Why Rhode Island Needs $15 Minimum Wage

The Rhode Island legislature is considering a measure that would gradually raise the state’s minimum wage from its current $9.60 an hour up to $15 an hour by 2022. Analysis of the latest available data shows that single workers without children in Rhode Island already need more than $15 an hour just to cover the basics, and workers with families need even more. The typical worker earning less than $15 an hour is an adult over 25 who works full time, but still cannot make ends meet. A $15 minimum wage would deliver a large raise for roughly one-third of workers in Rhode Island. The economic evidence from other states shows that, if phased in gradually, a $15 minimum wage would be manageable for employers.

With the Cost of Living Rising, Workers Throughout Rhode Island Already Need $15 per Hour to Cover the Basics & Will Need Much More by 2022

- Workers throughout Rhode Island already need $15 an hour or more just to cover the basics. According to cost of living data, a single worker in the Providence metropolitan area today needs to earn $32,390 a year just to cover housing, food, transportation and other basic costs. This translates to $15.57 an hour for a full-time worker.¹

- Similarly, workers with dependent children need even more than $15 an hour. Each parent in a two-worker family with two children needs to earn at least $18.23 an hour today, to afford a cheap apartment and cover simple living costs.²

- By 2022, these workers will need to earn more. A single worker without children will need $17.19 per hour, and each parent in a 2-adults 2-children family will need to earn $20.13.³

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<th>Table 1. Hourly Wage Needed to Afford a Basic Household Budget in Rhode Island by Family Size</th>
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*Hourly wage per adult worker.
A $15 Minimum Wage Would Deliver a Large Raise to 1 in 3 Workers in Rhode Island, Reversing Decades of Falling Pay

• Wages have fallen to the point that today about 187,000 workers in Rhode Island earn less than $15 an hour.  

• Roughly one-third (33 percent) of Rhode Island’s workforce would receive a long overdue raise by gradually phasing-in a $15 minimum wage by 2024, under the new federal minimum wage proposal.  

• The typical worker would see an income gain of $3,500 to $5,100 a year – enough to make a significant difference in the life of a home care aide, airport worker or fast food worker who today struggles on about $20,000 a year.

The Typical Worker In Rhode Island Earning Less than $15 is a Woman Over 36 with Some College, Working Full-Time, and Likely to be a Parent

• The average age of workers who would benefit from a $15 minimum wage is 36. In fact, 35 percent of affected workers in Rhode Island are 40 or older, while teens make up just 11 percent.  

• Most are women (56 percent).  

• 48 percent of African-Americans in Rhode Island, 50 percent of Latinos and 34 percent of Asian Americans earn less than $15. Workers of color comprise 41 percent of all workers affected by a $15 minimum wage increase in the state.  

• 60 percent work full-time.  

• 34 percent have some college experience or have earned an Associate’s degree, and an additional 13 percent have Bachelor’s degree or higher, for a total of 48 percent.  

• 27 percent of those affected are parents raising 65,000 children (nearly 30 percent of Rhode Island’s total child population).  

• 22 percent of Rhode Island’s working families live in or near poverty, and 15 percent receive Food Stamps.  

Growing Numbers of Employers and Small Business Organizations Are Backing a $15 Minimum Wage

• In nearby New York, which approved $15 minimum wage in 2016, business organizations representing more than 32,000 small businesses endorsed the $15 minimum. These
include the Greater New York Chamber of Commerce, the Brooklyn Chamber of Commerce, the Northeast Organic Farmers Association – New York Chapter, and the Long Island and Westchester/Putnam African-American Chambers of Commerce.

- Other Business groups that have endorsed – or in some cases not opposed – a $15 minimum wage include Business for a Fair Minimum Wage (endorsed), the American Sustainable Business Council (endorsed), Main Street Alliance (endorsed), the Patriotic Millionaires (endorsed), the Restaurant Association of Metropolitan Washington (endorsed the Washington, DC campaign), and the Golden Gate Restaurant Association (did not oppose the California proposal).

- A diverse range of business leaders confirm that transitioning to a $15 minimum wage is feasible. For example, in nearby Vermont, Ben & Jerry’s has been paying a starting wage of $16.95 per hour since 2015, and last year, Popolo Italian Eatery, also raised it minimum wage to $15.

- In New Hampshire, Hermit Woods Winery also pays an hourly minimum of $15.

- In neighboring Massachusetts, a number of employers have adopted a minimum pay of $15, including Beth Israel Deaconess Medical Center, Boston Medical Center, Tufts Medical Center, Curriculum Associates, and others.

- In Maine, Jackson Lab and Knack Factory adopted a $15 starting wage for their workers. In addition, more than 600 other businesses endorsed a $12 minimum wage for all workers in the state.

- Popeyes CEO Cheryl Bachelder told CNN Money, “Everybody in retail is dealing with an increase in minimum wage ... We will adjust to increased costs just like we have before. Life will go on. There’s been too much hubbub about it.”

- As fast food franchise owner Dennis Kessler who teaches at the University of Rochester’s Simon School of Business told the Washington Post last year, “This $15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. . . . People are going to have to pay a little more. It really isn’t too much more complicated than that.”

- In Flagstaff, Arizona, where voters in November approved a $15 minimum wage, Ron Watkins, the director of operations for 16 McDonald’s restaurants throughout northern Arizona, told the Arizona Daily Sun, “the minimum wage measure would not affect the company’s willingness to add locations or jobs in Flagstaff.”

- In California, which approved and is phasing in a $15 minimum wage, Bill Phelps, CEO of Wetzel’s Pretzels with 100 stores statewide, and franchise owner Mike Jacobs report that they have already seen higher sales resulting from their customers having more money to spend.
The Economic Evidence Shows that the Benefits of a Gradually Phased-In $15 Minimum Wage Far Outweigh the Costs

- State-of-the-art research on the impact of a $15 minimum wage by University of California economists for the State of New York shows that, if phased in gradually over five years, a $15 wage would be manageable for employers and would raise business operating costs only moderately.\(^{35}\)

- Studies of the New York and California $15 minimum wages by University of California economists have examined the net impact of all the positive and negative effects on businesses of a $15 wage.\(^{36}\) They found that, unlike small wage increases, a $15 minimum wage generates billions in new consumer spending that offsets much of the impact of the higher wage costs on businesses.\(^{37}\) As a result, any net negative impact on jobs would likely be small – and would be vastly outweighed by the benefits of delivering large raises for more than 1 in 3 workers, reversing decades of falling pay.

- The California study focuses in particular on the impact of the state’s $15 minimum wage in areas such as Fresno County – one of the poorest areas of the state, located in California’s agricultural Central Valley. It finds that in poor areas of the state the net impact is roughly the same: the large increase in worker spending power generated by a $15 minimum wage offsets most of the higher costs to businesses.\(^{38}\)

- A University of Minnesota study of a proposed $15 minimum wage in Minneapolis also found that, if gradually phased in, it would raise pay for about 23 percent of the workforce, and that any adverse effect on job levels would be small.\(^{39}\)

- More than 75 economists and researchers have endorsed the findings of the University of California study in New York,\(^{40}\) and another 200 economists and researchers endorsed a 2015 proposal by Senator Bernie Sanders and Representative Keith Ellison for a $15 federal minimum wage, finding that raising the minimum to $15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.”\(^{41}\)

- Experiences in the first regions of the U.S. to phase in $15 minimum wages – San Francisco, Seattle and New York – have shown continued strong job growth as wages have increased.

- For example, in Seattle – the first U.S. city to approve a $15 minimum wage, where the wage level reached $15 in January for large employers – restaurant job growth has continued to be strong, and unemployment has hit record lows. As Forbes reported this month, “Higher Seattle Minimum Wage Hasn’t Hurt Restaurant Jobs Growth After a Year.”\(^{42}\) Earlier reporting in the Puget Sound Business Journal was titled “Apocalypse Not: $15 and the cuts that never came.”\(^{43}\) Although a July 2016 initial analysis had suggested that while jobs continued to grow strongly in Seattle, the pace of growth might have slowed slightly on account of the minimum wage,\(^{44}\) in November the study’s author backed away from those findings, concluding that they were not statistically significant.
A Higher Minimum Wage Will Not Lead Businesses or Jobs to Leave Rhode Island

- Research and on-the-ground experiences allay concerns that businesses might relocate to avoid paying a higher minimum wage. This is because the businesses most affected by the minimum wage are in service fields like restaurants, retail, property services, home health care and child care whose customer bases are linked to their locations. Customers will not drive several miles into another state to buy a cheeseburger, a bag of diapers or a light bulb. And that you cannot mop a floor, change bed linens, or care for a toddler remotely from another state.

- An extensive body of research confirms this. For example, a December 2016 analysis by the White House Council of Economic Advisors compared job growth trends in Rhode Island and the other states that have raised the minimum wage since the 2009 recession with states that did not. It found “substantial wage increases [in the higher minimum wage states] with no discernible impact on employment levels or hours worked.”

- A recent study by University of California economists analyzed over three decades (1979 to 2014) of teen and restaurant employment data, comparing states with high average minimum wages and those with low average minimum wage (the latter typically follow the federal minimum wage law). They did not find any employment effects among restaurant workers, who comprise a large share of all low-wage workers. The effect on teen employment was only a fraction of the already negligible impact claimed by minimum wage opponents.

- Another leading national study compared employment levels between every pair of neighboring U.S. counties that had different minimum wage levels at any time between 1990 and 2006. It found that the higher minimum wage counties did not see reduced hiring or businesses relocating to lower wage neighboring counties.

A $15 Minimum Wage Will Generate Savings for Taxpayers and the State Budget, as Workers Are Able to Support Themselves on their Earnings and Rely Less on the Social Safety Net

- Taxpayers in Rhode Island could save over $97 million each year by raising the minimum wage. According to research by University of California economists, Rhode Island taxpayers spend $97 million a year (in 2013 dollars) to provide safety net benefits to low-wage workers who earn too little to support themselves.

- Analysis in other states has shown that significant minimum wage increases generate substantial savings for state budgets. For example, a University of California analysis found that a $13 minimum wage proposal for California would save the state budget more than $2 billion through a combination of higher tax revenue generated by workers earning more, and safety net savings.
Research Shows Higher Minimum Wages Help Improve a Wide Range of Family and Community Health and Living Standards

- Research shows that higher minimum wages help improve a broad range of other important societal outcomes for both workers and their children. These include reducing poverty,\(^5\) reducing reliance on taxpayer-funded safety net programs such as food stamps,\(^51\) improving infant health outcomes\(^52\) and improving adult mental health.\(^53\) Similar research, analyzing the effects of an income boost between $1,000 to $3,000 (in 2005 dollars) among low income families, shows that these small increases in household income can have modest but significant benefits for young children in those families: their educational achievement and performance increase, and their employment outlook (as adults) also improves.\(^54\)

- And because most childless full-time low-wage workers earn too much to qualify for Medicaid, receiving a raise to $15 will help many more be able to afford to access health coverage, either through their employer or through their state’s Affordable Care Act health insurance exchange. Research published in the *Journal of the American Medical Association Forum* estimates that raising the minimum wage from $10 to $15 would increase the portion of low-wage workers who can afford to access health coverage from 58 percent to 77 percent.\(^55\)

**Endnotes**

2. Ibid.
3. Ibid.
7. For the average age of affected workers, see David Cooper, *Raising the Minimum Wage to $15 by 2024 Would Lift Wages for 41 Million American Workers*, ibid. For an age breakdown in Rhode Island, see David Cooper, *State Tables on $15 Minimum Wage Impact*, op. cit.
8. Ibid.
9. Ibid.
10. Ibid.
11. Ibid. Numbers may not add up due to rounding.
12. Ibid.


36. Ibid.


