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Workforce

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## **Minimum wage hike would boost Ohio workers**

**Michael Shields**

# Introduction

Ohio's minimum wage workers need and deserve a raise. The state's poverty levels exceeded the nation's for the first time in 2006, and have done so every year since. The Great Recession hit workers here hard, and Ohio job numbers did not regain 2007 levels until eight years into the recovery.<sup>1</sup>

Nationally, the wealthiest 1 percent of earners captured 91 percent of all economic growth in the first three years of the recovery, and their share continues to grow.<sup>2</sup> This is out of sync with decades of history in which growth meant better living standards for everyone. It's time to repair broken policies that shift wealth to the top and to make sure that every Ohioan who works a full-time job makes enough to get by. A living minimum wage is a core part of the fix.

## Who gains from a \$15 minimum wage?

- 1.8 million Ohio workers
- 41 percent of working women and 28 percent of working men
- Black and white workers, and the raise would narrow the pay gap
- More than 700,000 Ohio children have at least one parent who would get a raise
- 88 percent are adults and 85 percent have finished high school

Stagnant wages, a widening gulf between the wealthy and the rest of us, and an economy that leaves growing numbers of families in poverty have led workers and advocates to demand a higher minimum wage. In cities and states across the nation, they have won. New York, California and D.C. passed \$15 minimum wage laws last year. Illinois followed suit this year. Twenty-one states have passed minimum wage increases since 2014, and 31 cities now have their own minimum wage that exceeds the state level.<sup>3</sup> This spring, Sens. Bernie Sanders (I-Vt) and Patty Murray (D-Wash), and Reps. Bobby Scott (D-Va.) and Keith Ellison (D-Minn.) introduced the Raise the Wage Act of 2017, a bill that would raise the federal minimum wage in eight steps to \$15 per hour by 2024. With passage of that measure uncertain, Ohio should take the lead and pass a phased-in \$15 per hour minimum wage for the state. Advocates have considered putting a referendum on the ballot to raise Ohio's wage in 2018. Doing so would be good policy.

Policy Matters Ohio examined how gradually raising the minimum wage to \$15 an hour by 2025, would affect Ohio workers and families. The results are dramatic and powerful: a \$15 minimum wage would lift children out of poverty, reduce inequality, reduce dependency on safety nets under threat in state and federal budgets, and ensure all Ohioans who work for a living are able to get by. Raising the minimum wage to \$15 by 2025 would mean a raise for 1.8 million Ohio workers.

<sup>1</sup> Ohio recovered the number of prerecession jobs in October 2015, yet fell short of the growth needed to recover jobs as a share of the adult population. Halbert, JobWatch <http://www.policymattersohio.org/wp-content/uploads/2015/11/JobWatch-November-2015.pdf>

<sup>2</sup> Saez, "Striking it Richer," 2016 <https://eml.berkeley.edu/~saez/saez-UStopincomes-2015.pdf>

<sup>3</sup> From Economic Policy Institute's Minimum Wage Tracker [http://www.epi.org/minimum-wage-tracker/#/min\\_wage/](http://www.epi.org/minimum-wage-tracker/#/min_wage/), accessed April 28, 2017.

Ohio's minimum wage is just \$8.15 an hour today.<sup>4</sup> That's \$3,500 below the poverty level for a family of three, with full-time hours for the whole year.<sup>5</sup> Yet many low-wage workers do not have the benefit of stable, predictable hours, much less a full-time schedule. In Ohio, rules for unemployment compensation are so restrictive that a minimum wage earner working 30 hours a week would fall short of the income threshold to receive benefits if she loses her job.<sup>6</sup>

Not only is Ohio's minimum wage too low across the board, it leaves some workers behind. Tipped workers in Ohio earn a meager \$4.08 per hour this year, just half the state minimum, leaving many of these predominantly female workers in poverty. Ohio must eliminate the sub-minimum wage and implement one fair wage across the board.

Raising the minimum wage will have far reaching benefits across Ohio. Most low-income Ohioans work and those who do not are predominantly elderly or disabled. One in eight Ohio children had a family member working and still lived in poverty last year. The Working Poor Families Project found that nearly half of Ohio families living in poverty and 70 percent of those under 200 percent of the level (\$40,840 for a family of three) have at least one adult who is working.<sup>7</sup>

While the Ohio economy has grown more than 65 percent in a generation, workers in the bottom 30 percent lost about 40 cents per hour since 1979.<sup>8</sup> This is a stark break with the historic trend in which wages grew at about the same rate as the economy. It threatens our core value that hard work, and growing the economic "pie" is the path to success. For wages to fall so short of growth demonstrates a breakdown that can only be fixed with better policy. This breakdown has ripple effects that harm us all. As more families at the bottom are squeezed, and unable to cover basic needs, the consumer demand that drives our economy slows down.<sup>9</sup> A robust minimum wage is a crucial first step in restoring balance and boosting those at the bottom and across Ohio's economy.

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<sup>4</sup> Ohio's minimum wage rises with inflation so that workers don't lose buying power as prices rise over time. Due to low recent inflation rates, Ohio's wage rose just five cents since 2015.

<sup>5</sup> <https://aspe.hhs.gov/poverty-guidelines>

<sup>6</sup> [http://jfs.ohio.gov/unemp\\_comp\\_faq/faq\\_elig\\_definitions2.stm#average\\_weekly\\_wage](http://jfs.ohio.gov/unemp_comp_faq/faq_elig_definitions2.stm#average_weekly_wage)

<sup>7</sup> Working Poor Families Project using ACS 2015 and CPS 2016

<sup>8</sup> <http://www.policymattersohio.org/state-of-working-ohio-2016>

<sup>9</sup> Underinvestment in public services and infrastructure has also contributed in Ohio to a job growth rate of just half the nation in the first half of 2017.

# Low wages sell workers short

## A higher minimum wage can help

Policy Matters assessed the impact a phased-in \$15 minimum wage could have on Ohio workers. By 2025, the wage would boost earnings for 34.3 percent of Ohio workers, an estimated 1.8 million people. Due to inflation, a \$15 minimum wage in 2025 would be worth about \$12.46 in 2017 terms. Employers typically increase the wages of people already earning slightly more than the minimum wage, to preserve internal pay scales. That means that those earning within \$1 of the new wage are likely to receive a “spillover” raise. The median directly impacted worker now earns \$9.75 an hour, and would gain about \$2.72 in today’s dollars. That’s a raise of about 27 percent, worth more than \$5,600 a year for a full-time employee.

The Economic Policy Institute (EPI) found that the similar federal Raise the Wage Act would generate more than \$6 billion in new wages per year in Ohio.<sup>10</sup> A new report by Elise Gould of EPI found, unsurprisingly, that wages for the bottom 10 percent of workers grew twice as fast last year in states that passed minimum wage increases as those that did not: with increases of 5.2 percent and 2.5 percent, respectively.<sup>11</sup> A higher minimum wage rewards work and establishes a foundation that lifts both directly impacted workers and those just a little better off.

## Ohio workers do their share

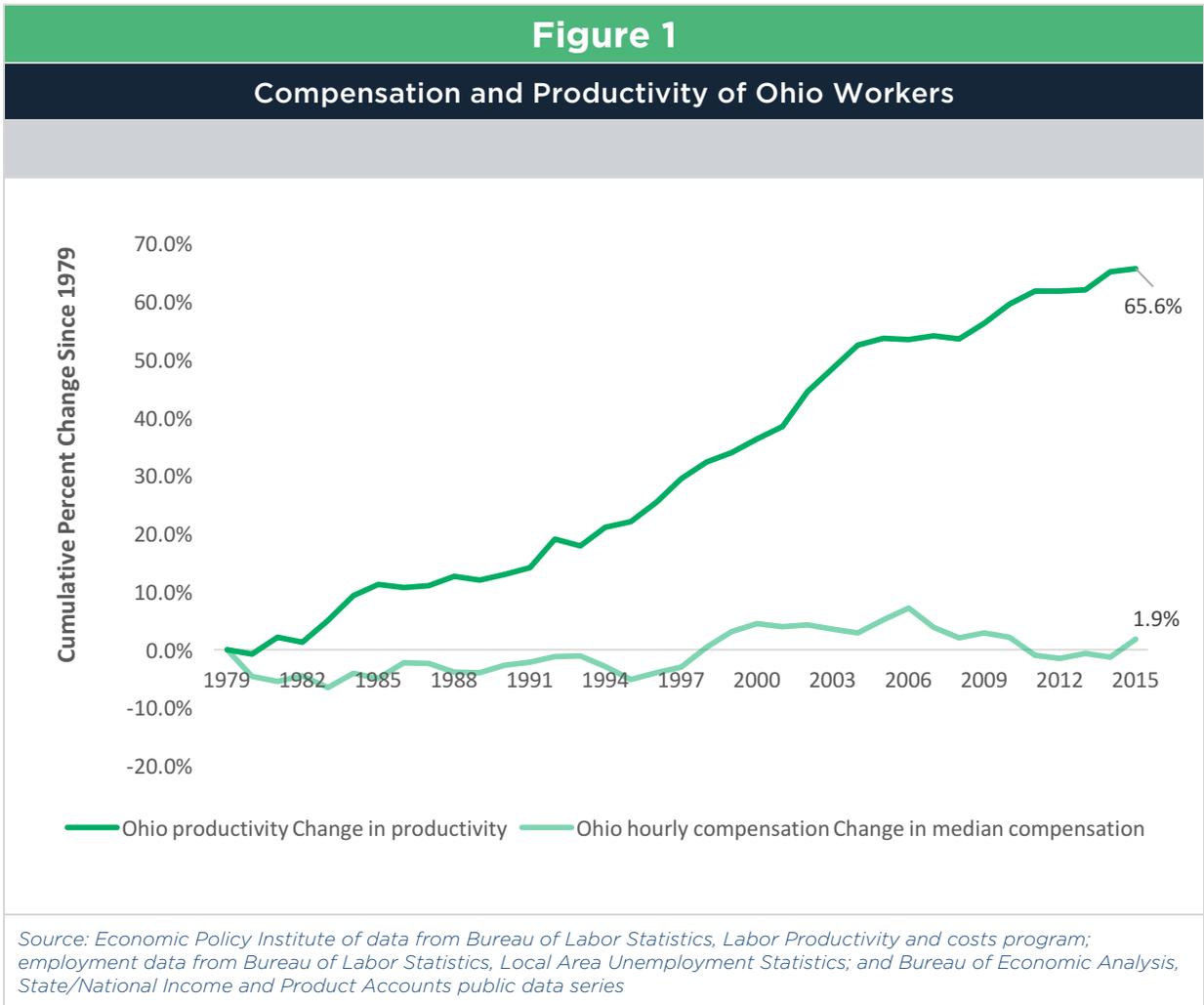
Ohio workers are more productive, and more educated, than ever before. Yet because of poor policy decisions over the last few decades, the overwhelming share of new wealth created by workers of all levels has been captured by the top. The value of the minimum wage in the U.S. and Ohio peaked in 1968. That year, it was worth \$11.39 in 2017 dollars. If the minimum wage in Ohio had grown in tandem with the state economy, it would be worth more than \$20.39 today (that figure uses 2017 dollars but only accounts for economic growth through 2016). Increasing the minimum wage to \$15 per hour will help workers recover some lost ground. Passing a robust minimum wage that reflects the cost of living and would help workers make up some of the ground they lost over the years.

Figure 1 shows the divergence of economic growth from wage growth since 1979. The state economy grew by two-thirds, making Ohio workers today more productive than ever. Yet wages for the median worker in this time rose just 1.9 percent. For those at the bottom, pay actually fell.

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<sup>10</sup> Cooper, Economic Policy Institute, “Raising the wage to \$15 by 2024 would lift wages for 41 million workers,” April 2017, Appendix Table 4 <http://www.epi.org/publication/15-by-2024-would-lift-wages-for-41-million/>

<sup>11</sup> <http://www.epi.org/publication/the-state-of-american-wages-2016-lower-unemployment-finally-helps-working-people-make-up-some-lost-ground-on-wages/>



### Low pay across sectors

Part of the reason wages for Ohio’s lowest paid workers fell was job losses in higher paying industries. But as Table 1 shows, jobs in many parts of the economy pay low wages. Workers in the bottom 10 percent of 17 out of 20 large Ohio industry classes would benefit from a minimum wage increase. For 10 industries, that’s true for the bottom quarter of workers. In two sectors: agriculture and food services, even the worker at the middle – the median worker – earns so little that she or he would directly benefit. Agricultural workers – now exempt – should be included by the minimum wage.

Table 1					
Wages for Ohio industries					
Industry	NAICS code	10th percentile	25th percentile	Median wage	Estimated workers
Agriculture, Forestry, Fishing and Hunting	11	<b>\$9.65</b>	<b>\$10.17</b>	<b>\$11.32</b>	456
Mining	21	\$25.11	\$26.20	\$34.57	232
Utilities	22	\$18.51	\$20.73	\$27.45	2,883
Construction	23	<b>\$11.30</b>	\$13.68	\$17.99	9,865
Manufacturing	31-33	<b>\$10.07</b>	\$12.70	\$17.34	38,361
Wholesale Trade	42	<b>\$9.86</b>	<b>\$12.20</b>	\$16.21	6,661
Retail Trade	44-45	<b>\$9.03</b>	<b>\$10.17</b>	\$13.72	26,104
Transportation and Warehousing	48-49	<b>\$10.16</b>	\$12.70	\$16.27	11,178
Information	51	<b>\$11.41</b>	\$13.11	\$18.88	5,601
Finance and Insurance	52	<b>\$12.41</b>	\$15.74	\$21.51	10,440
Real Estate Rental and Leasing	53	<b>\$9.66</b>	<b>\$11.41</b>	\$14.73	3,995
Professional, Scientific, and Technical Services	54	<b>\$11.75</b>	\$15.26	\$22.73	9,631
Management of Companies and Enterprises	55	<b>\$9.81</b>	<b>\$10.26</b>	\$32.50	159
Administrative and Support and Waste Management and Remediation Services	56	<b>\$9.12</b>	<b>\$10.97</b>	\$14.44	15,083
Educational Services	61	<b>\$10.12</b>	\$13.56	\$18.19	18,386
Health Care and Social Assistance	62	<b>\$10.05</b>	<b>\$12.23</b>	\$16.35	51,391
Arts, Entertainment, and Recreation	71	<b>\$11.01</b>	<b>\$12.20</b>	\$16.59	6,212
Accommodation and Food Services	72	<b>\$8.64</b>	<b>\$10.16</b>	<b>\$12.20</b>	24,230
Other Services (except Public Administration)	81	<b>\$9.18</b>	<b>\$11.69</b>	\$14.95	9,092
Public Administration	92	\$13.11	\$17.83	\$22.59	13,913
Total		<b>\$9.60</b>	\$12.02	\$16.58	263,874

### Most common jobs pay too little

Of Ohio's 10 largest job categories, just one – registered nurse – pays more than double the poverty level for a family of three. Twice the poverty level is what's needed to avoid requiring safety net programs to meet basic needs. Three jobs – food prep, restaurant servers and cashiers

- pay below the poverty level - a measure that marks extreme hardship.<sup>12</sup> Workers in seven of the 10 most common Ohio jobs would get a raise from a gradually phased in \$15 hourly minimum wage.<sup>13</sup> Restaurants are required to pay wait staff just half of the state minimum wage, \$4.08 per hour today - these workers are left out because they are supposed to get tips. The median annual income in Table 2 below includes estimated tips and still falls short of the poverty line. States and communities across the nation have begun eliminating these sub-minimum wages, and Ohio should too.

Table 2			
Working poor: too many jobs pay too little.			
Occupation	Employment	Median annual income	As share of 3-person poverty level
Combined Food Preparation and Serving Workers, Including Fast Food	163,790	\$18,920	94%
Retail Salespersons	157,460	\$21,590	107%
Registered Nurses	128,030	\$62,310	309%
Cashiers	117,390	\$19,360	96%
Laborers and Freight, Stock, and Material Movers, Hand	111,230	\$25,500	127%
Waiters and Waitresses	98,150	\$19,040	94%
Office Clerks, General	92,350	\$29,230	145%
Customer Service Representatives	88,310	\$31,070	154%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	85,470	\$23,340	116%
Stock Clerks and Order Fillers	84,580	\$23,610	117%

Source: Bureau of Labor Statistics, Occupational Employment Statistics, <https://www.bls.gov/oes/tables.htm>. Calculation of income as share of poverty by Halbert, Policy Matters Ohio. Poverty rate from HHS poverty level for family of three: \$20,160.

### Wages on the rise at last

Wages finally climbed somewhat last year after many years without meaningful increases. From 2015 to 2016, Ohio workers saw a 3.3 percent wage gain at the median, the largest since the early 2000s recession. The challenge is that workers face a generation of lost ground to recover, and must do so in the midst of already slower job growth.<sup>14 15</sup> The \$15 proposed minimum wage will help workers recover lost ground.

<sup>12</sup> A federal guideline based heavily on the work of Social Security Administration economist Molly Orshansky was adopted during the Johnson Administration’s War on Poverty and in use as early as 1964. It became an official figure in 1969. Since very poor families then spent a third of their income on food, she took the government’s “thrifty food plan” (designed for short-term emergency use), and multiplied it by three. Since then, food costs have gone down while other costs - housing, childcare, and medical care among them - have risen, making the standard much too low today. Many budget calculators have since been developed that better reflect the true cost of living. These include calculators by MIT and Columbia University’s National Center for Children in Poverty. <https://www.ssa.gov/history/fisheronpoverty.html>

<sup>13</sup> Using CBO inflation projections and including workers earning up to \$1 per hour above the new minimum wage, workers with an annual income up to \$27,641 would get a raise. Based on 2080 work hours.

<sup>14</sup> <http://www.policymattersohio.org/jobwatch-jan17>

<sup>15</sup> <http://www.policymattersohio.org/fedrates-june2016>

# Who benefits?

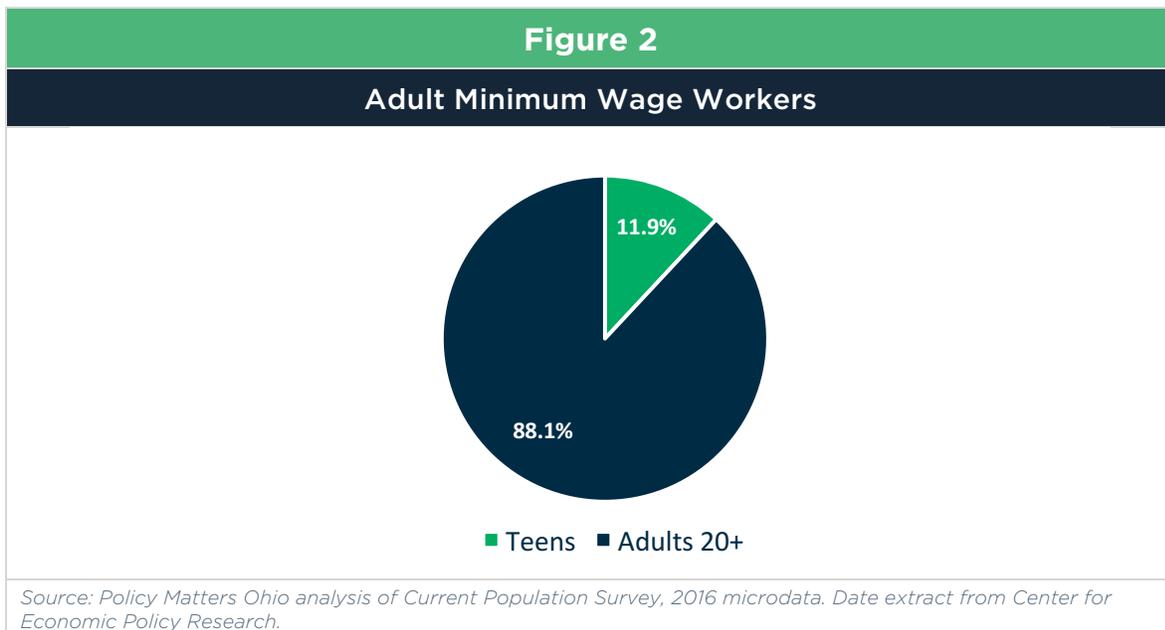
Workers and families who would benefit from a minimum wage increase represent a broad cross-section of Ohio. They include parents and families; workers in cities and small towns; men and women; white workers and people of color. Overwhelmingly, they are adults who have already finished high school. They are more likely to belong to disadvantaged groups, making the minimum wage a tool to improve equity for low wage workers who often get forgotten. When we think about equity, that needs to mean more than diversity at the top: it must mean that our economy values and rewards the work of everyone. This section describes the Ohioans who would benefit from a \$15 minimum wage implemented by 2025.

## Parents and children

Parents with children would benefit in large numbers from a \$15 minimum wage. About one in four working parents is low wage. More than one in five Ohio children lives in poverty.<sup>16</sup> Forty-five percent of beneficiaries are the primary or sole breadwinner in their home. Single parents are far more likely than the typical worker to face low wages: 47.8 percent are low wage, including 55.2 percent of single moms.<sup>17</sup> Raising the minimum wage to \$15 per hour would give raises to a parent of more than 700,000 Ohio children.

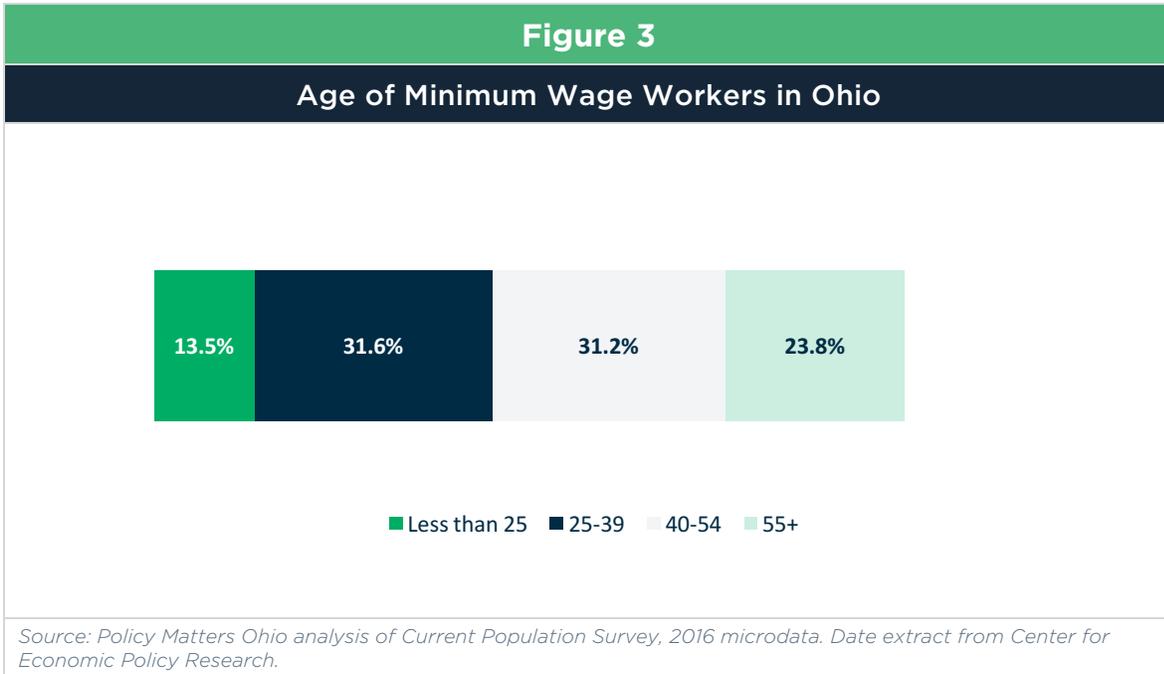
## Adult workers

The vast majority of earners who stand to gain from a \$15 minimum wage are adults. Nearly half (45 percent) are the primary or sole breadwinner in their home, and many are raising children. In Ohio, 88 percent of workers who would get a raise are age 20 or older. Prime age workers aged 25 to 39 and 40 to 54 each make up nearly a third of the low wage workforce. Older workers 55-plus who are nearing retirement comprise more than a fifth of low-wage workers.



<sup>16</sup> 22.8 percent of children under age eighteen lived in poverty in 2015. ACS 1 year estimate, [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_15\\_5YR\\_S1701&prodType=table](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_5YR_S1701&prodType=table).

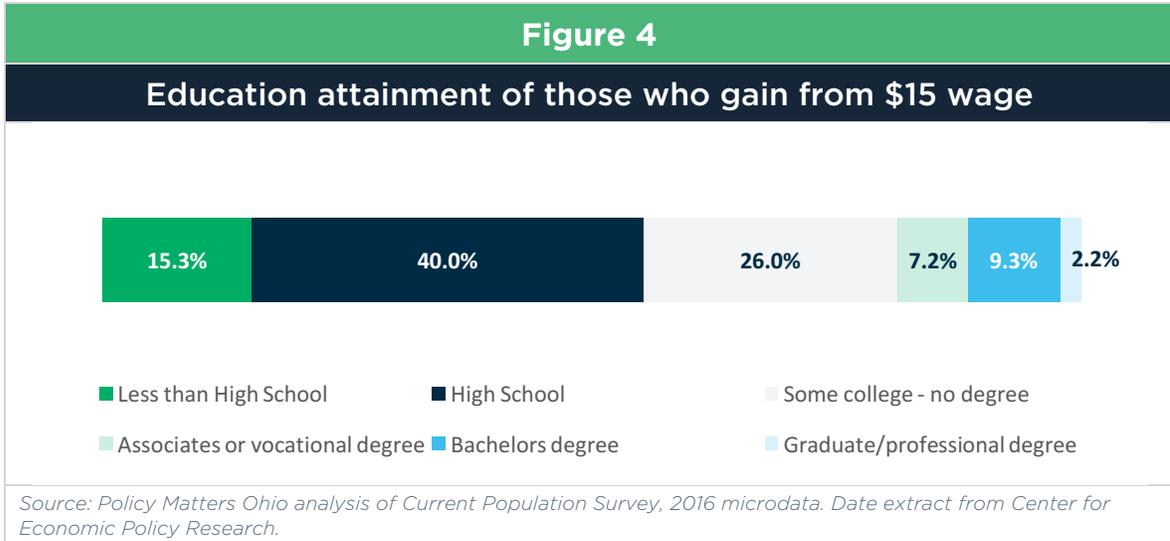
<sup>17</sup> Due to sample size limitations, we are unable to report the share of single fathers affected by low wages.



While the overwhelming majority of low wage workers are adults, young people deserve to earn a decent wage as well. Millennials are graduating with record levels of college debt, and wages for new grads are reaching historic lows just as a college degree is increasingly seen as the only pathway to financial viability. Growing tuition costs paired with low earnings mean that many young people from families of modest means can't even go to college. The transition to adulthood places financial strain on young people and their families in our low-wage economy. While nine out of 10 of those helped are adults, teen workers are important too. They are contributing to their families, saving for college or their first apartment, buying the cars they need to get there, or simply spending money – which is what drives our economy.

### High school graduates

Ohio workers are more educated than ever before, yet education is becoming less of a safeguard against low wages. Of those who would gain from a \$15 minimum wage, 85 percent have already graduated high school. Among adults aged 20-plus, that share is 91 percent. A notable 45 percent have pursued education beyond high school, including 19 percent who hold a post-secondary degree, and 26 percent who have been to college but not yet finished. A substantial share of these may be college students working their way through school.



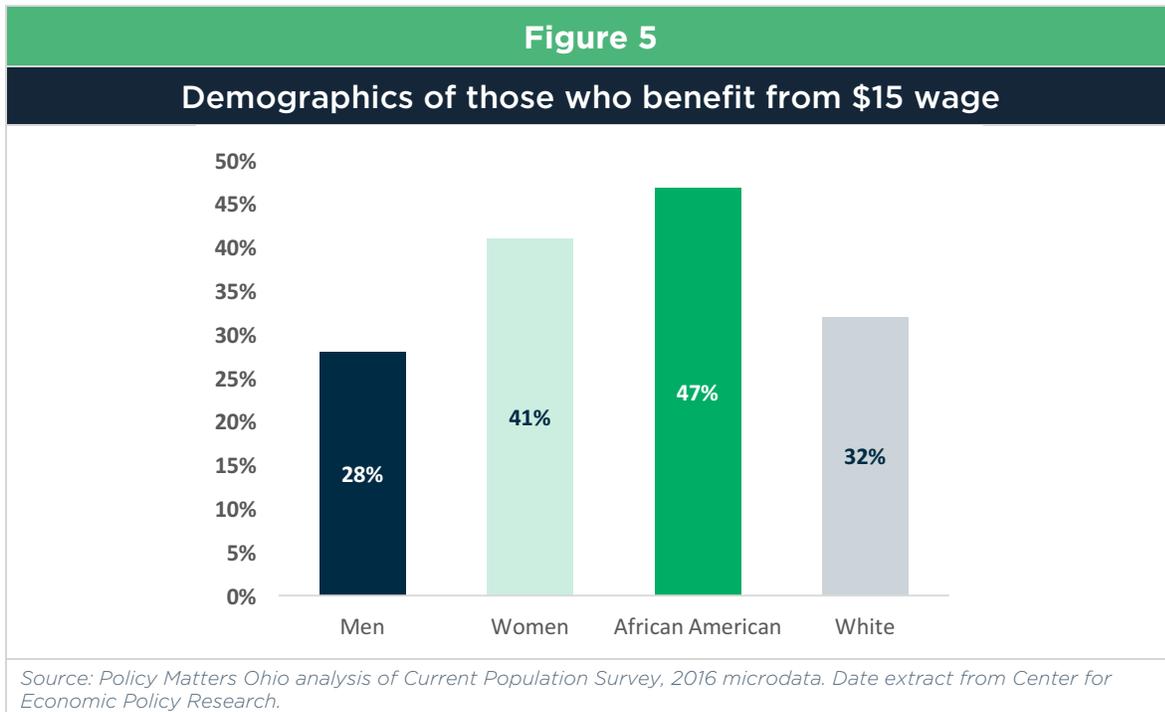
American and Ohio workers have been told for decades that education is the key to economic stability, but confidence is waning that making the investment is enough. A recent study by the Federal Reserve found that just 59 percent of youth respondents who had a bachelor’s degree were confident that they had the education they needed for the job they hoped to have in five years.<sup>18</sup> New grads face historically low pay. Meanwhile, 54 percent of the jobs projected to be created in the next seven years require a high school diploma or less.<sup>19</sup> These facts underscore the need to face structural breakdowns in our labor market that fail to fully reward workers for the wealth they create in the economy. We must face the reality that not all jobs require a degree, and pass policy to ensure that every job provides dignity and decent earnings. A higher minimum wage is the foundation.

### Men, and more women

Boosting the wage improves pay equity. Across Ohio, women still earned just 81 cents for every dollar men earned in 2015. More than 1 million Ohio women would get a raise from a \$15 minimum wage: about 41 percent of working women. Plenty of working men stand to gain too: 27.9 percent of male workers, about 760,000 men. Pay equity for women is critical, and it’s not a battle of the sexes. Men share not only a moral stake in pay equity, but an economic one. Men and women live together in most households; the ability of each earner to secure a fair and adequate wage is vital for the whole family.

<sup>18</sup> <https://www.federalreserve.gov/econresdata/2015-experiences-and-perspectives-of-young-workers-201612.pdf>

<sup>19</sup> Bureau of Labor Statistics Employment Projections through 2024, <https://data.bls.gov/projections/occupationProj>. Sorted and summed by Policy Matters Ohio.



In Ohio, the public sector offers more equitable pay. Those represented by a union contract are among the best protected, particularly for workers with less formal education. These facts underscore the need for public policies to play an active role in shaping our labor markets to deliver fair rewards to work – for everyone. Preserving a robust public sector and promoting union membership by protecting the rights of workers to bargain collectively are core solutions. And with so many women near the bottom of the pay scale, boosting the minimum wage is a big step toward fairness.

### Black workers more likely to face low wages

While the majority of low-wage Ohio workers are white, African American workers are far more likely to face low wages. Black workers comprise 11 percent of all Ohio workers, but 16 percent of workers who are low-wage. White workers, by contrast, make up 82 percent of the state’s workforce and 76 percent of low-wage earners. A staggering 47 percent of black workers would get a raise under the proposal, as would 32 percent of white workers.

Earnings for black workers have fallen 10 percent since 1979.<sup>20</sup> The race earnings gap has doubled from \$1.65 to \$3.30, in inflation-adjusted 2016 dollars. The bottom 47 percent of black workers would see a raise under the proposal, compressing the wage gap at the bottom and near the middle of the income ladder.

<sup>20</sup> EPI analysis of data from Bureau of Labor Statistics, Current Population Survey, latest available: Median wages 1979-2016. 2016 dollars.

Figure 6

Gap in median earnings by race in Ohio



Source: EPI analysis of data from Bureau of Labor Statistics, Current Population Survey, latest available: Median wages 1979-2016. 2016 dollars.

### Rural communities

Rural workers experience low wages at a rate of 34.7 percent, about the same as the state as a whole.<sup>21</sup> Fewer employers in their communities may limit opportunities for rural workers to bargain for higher wages, making the passage of a living minimum wage a vital tool to enabling these workers to earn enough to cover the basics.

### ...And cities

While our data don't enable us to spotlight cities and suburbs, there is no doubt a higher minimum wage would lift up workers in both. A forthcoming report by Policy Matters found that 71,000 Clevelanders would benefit from a \$15 statewide minimum wage effective in 2025.

<sup>21</sup> We found a rate of 34.3 percent for the state; we cannot find a statistical difference between the overall and rural worker rates.

## The sub-minimum wage

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Not only is Ohio's minimum wage too low for workers to cover the basics, it leaves large groups of workers out. Tipped workers in Ohio are not protected by the minimum wage, but instead are guaranteed a sub-minimum wage worth only half the state benchmark. The law assumes that tipped workers will earn the difference in tips, and stipulates that if they fall short, employers must make up the difference. But in reality, tipped workers have among the lowest wages and highest rates of poverty in the state, and when they earn less than the minimum wage, it falls to them to demand that their employers cover the shortfall. The law is confusing and difficult to enforce. In practice, employers routinely break it and seldom face recourse.

Working for tips is a deeply gendered experience. Nationwide, women account for 72 percent of tipped workers, mostly as waitresses, bartenders and hair stylists.<sup>22</sup> They experience more than double the rate of poverty compared to most workers. In Ohio, the typical server earns just 94 percent of the poverty level for a family of three. A White House report commissioned in 2014 found that nationwide, eliminating the tipped sub-minimum wage would close nearly 5 percent of the gender wage gap.<sup>23 24</sup>

The restaurant industry where most tipped workers work is also responsible for more than five times its share of sexual harassment filings. It employs 7 percent of all women workers, and accounts for 37 percent of sexual harassment claims.<sup>25</sup> The restaurant industry is a point of entry to the workforce for many young women, meaning that it sets their expectations for workplace treatment. Young women who experienced routine harassment as tipped workers are more likely to tolerate maltreatment throughout their careers, because harassment is comparatively moderate in every other job most women are likely to hold.

Eliminating the tipped sub-minimum wage would lift workers out of poverty, reduce the gender pay gap, and likely dramatically improve working conditions for women, especially young women in their first job.

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<sup>22</sup> <https://obamawhitehouse.archives.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>

<sup>23</sup> <https://obamawhitehouse.archives.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>

<sup>24</sup> That figure could be different in Ohio. Ohio's tipped worker wage floor of \$4.08 exceeds the federal version of \$2.13, but the national figure accounts for states that have one fair minimum wage for all workers. The figure also depends on the share of workers in tipped occupations.

<sup>25</sup> <http://rocunited.org/2014/03/roc-united-response-to-white-house-report-on-women-tipped-minimum-wage/>

## Conclusion and recommendations

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Ohio workers have been left behind. With their help, Ohio's economy has grown more than 65 percent in a generation, while wages for most workers languished and those of the lowest-paid workers actually fell. Our low-wage policy is a choice - one that we can and must change so that all workers can benefit from the wealth our state creates.

### Policy recommendations:

- Raise the minimum wage to \$15 per hour by 2025. Set the minimum wage at \$12 per hour in 2019, then increase in six equal \$.50 steps to \$15.
- Eliminate the sub-minimum wage for tipped workers.
- Retain the index to inflation so the wage will not lose value over time.

Raising the Ohio minimum wage to \$15 an hour by 2025 will reduce poverty, increase equity, and improve our economy. It will bring living standards up to the twenty-first century for 1.8 million Ohioans who work for a living. No one who works a full-time job should raise her family in poverty. It's time to pass a \$15 living minimum wage for Ohio.

# Acknowledgements

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