



Fairer pay will boost Ohio

A case for a \$15 minimum wage

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Executive summary

All people deserve a quality life with the peace of mind that they can meet their basic needs. But today, too many working Ohioans aren't paid enough to make ends meet. This is in part because the state's minimum wage is too low. It falls short of both the cost of living and the value of work low-paid Ohioans are doing. This is not new: Wages for Ohioans at the bottom end of the pay scale have been held down for decades. The minimum wage fell overall from its high point in 1968 until 2006. That year, Ohio voters stepped in to partially restore the wage and wisely link it to inflation so its value would hold steady over time. Yet by that time, the minimum wage, once worth over \$12 per hour in today's dollars, had lost much of its value.¹ On the eve of the pandemic, Ohio's minimum wage remained 28% lower than its historic peak. Meanwhile, Ohio's economy grew 88% by 2019. That means Ohio workers were producing nearly twice as much value, but taking home less than their grandparents would in the same jobs. Not only did low wage workers share none of that growth, they lost ground while their work helped make the state, and their employers, wealthier.

Many of Ohio's lowest-paid workers have been on the frontlines in a pandemic, in critical infrastructure jobs we all rely on to stay safe and healthy. They stock the grocery shelves, bring prescriptions to our door, nurse us back to health if we become sick, and care for our children so we can get back to work. Essential workers have always been essential, but COVID-19 has shown us just how much we all depend on their work. Because they are essential, these jobs are also some of the most common jobs in the state, employing hundreds of thousands of Ohioans. Yet many pay so little they leave a family of three unable to cover the cost of food without SNAP benefits.

In 2021, a family of three needs at least \$21,960 just to afford the basics. That is the amount of money this family must earn to be above the poverty guideline used to determine eligibility for many public support programs. A full-time worker who is paid the minimum wage falls \$3,656 short of that level in 2021.² The reality of having too little to cover the basics includes foregone medical treatments, children who don't have enough to eat, and insecure housing that can end in an eviction that uproots the family and leaves them with nowhere to turn.³

Many states and cities have taken steps to right the imbalanced power dynamic that lets corporations and the wealthiest claim more than their share, while others struggle to survive despite working. Nine states and D.C. have passed a \$15 minimum wage; they are home to more than 39% of Americans.⁴ There are 45 localities that have adopted minimum wages above their state rate, including some above \$15. Recognizing the value of low-paid workers, some companies have even taken it on themselves to implement company-wide minimum wages of \$15 or more.

Current state and federal proposals would raise Ohio's minimum wage to \$15 per hour over a phase-in period ranging from 2025 to 2027. Policy Matters models a 2026 phase-in, consistent with the latest state measure passed, in Florida. A \$15 minimum wage phased



in over six steps by 2026 would benefit 1.6 million Ohio workers. It would improve equity and drive economic growth by generating around \$4.9 billion in new wages each year for directly impacted workers. Today Ohio law allows employers to pay tipped workers just half the minimum wage, so long as their tips make up the difference. Eliminating this subminimum wage in favor of equal treatment would generate another \$1.2 billion.

Directing those dollars to those who need to spend them would make the state more prosperous. Too many working Ohioans have been waiting too long to be paid fairly for the work they do. These include frontline essential workers in some of the state's most critical jobs; women who are still paid just 86 cents for each dollar a man gets; workers of color who face persistent barriers to quality jobs and fair pay; and parents scrambling to cover the basics and too often coming up short despite working.

Key findings

- Raising Ohio's minimum wage to \$15-per-hour by 2026 will benefit 1.56 million working Ohioans (29% of the Ohio workforce).
- People who stand to benefit most include many working in frontline industries, including retail (20.3% of all affected workers), restaurants (19%) and healthcare (16.3%).
- Raising the minimum wage will generate \$4.9 billion in new annual earnings.
- Eliminating the lower tipped minimum wage will generate another \$1.2 billion in annual wages.
- The average affected worker will take home an additional \$3,898 each year with both policies (\$3,125 from the raise and \$773 from tip credit elimination).
- Three in five of the people whose pay will go up are women. Raising the wage will reduce pay inequality by gender.
- The raise will help overcome racial inequality in pay: While 70.5% of those who benefit are white, a larger share of Black (44.2%) and Hispanic (45.3%) workers are paid low wages compared with white workers (25.7%).
- Most affected workers are adults aged 20+ (83.0%) who finished high school (84.4%).

1 \$1.60 in 1968 is worth the same as \$12.27 as of January 2021, Bureau of Labor Statistics CPI Inflation Calculator, https://www.bls.gov/data/inflation_calculator.htm, accessed March 5, 2021

2 U.S. Department of Health and Human Services, January 15, 2021, <https://aspe.hhs.gov/poverty-guidelines>.

3 Michael Shields, "Pandemic and recession setting back progress since Great Recession," Policy Matters Ohio, September 15, 2020, <https://www.policymattersohio.org/blog/2020/09/15/new-census-data-show-improvements-in-historic-expansion>, Arloc Sherman, "4 in 10 Children Live in a Household Struggling to Afford Basics," Center on Budget and Policy Priorities, October 21, 2020 available at <https://www.cbpp.org/blog/4-in-10-children-live-in-a-household-struggling-to-afford-basics>, Alieza Durana and Anne Kat Alexander, "The eviction crisis has begun. It will get so much worse." Washington Post, September 23, 2020, <https://www.washingtonpost.com/outlook/2020/09/23/evictions-cdc-moratoriums-housing-homelessness>

4 Economic Policy Institute, Minimum Wage Simulator, https://www.epi.org/minimum-wage-tracker/#/tip_wage/Florida accessed March 29, 2021