Economic Effects of the Oklahoma Minimum Wage Increase Initiative

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Executive Summary

This report forecasts the economic impact of the Oklahoma Minimum Wage Increase Initiative. The Initiative is scheduled to appear on the June 16, 2026 ballot. The Initiative would raise the state minimum wage from the current rate of $7.25 per hour to $12.00 per hour in 2027 with a $1.50 step increase until 2029 to $15 per hour after which it will tied to the rate of inflation. The initiative does not cover federal and state employees as well as tipped employees.

The implementation of the legislation beginning in 2027 is estimated to cause Oklahoma to lose up to 16,000 jobs and lead to a loss of $700 million in economic output by 2035. Small businesses (< 500 employees) would bear 60 percent of job losses.

This economic impact analysis uses the Business Size Impact Model (BSIM), a variation of the PI+ model developed by Regional Economic Models, Inc. (REMI) that accounts for differences among U.S. businesses differentiated by employee-size-of-firm. BSIM is a dynamic, multi-region model of the U.S. economy consisting of an input-output framework that uses a general equilibrium methodology to forecast the estimated economic impact of proposed policy and legislative action. The model simulates the impact of the legislation over a ten-year period from 2026 to 2035.

Summary of Oklahoma Minimum Wage Increase Initiative

The Oklahoma Minimum Wage Increase Initiative would raise the state minimum wage from the current rate of $7.25 per hour to $12.00 per hour starting on January 1st, 2027 and with $1.50 per hour increments annually until 2029, after which it will be tied to the rate of inflation. Minimum wage increases in subsequent years would be calculated to the nearest cent by the Executive Office of Labor and Workforce Development based on national price inflation and published on September 30 of the previous year. The proposal excludes federal and state employees as well as tipped employees from the increase.

Table 1: Proposed Minimum Wage and Cash Wage Schedules (Statutory: 2027-2029; Projected: 2030-2035)

Wage Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Minimum Wage	$7.25	$12.00	$13.50	$15.00	$15.29	$15.59	$15.89	$16.21	$16.53	$16.85
Cash Wage	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25	$7.25

Modeling an Oklahoma minimum wage increase

We estimated several key factors for each business sector, including: hourly worker employment, wage distribution (including workers earning exactly at minimum wage or earning a cash wage), and average annual hours worked. Additionally, the analysis allowed for the presence of "emulation effects" for non-tipped workers, in which employees earning at or just above the new minimum wage also receive increases in their hourly pay so as to maintain the relative compensation structure within firms. The number of workers assumed to be affected by this phenomenon was scaled conservatively by the size of the increase in the minimum wage. Finally, we added 7.65% to the estimated aggregate increase in wages in order to account for employers' federal payroll tax obligation.

Key assumptions

1. Person works 50 weeks in a given year. This is used to calculate median hourly wages from REMI income data and BLS data on hours worked.
2. Overtime hours are not being factored in. Salary increases are calculated off of the wage change, hours worked, and weeks worked.
3. Used the state level wage distribution data for all industries in Oklahoma and then adjusted it based on industry level employment data.

Data Sources used:

1. REMI baseline data for incomes by sector
2. REMI baseline data for employment by sector and further by business size
3. BLS Data on minimum wage employment and total employment
4. BLS wage and income distribution data based on states and sector

Results of the Economic Impact of Oklahoma Minimum Wage Increase Initiative

According to the modeling framework described above, the BSIM model forecasts that increasing the minimum wage would have multiple countervailing effects on the Oklahoma economy. It would raise wages for many employed workers, increasing consumer spending, and thereby creating additional demand for many in-state businesses. However, it would also raise

labor costs for many businesses, negatively impacting the state's economic competitiveness and increasing consumer prices. Our analysis found that the latter effect would outweigh the former by 2031, leading to lower levels of employment and economic output, as illustrated in Tables 2 and 3 respectively. Table 2 shows that Oklahoma will see a sizable job gains of trend until 2029 after which the trend begins to reverse. By 2031, the job trend goes negative and by 2035, there is a negative employment impact of almost 16,000 jobs. Furthermore, just under 10,000 jobs, or 60%, of those jobs are in small businesses, which are considered to be firms with less than 500 employees. In terms of economic output, there is a negative impact of over $700 million with 43%, of that economic output is produced by small businesses.

The initial positive impact defers from other minimum wage studies and analyzed further in the appendix.

Table 2 – Employment Impacts

Firm Size	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Percent of Total (2035)
1-4 Employees	0	178	299	343	102	-265	-668	-1,062	-1,419	-1,734	10.8%
5-9 Employees	0	211	373	469	258	-87	-472	-846	-1,185	-1,479	9.2%
10-19 Employees	0	300	550	741	539	175	-241	-647	-1,016	-1,337	8.3%
20-99 Employees	0	721	1,296	1,744	1,280	479	-427	-1,303	-2,094	-2,781	17.3%
100-499 Employees	0	384	624	758	345	-228	-833	-1,398	-1,896	-2,320	14.4%
500 + Employees	0	970	1,358	1,445	123	-1,400	-2,908	-4,263	-5,450	-6,461	40.1%
< 20 Employees	0	689	1,222	1,553	899	-177	-1,381	-2,555	-3,620	-4,550	28.2%
< 100 Employees	0	1,410	2,518	3,297	2,179	302	-1,808	-3,858	-5,714	-7,331	45.5%
< 500 Employees	0	1,794	3,142	4,055	2,524	74	-2,641	-5,256	-7,610	-9,651	59.9%
All Firms	0	2,764	4,500	5,500	2,647	-1,326	-5,549	-9,519	-13,060	-16,112	100.0%

**Units: Jobs. Impacts reported for private non-farm industries only. Totals and percentages may not correspond to impacts due to rounding.*

Table 3 – Economic Output Impacts

Firm Size	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Percent of Total (2035)
1-4 Employees	0.0	44.0	84.0	124.0	116.0	89.0	55.0	21.0	-9.0	-35.0	5.0%
5-9 Employees	0.0	43.0	84.0	123.0	115.0	88.0	55.0	22.0	-8.0	-34.0	4.9%
10-19 Employees	0.0	52.0	101.0	149.0	139.0	109.0	71.0	33.0	-2.0	-31.0	4.4%
20-99 Employees	0.0	121.0	229.0	335.0	308.0	236.0	148.0	62.0	-15.0	-82.0	11.8%
100-499 Employees	0.0	75.0	134.0	189.0	157.0	101.0	38.0	-20.0	-72.0	-115.0	16.5%
500 + Employees	0.0	196.0	330.0	448.0	328.0	165.0	-6.0	-159.0	-291.0	-400.0	57.4%
< 20 Employees	0.0	139.0	269.0	396.0	370.0	286.0	181.0	76.0	-19.0	-100.0	14.3%
< 100 Employees	0.0	260.0	498.0	731.0	678.0	522.0	329.0	138.0	-34.0	-182.0	26.1%
< 500 Employees	0.0	335.0	632.0	920.0	835.0	623.0	367.0	118.0	-106.0	-297.0	42.6%
All Firms	0.0	531.0	962.0	1,368.0	1,163.0	788.0	361.0	-41.0	-397.0	-697.0	100.0%

**Units: Millions of Fixed Local 2025 Dollars. Impacts reported for private non-farm industries only. Totals and percentages may not correspond to impacts due to rounding.*