

Minimum wage hike would boost economy, help families

By Michael Shields

Increasing the federal minimum wage would reduce inequality, keep workers out of poverty, and boost our economy.

For more than 30 years in Ohio, there has been a growing disconnect between worker productivity and pay. While the state economy grew by more than two-thirds between 1979 and 2013, the typical Ohio worker's wages actually dropped slightly when adjusted for inflation. Raising the federal minimum wage to \$12 by July 2020¹ would help restore the balance, benefit 1.5 million Ohio workers, and help our economy.²

Workers are more productive than ever before. They are also more educated than ever. Yet wages in Ohio have not kept pace. Ohio's 2015 minimum wage is \$8.10 an hour. The Raise the Wage Act, proposed by U.S. Senator Patty Murray of Washington and

Representative Robert C. Scott of Virginia, would set the federal wage floor at \$8 an hour next year, then raise it a dollar a year until 2020. Because of our state minimum wage, Ohio workers wouldn't feel the effect next year, but by the full phase-in, Ohio's workforce and economy would get a big boost. Starting in 2021, the minimum wage would be indexed to the median wage.

Boost the economy

When workers have more money in their pockets, they have more to spend, helping local business and creating more jobs. Our research on a previous, similar proposal found that boosting the minimum wage to \$10.10 by 2015 would create 5,800 new Ohio jobs and circulate \$2.1 billion in the Ohio economy. While the exact numbers will differ, a \$12 minimum by 2020 would have similar results: more money in the Ohio economy, more spending in Ohio businesses, and more jobs.

Disconnect

¹ The equivalent of \$10.78 today, according to Economic Policy Institute assessment of Congressional Budget Office inflation projection.

² Policy Matters Ohio report of analysis by Economic Policy Institute: <http://s3.epi.org/files/2015/State-Factsheets-Minimum-Wage.pdf>. Figures from that study unless otherwise specified.

How would raising the minimum wage to \$12 by 2020 affect Ohio?

1.5 million Ohio workers would get a raise

633,000 Ohio children would have a parent benefit

1 in 3 Ohio women and 1 in 5 Ohio men would gain

White and black workers would both be helped

Ohio's economy would get a boost

Worker productivity has grown steadily for decades. But the wealth Ohio workers have created has gone disproportionately to the wealthiest, threatening future growth by deeply cutting the budgets of the families who drive our consumer economy. Since 1979, Ohio's economy has grown 66.9 percent, while median wages tumbled 1.1 percent.³ Wealth disparity has swung so out of balance that Federal Reserve Chair Janet Yellen said last fall that it is threatening the American way of life.⁴

Preserving the middle class

Three decades of flat wages in Ohio have made the minimum wage a middle-class issue. With nearly 1.5 million Ohio workers getting a raise, the Raise the Wage Act would benefit 28.6 percent of Ohio workers. About 650,000 affected families earn between \$20,000 and \$60,000 a year. The minimum wage boost could help lift these families into the shrinking middle class.

Benefits across the board

Workers of all demographics would benefit from the federal minimum wage reaching \$12 by 2020.

- **Women:** Three of five affected workers are women and the boost would help a third of all women workers in Ohio
- **Men:** A fair minimum wage is good for men too: one in five male workers would get a raise.
- **Families & children:** On average, parents who would get a raise earn 63.2 percent of their families' incomes. More than a fifth of all Ohio children have at least one parent who would earn more.
- **Young adults:** 86.2 percent of affected workers are adults aged 20 or older.
- **All education levels:** Most, 83.9 percent, have already graduated high school, and 17.9 percent hold an associate's or bachelor's degree.
- **White workers:** Three quarters of all workers who would get a raise are white,
- **Black workers:** 44.2 percent of black workers earn less than the 2020 value of a \$12 wage and black workers are more likely to be in these low-wage jobs than other employees.

All of these workers and their families would take home more pay, reducing the need for public assistance. A higher minimum wage would boost the state's economy through new consumer spending.

Conclusion and policy recommendation

Congress or Ohio should take steps to implement a fair minimum wage. The proposed boost would help restore balance after decades of unequal growth. A \$12 an hour minimum wage by July 2020 would benefit 1.5 million Ohio workers and 633,000 Ohio children. A higher minimum wage would improve lives, circulate money in our economy, create jobs and reduce poverty.

³ <http://www.policymattersohio.org/sowo-2014>

⁴ <http://www.wsj.com/articles/feds-yellen-says-extreme-inequality-could-be-un-american-1413549684>