



Senate Labor Committee  
March 14, 2018

## Raising the Minimum Wage Boosts Working Families AND the Rhode Island Economy

The Economic Progress Institute supports **Senate Bill 2244**, which gradually increases the hourly minimum wage to \$15.00/hour (in January 2022), and increases the tipped minimum wage to \$15.00/hour (in January 2026), and **Senate Bill 2247** increasing the minimum wage to \$11.00 in 2019 and to \$12.00 in 2020.

Increasing the minimum wage is one of the best things we can do to simultaneously help low-wage working families and boost the Rhode Island economy, as those families spend their earnings, putting more money in the cash registers of local businesses, and creating jobs in Rhode Island.

Any year in which we fail to increase the minimum wage we are effectively giving Rhode Island's lowest income earners a wage cut, as inflation eats

away at any recent increases. We see this in Figure 1, which shows the Rhode Island minimum wage since 2000, in both nominal and inflation-adjusted (i.e. "real" wages). Despite eight increases in the minimum wage over this period, raising the nominal minimum wage by \$3.95/hour (from \$6.15 in 2000 to \$10.10 today), in inflation adjusted terms, minimum wage workers have only gained \$1.14/hour (about \$2,400 annually).

Putting more money in the pockets of Rhode Island workers not only helps those families, it also puts more money in the cash registers of local businesses, and creates jobs in Rhode Island.

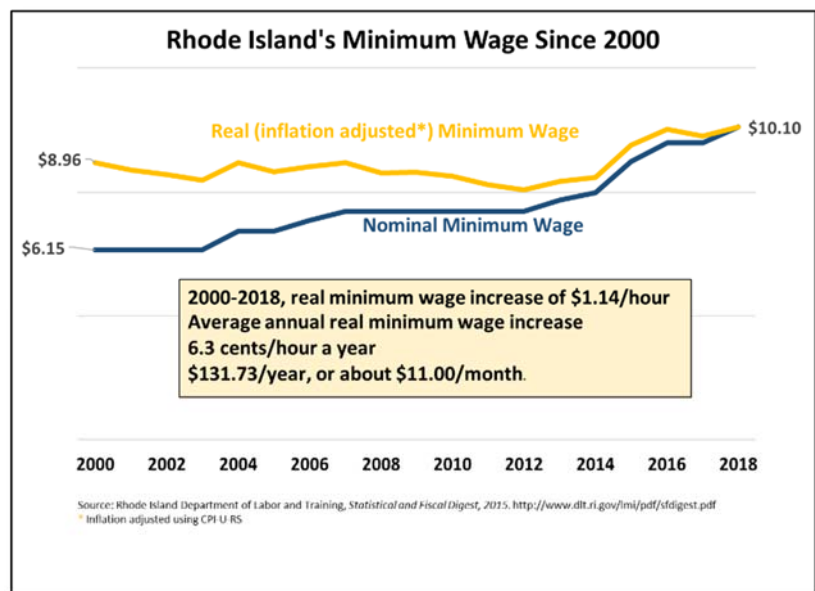


Figure 1

Minimum wage earners are not able to meet their basic needs. According to the most recent [Rhode Island Standard of Need](#), a study that documents the cost of living in Rhode Island, a two-parent family of four needs to earn \$5,675/month, while a single adult needs to earn \$2,146/month, just to meet their basic expenses.



Figure 2

Working 40 hours a week, year-round, a minimum wage earner would earn \$21,008 at Rhode Island's current minimum wage of \$10.10/hour, nearly \$5,000 a year less than the RISN amount for a single adult. The thousands of Rhode Island families that have a bread-winner earning the minimum wage face an even more formidable gap between their earnings and the cost of basic needs in Rhode Island.

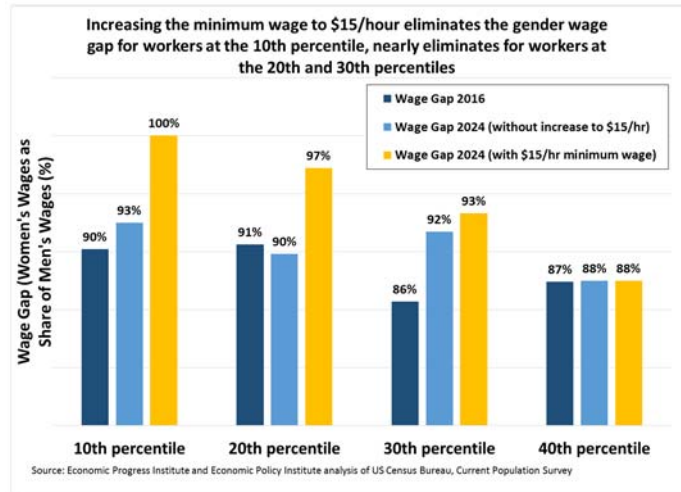
Phasing in an increase in Rhode Island's minimum wage to \$15.00 would have the following impacts:

- Raising the minimum wage to \$15.00 would directly benefit 89,000 Rhode Island workers, and indirectly benefit another 76,400 Rhode Island workers, totaling one third of the Ocean State workforce.
- Workers affected by the increase would receive \$143.2 million in increased wages.

The workers who would receive a pay increase do not fit the stereotypes of low-wage workers. Rhode Island workers affected by increasing to \$15.00/hour have the following characteristics:

- A larger number of workers directly affected are **age 55 and older** (16,300) than are teens (14,500). Two-thirds (66 percent) of affected workers are 25 years old or older.
- **Workers of color** would also be disproportionately affected. More than a quarter (27 percent) of workers directly affected are people who are Latino, and 9 percent are people who are Black (though White non-Hispanic workers account for 58 percent of those directly affected).
- **The majority of affected workers (57 percent) are women.** This is particularly important given the persistent gender pay gap in Rhode Island. Figure 3 shows that increasing the minimum wage to \$15/hour completely eliminates the gender wage gap at the 10<sup>th</sup> percentile, and nearly completely eliminates it at the 20<sup>th</sup> and 30<sup>th</sup> percentiles.

- Of workers directly affected, **half (50 percent) work full time**, nearly a third (31 percent) work mid-time (between 20-34 hours a week).
- Workers directly affected are **more highly educated** than we often think. Nearly half (**42 percent**) have at least some college education, and only about a quarter (24 percent) have less than a high school diploma.



- Nearly a quarter (**23 percent**) of **those directly affected are parents, and about a quarter (27 percent) are married.** Figure 3
- While there are minimum wage workers in most employment sectors, **workers in some sectors would benefit more than others.** Of those affected by increasing the minimum wage to \$15.00/hour, more than a quarter (27 percent) are retail workers, 15 percent are restaurant workers, and 11 percent are in the healthcare sector.
- **28,300 Rhode Island children** in families directly affected (and another 36,400 in families indirectly affected, or **64,700 in total**) have a parent who would benefit from raising the minimum wage to \$15.00.

Critics of minimum wage increases will tell you that raising the minimum wage will result in job loss. The best research shows that this is not what has happened in practice. John Schmitt, the Vice President at the Economic Policy Institute undertook a meta-analysis that looked at dozens of academic papers looking at this question. His 2013 paper, [Why Does the Minimum Wage Have No Discernible Effect on Employment?](#)<sup>1</sup> shows that although there are some outlier studies showing either notable job gain or notable job loss, the vast preponderance of research clusters around zero, showing essentially no aggregate impact on employment levels.

A 2017 study, *The effect of minimum wages on the total number of jobs: Evidence from the United States using a bunching estimator*, (“CDLZ”, the initials of its four authors) looks at more than 35 years of U.S. minimum wage increases between 1979 and 2016 – 137 increases in all – and also finds little to no change in employment.<sup>2</sup> The CDLZ study lays out a new transparent and readily verifiable approach for evaluating whether a minimum wage study has adequately controlled for other labor market factors that could be skewing its results. They concluded, “on

<sup>1</sup> John Schmitt, 2013. *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, Center for Economic and Policy Research. <http://cepr.net/documents/publications/min-wage-2013-02.pdf>

<sup>2</sup> Doruk Cengiz, Arin Dube, Attila Lindner, and Ben Zipperer. April 2017. *The effect of minimum wages on the total number of jobs: Evidence from the United States using a bunching estimator*, <http://sole-jole.org/17722.pdf>.

average, the number of missing jobs paying below the new minimum during the five years following implementation closely matches the excess number of jobs paying just above the new minimum. This leaves the overall number of low-wage jobs essentially unchanged, while raising average earnings of workers below those thresholds.”<sup>3</sup>

A 2017 report from the University of Washington examining the impact of the recent substantial minimum wage increases in Seattle, Washington (the first jurisdiction to adopt a \$15/hour minimum wage), has received considerable attention. The report is deeply flawed, the primary shortcomings of which include the following:<sup>4</sup>

- The study’s estimates of job loss lie far outside the range of earlier estimates, including those made by consistent critics of the minimum wage
- The study implausibly finds employment changes due to the minimum wage in parts of the labor market where there should have been none.
- The study excludes an important group of workers, representing roughly 40 percent of the workforce: those working for employers with businesses in multiple locations (this would include, for example, workers working for a McDonald’s owned and operated by an individual with restaurants in other parts of Washington state).

Increasing the minimum wage is a win-win for Rhode Island, moving thousands of Rhode Island families towards economic stability while boosting the Rhode Island economy.

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<sup>3</sup> Cengiz et al, *Ibid*.

<sup>4</sup> These shortcomings are detailed at length in Ben Zipperer and John Schmitt, June 2017. *The “high road” Seattle labor market and the effects of the minimum wage increase*. (Economic Policy Institute), <https://www.epi.org/publication/the-high-road-seattle-labor-market-and-the-effects-of-the-minimum-wage-increase-data-limitations-and-methodological-problems-bias-new-analysis-of-seattles-minimum-wage-incr/>.