

- The Shreveport metropolitan area has the largest percentage of workers that would be impacted by a local minimum wage ordinance: 21.5 percent of workers there earn below \$8.50 per hour.
- A local minimum wage ordinance in New Orleans would impact the greatest number of workers, with 64,000 workers living in the metropolitan area currently earning below \$8.50 per hour.
- If the statewide preemption on local minimum wage ordinances were lifted and Louisiana's seven largest municipalities established an hourly wage of \$8.50 in 2018, an estimated 255,000 Louisiana workers would get a raise.
- If the statewide preemption on local minimum wage ordinances were lifted and Louisiana's seven largest municipalities established a wage of \$10 in 2019, 344,000 Louisiana workers would get a raise.

Methodological notes:

Statewide estimates: Data from the Current Population Survey were used to estimate the statewide impact of minimum wage increases. Because statewide minimum wage increases were not estimated to take effect until Jan 1, 2020, compared to Jan 1, 2018 for the regional estimates, and the estimates assume some natural nominal wage growth over the course of two years, the estimated number of workers impacted by the statewide policy change in 2020 is lower than projected local estimates in 2018 and 2019. Statewide estimates also do not include tipped workers, while the local estimates do.

Local estimates: Data from the American Community Survey were used to estimate the number of workers that would be impacted by a municipal minimum wage ordinance. The ACS data includes the wages of workers who live in certain metropolitan areas, which are larger than the city or parish boundaries of the seven Louisiana cities included in this analysis. As a result the number of workers impacted by a municipal minimum wage increase may be overestimated because some workers may live and work outside of the municipal area covered by the ordinance. Still, many workers who live in a metropolitan area but not within municipal boundaries, commute to work within the municipal boundaries and would be impacted by a municipal minimum wage increase.

KEY TAKEAWAY

A good job with a decent wage is the key to self-sufficiency and prosperity in Louisiana, but a decent wage is out of reach for hundreds of thousands of workers in the state. As Louisiana experiences growth in the hospitality industry, health sector, and construction jobs, more Louisiana workers are able to find work, but many still struggle to make ends meet. **In the 2018 legislative session, legislators should jump at the opportunity to improve the wellbeing and self-sufficiency of the state's workforce through raising the minimum wage.**

IMPACT ANALYSIS

The Legislature has considered, but not enacted, proposals to establish a statewide minimum wage of \$8.50 per hour during the last several legislative sessions. If the Legislature were to enact a statewide minimum wage of \$8.50 per hour that took effect in 2020, more than 1 in 10 Louisiana workers would get raise. Nearly two-thirds of those workers are women and 1 in 4 are parents.

Estimated impact of a statewide minimum wage increase to \$8.50 in 2020 (does not include tipped workers)							
	Estimated workforce	Number of directly affected workers	Share directly affected	Indirectly affected	Share indirectly affected	Total affected	Share of total affected
Total	1,811,774	71,206	3.9%	122,037	6.7%	193,243	100%
Sex							
Female	901,128	42,215	4.7%	84,335	9.4%	126,550	65%
Male	910,646	28,992	3.2%	37,702	4.1%	66,693	35%
Age							
16 to 24	264,519	32,904	12.4%	46,883	17.7%	79,787	41%
25 to 39	625,574	17,259	2.8%	32,441	5.2%	49,700	26%
40 to 54	561,112	14,407	2.6%	27,367	4.9%	41,774	22%
55+	360,569	6,636	1.8%	15,346	4.3%	21,982	11%
Race/Ethnicity							
White	1,122,268	31,203	2.8%	50,359	4.5%	81,562	42%
Black	538,807	38,947	7.2%	62,034	11.5%	100,981	52%
Hispanic	84,418	1,057	1.3%	5,039	6.0%	6,096	3%
Asian or other	66,281	0	0.0%	4,604	6.9%	4,604	2%
Family structure							
Married parent	413,912	10,233	2.5%	8,841	2.1%	19,073	10%
Single parent	195,314	13,986	7.2%	21,066	10.8%	35,052	18%
Married, no kids	483,403	5,557	1.1%	19,865	4.1%	25,422	13%
Unmarried, no kids	719,145	41,431	5.8%	72,264	10.0%	113,695	59%
Work hours							
Part time (< 20 hours)	69,935	8,853	12.7%	10,700	15.3%	19,553	10%
Mid time (20-34 hours)	222,864	28,761	12.9%	38,581	17.3%	67,341	35%
Full time (35+ hours)	1,518,975	33,593	2.2%	72,756	4.8%	106,349	55%
Education							
Less than high school	163,191	21,331	13.1%	24,493	15.0%	45,824	24%
High school	584,832	27,209	4.7%	45,061	7.7%	72,270	37%
Some college, no degree	369,981	13,134	3.5%	34,808	9.4%	47,942	25%
Associate's degree	173,738	3,494	2.0%	10,882	6.3%	14,376	7%
Bachelor's or higher	520,031	6,039	1.2%	6,793	1.3%	12,831	7%

Lifting the statewide prohibition on local minimum wage ordinances could also have a significant positive impact on Louisiana working families. While it's impossible to predict how many cities would enact a local minimum wage ordinance and to what level, polling data suggest there would be an interest among constituents in each region to work with local authorities to enact a local minimum wage. What's more, each community would benefit from a substantial increase in earnings and spending by working families.

Impact of local minimum wage increase (tipped and non-tipped workers) to \$8.50 in 2018								
Metro area	Estimated workforce ¹	Directly affected ²	% of workers directly affected	Indirectly affected ³	% of workers indirectly affected	Tipped workers affected	Total estimated affected workers ⁴	Total affected as % of workers ⁴
Shreveport	158,000	34,000	21.5%	7,000	4.4%	2,000	40,000	25.3%
Monroe	60,000	10,000	16.7%	3,000	5.0%	2,000	13,000	21.7%
Alexandria	64,000	11,000	17.2%	1,000	1.6%	1,000	12,000	18.8%
Lake Charles	75,800	12,000	15.8%	2,000	2.6%	2,000	14,000	18.5%
Lafayette	185,000	30,000	16.2%	6,000	3.2%	1,000	35,000	18.9%
Baton Rouge	351,000	51,000	14.5%	12,000	3.4%	5,000	63,000	17.9%
New Orleans	518,000	64,000	12.4%	16,000	3.1%	3,000	78,000	15.1%

Impact of local minimum wage increase (tipped and non-tipped workers) to \$10 in 2019								
Metro area	Estimated workforce ¹	Directly affected ²	% of workers directly affected	Indirectly affected ³	% of workers indirectly affected	Tipped workers affected	Total estimated affected workers ⁴	Total affected as % of workers ⁴
Shreveport	160,000	41,000	25.6%	7,500	4.7%	3,000	48,000	30.0%
Monroe	61,100	13,200	21.6%	4,600	7.5%	2,000	17,000	27.5%
Alexandria	65,000	13,000	20.0%	3,000	4.6%	1,000	16,000	24.6%
Lake Charles	76,400	14,200	18.6%	4,600	6.0%	2,000	19,000	25.1%
Lafayette	188,000	37,000	19.7%	10,000	5.3%	3,000	48,000	25.5%
Baton Rouge	355,000	66,000	18.6%	16,000	4.5%	6,000	81,000	22.8%
New Orleans	524,000	82,000	15.6%	33,000	6.3%	6,000	115,000	21.9%

Impact of local minimum wage increase (tipped and non-tipped workers) to \$12 in 2020								
Metro area	Estimated workforce ¹	Directly affected ²	% of workers directly affected	Indirectly affected ³	% of workers indirectly affected	Tipped workers affected	Total estimated affected workers ⁴	Total affected as % of workers ⁴
Shreveport	163,000	51,000	31.3%	11,000	6.7%	4,000	62,000	38.0%
Monroe	61,000	18,000	29.5%	3,300	5.4%	1,000	21,300	34.9%
Alexandria	65,000	17,000	26.2%	3,000	4.6%	2,000	20,000	30.8%
Lake Charles	77,000	20,000	26.0%	6,000	7.8%	3,000	27,000	35.1%
Lafayette	191,000	48,000	25.1%	10,000	5.2%	3,000	60,000	31.4%
Baton Rouge	357,000	84,000	23.5%	24,000	6.7%	6,000	108,000	30.3%
New Orleans	531,000	121,000	22.8%	37,000	7.0%	8,000	158,000	29.8%

Table Notes:

¹ Total estimated workers is estimated from the American Community Survey (2016) and reflect persons who were 16 years old or older, employed, but not self-employed, whose place-of-work is in the state of Louisiana, and for whom a valid hourly wage can be imputed from annual wage earning, usual hours worked per week, and weeks worked in the previous year. Some workers may be residents of other geographies.

² Directly affected workers will see their wages rise, as the new minimum wage rate will exceed their current hourly pay

³ Indirectly affected workers have a wage rate just above the new minimum wage. They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.

⁴ May not sum due to rounding.

⁵ Total annual amount of increased wages for directly and indirectly affected workers.

Endnotes:

¹ David Cooper. Another year of congressional inaction has further eroded the federal minimum wage. Economic Policy Institute. July 24, 2017.

² Figures from 2015, including poverty level. Only New Mexico and Mississippi have higher concentrations of working families in poverty. The Working Poor Families Project. Conditions of Low-Income Working Families. Table 1.A.2b. Percent of Working Families That Are Below 100% of Poverty Level, 2015, <http://www.workingpoorfamilies.org/indicators/>

³ Economic Policy Institute. Minimum Wage Tracker. Accessed February 18, 2018 at: <http://www.epi.org/minimum-wage-tracker/>

⁴ Ibid

⁵ Reilly Center for Media and Public Affairs, Manship School of Mass Communications, Louisiana State University. The Louisiana Survey 2016. April 11, 2016.

⁶ Bureau of Labor Statistics, US Department of Labor. Characteristics of Minimum Wage Workers, 2016. April 2017.

⁷ The Working Poor Families Project. Conditions of Low-Income Working Families. Table 1.A.3b. Percent of Working Families With a Minority Parent That Are Below 100% of Poverty Level, 2015

ACKNOWLEDGEMENTS

This report was researched and written by Jeanie Donovan. The graphics and page design are by Dylan Waguespack. Data and technical assistance were provided by the Economic Policy Institute and financial support for this report came from Oxfam America. Louisiana Budget Project also receives financial support from the Annie E. Casey Foundation, the W.K. Kellogg Foundation, the Open Society Institute, and the Ford Foundation, among other sources. LBP is a member of the State Priorities Partnership, coordinated by the Center on Budget and Policy Priorities, and the Economic Analysis and Research Network, managed by the Economic Policy Institute.

ABOUT LBP

WEBSITE:
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The Louisiana Budget Project monitors and reports on public policy and how it affects Louisiana's low- to moderate-income families. We believe that the lives of Louisianans can be improved through profound change in policy, brought about by:

- creating a deeper understanding of the state budget and budget-related issues
- looking at the big picture of how the budget impacts citizens
- encouraging citizens to be vocal about budget issues that are important to them
- providing insight and leadership to drive the policy debate