

To: Ari Perlmutter
From: Eric Rorholm
Date: January 30th, 2019
Subject: The Economic Case for a \$15 Minimum Wage Memo

The Economic Case for a \$15 Minimum Wage – Economic Policy Institute (*Education & Labor Committee*)

OPENING REMARKS:

Jeff Madrick

Senior Fellow and Director of the Bernard L. Schwartz Rediscovering Government Initiative, Century Foundation

Rep. Bobby Scott (D-VA)

Chair of the Committee on Education & the Workforce

Mark Zuckerman

President, Century Foundation

PANELISTS:

Andrew Stettner, *Moderator*

Senior Fellow, The Century Foundation

Judy Conti

Government Affairs Director, National Employment Law Project

Mike Draper

Owner, RAYGUN, LLC

Erica Smiley

Co-Executive Director, Jobs with Justice

Ben Zipperer

Economist, Economic Policy Institute

Bettie Douglas

Worker, Fight for 15

INTRODUCTION:

According to Jeff Madrick, the federal minimum wage has not grown since the 1970s due to the growth of “neoliberal” economic thinking, restrictive Federal Reserve policy, and the growing power of corporations, which led the United States into what he called “pre-Depression economic thinking.” Adjusted for inflation, the peak minimum wage was in 1968. Since 1973, wages have only risen 10%, and wages have fallen for the lowest 10%.

PANEL:

The Raise The Wage Act would raise the federal minimum wage incrementally up to \$15 in 2024 (the equivalent of \$12.98 with current inflation) while gradually eliminating the sub-minimum wage stipulation for “tipped” work. It also guarantees annual wage increases indexed to the median wage. According to Ben Zipperer, this would increase the wages of 40 million workers: 28 million would directly receive a raise of \$4000 per year (a gain of 20%), while 12 million workers are indirectly projected to see wage increases as well. The Bill currently has 193 Co-Sponsors.

The average age of benefit is 36 years old. Fewer than 10% of minimum wage workers are teenagers, more than half are women, and almost two-thirds work full time. 28% have children. A \$15 wage would disproportionately benefit women and people of color, with over a third of female, Hispanic, and black workers receiving an increase. A fifth of educators and a fourth of health care workers would see an increase.

As one of the most well-studied topics in economics, Zipperer denies the “High Wage, High Inflation” myth, stating that a minimum wage boost would have almost no effect on employment as pressure on businesses to expend more resources on wages is counteracted by easier employee recruitment and retention of higher-wage work. In addition, argues Zipperer, the U.S.’s economic potential could handle increases of up to 100%.

Mike Draper of RAYGUN, LCC, attributes his success at recruiting and retaining employees to paying higher-than-minimum wages. Draper claims “stagnating wages are the enemy of sales,” adding that all business is inseparable from other businesses and the community, and that additional spending power and each successive sale because of it creates a positive feedback loop. Conversely, low wages and low purchasing power creates a negative feedback loop of fewer sales, less production, and ultimately less employment. He concluded that to raise the wages of 51 of his employees to \$15 from \$10.10, each customer would have to spend only an additional 28 cents.

Bettie Douglas is over sixty years old, has three adult children, and has worked at McDonalds for decades without receiving a single pay raise, earning \$7.25. Though protests led her city of St. Louis to raise the wage to \$10.10, the state legislature promptly reversed it back to \$7.25. A higher wage, she argued, would allow her and other minimum-wage workers to purchase more, build credit, alleviate pressure on SNAP and other public assistance programs, pay bills on time, and sustain a predictable financial life.

Judy Conti expressed a need for a federal minimum wage as a necessary economic floor for a strong national economy, dispelling the “different regional costs of living myth” by explaining median wages are similar nationally. In response to the idea that states and localities should manage their own wages, Conti added that 21 states have failed to raise their own minimum wages for 40 years: of those, most have pre-emption laws forbidding localities from raising the minimum wage and all are Right To Work states. Women and People of Color are most likely to earn only the minimum wage, and many see wage inequality as the modern incarnation of Jim Crow laws and institutionalized racism, citing severe wage inequality as a violation of the Civil Rights Act.

CONCLUSION:

Polling indicates a majority of Americans support higher minimum wages, often by a wide margin: over 56% of voters want a \$15 wage, 75% of restaurant owners support higher wages, and 65% of young voters said wages are the most salient issue for them.

The risk upon small businesses is marginal, and massive corporations have no meaningful statistical advantage over small business in terms of how much they can pay employees (Draper estimated Amazon’s profit margin around 1.6%, while standard retail is 5%). Job growth has exponentially grown in high-wage states.

Finally, after failing to raise the federal minimum wage for over forty years, raising the wage is not only an economic but moral imperative for Americans. Low-wage work is seldom low-skill or low-effort, and raising the minimum wage would overwhelmingly benefit families and generate business and economic development. While not an all-encompassing solution to economic inequality, an \$15 minimum wage would alleviate pressure on SNAP and federal assistance program and allow all workers to provide for themselves, their families, and stabilize their lives—which, argued Smiley, is critical for a healthy democracy.