

Maia Allen

Jeffrey Zax, ECON 4231

Briefing Paper #3

6 April 2016

Economic Analysis of SB17-237

With the passage of Senate Bill 17-237 facilities legally allowed to sell liquor under a tavern or lodging and entertainment license would be able to hire employees between the age of 18 and 21 to serve alcohol. Under current state law, this provision already applies to facilities that serve food as their primary business (restaurants). The bill serves to extend this provision to other common liquor providing facilities including all establishments that primarily serve alcohol but also serve some food (taverns – including bars that do not regularly serve food), establishments that provide alcohol and entertainment (sports bars, stadiums, sports arenas, casinos, theaters, concert halls), and establishments that provide lodging (hotels and motels).

Since Colorado State law mandates that any person who consumes alcohol must be over the age of 21, it may be reasonable for the State to also mandate that any person who handles alcohol (including to serve it) should also be over 21. In another sense, it may also be rational to allow under-age persons to handle and serve alcohol since they are not actually consuming it – which is the actual behavior the law seeks to curb. While safety and ethical concerns influence the debate on state liquor laws, there are much deeper and more important economic implications of prohibiting adults under the age of 21 from serving liquor in certain licensed establishments.

The current state law creates a market imperfection in certain labor markets. Specifically, the legal mandate restricts the supply of labor for businesses that fall under the State's definition

of tavern or lodging and entertainment facilities to hiring individuals over the age of 21 to fill any positions that require an individual to serve alcohol, (such as concierges, stadium vendors, bartenders, etc.). In effect, the supply curve is shifted inward for labor markets in for these types of jobs. This has a meaningful economic effect on labor markets.

The inward shift of labor supply causes equilibrium wages in these markets to rise and quantity of laborers supplied to fall. This is not necessarily a bad result, but is a much different result than if the State were to allow adults under the age of 21 to join the labor pool for these specific jobs. In this case without restricted age requirements on employees, these types of businesses would be able to hire more employees at lower wages.

Notably, most of the jobs affected by current State liquor laws are minimum wage (or close to minimum wage) jobs that do not require a college degree. In the State of Colorado, the mean hourly wage for entertainment attendants (and related positions) was \$10.83, \$9.95 for concert hall ushers and lobby attendants, \$11.21 for non-restaurant servers, and \$12.21 for bartenders, with the State's minimum wage at \$9.30.¹ Many individuals between the ages 18 and 21 are qualified and willing to work these jobs, but are not legally allowed to do so. Roughly one fifth of alcohol serving employees in the restaurant industry, where age requirements have already been abolished, are under 21 according to the United States Bureau of Labor Statistics². The exclusion of qualified employees from labor supply under State law has a significant impact on labor markets for these specific businesses.

The legal age requirements for alcohol service could exist for legitimate ethical or safety reasons. Likely, the current laws exist to prevent underage persons to exposure of alcohol.

¹ https://www.bls.gov/oes/current/oes_co.htm#35-0000

² <https://www.bls.gov/cps/cpsaat11b.pdf>

Particularly, the laws may curb consequences that come with underage drinking— known as externalities in economics— such as risks associated with driving under the influence, and increased risk of addiction. However the State’s lack of consistency in these laws begs the question of whether or not the State is serious about limiting underage exposure to alcohol.

The State has already repealed these types of laws for restaurants and other businesses. Labor statistics show that these businesses do employ many individuals that would not be able to legally do similar jobs in other industries. The different treatment of labor markets for restaurants versus other establishments suggests that perhaps the State has preferences for one industry over the other. It is much more sensible for Colorado laws to be consistent across all industries. Either legislators should move forward with repealing labor age requirements for taverns, entertainment and lodging facilities, or they should seek to reinstate labor age requirements for restaurants.

The only justifiable reason to legally distinguish the restaurant industry from the industries defined under the bill, with regard to age limits for alcohol service, would be a difference in systematic risks associated with increased levels of alcohol exposure. If the types of facilities defined under the bill impose greater risk and negative consequences to underage servers due to increased or more extreme exposure to alcohol, then the status quo is legislatively sound. Though this is not obviously true, and likely could not be the case. There is no evidence suggesting a difference in systematic risks associated with underage industries between industries for which this law has already been repealed and those included in the bill. Unless the General Assembly can provide such evidence, the best option is to repeal labor age requirements for all industries.

The General Assembly should avoid imposing unproductive laws that just serve to meddle with labor markets while costing the State to enforce them. The most efficient and optimal markets occur when there are no unnecessary restrictions placed on supply or demand. Unless the General Assembly can provide any ethical, economic, or safety reasons for altering labor markets for tavern or entertainment and lodging facilities, legislators should strongly consider the passage of SB17-237.

SB17-237 is a step in the right direction for Colorado. The bill will allow all adults to be able to work jobs in businesses affected by the law if they so desire, and likewise for businesses to hire any adult they see best qualified for the job. The bill will rid the State of all costs associated with enforcing the unnecessary current laws and to allocate time and money towards other endeavors deemed more necessary. Hopefully, in the future the General Assembly will recognize and seek to repeal unnecessary mandates to allow for economic efficiency and State cost efficiency.