



## Work and Wages

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# **\$15 minimum wage would improve incomes, increase equity**

Michael Shields

# Executive Summary

Ohio’s minimum wage is too low to cover the basics. A full-time worker with a family of three earning the minimum wage falls \$3,000 short of the poverty level. A \$15 minimum wage phased in over four steps by 2023 would benefit 2 million Ohio workers. It would improve equity and drive economic growth by generating around \$8.7 billion in new wages for directly impacted workers. A bill, sponsored by Representatives Brigid Kelly and several co-sponsors is currently under review by the Legislative Services Commission.

Ohio voters recognize the need for stronger wages. In 2006, they increased the state minimum wage above the federal level. Voters set Ohio’s minimum wage at \$6.85, and indexed it to inflation so it would not erode in value each year. The minimum wage has increased by \$1.70 since then (not adjusting for inflation), bringing it to \$8.55 today, \$1.30 more than the federal floor. This \$8.55 level is worth the same in 2019 as \$6.85 was worth in 2006. However, Ohio’s current minimum wage is worth less than the value of federal wage between 1961 and 1972 and at a few other points since then, even though the state and nation are wealthier than ever. Ohio should increase its minimum wage to improve workers’ lives and enable them to take home their share of the growth in the economy.

A \$15 minimum wage by 2023 would lift wages for 2 million Ohio workers, 37 percent of the wage-earning workforce. Nearly 1.6 million directly affected workers (26 percent of the workforce) would receive an average increase of \$2.73 per hour in 2018 dollars. The average directly affected worker puts in 30.6 hours per week, and would see an earnings boost of \$4,252. Another 450,000 workers would benefit from a spillover effect as employers raise wages of those making more than \$15 in order to attract and retain their workforces.

Key findings	
A higher minimum wage would boost Ohio	
<ul style="list-style-type: none"> <li>• A \$15 minimum wage in 2023 would restore the value of real minimum wage. Ohio’s wage floor is worth 28 percent less than it would be if that level had been preserved.</li> <li>• Raising the minimum to \$15 by 2023 would lift wages for 2 million Ohio workers, 37 percent of the wage-earning workforce.               <ul style="list-style-type: none"> <li>○ Nearly 1.6 million directly affected workers would receive an average increase of \$2.73 in their hourly wage, in 2018 dollars, an increase of 26 percent.</li> <li>○ Another 450,000 workers would benefit from a spillover effect as employers raise wages of workers making more than \$15 in order to attract and retain workers.</li> </ul> </li> <li>• Ohio minimum wage workers would take home about \$8.7 billion in additional income and inject new spending into the state’s economy.</li> <li>• The workers who would receive an increase are overwhelmingly adults, most of whom work full time in regular jobs, often to support a family.</li> <li>• Raising the wage would slow or reverse growth in the racial wage gap, and make pay more equal for men and women. Extending the minimum wage to tipped workers is necessary to improve both pay equity and job quality for women.</li> <li>• Coupled with a raise to \$15, preserving the state’s inflation index would ensure that the passage of a living wage in Ohio is a lasting solution.</li> </ul>	

### Policy recommendations:

- Raise the minimum wage to \$15 per hour by 2023. Set the minimum wage at \$12 per hour in 2020, then increase in three equal \$1 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.

# Introduction

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This January, Ohio's minimum wage increased 25 cents to \$8.55 per hour. The change keeps the wage floor in step with prices. It's a vital safeguard: 67,300 Ohioans saw a nominal raise in their take-home pay.<sup>1</sup> Yet despite the adjustment, Ohio's minimum wage remains too low to keep Ohio workers and families afloat. Had it kept pace with inflation from its highest point, the minimum wage covering Ohioans would be \$11.83 today. But Ohio has grown since then, while low- and moderate-earning workers were left behind. The state should take steps to raise the minimum wage to \$15 per hour.

Ohio Representatives Brigid Kelly, Casey Weinstein, Adam Miller, Joe Miller Michele Lepore-Hagan, Allison Russo, Janine Boyd, Jessica Miranda, Kent Smith, Bernadine Kennedy Kent, Catherine Ingram, Bride Rose Sweeney, and Kristin Boggs are introducing a \$15 minimum wage, to be carefully phased in by 2023, and indexed to the rate of inflation thereafter<sup>2</sup>. This report examines the impact of the bill on Ohio workers and their families. The raise would benefit some 2 million Ohio workers, make pay more equitable, reduce use of safety net programs, and ensure that all Ohioans who work full time earn enough to cover the basics.

## Background

Voters increased Ohio's minimum wage above the federal standard by ballot initiative in 2006. Before that, Ohio workers were subject to the same minimum as all U.S. workers. In 1968, the federal minimum wage was set to its highest level to date, worth \$11.83 in today's dollars.<sup>3</sup> A half century later, pay standards for the state and the nation have fallen to two-thirds of that level.

Like 17 other states, Ohio indexes its minimum wage to inflation, so that the wage level adjusts each year along with prices.<sup>4</sup> That index provides a safeguard against eroding purchasing power for the state's lowest-paid workers. Unfortunately, inflation had already eaten away a quarter of the value of the nation's highest minimum wage by the time Ohio stepped in to pass its own wage. And when it did, it failed to restore all the lost ground.

Even with Ohio's slightly better state minimum, Ohio's minimum wage workers earn 28 percent less than their counterparts two generations ago. Restoring the wage to its peak value - set at a time when the state and nation were far less wealthy - should be uncontroversial. To share in the gains the state has achieved since then, Ohio workers need a higher minimum wage than their grandparents had.

This report finds that a \$15 minimum wage phased in by 2023 would help a total of 2 million Ohioans. It would directly benefit 1.6 million Ohio workers now earning less than the new wage floor.<sup>5</sup> The typical affected worker now earns \$11.46 and would see a pay raise of \$2.73 in today's dollars, a raise of 26 percent. Another 450,000 workers earning slightly more would also get a raise as employers adjust pay scales to attract and retain highly skilled workers.

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<sup>1</sup> Cooper, David. "Over 5 million workers will have higher pay on January 1 thanks to state minimum wage increases." <https://bit.ly/2TfRYmV>

<sup>2</sup> According to the office of Rep. Brigid Kelly, the bill was submitted to the Legislative Services Commission in January 2019 as an update to Rep. Kelly's 2018 bill, [bit.ly/2UN71Fg](https://bit.ly/2UN71Fg). This version updates the phase-in window in light of the stronger economy and growing body of research demonstrating firms' ability to adjust to minimum wage increases with little labor demand response.

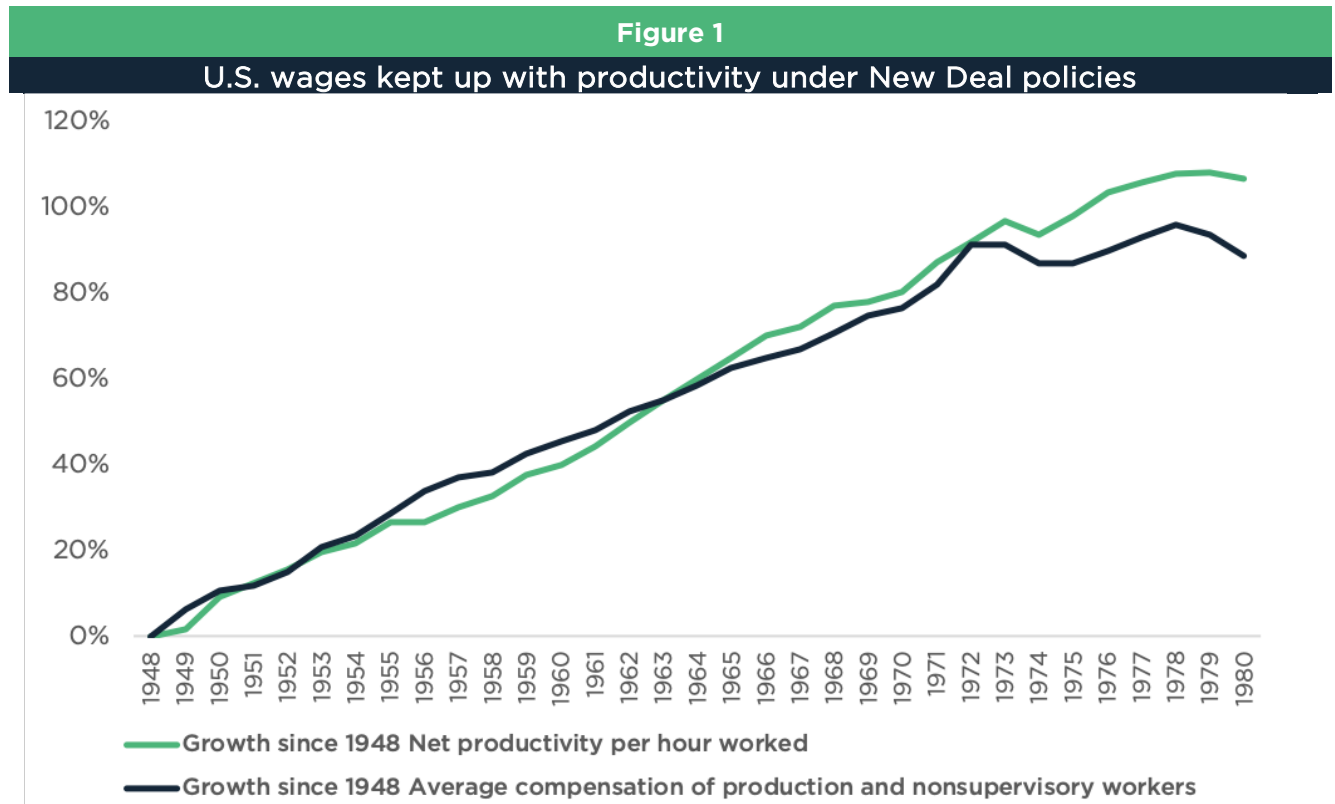
<sup>3</sup> From Bureau of Labor Statistics inflation calculator, November 2018

<sup>4</sup> A federal proposal, the 2017 Raise the Wage Act, would use an alternative index, the median wage, to ensure that the minimum grows in concert with wages for the typical earner: <https://www.congress.gov/bill/115th-congress/senate-bill/1242/text>

<sup>5</sup> Because of inflation, \$15 will have less purchasing power by 2023 than it does today. We use Congressional Budget Office projections of inflation to estimate the current value of the raise. In 2018 dollars, the proposed minimum wage is worth \$13.05.

# Raising the wage would restore balance

For three decades in the wake of the New Deal, wages grew in tandem with the nation’s economy. Policies implemented after the Great Depression supported union organizing, Social Security, safety nets, and a more robust minimum wage. These policies helped U.S. wages keep up with productivity. To restore Ohio to that path and ensure that all the state’s workers share in the wealth they help create, Ohio should pass a higher minimum wage.

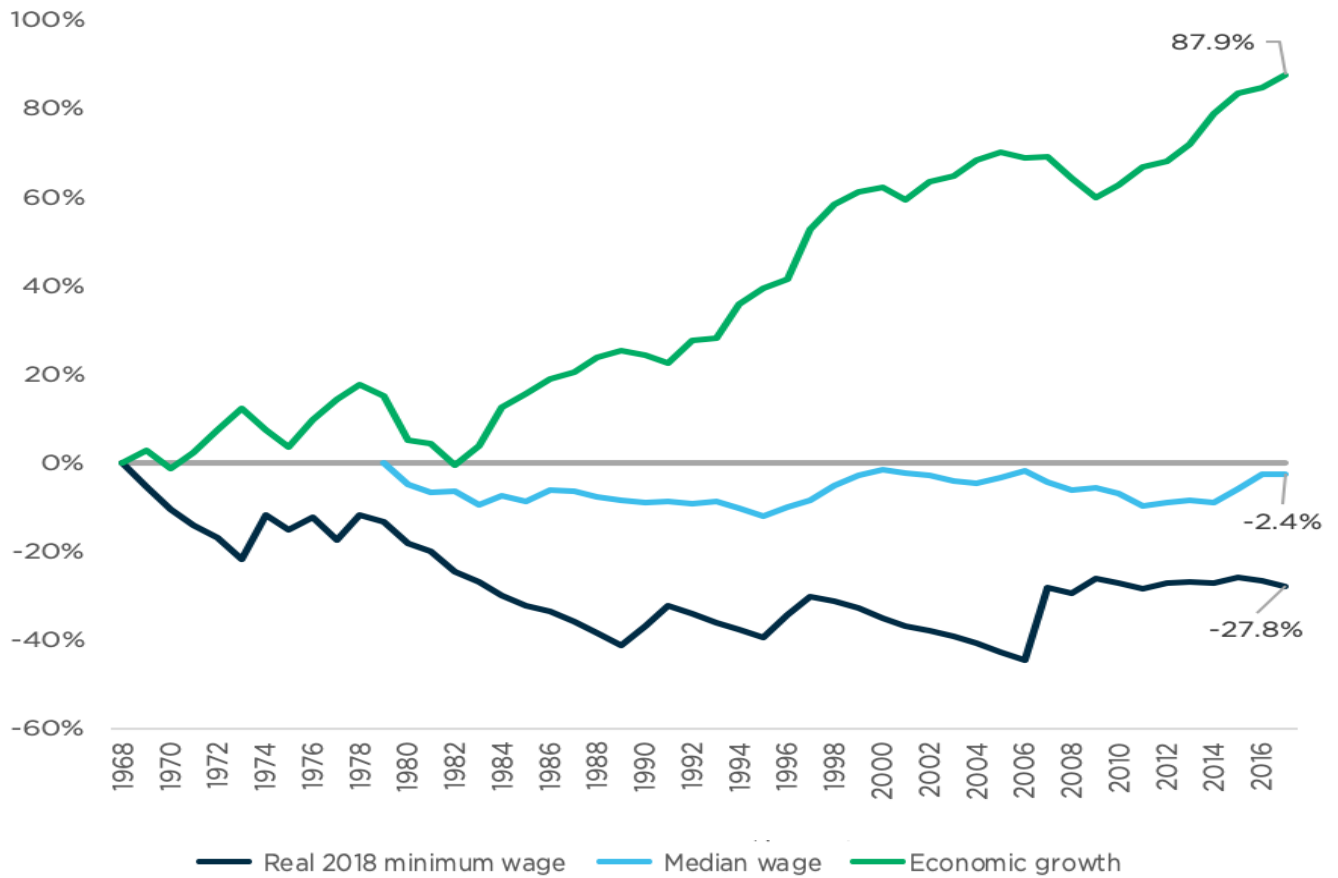


SOURCE: Economic Policy Institute analysis of Current Population Survey data.

Today Ohio is 88 percent wealthier than it was in 1968 when the minimum wage reached its peak, but the minimum wage, and Ohio’s median wage, have not grown with it.<sup>6</sup> Instead, typical wages have stagnated, while wages for low-wage workers have fallen by more than a quarter. A \$15 minimum wage, effective in 2023 would be a step toward reversing the divergence in wealth of the last few decades. It’s an increase the state can well afford.

<sup>6</sup> Ohio has added some 1.1 million residents, making gains in per person wealth a somewhat smaller 79.6 percent.

**Figure 2**  
Ohio's minimum wage and median have diverged from economic growth



SOURCE: Median wage and economic growth figures from Economic Policy Institute analysis of Current Population Survey data. Minimum wage figures from US Department of Labor History of Federal Minimum Wage Rates through 2006, and Ohio Department of Job and Family Services Labor Market Information Ohio minimum wage starting 2007. All figures in inflation adjusted 2018 dollars.

## Who benefits?

### Workers left behind

Ohio's 2019 minimum wage falls \$3,500 short of the poverty level for a family of three, for a full-time, year-round worker.<sup>7</sup> Many of the state's largest and fastest-growing jobs leave a worker in or near poverty. Among Ohio's 10 most common occupations, six leave a full-time, year-round worker supporting a family of three dependent on food aid.<sup>8</sup>

Some Ohio policy-makers are pushing legislation to increase work requirements in food assistance and Medicaid, programs designed to reduce hunger and improve health. Earning enough at work can restore dignity to workers who, despite working, are forced to use safety nets that have been severely curtailed. Safety nets are vital supports for struggling Ohioans, but businesses should pay the true cost of their workforce: enough to get by.

<sup>7</sup> Federal Poverty guideline, Health and Human Services. <https://bit.ly/1q9yNft>

<sup>8</sup> Halbert, Hannah, "Throughout Ohio, many common jobs pay poverty wages" <https://bit.ly/2l8LnJ1>

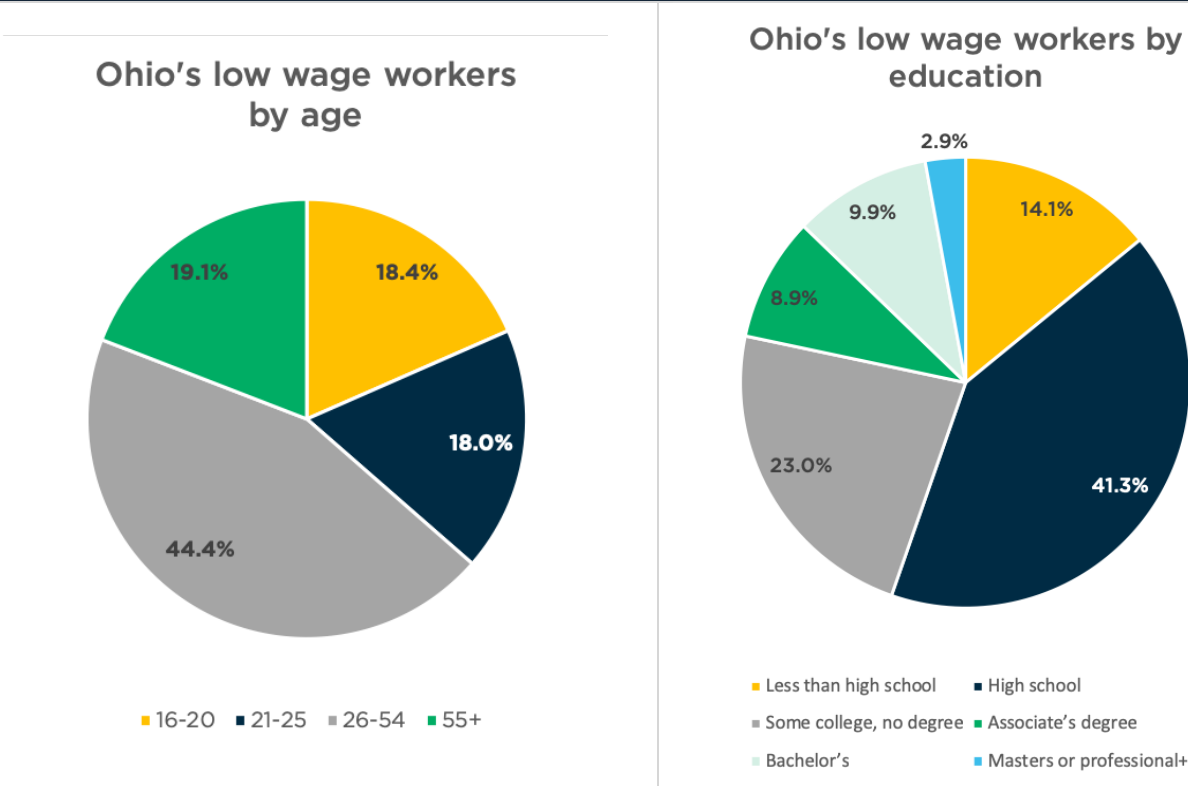
A \$15 minimum wage in place by 2023 would lift wages for 2 million Ohio workers, 37 percent of the wage-earning workforce. Nearly 1.6 million directly affected workers would receive an average increase of \$2.73 per hour in 2018 dollars (26 percent). The average directly affected worker puts in 30.6 hours per week, and would see an earnings boost of \$4,252. Another 450,000 workers would benefit from a spillover effect as employers raise wages of those making more than \$15 in order to attract and retain their workforces.

Affected workers represent a broad cross-section of Ohioans. Raising the wage would especially benefit marginalized workers, making it not only an anti-poverty measure, but a tool to improve fairness in pay. Most affected workers are adults who have finished school. Many are raising children.

**Most are adult workers who have finished school**

Today’s workers earning at or near the minimum wage are overwhelmingly adults (over age twenty) who have already graduated high school. Adults outnumber teens more than four to one. Ohio’s median low-wage worker is 34 years old. Many are working to support children, and some are the primary or sole breadwinners for their families.

**Figure 3**  
**Ohio’s low wage workers by age and education**



SOURCE: Policy Matters Ohio from Current Population Survey Outgoing Rotation Group, Center for Economic Policy Research extract. Ohio workforce from Bureau of Labor Statistics: <https://beta.bls.gov/dataViewer/view/timeseries/LAUST3900000000000006>

Most (86 percent) have already finished high school. Nearly a quarter have had some college but not finished a degree. These include students working through school. Ohioans with some college are more likely to earn low wages than those with a high school diploma alone (41

percent versus 38 percent), in part because they don't yet have a credential to justify the time out of the full-time labor market. Earning a degree is a deep investment that Ohioans make in their skills. It can help insulate against low wages and unemployment, but still over a quarter of associate's degree-holders and around 17 percent of those with bachelor's degrees would get a raise under a \$15 per hour plan.

Table 1						
Ohio's low wage workers by age and education						
Group	Estimated workers	Directly affected	Indirectly affected	Total	Share of group who are affected	Group's share of total affected
<b>Age</b>						
16-20	408,000	348,000	27,000	430,000	93%	18%
21-25	583,000	316,000	53,000	368,000	63%	18%
26-54	3,290,000	648,000	260,000	908,000	28%	45%
55+	1,233,000	277,300	112,000	390,000	32%	19%
<b>Education</b>						
Less than high school	358,000	255,000	33,000	288,000	80%	14%
High school	1,766,000	616,400	223,000	839,000	48%	41%
Some college, no degree	1,007,000	397,000	71,000	467,000	46%	23%
Associate's degree	567,000	133,000	47,000	180,000	32%	9%
Bachelor's	1,177,000	141,000	60,000	201,000	17%	10%
Masters or professional+	633,000	41,000	17,000	58,000	9%	3%

Note: Figures do not all sum due to rounding and sample weighting in dataset

SOURCE: Policy Matters Ohio from Current Population Survey Outgoing Rotation Group, Center for Economic Policy Research extract. Ohio workforce from Bureau of Labor Statistics:

<https://beta.bls.gov/dataViewer/view/timeseries/LAUST3900000000000006>

## Parents and children

Young children are the likeliest group of Ohioans to be in poverty. Ohio's child poverty rate is 21.3 percent.<sup>9</sup> The city of Cleveland led the nation in 2017 for child poverty rates, nearly half (49 percent), of the city's children are in poverty.<sup>10</sup>

Around 518,000 working parents would get a raise if Ohio raised its minimum wage to \$15 by 2023. That includes 276,000 married parents, and 242,000 unmarried parents.

A higher minimum wage would also affect most of Ohio's working teens: around 93.4 percent of 16 to 20-year-olds currently earn less than \$13.05 (which is comparable to \$15 in 2023). Teens in the workforce are saving for ballooning college costs, contributing to their families, and spending in ways that drive a vibrant economy. With firms as profitable as ever, earnings for working teens should not be languishing below historic levels.

<sup>9</sup> American FactFinder, US Census Bureau <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

<sup>10</sup> Kids Count Data Center <https://bit.ly/2WpbtM2>



**Table 2**

**Family status and work hours of Ohio low wage workers**

Group	Estimated workers	Directly affected	Indirectly affected	Total	Share of group who are affected	Group's share of total affected
<b>Family status</b>						
Married parent	1,369,000	183,000	93,000	276,000	20%	15%
Single parent	445,000	194,000	48,000	242,000	54%	14%
Married, no children	1,610,000	312,000	118,000	430,000	27%	24%
Unmarried, no children	2,078,000	686,000	162,000	848,000	41%	47%
<b>Work hours</b>						
Part time (up to 34 hours)	1,155,000	816,000	65,000	880,000	76%	43%
Full time (35+ hours)	4,347,000	787,000	387,000	1,174,000	27%	57%

Note: Figures do not all sum due to rounding and sample weighting in dataset

SOURCE: Policy Matters Ohio from Current Population Survey Outgoing Rotation Group, Center for Economic Policy Research extract. Ohio workforce from Bureau of Labor Statistics: <https://bit.ly/2DXfZu2> Family status of estimated workers from shares reported by Economic Policy Institute 2017 <https://bit.ly/2TI04oZ>.

More than half of Ohio’s low-wage workers who would benefit from a \$15 minimum wage work full time. Among part-time workers, the share who are low wage is 71 percent.

### Race equity

The majority of Ohio workers who stand to benefit from a higher minimum wage are white, but workers of color are more likely to face low wages. Black workers comprise about 12.2 percent of Ohio workers, but 17.8 percent of those who stand to gain from a \$15 minimum wage. Likewise, Latino<sup>11</sup> workers make up just 3.7 percent of Ohio’s total employed workforce, but nearly 5.7 percent of those who would see a raise. White Ohioans account for 81.1 percent of Ohio workers, and 74.6 percent of those whose earnings would rise.

Over the last four decades, the gap in pay between black and white workers in Ohio has tripled, from \$1.37 to \$4.61.<sup>12</sup> What’s even worse, black workers’ wages have fallen, by \$3.00 per hour. The data show black workers’ shortfall widening by \$1.12 in 2016 alone. The growing gap may reflect more black workers entering the workforce after being sidelined during the recession and slow recovery, and getting jobs in some of the state’s most common occupations.<sup>13</sup>

Black workers’ earnings fell and the race gap widened despite the fact that high school graduation rates grew faster for black Ohioans in recent decades.<sup>14</sup> College attainment rates grew for both black and white Ohioans, while black workers’ wages fell. Black and white workers both worked a median of 40 hours per week in 2017. One factor which may have played an outsize role in black workers’ wage decrease is deunionization. Union membership among black workers fell 21 points from 35.5 percent in 1987 to 14.5 percent by 2017, whereas

<sup>11</sup> Latino is a term used to describe workers with Latin American ancestry, also called Latina (for women) or Latinx (for any gender). The census category is Hispanic, which describes workers with roots in a Spanish-speaking country. Hispanic includes those of Spanish ancestry while Latino includes those of Brazilian ancestry.

<sup>12</sup> Hanauer, Amy and Grace Chu. “The State of Working Ohio ,2018: Inequality amid job growth” <https://bit.ly/2CPlk7g>

<sup>13</sup> Halbert, Hannah. “Working for less: Most common Ohio jobs pay too little,” <https://bit.ly/2rcWBCx>

<sup>14</sup> Black Ohioans’ aged 25+ high school graduation rate was 66.8 percent in 1987 and 89.7 percent in 2017. Figures were 77.8 percent and 93.0 percent for white Ohioans. From Policy Matters Ohio analysis of CPS data 1987 and 2017, from Center for Economic Policy Research extract <https://bit.ly/2GtKDS1>.



white workers' union rates fell just 10 points.<sup>15</sup> Black workers were more heavily unionized than white workers in 1987, suggesting that union membership played a substantial role in narrowing the wage gap.

With the typical black Ohioan earning just \$13.96 through 2017, it's clear that a living minimum wage would have a tremendous impact. An estimated 54 percent of black workers would benefit, as would 34 percent of white workers. Among Latino and other workers who self-identified as Hispanic, 54 percent would benefit. Because so many workers of color earn low wages, raising the minimum wage would reduce yawning wage gaps that have grown over the last few decades, as a result of policies that have reduced workers' ability to bargain for their share of the growing economic pie.

Table 3						
Race and gender of low wage Ohio workers						
Group	Estimated workers	Directly affected	Indirectly affected	Total	Share of group who are affected	Group's share of total affected
Ohio Workers	5,502,000	1,585,000	451,200	2,036,000	37%	100%
<b>Gender</b>						
Women	2,647,000	883,900	233,000	1,117,000	42%	55%
Men	2,856,000	699,600	217,000	917,000	32%	45%
<b>Race</b>						
White	4,462,000	1,170,000	344,000	1,513,000	34%	75%
Black	671,000	288,600	73,000	362,000	54%	18%
Hispanic*	204,000	90,600	25,000	115,000	57%	6%

Note: Figures do not all sum due to rounding and sample weighting in dataset. An estimated 1.9 percent of low wage workers are of other races not reported due to small sample size.

SOURCE: Policy Matters Ohio from Current Population Survey Outgoing Rotation Group, Center for Economic Policy Research extract. Ohio workforce from Bureau of Labor Statistics:

<https://beta.bls.gov/dataViewer/view/timeseries/LAUST390000000000006>

\*Hispanic, used by the Census Bureau, refers to people of Spanish speaking ancestry while Latino, Latina and Latinx refer to people of Latin American ancestry (including Brazilians). In charts using Census Bureau data, we stick to their official term.

## Women

Ohio women comprise more than their share of low wage workers. Women make up 48 percent of workers, but 55 percent of those who are low wage. Raising the minimum wage to \$15 by 2023 would benefit around 1.1 million working women (42 percent), and 917,000 working men (32 percent). Ohio women earned just 82 cents to the dollar men earned through 2016, and differences persisted across all 20 most female-dominated occupations.<sup>16</sup>

Improving pay equity for all Ohio women also depends on eliminating the sub-minimum wage for tipped workers. Women comprise 72 percent of tipped workers nationally, most as waitresses.<sup>17</sup> A 2014 White House report found that nationwide, eliminating the tipped sub-minimum wage would close nearly 5 percent of the gender wage gap.<sup>18</sup>

<sup>15</sup> White Ohioans' union membership rate fell from 23.7 percent in 1987 to 13.7 percent in 2017. From Policy Matters Ohio analysis of CPS data 1987 and 2017, from Center for Economic Policy Research extract <https://bit.ly/2GtKDSj>.

<sup>16</sup> Overall figure from Economic Policy Institute analysis of Current Population Survey data 2016, occupation-specific figure from Occupational Employment Statistics 2015, appears in "Pink Collar Work, Leah Kayali <https://bit.ly/2RVENLI>

<sup>17</sup> Shields, Michael "Minimum wage would boost Ohio workers," <https://bit.ly/2HP4OYr>

<sup>18</sup> White House "The Impact of Raising the minimum wage on women: And the Importance of ensuring a robust tipped minimum wage." <https://bit.ly/2Ws736V>

## The sub-minimum wage

Ohio's minimum wage leaves out many workers. The largest group is tipped workers, most of whom work as waitresses. Tipped workers in Ohio are guaranteed just half of the state minimum wage: \$4.30 effective in 2019. This anomalous carve-out is justified on the assumption that workers will make up the difference in tips. The law requires employers to pay any shortfall, but leaves it to the workers themselves to enforce, so when workers come up short, employers routinely disregard the law and seldom face consequences. Wage theft is a crime, and the state must begin treating it as such.<sup>19</sup> Excluding some workers from basic wage protections opens the door to abuse. In Ohio, the typical server earns just 94 percent of the poverty level for a family of three.<sup>20</sup>

This flaw in Ohio's minimum wage structure contributes to other abuse on the job, too. The restaurant industry is responsible for five times its share of workplace sexual harassment.<sup>21</sup> This industry is a point of entry to the workforce for many young women. Establishing a threshold for mistreatment can continue to hurt women over the course of their careers.

The sub-minimum wage is a legacy of Reconstruction Era policy that created a sub-class of workers who were mostly freed slaves, and who worked for tips alone as unpaid servers and railroad porters. This special treatment for the restaurant industry was highly controversial when it began, as it should be today.<sup>22</sup> In Ohio, letting these employers forego the standard minimum wage undercuts the ability of their employees to earn a living at work, and shifts the cost of their workforce onto the safety net.

Ohio should join eight other states in closing the loophole that exempts some employers from paying One Fair Wage, the same minimum wage that applies to all other businesses.<sup>23</sup>

## An economic driver

Consumer spending generates growth and creates jobs.<sup>24</sup> Raising the wage floor would generate an estimated \$8.7 billion in additional wages annually for directly affected workers, benefitting not just those who got raises, but also the businesses and other workers in their communities who would gain from the increased spending.<sup>25</sup> Lower-paid workers spend a larger share of their earnings, so making wages more equitable boosts the economy.<sup>26</sup>

### Business costs

Raising the minimum wage increases operating costs for businesses, but not in proportion to the benefit in increased wages. When the Greater Cleveland Foodbank raised its organizational minimum wage to \$14 per hour in 2017, its lowest paid workers got a boost of 21.7 percent, but Foodbank costs went up by just 0.5 percent.<sup>27</sup> This makes sense because labor is just one business cost, most businesses employ some workers who already earn

<sup>19</sup> City of Cincinnati, Wage Enforcement (CMC Chapter 326) Rules and Regulations <https://bit.ly/2CPiRv9>

<sup>20</sup> Halbert, Hannah. "Working for less: Most common Ohio jobs pay too little," <https://bit.ly/2rcWBCx>

<sup>21</sup> Restaurant Opportunities Center United "Tipped over the edge: gender inequality in the restaurant industry." <https://bit.ly/2HBBsfl>

<sup>22</sup> Wann, Elizabeth, "American tipping is rooted in slavery – and it still hurts workers today," <https://bit.ly/1OAbsYM>

<sup>23</sup> The Economic Policy Institute Minimum Wage Tracker <https://bit.ly/2RUJlfQ>

<sup>24</sup> Government spending can help too. See John Maynard Keynes' The General Theory of Interest and Prices.

<sup>25</sup> Figure is based on average 28.3 usual weekly hours worked among directly affected workers, using 52 weeks.

<sup>26</sup> Chokshi, Niraj, "What is a recession and why are people talking about the next one?" New York Times <https://nyti.ms/2LRxKgJ>

<sup>27</sup> Shields, Michael. "Leading the Way: Greater Cleveland Foodbank raises wages." <https://bit.ly/2FTKenO>

enough that they would be unaffected, and since those workers have higher earnings, their individual share of total compensation is larger.<sup>28</sup>

As more businesses are recognizing the benefit of investing in workers as vital assets, more are taking the lead to raise wages on their own, including to \$15 per hour. In Ohio, these include the Cleveland Clinic, the state's second largest employer, and Cleveland's largest; Columbus-based Nationwide, which took an early lead in announcing its policy in 2015; and Amazon, which drew criticism for whipsawing communities to offer big tax windfalls while many of its warehouse staff rely on public safety nets.<sup>29 30 31</sup>

## Consumer prices

Consumers sometimes worry that a higher minimum wage could boost prices. Research shows that this is true, but negligible. A recent study found that raising the federal wage to \$15, up 107 percent from its current level of \$7.25, would lead to a 17 cent increase in the price of a Big Mac (4.3 percent).<sup>32</sup> This reflects the fact that many inputs go into the total cost of producing a Big Mac, like all goods and services, and the wages of affected workers are just one of them. This means that an increase in the minimum wage would not be meaningfully offset by higher prices.

## Jobs

A recent survey of 37 reports published from 2000 to 2015 found “no support for the proposition that the minimum wage has had an important effect on U.S. employment.”<sup>33</sup> Even the most cautious studies find increases in earnings far exceed any projected losses from reduced work hours. The Congressional Budget Office estimated that by raising the federal minimum wage to \$10.10, 97 percent of directly affected workers (17 million) would get a raise. That study projected hours reductions enough to total 500,000 jobs, but the likelier scenario is that many more workers would see both a raise and a small reduction in shifts – leaving them better off overall. If the projected offset were shared among all affected workers, then each would work 2.9 percent fewer hours, and still take home 11.6 percent more in earnings. Because the low-wage labor market is characterized by inconsistent hours and frequent job changes, it is likely that any hours reductions that did occur would be widely shared across many workers, who would also get higher hourly earnings.<sup>34</sup>

The fact that employers have met modest increases in the minimum wage with negligible if any reductions in hours means that our failure to enact more substantial raises is costing low-wage workers considerable foregone earnings.<sup>35</sup> This report estimates that directly impacted Ohio workers would take home some \$8.7 billion in additional earnings if Ohio passes a \$15 minimum wage effective by 2023.<sup>36</sup>

<sup>28</sup> Labor costs have shrunken 7.4 points from 65.8 of output in 1947 to 58.4 percent in 2016. The share reached an all-time low of 56.0 percent in the fourth quarter of 2011. <https://www.bls.gov/opub/mlr/2017/article/estimating-the-us-labor-share.htm>

<sup>29</sup> Christ, Ginger, “Cleveland Clinic raising minimum wage to \$15 per hour by 2020.” <https://bit.ly/2UsfKwv>

<sup>30</sup> “Nationwide implements minimum pay rate of \$15 per hour,” Press release <https://bit.ly/2sUOKf6>

<sup>31</sup> Schiller, Zach. “More Amazon workers relying on food aid.” <https://www.policymattersohio.org/press-room/2018/01/05/more-ohio-amazon-workers-relying-on-food-aid> <https://bit.ly/2rMXI3O>

<sup>32</sup> Purdue University News “Study: Raising wages to \$15 an hour for limited-service restaurant employees would raise prices 4.3 percent,” <https://bit.ly/1MxsDPk>

<sup>33</sup> Wolfson, Paul and Dale Belman. “15 years of research on U.S. Employment and the minimum wage.” <https://bit.ly/2BtmP8T>

<sup>34</sup> Cooper, David, Lawrence Mishel and Ben Zipperer, “Bold increases in the minimum wage should be evaluated for the benefits of raising low-wage workers’ total earnings: Critics who cite claims of job loss are using a distorted frame,” <https://bit.ly/2Kk60MZ>

<sup>35</sup> Cooper, David, Lawrence Mishel and Ben Zipperer, “Bold increases in the minimum wage should be evaluated for the benefits of raising low-wage workers’ total earnings: Critics who cite claims of job loss are using a distorted frame,” <https://bit.ly/2Kk60MZ>

<sup>36</sup> Figure is based on average 28.3 usual weekly hours worked among directly affected workers, average raise of \$1.59 per hour, using 52 weeks. Figure makes no assumption of hours displacement. Indirectly affected workers are not included because we lack a figure on

## Conclusion and recommendations

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Ohio voters took a step forward in 2006 when they passed the state minimum wage of \$6.85, and indexed it to inflation. Because of that, Ohio workers today are covered by a minimum wage that is \$1.30 above the federal floor. Now, more than a decade later, it's time to take the next step and implement a wage that covers the cost of living.

For four decades, workers have scarcely shared in the economic growth they have helped to make possible. The decoupling of wage growth from economic growth is out of sync with history, and is the result of policy choices that have weakened workers' ability to bargain for fair wages, even as workers themselves have increased their education and grown more productive than ever before. Poor policy choices have created this imbalance. Good ones must restore it.

### Policy recommendations:

- Raise the minimum wage to \$15 per hour by 2023. Set the minimum wage at \$12 per hour in 2020, then increase in three equal \$1 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.

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the average raise they would gain. Indirectly affected workers already earn at least the 2023 equivalent of \$15 per hour, and would see likely raises from employers seeking to recruit or retain them.