



Testimony in Support of Budget Article 13: Relating to Minimum Wages Senate Finance Committee February 7, 2019

Increasing Rhode Island’s minimum wage to \$11.10 in 2020, as called for in Budget Article 13, is an important step toward helping Rhode Island workers meet their basic needs. Putting more money in the pockets of Rhode Island workers not only helps those families, it also supports local businesses and supports the Rhode Island economy.

Rhode Island Workers Need a Higher Wage:

Minimum wage earners are not able to meet their basic needs. According to the recent [2018 Rhode Island Standard of Need](#),¹ a study that documents the cost of living in the Ocean State, a two-parent family of four needs to earn \$5,692/month, while a single adult needs to earn \$2,254/month—just to meet their basic expenses.

Working 40 hours a week, year-round, a minimum wage earner would earn \$21,842 at Rhode Island’s current minimum wage of \$10.50/hour, just over \$5,200 a year less than the RISN amount for a single adult. The Rhode Island minimum wage would need to be \$13.00/hour to meet basic needs. 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.

Rhode Island will Lose Workers to Massachusetts:

On January 1, 2019, 19 states, including three of our New England neighbors, increased their minimum wages. According to the Massachusetts Budget and Policy Center, 662,000 Massachusetts workers will receive \$817.5 million in increased wages as a result of the new minimum of \$12.00/hour. The Massachusetts minimum wage will increase by 75 cents in each of the next four years, reaching \$15.00/hour in 2023.

If the Rhode Island minimum wage remains unchanged at \$10.50/hour—\$2.25/hour below the Massachusetts minimum wage in 2020—this will increase yet further the low-wage gap with our immediate neighbors to the north.

RAISING THE RHODE ISLAND MINIMUM WAGE TO \$15.00 WOULD HELP WORKERS MEET BASIC NEEDS



*Annual incomes assume full-time year-round employment, at 40 hours a week.

Growing minimum wage gap between Rhode Island and Massachusetts

	MA	RI	Gap
Minimum Wage in 2015	\$9.00	\$9.00	\$0.00
Minimum Wage in 2016	\$10.00	\$9.60	-\$0.40
Minimum Wage in 2017	\$11.00	\$9.60	-\$1.40
Minimum Wage in 2018	\$11.00	\$10.10	-\$0.90
Minimum Wage in 2019	\$12.00	\$10.50	-\$1.50
Minimum Wage in 2020	\$12.75	\$11.10?	-\$1.65?
Minimum Wage in 2021	\$13.50	?	?
Minimum Wage in 2022	\$14.25	?	?
Minimum Wage in 2023	\$15.00	?	?

¹ Economic Progress Institute, *2018 Rhode Island Standard of Need*, www.economicprogressri.org/RISN

Minimum Wage Supports Diverse Population of Workers:

The recent shift from \$10.10/hour to \$10.50/hour in the Rhode Island minimum wage would directly benefit approximately 19,800 workers, increasing their total wages by \$12.5 million.² An additional increase, to \$11.10/hour would directly benefit these 19,800 and thousands more, as well as additional thousands indirectly from both increases. Estimates predict that an increase to \$15/hour would benefit as many as 142,000 Rhode Islanders.

The many thousands of Rhode Island workers who stand to benefit from a minimum wage increase form a diverse population and do not fit the stereotypes of low-wage workers. Well over half are women, and most low-wage workers are not teenagers. Historical experience indicates that more than half of low-wage workers are employed full-time, and that more than 40% of low-wage workers have at least some college education. In addition, increasing the minimum wage helps reverse wage disparities for workers of color - nearly half of all Black and Latino workers would benefit from an increase.

Minimum Wage Not a Job Killer:

Critics of minimum wage increases will tell you that raising the minimum wage will result in job loss. Numerous academic studies and reviews have failed to identify the feared disaster of increases in the minimum wage. One recent and path-breaking study, from the Centre for Economic Performance and the National Bureau of Economic Research examined 138 cases of minimum wage increases between 1979 and 2016, looking at the before and after in each situation and focusing on jobs paying around the minimum wage. Doruk Cengiz and his co-authors compared “the number of excess jobs paying at or slightly above the new minimum wage to the missing jobs paying below it” and concluded that there was “no evidence of disemployment when we consider higher levels of minimum wages.”³

John Schmitt, now with the Center for Equitable Growth, undertook a meta-analysis that looked at dozens of academic papers considering this question. The title of his paper speaks volumes: [Why Does the Minimum Wage Have No Discernible Effect on Employment?](#)⁴ In short, he demonstrates that although there are some outlier studies showing either modest job gain or modest job loss, the vast preponderance of research clusters around zero, showing essentially no aggregate impact on employment levels.

Individuals and families depending upon the current minimum wage cannot afford the basic necessities of living in Rhode Island. When we increase the minimum wage to more reasonable levels, most of the additional wages get recycled into the local economy, producing ripple effects not generated by tax cuts for those who are already quite wealthy. Someone with an annual salary of \$50,000 earns about \$24 per hour for a 40-hour work week; at an annual salary of \$100,000, a worker is earning \$48 per hour; for those making \$1 million per year, that’s \$480 per hour or \$8 per minute. We ought to be able to pay hard-working lower-wage workers more than the current \$10.50 per hour.

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.

² Economic Policy Institute analysis of Current Population Survey outgoing rotation group microdata 2017 and state population projections from various state agencies and demography centers.

³ Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, 2018. *The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator*, Centre for Economic Performance Discussion Paper No 1531.

⁴ John Schmitt, 2013. *Why Does the Minimum Wage Have No Discernible Effect on Employment?*, Center for Economic and Policy Research; see: <http://cepr.net/documents/publications/min-wage-2013-02.pdf>.