

The RI Minimum Wage: To Raise or Not to Raise?

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The RI Center for Freedom & Prosperity believes that all Rhode Islanders who strive to work hard should be able to earn a living to support themselves and their families. The question, of course, is how employment for those at the bottom of the income ladder can meet that positive goal.

It is true that minimum-wage hikes may translate into more money for some people. But it is also true that such hikes will lead to a loss of jobs for others, many of whom are of the most vulnerable among us. A successful public policy solution must not abandon those families.

Instead of a *win-lose* policy approach, as with a minimum-wage hike, the Center supports an expansion of the earned income tax credit (EITC), which supplements the paychecks of low-income families without destroying jobs. Poor Rhode Island families deserve and need a *win-win* solution that provides them with the opportunity to add to their income without fear of losing work.

Who Are RI Minimum Wage Workers, Really?

Contrary to what wage-hike supporters want us to believe, most minimum-wage workers are not minorities and are not the primary earners for their families. Based on detailed analysis of 2012 data,¹ of minimum wage earners in the Ocean State:

- Over 80% were white
- \$61,299 was their average family income
- Over 71% were part-time workers less than 35 hrs/wk; 30% less than 20 hrs/wk
- Only 6% were married and sole earners for their families
- Only 8% were single parents, supporting their families
- Almost 60% lived with their parents or some other primary breadwinner
- About 60% were 25 years old or younger; over 40% 21 years old or younger

¹ See: rifreedom.org/2015/03/governors-minimum-wage-policy-based-on-untruths-union-connection

Adverse Jobs Impact

The Center's 2013 report also found that, based on the minimum wage and jobs market at that time, a hike to \$10.10 per hour — less than the \$10.50 currently under consideration in the General Assembly — would:

- Destroy up to 3,500 jobs, including breadwinners from low-income families
- Be a continuing assault on the state's economy
- Be especially harmful to low-income workers who need upward mobility in a robust jobs market

As the facts above demonstrate, the vast majority of the people who will receive raises under a minimum-wage hike *are not* poor breadwinners. If some number of low-income individuals simultaneously lose their jobs, does this tradeoff actually improve the well-being of Rhode Island families? Our Center says, “no.”

The Center recommends a *win-win* solution that enhances family income without costing jobs for poor families: Pass EITC expansion and leave the Rhode Island minimum wage where it is.

Why Unions Want a Wage Hike

Minimum wage hikes may serve to benefit many union workers who already earn far above the minimum wage. According to a 2013 *Wall Street Journal* commentary,² many union collective bargaining agreements specify wages for union workers that are tied to the state or national minimum wage rates. An increase in the minimum wage may also actually mandate a raise for many union members, who can hardly be considered as poor.

² wsj.com/articles/SB10001424127887324048904578318541000422454