

TO: RI Senate Committee on Labor
FROM: Mike Stenhouse, RI Center for Freedom & Prosperity
SUBJECT: Written Testimony re. Minimum Wage Legislation
(S174, S369, S374, S508)

Chairmen Ciccone and Committee members: As CEO for the RI Center for Freedom & Prosperity, a non-partisan research and advocacy organization, and with a degree in Economics from Harvard University, I would like to provide testimony on the multiple minimum-wage-hike bills before your committee. As a 501-C-3 organization, our Center cannot advise you to support or oppose this legislation. We can, however, discuss with you our perspectives and research with regard to the underlying premise of the issue.

Our Center believes that every Rhode Islander should have maximum opportunity to earn income to support themselves and their families. The question is 'how' - especially for those employed at the bottom of the income ladder. Instead of raising the minimum wage, the Center recommends that expansion of Rhode Island's Earned Income Tax Credit (EITC) as a **superior alternative**.

The major downward revision of RI's 2018 jobs numbers by the federal government has exposed the weakness of our state's jobs market. We cannot risk further degradation.

RI currently ranks **47th** on the national **Jobs & Opportunity Index (JOI)**. It is generally agreed that when more family members are actively working, family and societal well-being are enhanced. It is not a good tradeoff to see fewer people working, even if at a slightly higher-wage.

MINIMUM WAGE FACTS. After Seattle passed a rapid minimum wage hike, a study by the Univ. of WA found the cost to low-wage workers outweighed the benefits by a 3-1 ratio, and found that on average overall, **low-wage workers, lost \$125 per month** - because of lost work hours, lost employment, or lost job opportunities because of the hike.

In Boston, high minimum wages have been publicly cited as a primary reason for many restaurant closings.

MINIMUM WAGE MYTHS. A major research report by our Center showed that the vast majority who would receive a raise under a minimum wage hike are not the low-income, minority, or primary family breadwinners that supporters of the hike would like you to believe. Indeed, of minimum wage workers in the Ocean State:

- **Only 14% were primary breadwinners.** Overall, 80% were white, with 71% as part-time workers, most were teens or were a secondary family income-earner. \$61,000+ was their average family income.
- A major hike could **destroy thousands of jobs** in RI, including low-income breadwinners who are most in need of opportunities for upward mobility; and would be a negative drag on the economy.
- **Makes us "LESS" competitive:** it is also a false notion that a minimum wage hike keeps RI competitive with our neighboring states. In fact, it is a LOWER cost-of-labor that makes a state more competitive and more attractive to employers that our state desperately needs.

Wage Differential Factor. In addition to increased costs for minimum wage employers, many businesses will also have to increase wages for those who earn higher rates of pay, so as to keep a 'wage differential' for those who have advanced in the company and earned a raise.

Hiking the minimum wage will cost jobs for many of the same people it is intended to help, as it will further weaken Rhode Island's already last place business climate and unemployment problem. Unless you purposefully decide to ignore the accepted economics of supply and demand, higher-priced labor can only lead to LESS demand for that labor, and potentially higher demand for automation - as the fast-food chain, Wendy's, has recently announced it will implement nationwide.

Not an economic stimulus. It is false that minimum-wage-hike mandates can be an economic stimulus. If this were true, our state would be performing far better than it is. More to the point, it is a bogus notion that workers spending money is more of a stimulus than business owners spending that same money. Further, as businesses may lay off employees or cut back on part-time hours when the minimum wage is raised, the total amount of money paid to such workers will be less, as was the case in Seattle.

EITC; a WIN-WIN. Conversely, expansion of the EITC tends to be an incentive to work more hours and, as opposed to most other public assistance programs, can put families on a path to economic independence, without harming employers or risking opportunities for work. Combined with other public assistance programs, more families can rise out of poverty when more family members are working.

Union Angle? The Center also questions the motives of local labor unions that support a minimum wage hike. Despite union claims of helping low-income workers, according to a **Wall Street Journal article**, many union workers, who already earn far above the minimum wage, have wage rates that are pegged to the national or state minimum wage ... such that an increase to the minimum wage may also mean a raise for many of their mid- or high-income members. **I encourage committee members to inquire of any labor leaders who may testify to disclose whether any of their collective bargaining agreements contain such provisions.**

Our Center's Recommendation: Pass EITC expansion - leave Rhode Island's minimum wage where it is. As EITC expansion aids low income families without the risk of job loss and without directly harming small businesses, our Center recommends this pro-family AND pro-growth solution that enhances family income without risking employment for the very people we intend to help.

Thank you. If I can be of service, please contact me at mstenhouse@RIFreedom.org or 401.429.6115.