

TO: RI House Committees on Finance and Labor
FROM: Mike Stenhouse, RI Center for Freedom & Prosperity
SUBJECT: Written Testimony re. Minimum Wage Legislation

Chairmen Abney and Craven, 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 some background re. Article 20, of the Governor's proposed budget, as well other minimum wage hike bills that may be heard before your respective committees this year. As a 501-C-3 organization, our Center is not allowed to advise you to support or oppose any piece of legislation. However, we are allowed to discuss our research and perspectives with regard to the underlying premise of the issue.

Our Center believes that every Rhode Islander who strives to work hard should be able to earn enough income to support themselves and their families. The question is how – especially for those employed at the bottom of the income ladder. Regarding the many proposals you will consider this session to raise the minimum wage, the Center recommends that expansion of Rhode Island's Earned Income Tax Credit (EITC) as a **superior alternative**.

RI ranked **48th the 2016 Family Prosperity Index (FPI)**, the broadest national research ever conducted on the issue of overall family well-being. One of FPI's critical lessons is that when more families have more members 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. Also according to FPI, when considering all BLS (U1-U6) unemployment factors, our Ocean State ranked last in 2016.

MINIMUM WAGE MYTHS. A 2013 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; employers 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 a dubious argument that minimum-wage-hike mandates are an economic stimulus. If this were true, our state would be performing much 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 business owners will lay off employees or cut back on part-time hours when the minimum wage is raised, this means the total amount of money paid to such workers will be less than advocates calculate.

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 risking opportunities for work. Combined with other public assistance programs, more families can rise out of poverty when more family members are working.

Union Benefit? The Center also questions the motives of local labor unions, who are ardent supporters of a minimum wage hike. Unlike unions' stated 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 – meaning that an increase to the minimum wage may also mean a raise for many of their middle- 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 a provision.

Our Center's Recommendation: Pass EITC expansion and 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 you intend to help.

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