



Testimony in Support of Bill Relating to Minimum Wage: H7765 House Committee on Labor March 16, 2022

The Economic Progress Institute supports Representative Henriques' bill H7765 which would place Rhode Island on a path to a \$19/hour minimum wage. Although getting Rhode Island on the path to a \$15/hour minimum wage was an important accomplishment, the truth is that working full-time at \$15/hour is inadequate to provide for basic necessities for most Rhode Island families today, in 2022, let alone in 2025, when Rhode Island actually reaches \$15/hour under current law.

Rhode Island Workers Need a Higher Wage

According to the Economic Progress Institute's [2020 Rhode Island Standard of Need](#),¹ a study that documents the cost of living in the Ocean State, a single adult worker needed to earn \$14.71/hour (\$30,600/year) to meet basic needs two years ago. With inflation, even a \$15/hour minimum wage will be inadequate in 2025, when Rhode Island reaches that level. And that is for single workers without children. We know that families need much more than \$15/hour to meet their basic needs. For example, a parent with two young children needs to earn at least \$31.75/hour to do so.

Keeping Pace with Productivity

If the minimum wage had kept up with productivity over the last half-century, it would now be close to \$23/hour. From its creation in 1938 until the late 1960s, the federal minimum wage kept pace with the productivity of workers, but there has been a great divergence over the last 50 years, as productivity has steadily increased, while the minimum wage has stagnated.²

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 one-third of all Black and one-quarter of all Latinx 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 Lives³

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.

In recent years, at least *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.



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.

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.”⁴

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?*](#)⁵ 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.⁶ 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 2019 headline in *Business Insider*, “NYC’s \$15 minimum wage hasn’t brought the restaurant apocalypse — it’s helped them thrive.”⁷

¹ Economic Progress Institute, *2020 Rhode Island Standard of Need*, www.economicprogressri.org/RISN.

² Forthcoming from the Center for Economic and Policy Research, <https://cepr.net/>.

³ See discussion in “The Case for a \$15 Minimum Wage in Rhode Island,” May 2017, NELP.

⁴ Doruk Cengiz, Arindrajit Dube, Attilio 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.

⁵ 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>.

⁶ 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/>.

⁷ See <https://markets.businessinsider.com/news/stocks/nyc-restaurant-industry-thriving-after-15-dollar-minimum-wage-2019-8>.