

**Comments before the Senate Labor Committee  
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Thank you, Senator Horhn. I appreciate the opportunity to speak before this committee today. I will discuss the impacts of COVID-19 and the 2020 recession on the labor market in Mississippi and the current outlook for employment. I will conclude with a discussion of URC's analysis of the economic impacts of an increase in the minimum wage in Mississippi.

The labor market in Mississippi continues to recover from the recession experienced in 2020 that saw the state lose over 151,000 jobs in March and April of last year according to the U.S. Bureau of Labor Statistics (BLS). The state experienced a 13 percent decrease in employment in two months. Initial unemployment claims in Mississippi exceeded 157,000 in May 2020, more than two and a half times the previous monthly high that occurred in September 2005 following Hurricane Katrina. Continued unemployment claims in the state were over 947,000 in May 2020, three and a half times more than the previous monthly high reached in October 2005. While both initial and continued unemployment claims are well below these levels, as of August both remain elevated compared to February 2020. Initial claims were 9,575 in August versus 3,460 in February 2020. Continued claims were 74,871 in August compared to 33,534 in February 2020.

Despite the steep decline experienced in two months, employment in the state rebounded relatively quickly as just over 75 percent of the total jobs lost were recovered by December 2020. Employment recovery has slowed somewhat in 2021, however; as of August, almost 80 percent of the jobs lost in Mississippi in March and April of last year have returned. Nevertheless, the state has recovered a larger share of the total jobs lost than the U.S. economy, which as of August had recovered just over 76 percent of the jobs lost in March and April of last year. For all of 2020 payroll employment in Mississippi fell 4.3 percent from the previous year while U.S. payroll employment fell 5.7 percent. I believe one reason employment in Mississippi did not experience as large of a relative loss as U.S. employment is the state's economy is not as heavily weighted in most service sectors. These sectors bore the brunt of the longer-term job losses because they are characterized by the kind of social interactions limited by COVID-19 precautions.

Payroll employment in the state as of August was 30,700 jobs below its February 2020 level, a 2.6 percent difference. As in most states, the largest number of jobs lost in Mississippi last year occurred in the Accommodation and Food Services sector. Employment in this sector in August was 10,500 jobs below its February 2020 level, a decrease of 8.1 percent. The next largest decrease in jobs occurred in the public sector. Across all levels—federal, state, and local—Government employment was down by 8,200 jobs in August compared to February 2020, a decrease of 3.4 percent. These job losses were about evenly split between state government and local government. The Health Care and Social Assistance sector also incurred considerable job losses in 2020; as of August, employment in the sector was lower by 6,100 jobs compared to February 2020, a decrease of 4.5 percent. These three sectors combined accounted for over 80 percent of the jobs that have not been recovered as of August. Only two sectors in Mississippi had higher employment in August compared to February 2020. The first is Trade, Transportation, and Utilities, which since February 2020 has added 5,000 jobs, a 2.2 percent increase. Essentially all of the jobs added within this sector are in the transportation and warehousing industry. The other sector that has added jobs since February 2020 is Other Services. This sector consists of service jobs that do not fit elsewhere in the BLS classification system and range from

machinery repair services to pet care services. Employment in Other Services was up by 900 jobs in August compared to February 2020, also a 2.2 percent increase.

In our latest forecast, URC projects employment in Mississippi will increase 1.8 percent in 2021, which if realized would mark the largest annual increase in payroll employment in the state since 1998. However, given the recent rise in COVID-19 cases in the state due to the delta variant, this forecast is rather tenuous and some of this growth could be pushed into 2022. URC forecasts payroll employment in Mississippi will increase 0.5 percent in 2022 and 0.7 percent in 2023, which if realized would mark essentially a return to the employment trends the state experienced prior to the pandemic. In the latest forecasts by URC payroll employment in the state on an annual basis does not return to its pre-recession level before at least 2026. While this forecast represents a considerably longer recovery in employment than is expected for the U.S., which is 2022, it is historically consistent with the recovery of the labor market in Mississippi following recessions. Following the Great Recession in 2008, on an annual basis payroll employment in the state did not exceed its 2007 level until 2019. Similarly, following the 2001 recession, payroll employment in the state on an annual basis did not return to its 2000 level until 2007.

Finally, at the request of the Committee, URC analyzed the economic impacts of an increase in the minimum wage in Mississippi. The analysis was performed in Tax-PI, which is a dynamic fiscal and economic impact model produced by Regional Economic Models, Inc., that URC has used for a number of years. Tax-PI is calibrated specifically to the fiscal and economic environment in Mississippi and measures the direct, indirect, and induced fiscal and economic effects of policy changes. The direct effect is what occurs due to the specific changes the user enters into the model, while the indirect and induced effects are what the model forecasts will occur as a result of the direct effect. Essentially Tax-PI evaluates the economic and revenue effects of a policy change compared to a continuation of current policies, or the baseline scenario.

URC examined the data on minimum wage workers in Mississippi as a starting point. We utilized data from 2019 in the analysis, which we believe are more representative of the state's labor market than the 2020 data. According to BLS, in 2019 approximately 733,000 workers aged 16 and older in Mississippi were paid an hourly wage. Around 29,000 of these workers were paid at or below the minimum wage of \$7.25 per hour. Approximately 14,000 workers were paid minimum wage and the remaining 15,000 were paid below minimum wage according to BLS. Based on these data about 4.0 percent of all hourly workers in Mississippi were paid minimum wage in 2019. This share ranked behind the 5.5 percent in South Carolina and the 4.6 percent in Louisiana among all states. As of 2021, 30 states and the District of Columbia have a minimum wage that is higher than the federal minimum wage.

Two scenarios were analyzed by URC: an increase in the state's minimum wage to \$11.00 per hour and an increase to \$15.00 per hour. The minimum wage in neighboring Arkansas became \$11.00 per hour effective January 1 of this year and ten states will phase in a \$15.00 per hour minimum wage over the next several years. The minimum wage in the District of Columbia became \$15.00 per hour in 2020.

The first scenario of an \$11.00 per hour minimum wage in Mississippi begins in 2023. The entire increase to \$11.00 is implemented starting that year. An induced effect of this change in 2023 is a decrease in total employment in the state of around 4,500 jobs, equal to about 0.4 percent of projected employment for that year. The decreases in employment become larger in each year of the analysis until 2030 when the maximum annual decrease of about 6,000 jobs occurs, or 0.5 percent of projected total

employment for that year. The annual decrease in employment becomes smaller each year from 2031 to 2039, the last year analyzed, when the decrease equals approximately 5,000 jobs.

Real GDP for Mississippi is reduced each year when an \$11.00 per hour minimum wage is implemented beginning in 2023. That year real GDP for the state falls by just over \$400 million, about 0.4 percent of the projected total for that year. The annual decreases in real GDP become larger each year until a maximum decrease of about \$565 million, or 0.5 percent of the projected annual total, is reached in 2031. The decreases in real GDP become slightly smaller each year from 2032 through the last year of the analysis in 2039, when the decrease is approximately \$528 million.

Personal income increases each year when an \$11.00 per hour minimum wage is enacted in Mississippi in 2023. The maximum annual increase of just over \$522 million occurs that year, which equals about 0.4 percent of the projected total for 2023. The annual increase in personal income becomes smaller each year through the last year of the analysis in 2039, when the increase is approximately \$61 million.

General fund revenues increase modestly each year when an \$11.00 per hour minimum wage is enacted in Mississippi in 2023. That year revenues increase by just under \$11.0 million. The maximum annual increase of just over \$20.0 million occurs in 2024. The annual increases in general fund revenues become smaller each year through 2039, the last year of the analysis, when the total increase is around \$2.6 million. Most of the annual increase in revenues comes from the increases in individual income tax revenues. Notably, corporate income tax revenues decrease in each year of the analysis of the \$11.00 per hour minimum wage.

In the second scenario analyzed, a \$15.00 per hour minimum wage is implemented in Mississippi beginning in 2023. The entire increase to \$15.00 is implemented that year. The direction of the economic effects is the same as under an increase to an \$11.00 minimum wage, but these effects are larger. In 2023 employment in Mississippi decreases by about 12,500 jobs under a \$15.00 per hour minimum wage, equal to about 1.1 percent of projected total employment for that year. The annual decreases in employment become larger each year until a maximum annual decrease of approximately 16,800 jobs is reached in 2030, about 1.5 percent of that year's projected total employment. The annual decreases in employment become smaller in each of the following years through the last year of the analysis in 2039, when the decrease is just over 14,000 jobs.

The \$15 minimum wage results in annual decreases in Mississippi real GDP beginning in 2023. The largest decrease of almost \$1.6 billion occurs in 2031, equal to 1.4 percent of projected total real GDP for that year. The annual decreases in real GDP become slightly smaller in each of the following years through 2039, the last year analyzed, when the decrease is just under \$1.5 billion.

Personal income in Mississippi increases each year under a \$15 per hour minimum wage. The largest increase of slightly less than \$1.5 billion occurs in the first year of the analysis in 2023, which equals 1.0 percent of the projected total for that year. The increases to personal income become smaller in each of the following years through the last year of the analysis in 2039, when the increase is just under \$200 million.

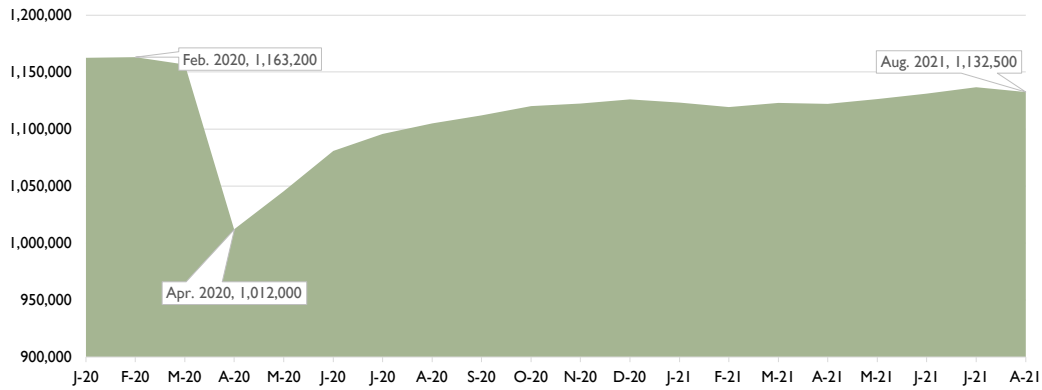
General fund revenues also increase modestly each year under a \$15.00 per hour minimum wage that begins in 2023. The largest annual increase occurs in 2024 when total revenues rise by a little over \$58 million. The annual increase in general fund revenues becomes smaller in subsequent years through the last year of the analysis in 2039, when the increase is about \$8 million. As in the previous

scenario, most of the annual increase comes from the increase in individual income taxes; corporate income taxes decrease in each year of the analysis.

In summary, our analysis of an increase in the minimum wage in Mississippi indicates it results in a set of tradeoffs. First, personal income increases, which can lead to a reduction in income inequality, and general fund revenues modestly increase in the initial years of the analysis. At the same time, employment and real GDP for the state are reduced each year following the increase in the minimum wage. Business costs also rise, which can result in moderate increases in prices. Our analysis is consistent with the majority of economic studies—such as the Congressional Budget Office study from earlier this year—that find increases in the minimum wage result in decreases in total employment, although incomes for individuals earning at or near the minimum wage typically increase. Alternatively, some recent studies have found modest increases in the minimum wage may have relatively small impacts on employment in some sectors. However, because of the relatively larger share of low skill workers in the Mississippi economy, I believe increases in the minimum wage are likely to reduce total employment in the state.

Thank you for your attention. I conclude my remarks and will be glad to take any questions from the Committee.

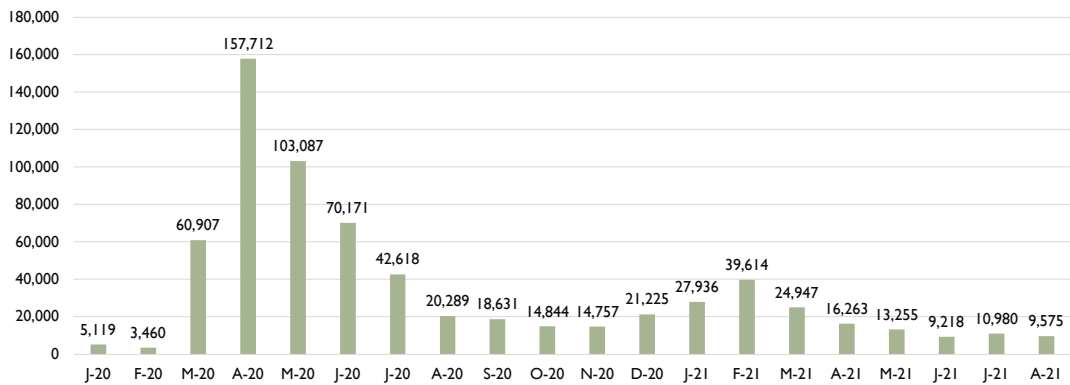
## Mississippi monthly payroll employment, seasonally adjusted



SOURCE: U.S. BUREAU OF LABOR STATISTICS.

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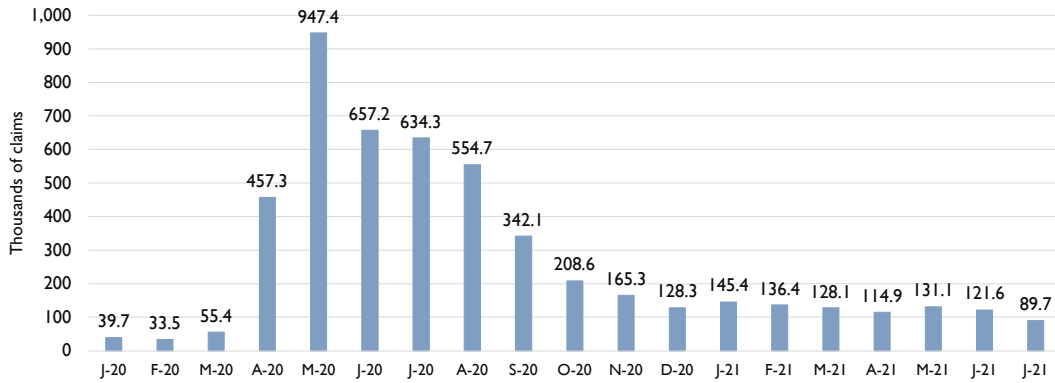
## Monthly initial unemployment claims, Mississippi



SOURCE: U.S. DEPARTMENT OF LABOR OFFICE OF UNEMPLOYMENT INSURANCE

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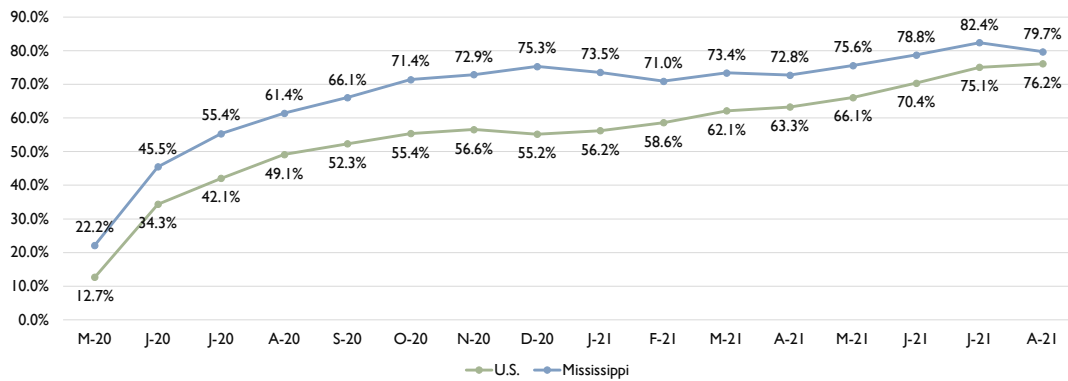
## Monthly continued unemployment claims, Mississippi



SOURCE: U.S. DEPARTMENT OF LABOR OFFICE OF UNEMPLOYMENT INSURANCE

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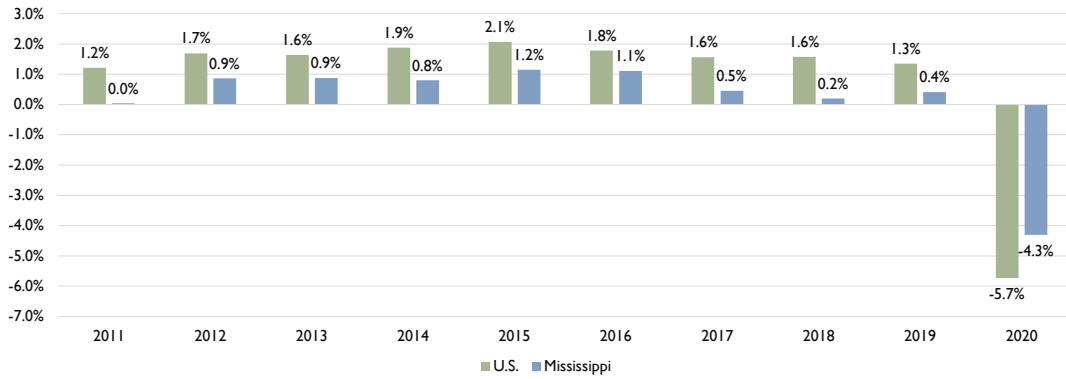
## Share of jobs lost in 2020 recovered



SOURCE: U.S. BUREAU OF LABOR STATISTICS

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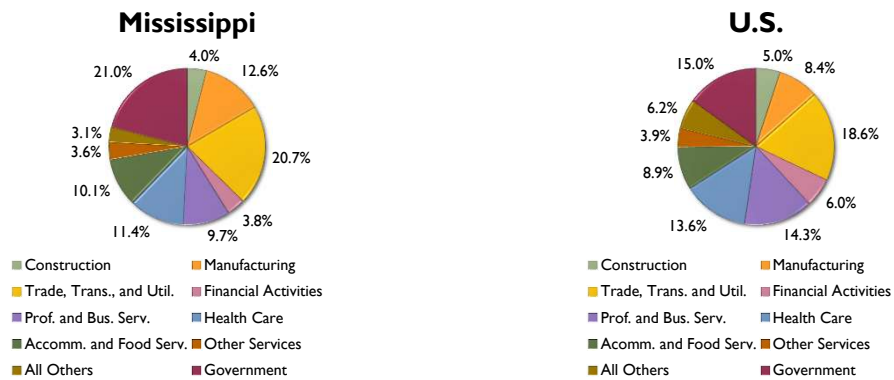
## Annual percent change in employment



SOURCE: U.S. BUREAU OF LABOR STATISTICS.

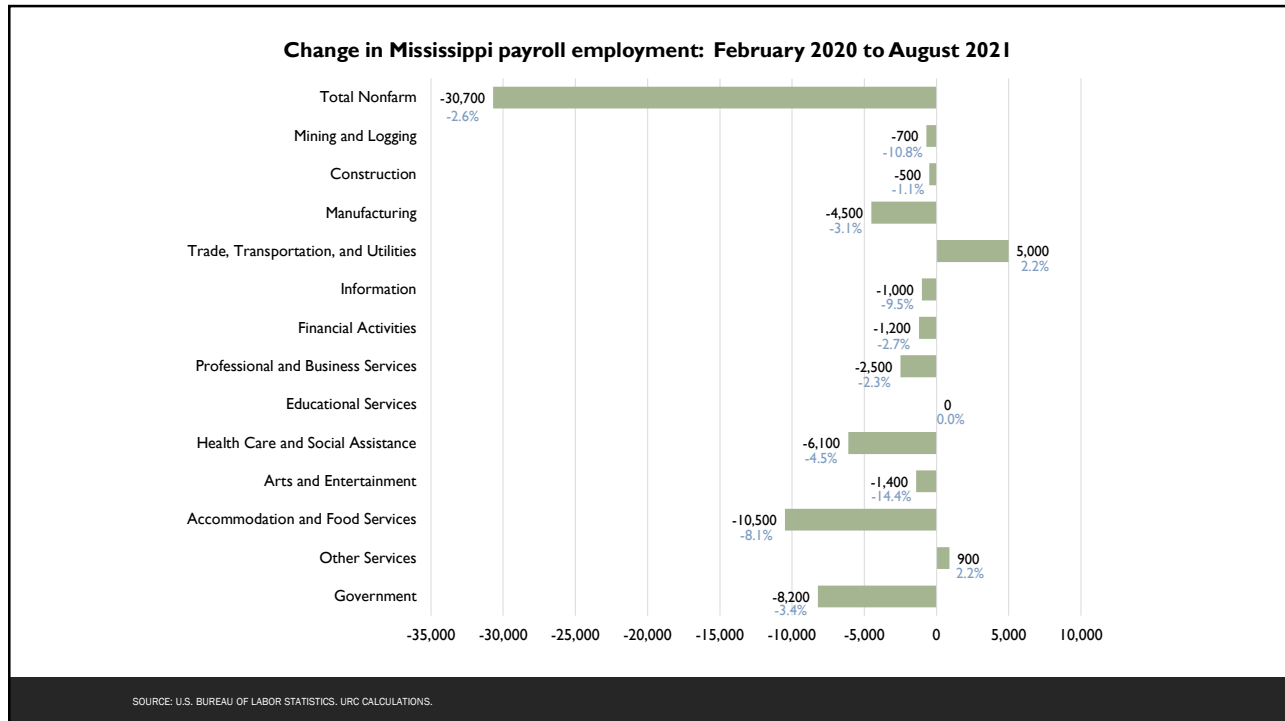
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## Share of employment by sector

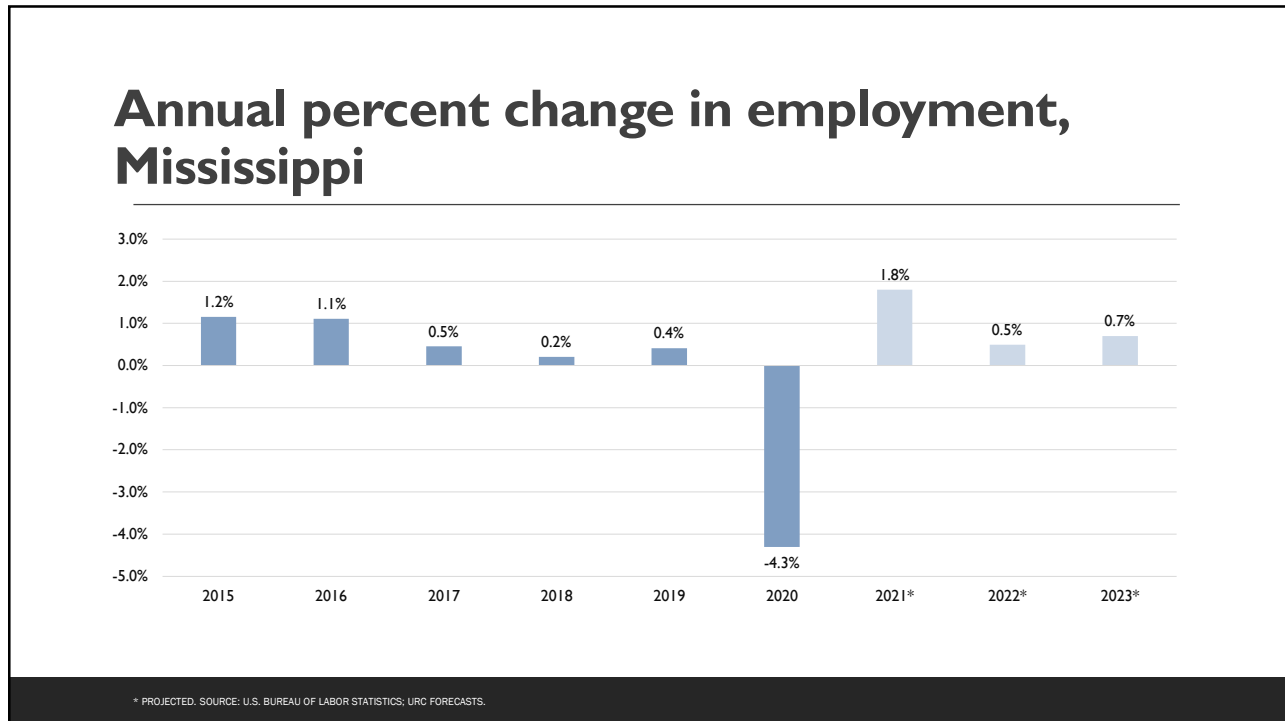


SOURCE: U.S. BUREAU OF LABOR STATISTICS, URC CALCULATIONS.

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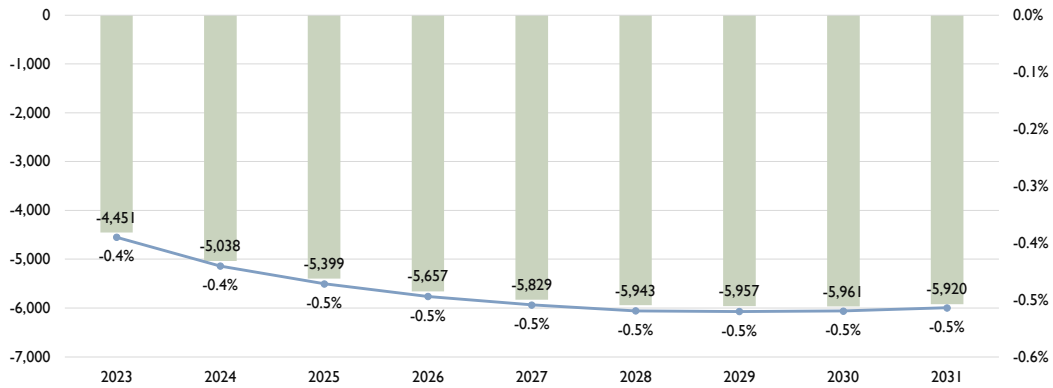
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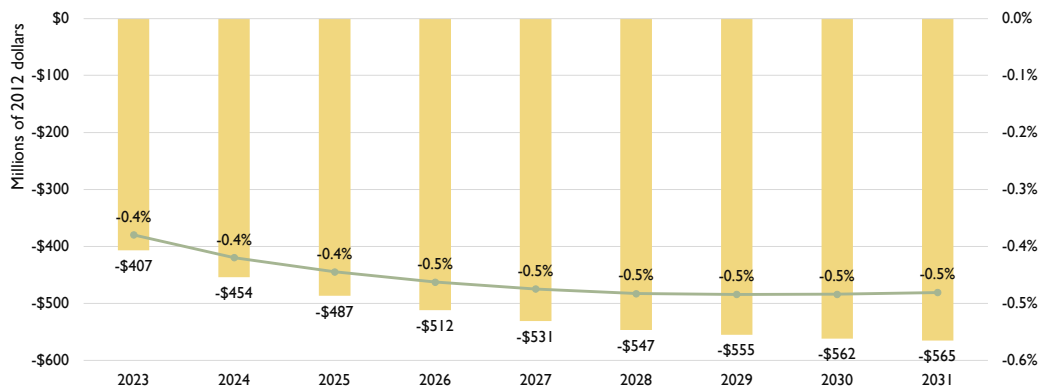
## Tax-PI results, \$11.00 minimum wage: annual change in employment



SOURCE: URC ANALYSIS.

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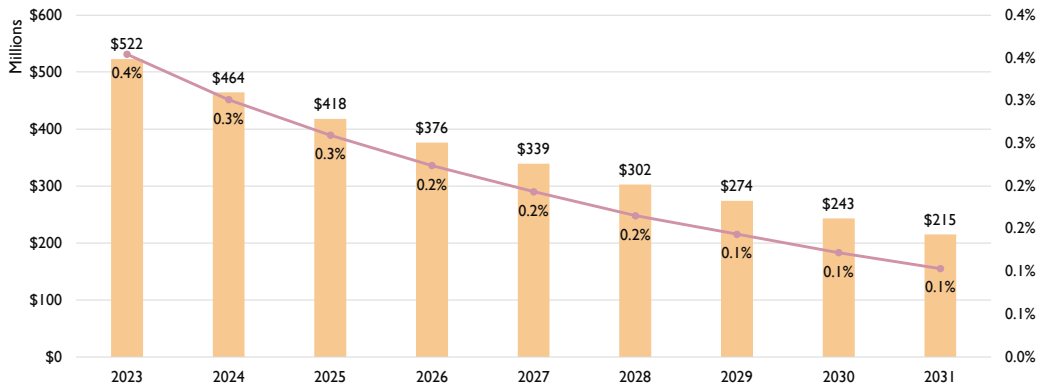
## Tax-PI results, \$11.00 minimum wage: annual change in real GDP



SOURCE: URC ANALYSIS.

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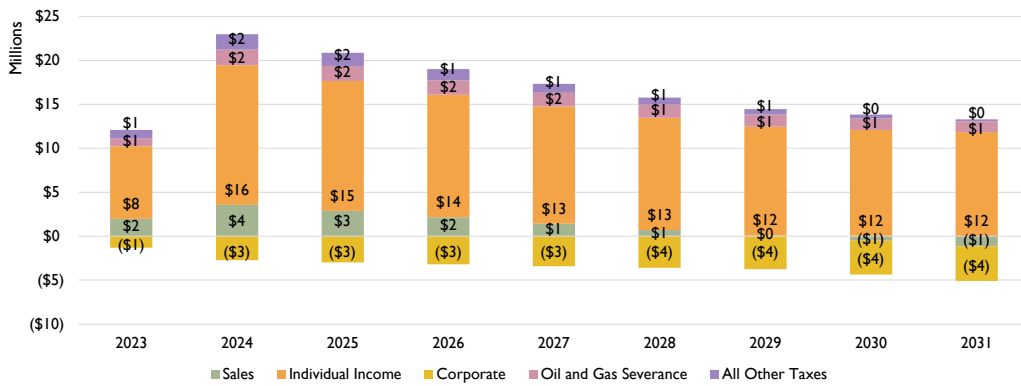
## Tax-PI results, \$11.00 minimum wage: annual change in personal income



SOURCE: URC ANALYSIS.

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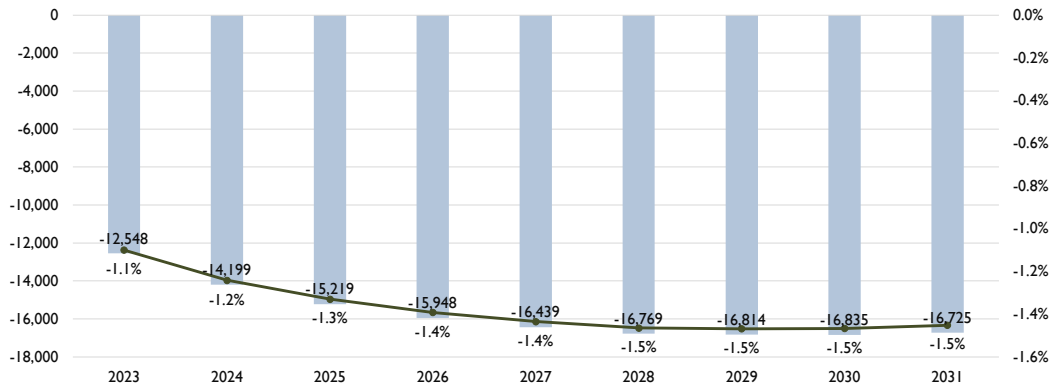
## Tax-PI results, \$11.00 minimum wage: annual change in general fund revenues



SOURCE: URC ANALYSIS.

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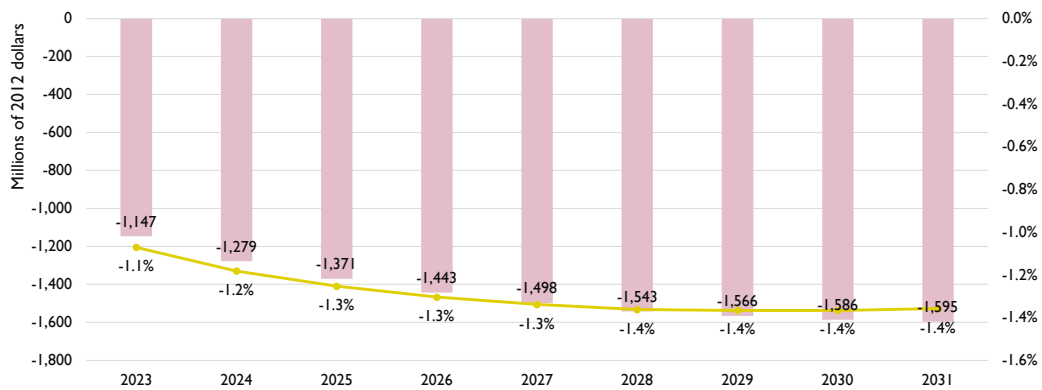
## Tax-PI results, \$15.00 minimum wage: annual change in employment



SOURCE: URC ANALYSIS.

13

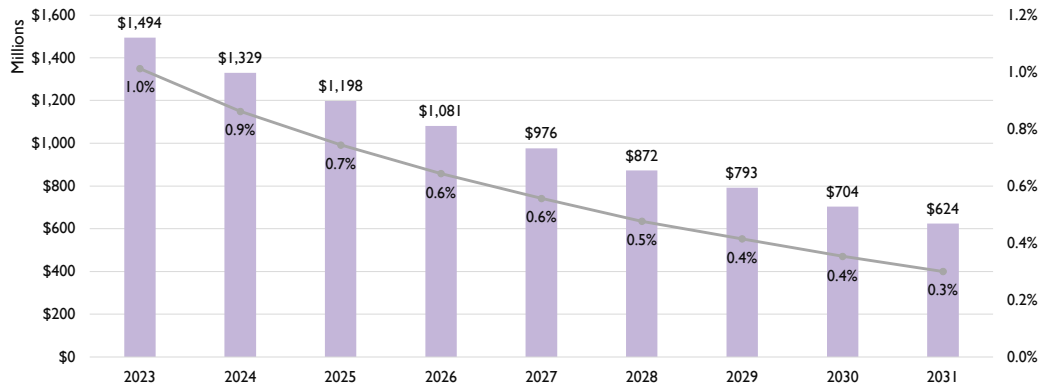
## Tax-PI results, \$15.00 minimum wage: annual change in real GDP



SOURCE: URC ANALYSIS.

14

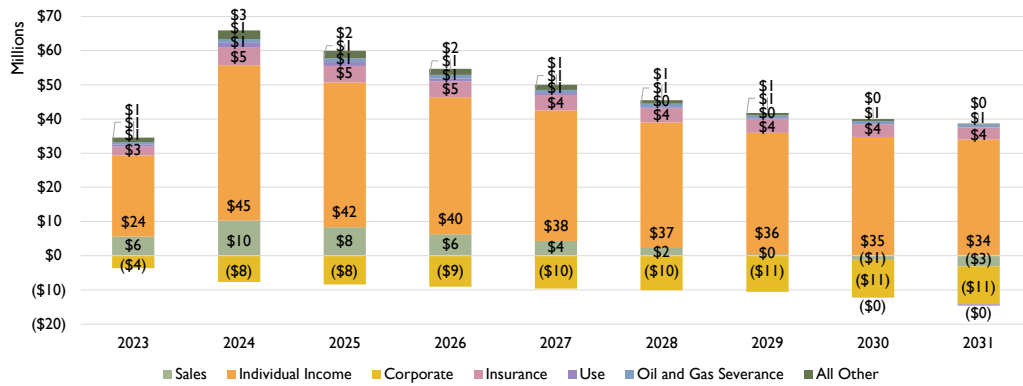
## Tax-PI results, \$15.00 minimum wage: annual change in personal income



SOURCE: URC ANALYSIS.

15

## Tax-PI results, \$15.00 minimum wage: annual change in general fund revenues



SOURCE: URC ANALYSIS.

16

## Minimum wage tradeoffs

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### **PRO**

Increases personal income  
Reduces income inequality  
Modest increase in state revenues

### **CON**

Decreases employment, real GDP  
Modest decrease in population  
Increases business costs/inflation