SENATOR FOR A DAY PROGRAM

SENATE BILL

NO. 1

Session of 2020

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REFERRED TO SENATE LABOR & INDUSTRY COMMITTEE

Modernization of the Minimum Wage

All publicly employed people will earn a minimum of $15 an hour. This will include municipal, township, city, and state employees.

To pay for the increase in wages there will be an income tax increase of 1.5% in local taxes and 0.5% increase in state taxes

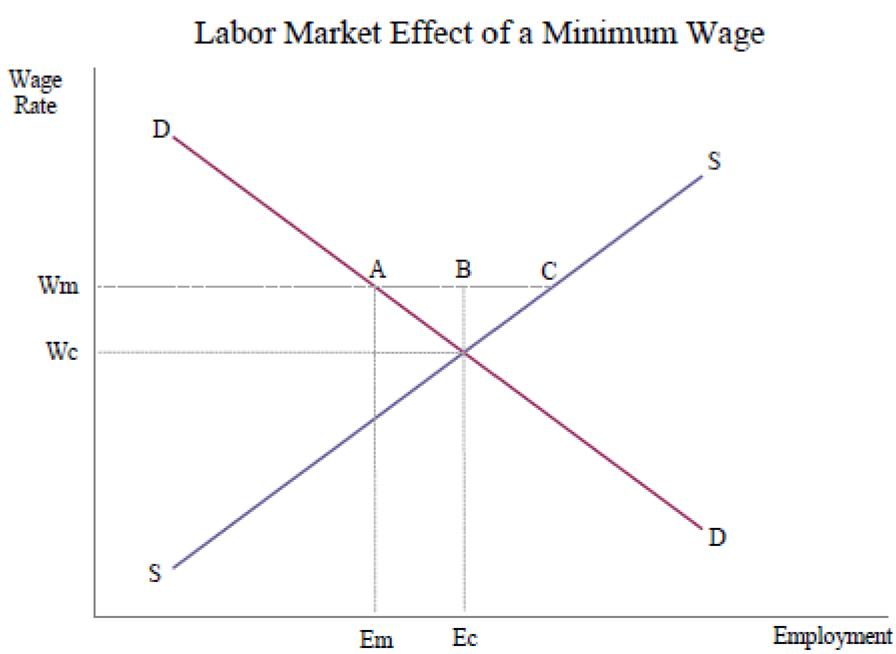
This bill shall take effect immediately.

5 Reasons Raising the Minimum Wage Is Bad Public Policy
The only way to boost wages is to boost worker productivity.
Monday, March 25, 2019
John Phelan

Across the country, campaigns are underway to force states or other jurisdictions, such as cities, to raise their minimum wages. The usual aim is a minimum wage of $15. Why $15? As Kendall Fellis of the Service Employees International Union explained, "Ten dollars was too low and $20 was too high, so we landed at $15."

Price Floors Lower the Quantity of Labor Demanded

Economic theory is pretty clear about what the effects of a price floor will be. As Figure 1 shows, at the market clearing wage rate (Wc), where labor supply meets demand, the quantity of employment demanded is Ec. But when a minimum wage law is passed, it becomes illegal for wages to be below Wm. As a result, the quantity of labor demanded falls from Ec to Em.



As Paul Krugman explained:

So what are the effects of increasing minimum wages? Any Econ 101 student can tell you the answer: The higher wage reduces the quantity of labor demanded, and hence leads to unemployment.
This is one reason why 72 percent of US-based economists oppose a federal minimum wage of $15.00 per hour. In 2015, the Employment Policies Institute surveyed 166 economists in the United States on the subject. They found:

- Nearly three-quarters of these US-based economists oppose a federal minimum wage of $15.00 per hour.

- The majority of surveyed economists believe a $15.00 per hour minimum wage will have negative effects on youth employment levels (83%), adult employment levels (52%), and the number of jobs available (76%).
- When economists were asked what effect a $15.00 per hour minimum wage will have on the skill level of entry-level positions, 8 out of 10 economists (80%) believe employers will hire entry-level positions with greater skills.
- When economists were asked what effect a $15.00 per hour minimum wage will have on small businesses with fewer than 50 employees, nearly 7 out of 10 economists (67%) believe it would make it harder for them to stay in business.
- A majority of surveyed economists (71%) believe that the Earned Income Tax Credit (EITC) is a very efficient way to address the income needs of poor families; only five percent believe a $15.00 per hour minimum wage would be very efficient.
- The economists surveyed are divided on the impact a $15.00 per hour minimum wage will have on poverty rates, as well as the impact it would have on the spending level for public programs such as the EITC, TANF, or others.
- At lower levels (under $11.00 per hour) of proposed federal minimum wages, economists are divided largely by self-identified party identification as to an acceptable rate with a majority of Republicans and Independents who responded favoring lower minimum wages ($7.50 per hour or less) and a plurality of Democrats who responded preferring a minimum wage between $10.00 and $10.50 per hour.

According to Winston Churchill, if "you put two economists in a room, you get two opinions, unless one of them is Lord Keynes, in which case you get three opinions." This does not apply to the $15 minimum wage.

Evidence Empirically Points to Failure

Another reason most economists oppose a $15 federal minimum wage is that the balance of empirical evidence suggests minimum wage hikes fail to achieve the policy goals they are intended to.
In 2008, economists David Neumark and William L. Wascher surveyed two decades of research into the effects of minimum wage laws. They focused on five areas: the effects of minimum wages on employment, minimum wage effects on the distribution of wages and earnings, the effects of minimum wages on the distribution of incomes, the effects of minimum wages on skills, and the effects of minimum wages on prices and profits. Here is what they say about the policy's impact on each:

1. Minimum wages reduce employment
In other work (Neumark and Wascher 2007a), we review the entire recent body of literature on the employment effects of minimum wages, encompassing more than one hundred papers written since the early 1990s…In our lengthier review of employment effects, we conclude that, overall, about two-thirds of the hundred or so studies that we discuss yield relatively consistent (although by no means statistically significant) evidence of negative employment effects of minimum wages – while only eight give a relatively consistent indication of positive employment effects. In contrast, of the thirty-three studies we identify as providing the most reliable evidence, more than 80 percent point to negative employment effects. (p.38-39)

2. Minimum wage hikes reduce the earnings of low-paid workers
…the evidence suggests that higher minimum wages tend, on average, to reduce the economic well-being of affected workers. Evidence regarding the effects on workers initially paid at or just above the

minimum suggests that their labor income declines as a result of minimum wage increases, reflecting negative effects of minimum wages on employment and hours. (p.139)

3. Minimum wage hikes make some low paid workers better off at the expense of others
In our view, the combined evidence is best summarized as indicating that an increase in the minimum wage largely results in a redistribution of income among low-income families, with some gaining and others losing as a result of diminished employment opportunities or reduced hours, and some likelihood that, on net, poor or low-income families are made worse off. (p.189)

4. Minimum wage hikes make young workers less skilled, lowering their future earnings
With respect to schooling, the evidence is stronger, with most of the research for the United States pointing to negative effects…recent research that studies the question more indirectly finds that teens and youths exposed to higher minimum wages have lower wages and earnings when they are in their late twenties, consistent with reduced skill acquisition… (p. 223)

5. Minimum wage hikes make products and services more expensive
...the limited empirical evidence consistently indicates that increases in the minimum wage lead to increases in prices of goods and services produced with low-skilled labor…(p. 247-248)

The Song Remains the Same

In 2014, along with economist J.M. Ian Salas, they examined the subsequent literature. They concluded that "the evidence still shows that minimum wages pose a tradeoff of higher wages for some against job losses for others, and that policymakers need to bear this tradeoff in mind when making decisions about increasing the minimum wage."

Neumark updated his review of the research again in December 2018, asking "When minimum wages are introduced or raised, are there fewer jobs?" He writes:

The potential benefits of higher minimum wages come from the higher wages for affected workers, some of whom are in poor or low-income families. The potential downside is that a higher minimum wage may discourage firms from employing the low-wage, low-skill workers that minimum wages are intended to help.

If minimum wages reduce employment of low-skill workers, then minimum wages are not a "free lunch" with which to help poor and low-income families, but instead pose a trade-off of benefits for some versus costs for others. Research findings are not unanimous, but especially for the US, evidence suggests that minimum wages reduce the jobs available to low-skill workers.

The only way to boost wages is to boost worker productivity. Making it illegal to hire low skilled workers—which is all minimum wage laws do—does nothing to help this.

6 simple reasons we should raise the minimum wage right now
February 7, 2019 Posted by Mary Babic

The Raise the Wage Act of 2019 would lift millions out of poverty, boost the economy, and save taxpayer dollars. So what's the problem, Congress?

Today, millions of Americans do arduous work in jobs that pay too little and offer too few benefits. They serve food, clean offices, care for the young and elderly, stock shelves, and deliver pizza. They work these jobs year after year while caring for children and parents, trying to save for college, and paying their bills.

But despite their best efforts, these low-wage workers are falling further and further behind. According to a new Oxfam interactive map, the federal minimum wage of $7.25/hr is locking millions—most notably women of color and single parents—in poverty. The way we see it, if you work hard, you should earn enough to get by. And right now, the place to start is to raise this poverty wage.

That's why today's Congressional hearings on the Raise the Wage Act of 2019 are so important. The legislation would increase the federal minimum wage to $15 by 2024, benefiting nearly 40 million workers and their families. Here are six simple reasons why raising the wage makes sense—and should happen TODAY.

1. It is long overdue

In the decade since it was last raised, the minimum wage has failed to keep up with inflation, failed to keep up with average wages, and—most dramatically—failed to keep up with incomes of the top 1 percent and CEOs, contributing to America's growing inequality.

As a result, low-wage workers are not benefiting from economic growth and productivity. If the minimum wage had kept pace with productivity increases, it would be around $20/hr. Just 30 years ago, the average pay gap between CEOs and workers was 59 to 1; last year, it soared to 361 to 1. The average CEO makes $13,940,000, while a minimum wage worker makes $15,080: a gap of 924 to 1.

2. It would address longstanding racial and gender inequities

Historically marginalized people, who do more than their fair share of low-wage work, would stand to benefit disproportionately from the bump.

While 27 percent of the total US workforce would benefit from the raise:

- 39 percent of Black and Latina women would benefit (vs. 18 percent of white men);
- 38 percent of African American workers would benefit;
- 33 percent of Latino workers would benefit; and
- 32 percent of women workers would benefit (vs 22 percent of men).

3. It would reduce poverty

The bump from $290 a week to $600 a week would lift millions of families out of poverty. More than a quarter of the workforce—40 million workers—would see a raise in wages.

4. It would fuel economic growth

The roughly $120 billion extra paid to workers would be pumped back into the economy for necessities such as rent, food, and clothes. Economists have long recognized that boosting purchasing power by

putting money in people’s pockets for consumer spending has positive ripple effects on the entire economy.
In one recent poll, 67 percent of small business owners support the minimum wage increase to $15 an hour. They say it would spark consumer demand, which would enable them to retain or hire new employees.
And raising the wage doesn’t seem to compel employers to cut jobs. As states and cities across the country have raised wages, research has found no statistically significant effect on employment.

5. It would save taxpayer money and reduce use of government programs

When employers don’t pay people enough to survive, those workers are compelled to seek government assistance, meaning taxpayers are essentially subsidizing the corporations.
In 2016, the Economic Policy Institute found that, among recipients of public assistance, most work or have a family member who works; and they are concentrated at the bottom of the pay scale. Raising wages for low-wage workers would “unambiguously reduce net spending on public assistance, particularly among workers likely to be affected by a federal minimum-wage increase.”

6. It’s what the vast majority of Americans want

Vast majorities (up to three quarters, including a majority across party lines) support raising the wage. In fact, over half the states have raised their minimum wages to restore basic fairness to the workforce.
All work has dignity and worth. After 10 years of working hard, low-wage workers deserve a bump to get them and their families out of poverty. But this important legislation may not pass because Congress faces an impasse along party lines.