



## Testimony in Support of Bill Relating to Minimum Wage: H7570 House Labor Committee March 4, 2020

The Economic Progress Institute supports Representative Ranglin-Vassell’s bill H7570 to place Rhode Island on the path to a \$15/hour minimum wage and to phase out the tipped minimum wage, as well.<sup>1</sup>

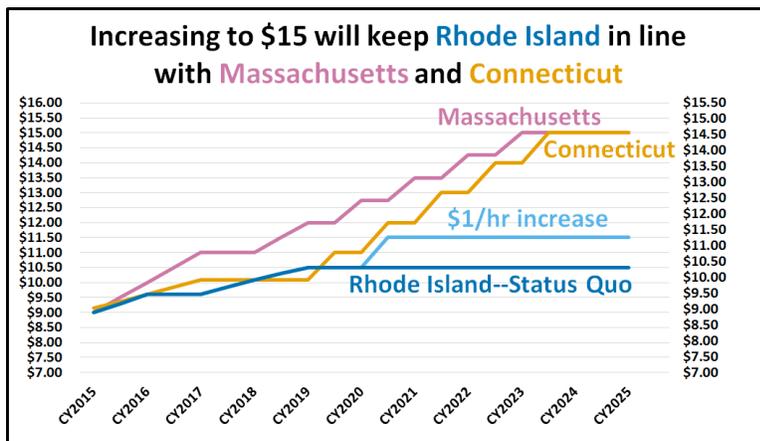
### Rhode Island Workers Need a Higher Wage

Minimum wage earners are not able to meet their basic needs. According to the recent [2018 Rhode Island Standard of Need](#),<sup>2</sup> a study that documents the cost of living in the Ocean State, a minimum wage earner – working 40 hours a week, year-round – would earn \$21,842 at Rhode Island’s current minimum wage of \$10.50/hour, just over \$5,200 a year less than the Rhode Island Standard of Need (RISN) amount for a single adult. The thousands of Rhode Island families that have a breadwinner earning the minimum wage face an even more formidable gap between their earnings and the cost of basic needs in Rhode Island.



While an increase of \$1.00 is an important step, we urge the General Assembly to put us on a path to \$15. We know that families need much more than \$15/hour to meet their basic needs. Our RISN shows that parent with two young children needs to earn at least \$30/hour.

### Rhode Island Needs to Increase the Minimum Wage to Retain our Workforce



Rhode Island’s minimum wage rate lags behind those of our neighbors, and we are losing workers to both Massachusetts and Connecticut. Connecticut’s minimum wage is currently \$11 and will increase to \$12 in September. Massachusetts is at \$12.75 and both states are on a path to \$15 by 2023. Given these gaps, we can expect to lose many workers to our neighbors. An example of this, as we explore in

our latest *Uneven Path* report<sup>3</sup>, Rhode Island is struggling to find and keep qualified caregivers because our wages are low. The rising minimum wage in our neighboring states will force Rhode Island employers to struggle even more to keep staff who care for our youngest and oldest citizens.



## Local Economic Boost

When we increase the minimum wage to more reasonable levels, *most of the additional wages get recycled back into the local economy*, producing ripple effects. Individuals and families depending upon the current minimum wage have difficulties in affording the basic necessities of living in Rhode Island and will likely spend the additional income. Increasing the minimum wage is a win-win for Rhode Island, moving tens of thousands of Rhode Island families towards economic stability while boosting the Rhode Island economy.

## Minimum Wage Supports a Diverse Population of Workers

The many thousands of Rhode Island workers who stand to benefit from a minimum wage increase are 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.



## Research Shows Higher Minimum Wages Help Improve a Wide Range of Family and Community Health and Living Standards and Saves Lives<sup>4</sup>

Evidence is mounting that increasing wages has wide-ranging, positive impacts on health and well-being, and not just on economic circumstances. A higher wage has been tied to improved infant health outcomes, improved adult mental health, and reduced teen births.

Over the last year *three different studies have demonstrated that increasing the minimum wage saves lives*. Researchers have linked minimum wage increases to declines in suicide rates in the United States, particularly concerning deaths of despair.

## Tipped Workers Do Better in Equal Treatment States (those with a single minimum wage)

Although some tipped workers at high-end restaurants make a good living, most tipped workers do not. Tipped workers are more likely than other workers to live in poverty. And tipped workers in the states with a sub-minimum tipped wage are more likely to live in poverty than tipped workers in the eight equal treatment states without a separate tipped wage.

Also, as with minimum wage workers in general, tipped workers are disproportionately women and people of color and would therefore disproportionately benefit from raising and eliminating the tipped minimum wage. The tipped minimum wage has also been linked to higher rates of sexual harassment.



## Research Proves that Minimum Wage Increases Do Not Cost Jobs

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 in the United States between 1979 and 2016, looking at the before and after in each situation and focusing on jobs paying around the minimum wage. The study 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.”<sup>5</sup>

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?\*](#)<sup>6</sup> 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.

Finally, a recent review of six cities increasing their minimum wage levels above \$10/hour showed no employment effects, while also revealing stronger growth in the private sector than comparison locations.<sup>7</sup> New York City raised its minimum wage to \$15/hour in 2019, with food service workers now receiving \$10/hour before tips, and according to a headline last year in *Business Insider*, “NYC’s \$15 minimum wage hasn’t brought the restaurant apocalypse — it’s helped them thrive.”

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<sup>1</sup> Rhode Island’s current sub-minimum tipped wage or “cash” wage is \$3.89/hour and was last increased in 2017.

<sup>2</sup> Economic Progress Institute, *2018 Rhode Island Standard of Need*, [www.economicprogressri.org/RISN](http://www.economicprogressri.org/RISN)

<sup>3</sup> Economic Progress Institute, *Uneven Path 2020*, [www.economicprogressri.org/UnevenPath2020](http://www.economicprogressri.org/UnevenPath2020)

<sup>4</sup> See discussion in “The Case for a \$15 Minimum Wage in Rhode Island,” May 2017, NELP.

<sup>5</sup> 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.

<sup>6</sup> 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>.

<sup>7</sup> Sylvia A. Allegretto and others, “The New Wave of Local Minimum Wage Policies: Evidence from Six Cities” (Berkeley, CA: Institute for Research on Labor and Employment, 2018), <https://irle.berkeley.edu/the-newwave-of-local-minimum-wage-policies-evidence-from-six-cities/>.