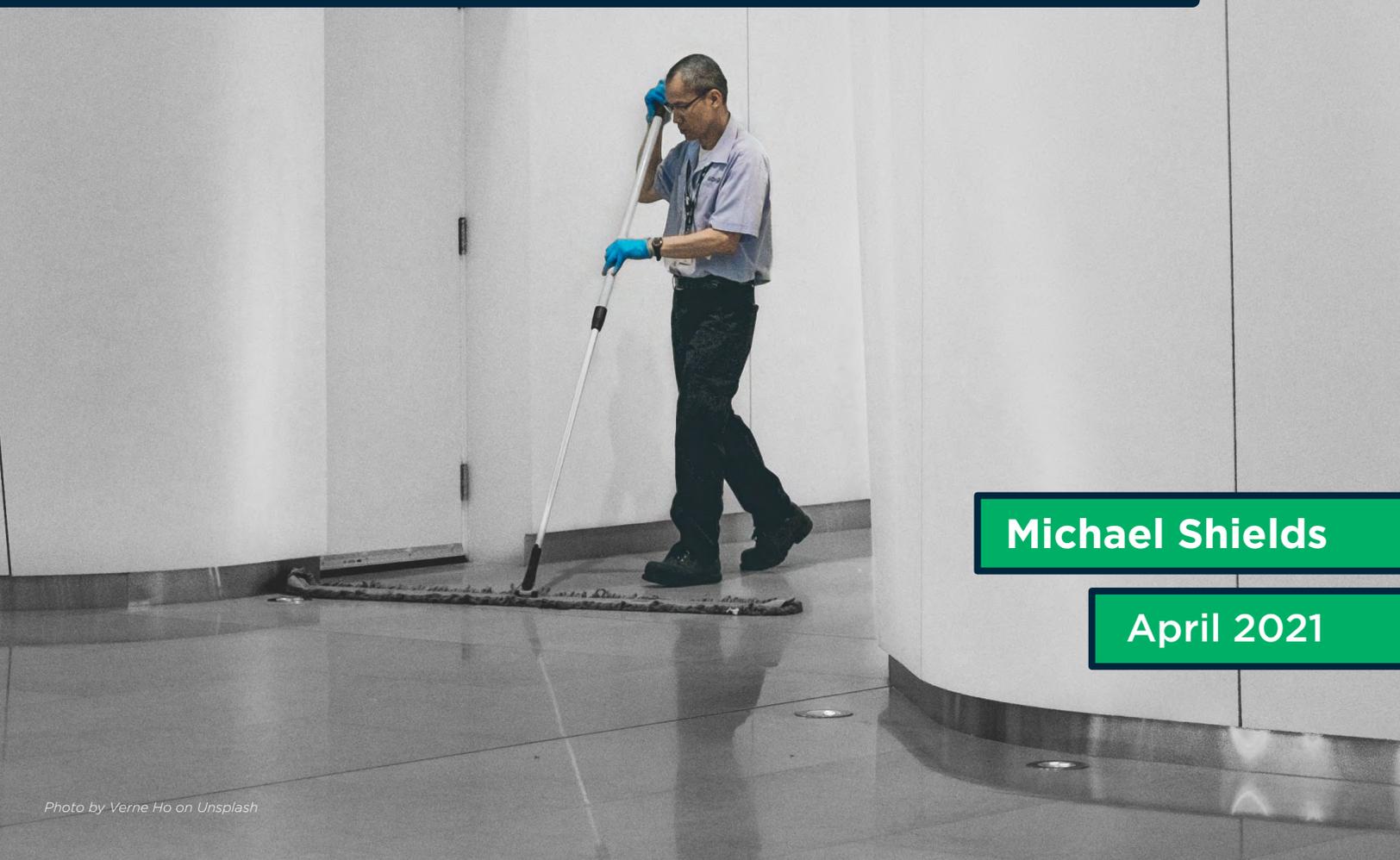




Fairer pay will boost Ohio

A case for a \$15 minimum wage



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Executive summary

All people deserve a quality life with the peace of mind that they can meet their basic needs. But today, too many working Ohioans aren't paid enough to make ends meet. This is in part because the state's minimum wage is too low. It falls short of both the cost of living and the value of work low-paid Ohioans are doing. This is not new: Wages for Ohioans at the bottom end of the pay scale have been held down for decades. The minimum wage fell overall from its high point in 1968 until 2006. That year, Ohio voters stepped in to partially restore the wage and wisely link it to inflation so its value would hold steady over time. Yet by that time, the minimum wage, once worth over \$12 per hour in today's dollars, had lost much of its value.¹ On the eve of the pandemic, Ohio's minimum wage remained 28% lower than its historic peak. Meanwhile, Ohio's economy grew 88% by 2019. That means Ohio workers were producing nearly twice as much value, but taking home less than their grandparents would in the same jobs. Not only did low wage workers share none of that growth, they lost ground while their work helped make the state, and their employers, wealthier.

Many of Ohio's lowest-paid workers have been on the frontlines in a pandemic, in critical infrastructure jobs we all rely on to stay safe and healthy. They stock the grocery shelves, bring prescriptions to our door, nurse us back to health if we become sick, and care for our children so we can get back to work. Essential workers have always been essential, but COVID-19 has shown us just how much we all depend on their work. Because they are essential, these jobs are also some of the most common jobs in the state, employing hundreds of thousands of Ohioans. Yet many pay so little they leave a family of three unable to cover the cost of food without SNAP benefits.

In 2021, a family of three needs at least \$21,960 just to afford the basics. That is the amount of money this family must earn to be above the poverty guideline used to determine eligibility for many public support programs. A full-time worker who is paid the minimum wage falls \$3,656 short of that level in 2021.² The reality of having too little to cover the basics includes foregone medical treatments, children who don't have enough to eat, and insecure housing that can end in an eviction that uproots the family and leaves them with nowhere to turn.³

Many states and cities have taken steps to right the imbalanced power dynamic that lets corporations and the wealthiest claim more than their share, while others struggle to survive despite working. Nine states and D.C. have passed a \$15 minimum wage; they are home to more than 39% of Americans.⁴ There are 45 localities that have adopted minimum wages above their state rate, including some above \$15. Recognizing the value of low-paid workers, some companies have even taken it on themselves to implement company-wide minimum wages of \$15 or more.

Current state and federal proposals would raise Ohio's minimum wage to \$15 per hour over a phase-in period ranging from 2025 to 2027. Policy Matters models a 2026 phase-in, consistent with the latest state measure passed, in Florida. A \$15 minimum wage phased

in over six steps by 2026 would benefit 1.6 million Ohio workers. It would improve equity and drive economic growth by generating around \$4.9 billion in new wages each year for directly impacted workers. Today Ohio law allows employers to pay tipped workers just half the minimum wage, so long as their tips make up the difference. Eliminating this subminimum wage in favor of equal treatment would generate another \$1.2 billion.

Directing those dollars to those who need to spend them would make the state more prosperous. Too many working Ohioans have been waiting too long to be paid fairly for the work they do. These include frontline essential workers in some of the state's most critical jobs; women who are still paid just 86 cents for each dollar a man gets; workers of color who face persistent barriers to quality jobs and fair pay; and parents scrambling to cover the basics and too often coming up short despite working.

Key findings

- Raising Ohio's minimum wage to \$15-per-hour by 2026 will benefit 1.56 million working Ohioans (29% of the Ohio workforce).
- People who stand to benefit most include many working in frontline industries, including retail (20.3% of all affected workers), restaurants (19%) and healthcare (16.3%).
- Raising the minimum wage will generate \$4.9 billion in new annual earnings.
- Eliminating the lower tipped minimum wage will generate another \$1.2 billion in annual wages.
- The average affected worker will take home an additional \$3,898 each year with both policies (\$3,125 from the raise and \$773 from tip credit elimination).
- Three in five of the people whose pay will go up are women. Raising the wage will reduce pay inequality by gender.
- The raise will help overcome racial inequality in pay: While 70.5% of those who benefit are white, a larger share of Black (44.2%) and Hispanic (45.3%) workers are paid low wages compared with white workers (25.7%).
- Most affected workers are adults aged 20+ (83.0%) who finished high school (84.4%).

Introduction

Ohio's minimum wage is too low to cover the basic cost of living, and does not reflect the value of work being done by Ohioans in low-paying jobs. At the dawn of the pandemic Ohio workers had made the state wealthier than ever, while their employers managed to rig the economy over four decades to keep more of the gains themselves. In the 40 years from 1979 to 2019, median wages grew 3.9% while 10th percentile wages grew 1.6%.⁵ Since its peak, the minimum wage has lost more than a quarter of its value.

Everyone deserves the chance to lead a healthy life; those who work deserve a wage that dignifies their contribution and covers the basics. Low wages have serious consequences for all Ohioans. Living in poverty creates chronic stress that shortens the lifespan of those who cope with it.

Policy Matters Ohio estimates that a \$15 minimum wage by 2026 would benefit nearly 1.6 million Ohio workers; improve fairness in pay; and buoy the economy by directing \$4.9 billion per year to the workers who most need to spend it. Ending separate treatment for tipped workers is a critical part of the policy solution, and would generate another \$1.2 billion.

Minimum wage proposals

Policymakers have put forward several initiatives to raise the Ohio and U.S. minimum wage to \$15 per hour. Ohio Senators Cecil Thomas and Hearcel Craig introduced legislation in February 2021 that would raise Ohio's wage to \$15 by 2025.⁶ Reps. Brigid Kelly and Dontavius Jarrells introduced a similar bill in the Ohio House that would implement \$15 on a slightly longer timeframe by 2027.⁷ U.S. Senators removed a \$15 federal minimum wage from the latest federal COVID relief package, the \$1.9 trillion American Rescue Plan, after the Senate Parliamentarian ruled it outside of bounds for the budget reconciliation process and Senate Democrats calculated they had too few votes to overrule her.⁸ Progressives have said they will continue to advocate for a \$15 minimum wage. On the other side of the aisle, Republican Senator Josh Hawley has announced legislation that would set a \$15 floor with a narrower scope, covering businesses with revenues of \$1 billion.⁹ President Joe Biden has issued an executive order beginning the process to raise federal employees and contractors to \$15 per hour.¹⁰

This past November, Florida voters made their state the ninth, plus D.C., to pass a \$15 minimum wage. More than 39% of Americans live in one of these places. Most of the wage laws have not yet fully phased in to reach \$15, but many U.S. cities and some major employers have now increased their wages even higher. In Ohio, employers including Cleveland Clinic, Amazon and Target — the state's largest, ninth-largest and 35th-largest, respectively — have all announced minimum wages of \$15. Costco's new minimum will be \$16.¹¹

If Ohio were to follow the schedule passed by Florida voters, the minimum wage would be phased in through six stepped increases beginning at \$10 this September, and reaching \$15 by 2026. Using Florida's schedule as a guide, this report describes the Ohioans who would benefit from a \$15 minimum wage, according to the Economic Policy Institute's Minimum Wage Simulator.¹²

This report also models the elimination of the tip credit, disaggregating the impact of each policy. Currently, Ohio law allows employers to pay people who work for tips just half the minimum wage, but if the workers' combined wages and tips do not meet the full minimum wage they would have earned for their work, employers must make up any shortfall. Florida's new measure retains a fixed "tip credit" at \$3.02 per hour.¹³

Minimum wage increase schedule based on Florida law

- ↑ \$10 September 30, 2021
- ↑ \$11 September 30, 2022
- ↑ \$12 September 30, 2023
- ↑ \$13 September 30, 2024
- ↑ \$14 September 30, 2025
- ↑ \$15 September 30, 2026

Indexed to CPI after 2026 to protect buying power.

Gradually raising the wage over time, as Florida has done, gives businesses time to adjust to the new wage, though a long phase-in comes with a cost: the \$15 future minimum wage is worth about \$12.69 in today's dollars, accounting for the Congressional Budget Office's projections for inflation. The last time Ohio raised its minimum wage in 2006, the policy took full effect the following January, raising wages from \$4.25 to \$6.85 in current dollars, an increase of 61.2%. Today it is more common for minimum wage increases to come with phase-in schedules.

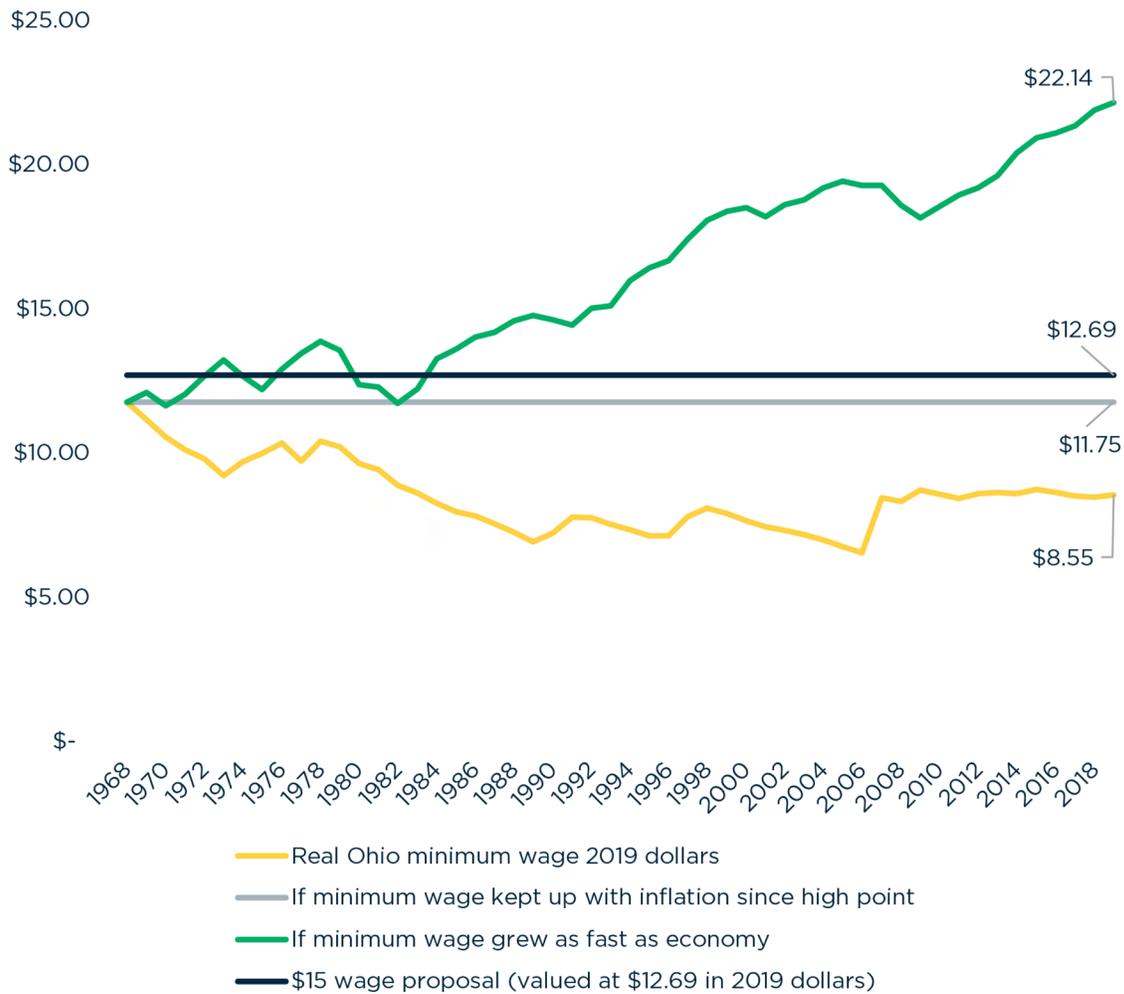
Background

Ohio's minimum wage was worth a little over \$12 an hour in 2019 dollars at its peak in 1968. Since then, corporate interests and the politicians they support have held the wage down. Today, someone paid the minimum wage can buy 28% less than they could have in 1968. Meanwhile, working Ohioans on the eve of the COVID-19 pandemic were more productive than ever before. Their labor created 88% more wealth in 2019 than their counterparts had done in 1968. Workers who are paid low wages have shared none of that growth. Ohio voters in 2006 passed the \$6.85 wage (worth \$8.80 today), and pegged it to inflation to stop the falling, but they never restored the wage to its former value. Raising the wage to \$15 would restore lost ground and enable minimum wage workers to gain some of the growth they have made possible over the last 53 years.

Figure 1 shows the current Ohio minimum wage policy in 2019 dollars (yellow). The line shows that minimum wage workers lost ground overall. Beginning in 2007, Ohio voters benchmarked the wage to inflation, which is the reason the line holds roughly steady since then. The minimum wage would have been \$11.75 by 2019 (and over \$12 today), if it had simply been benchmarked to inflation from its highest value in 1968 (gray). For decades in the mid-20th century, median wages tracked closely with overall economic growth. Had the minimum wage done so, it would have exceeded \$22 per hour by 2019 (green).¹⁴ The navy blue line shows the current minimum wage proposal of \$15 per hour by 2026, worth \$12.69 in 2019 dollars based on the Congressional Budget Office’s projections for inflation in the next five years.

Figure 1

A \$15 minimum wage would give workers more of the wealth they create
Four models of Ohio’s minimum wage change over time



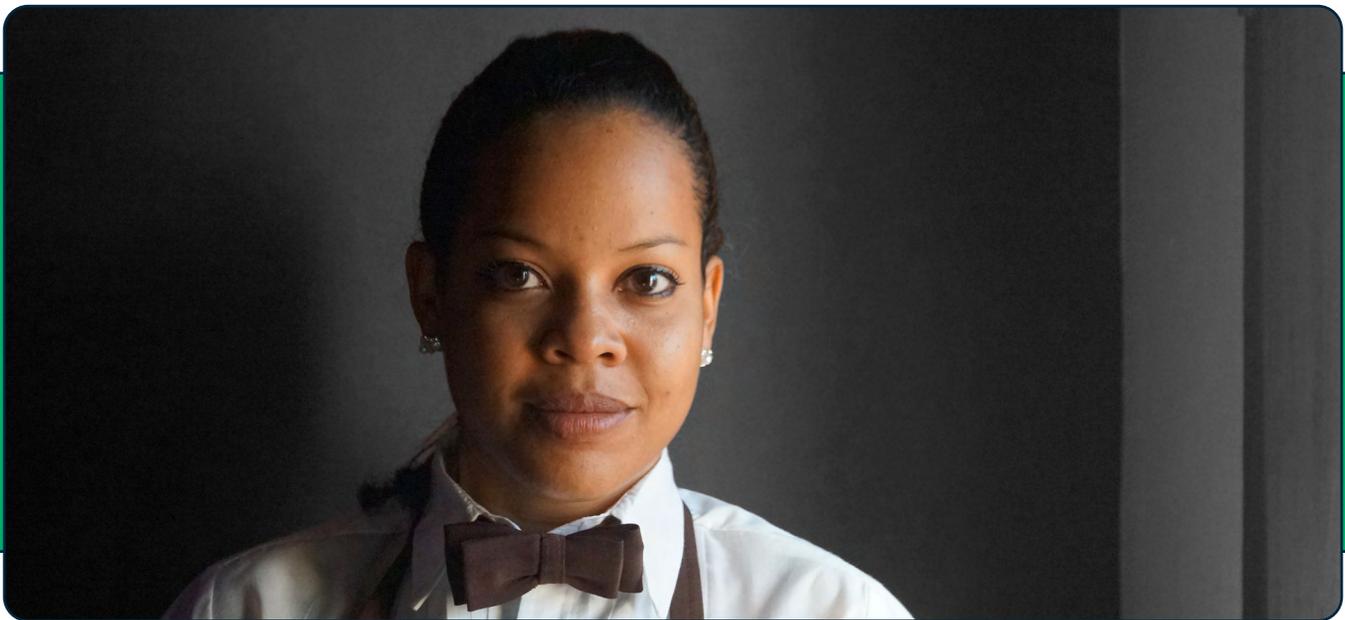
Source: Policy Matters Ohio, using Ohio GDP from Bureau of Economic Analysis, minimum wage from Federal Reserve Economic Data. Note there is a discontinuity in GDP in 1997 due to change in the official measure. While these series should not be appended for purpose of measuring GDP levels, Policy Matters has linked them for benchmarking GDP change. 1968-1997 series has been multiplied by 1.0319 in keeping with the 3.19% higher figure in the 1997 measurement for the 1997-2019 data. This prevents overstating GDP growth. Effective minimum wage figure used each year is the higher of the state or federal wage. Policy Matters has adjusted all figures for inflation to 2019 dollars using annualized CPI-U as reported by the Bureau of Labor Statistics.

Adopting the Florida policy of raising the wage to \$15 by 2026 would benefit about 1.6 million workers, putting an average of more than \$3,125 in their pockets each year and generating nearly \$4.9 billion in new wages in Ohio. Improving the policy by eliminating the tip credit would generate an additional \$1.2 billion, bringing the average benefit up \$773 to \$3,898 per worker.¹⁵ The policy would improve race and gender equity, reduce poverty, and improve health.

Ending the tipped subminimum wage

In Ohio and many states, employers whose workers are paid tips may claim those workers' tips to offset a portion of the minimum wage. In Ohio, the "tip credit" is half the rate of the minimum wage, so while Ohio's minimum wage in 2021 is \$8.80 per hour, employers can pay tipped workers just \$4.40, as long as customer tips make up another \$4.40. By law, employers must pay any shortfall, so that tipped workers still make at least \$8.80. In practice, it is often left to workers themselves to know and assert their rights. The structure leaves people who work for tips subject to frequent wage theft.¹⁶

Photo by Steven Cleghorn on Unsplash



Women in the leisure and hospitality industry experience sexual harassment at double the rate of the general workforce.¹⁷ Because they depend on customer tips to survive, tipped workers may be unable to defend themselves from harassment by both the customers who directly pay their earnings and the managers who control their earning potential by setting their shifts. In Ohio, the median waitress or waiter is paid just \$19,940 per year, an amount equal to 93% of the poverty level for a family of three.¹⁸ Around one-third of U.S. workers have their first job in the restaurant industry. Experiencing harassment there can set people up to endure inappropriate treatment throughout their careers: While restaurant jobs have higher rates of sexual harassment overall, women surveyed by Restaurant Opportunities Center United who had left the restaurant industry for new careers were 1.6 times as likely to report tolerating workplace harassment as respondents currently working as servers.¹⁹

For these reasons, eight states have done away with the subminimum wage for tipped workers and require that tipped workers be paid the same minimum wage applicable to all other workers.²⁰ We refer to that policy as “equal treatment.”

Compounding the challenges for tipped workers outside of those states, waitresses and waiters are now on the frontlines of the pandemic, placed in an impossible role as public health enforcers tasked with managing the actions of people on whose tips they depend. In a recent survey, 78% of restaurant servers experienced hostility from customers for enforcing COVID-19 safety protocols, and 83% reported a decline in tips since the pandemic began.²¹ Restaurant workers are forced to choose between their safety and earning enough to cover basic needs: 84% had to stand within six feet of an unmasked customer every shift, and 44% reported that at least one person at their workplace had contracted COVID-19.

This report models the impact of raising Ohio’s minimum wage to \$15 per hour, and breaks out the impact of eliminating the tip credit. The number of workers benefitting from both policies remains the same, but eliminating the tip credit would increase earnings substantially. The data are from the Economic Policy Institute’s Minimum Wage Simulation Model.²² The model relies on data from the American Community Survey and the Current Population Survey Outgoing Rotation Group. These are surveys of households conducted by the Census Bureau in partnership with the Bureau of Labor Statistics.

Poverty is bad for your health

By 2019, 13.1% of Ohioans and 18.0% of Ohio children lived in poverty, before COVID-19 certainly made those numbers far worse.²³ Cleveland in 2019 overtook Detroit as the major city with the largest share of residents living in poverty in the nation: 30.8% of residents and 46.1% of all children.²⁴ Among smaller cities with at least 65,000 residents, only Daytona Beach, Florida, had a larger share of poor children (57.6%) than Youngstown (57.0%) and Canton (56.9%) that year.²⁵

Poverty is an acute lack of sufficient material resources that carries lasting consequences for those who experience it. Poverty exposes poor people to more traumatic life events, while stripping them of the resources to overcome them. A broken down car can mean a job loss, that turns into an eviction. The combination of more stresses and fewer resources leaves poor people in a state of chronic stress: the kind where life’s demands exceed the person’s ability to cope. The consequences range from higher rates of infant mortality, to shorter life expectancy, to increased chance of death from disease. Poverty is literally killing people: National Institutes of Health researchers found that men in the top 1 percent of income get 15 more years of life than men in the bottom 1 percent. Women in the top 1 percent live 10 years longer.

No one should live — and die — under these circumstances, and no business model should depend on a workforce that does. Raising Ohio’s minimum wage to \$15 per hour would lift wages for 336,000 Ohio workers and their families now living in poverty. The threshold for poverty varies with family composition. Taking a family of three for example, wages below \$21,960 for the year are below the poverty level. Another 438,000 live on the fringe, from just above that amount to 200% of the poverty level, or \$43,920 for the same family. Working-poor Ohioans are among the biggest beneficiaries of the proposal: 81.7% of workers living below the poverty level would get a raise along with 60.9% of those in the next tier from 100% to 200% of poverty.

Not all workers who would benefit from raising the minimum wage live in or near poverty, but the fact that some are fortunate enough to have access to other income or share their homes with other earners does not change the responsibility employers have to pay a wage that meets the cost of living. Because that cost — no matter where people scrape the resources to cover it — is the one workers incur to provide their labor to their employer.

A \$15 minimum wage would be a powerful anti-poverty, pro-public-health tool. It would also make the labor market much more fair for workers who have been excluded from good jobs and higher wages.

Raising the wage and gender

Raising the minimum wage to \$15 would benefit both men and women. Three in five of the Ohioans whose pay would go up are women; 36% of working women would be paid more fairly for their work, along with 22.2% of male workers.

Women have been hit especially hard by the coronavirus recession.²⁶ Wage and employment gaps that had been narrowing for decades are beginning to widen again. Public-health related shutdowns most impacted the industries in which women constitute a larger share of the workforce. And COVID-19 created new caregiving work for family members who became ill and children sent home from school and child care to contain the virus spread. This added work has fallen especially heavily on women — as unpaid care work typically does — forcing some women to limit paid work hours or leave their jobs altogether.

Since 1979, before COVID-19, employers were hiring more women and paying them closer to what they pay men. Yet with a median pay of \$17.19, women overall are still paid less than 86 cents on the dollar compared with men.²⁷ Nationally, Black women are paid just 63 cents for every dollar paid to a white non-Hispanic man.²⁸ In Ohio, men are paid more than women in each of Ohio’s 20 most female-dominated occupations.²⁹ Over her lifetime, a woman loses hundreds of thousands of dollars compared to her male counterparts.

Over the same four decades, employers have pushed men’s wages down. Men today earn just \$20.10 at the median, compared with \$22.69 in 1979, adjusted for inflation. Raising the minimum wage would bring women’s wages in closer alignment with men’s, and help narrow the wage gap by lifting wages up, not pushing them down.

Table 1 shows the number and share of Ohio men and women who would be paid more fairly for their labor under the ballot initiative once the measure is fully phased in, by 2026. Figures are all reported in 2019 dollars. Reported hourly and annual wage increases are averages for all affected workers. Directly affected workers are those who would make less than \$15 per hour if not for the new wage floor. Indirectly affected workers are those making up to 15% more. These workers are projected to also see a pay increase as employers adjust pay scales to retain premia for more skilled and experienced workers.

Table 1

Raising the minimum wage would narrow the gender wage gap by lifting wages for women & men						
Impact of \$15 minimum wage on women & men						
Group	Estimated workers in group	Directly affected	Indirectly affected	Total	Share of group who are affected	Group's share of total affected
Ohio Workers	5,386,868	1,147,989	415,058	1,563,047	29.0%	100.0%
Women	2,652,350	706,587	248,481	955,069	36.0%	61.1%
Men	2,734,518	441,401	166,577	607,978	22.2%	38.9%
Change in Wages						
	Hourly raise			Annual Increase		
	Tipped workers stay at 50%	Impact of eliminating tip credit	Combined impact	Tipped workers stay at 50%	Impact of eliminating tip credit	Combined impact
Ohio Workers	\$2.01	\$0.51	\$2.52	\$3,125	\$773.13	\$3,898
Women	\$2.02	\$0.65	\$2.67	\$3,100	\$987.48	\$4,088
Men	\$1.99	\$0.29	\$2.27	\$3,165	\$436.42	\$3,601

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO January 2020 projections.

The impact of eliminating the tip credit is shown as an average for all workers, but in practice the increase would go only to workers who receive some of their earnings in tips. Thus this figure is an average of workers who would see a substantial benefit and others who would see no impact. In its model, the Economic Policy Institute identifies workers in 19 occupation types as “tipped workers.”³⁰ Among the industries noted below (Table 3), only four have no tipped workers. The biggest beneficiaries of tip credit elimination are other services workers, who would get an average raise of \$3,105 per year, and restaurant workers, who would get \$2,845.

Raising the wage and race

A legacy of segregation handed down by redlining and other discriminatory practices has forced many Black and brown Ohioans into poorer communities where aging homes pose lead safety threats that hinder children’s ability to learn.³¹ Under-resourcing of public schools and Ohio’s unconstitutional local school funding structure compound the problem.³² This means many Black and brown youth reach the labor market at a disadvantage. The flight of manufacturing from Ohio’s urban cores to the suburbs — abetted by lavish tax giveaways — leaves fewer of the kind of jobs that once built a strong middle class in communities where many Ohioans of color live.³³ A criminal justice system that treats Black Ohioans more punitively at every stage of interaction marks Black Ohioans, especially men, with criminal records for infractions their white peers would get a pass on.³⁴ Atop all these inequities, Black Ohioans also still contend with hiring discrimination, which Ohio lawmakers this year made more onerous for victims to challenge.³⁵



Photo courtesy of SEIU Local 1

Meanwhile, decades of corporate attacks on unions have diminished the power of one of the most critical forces that help lift up working people of color.³⁶ Research has found that belonging to a union boosts pay by an average 14.7% for Black workers, and 9.6% for white workers.³⁷ In a 2018 study, just 10.7% of U.S. workers were represented by a union, while 48% of those who were not said they want to be.³⁸ Employer attacks on workers’ right to form a union are a major contributor to the reversal in progress toward race equity in pay. They have also helped employers to suppress wages, so that low- and middle-income workers are not paid what their work is truly worth.

A state policy to raise Ohio's minimum wage will help improve racial equality. The majority of workers who would benefit from raising the minimum wage to \$15 are white (70.5%), but people of color are overrepresented among Ohio's lowest-paid workers and so are relatively more likely to benefit. Among Black workers, 44.2% would get a pay increase. For Latinx workers, that figure is 45.3%. For Asian and other workers, 25.5% would get a pay increase. White people benefiting from a minimum wage increase comprise 25.7% of all white workers. Among workers of other races and ethnicities, 43.3% would benefit.³⁹

Black people have always been vital members of the American labor force, but from forced enslavement until today, their work has been exploited and undervalued. Black U.S. women have had the highest workforce participation rates among all women since we began measuring this in 1880 — just 15 years after the end of slavery.⁴⁰ Yet Black women have been consistently undervalued. Prior to COVID-19, economist Michelle Holder estimated that corporations were shortchanging Black women some \$50 billion per year.⁴¹ By June 2020, 60% of Black U.S. women reported fears of being unable to pay their rent or mortgage, compared with 24% of white men.⁴² These facts prompted now-U.S. Department of Labor chief Janelle Jones to coin the phrase “Black Women Best,” the concept that, if we center Black women in our economic analysis and structure policy until we see them thrive, then we will have built an economy in which everyone thrives.⁴³

A robust minimum wage is a cornerstone of that policy framework.

Researchers Ellora Derenoncourt and Claire Montialoux found that increasing and extending the minimum wage to industries in which African Americans worked in the late 1960s explained 20% of the decrease in the Black-white earnings gap during the years of the Civil Rights Movement.⁴⁴ Since then, politicians' choice to neglect the minimum wage has likely also contributed to the reversal in Black workers' wages that followed. Black workers in Ohio are paid less today than they were in 1979. The median black worker in Ohio earned \$16.88 in 1979, but just \$15.17 by 2019.⁴⁵ Black workers' pay fell from 92 cents on the dollar to white Ohioans to 76 cents.

Increasing the minimum wage is one critical step to repair the damage done to Black communities. Raising the minimum wage to \$15 for all Ohio workers would increase affected white workers' earnings by \$3,743 on average for full-time work. Black workers' pay would rise by \$4,102.

Table 2 shows the impact of the \$15 minimum wage proposal on Ohio workers by race.

Table 2

Raising the minimum wage would increase racial equality						
Impact of \$15 minimum wage by race						
Group	Estimated workers in group	Directly affected	Indirectly affected	Total	Share of group who are affected	Group's share of total affected
White	4,287,777	791,749	310,742	1,102,490	25.7%	70.5%
Black	621,604	213,847	60,877	274,724	44.2%	17.6%
Hispanic	218,111	76,529	22,338	98,867	45.3%	6.3%
Asian	142,918	25,798	10,710	36,509	25.5%	2.3%
Other race/ethnicity	116,458	40,065	10,391	50,456	43.3%	3.2%
Change in Wages						
	Hourly raise			Annual Increase		
	Tipped workers stay at 50%	Impact of eliminating tip credit	Combined impact	Tipped workers stay at 50%	Impact of eliminating tip credit	Combined impact
White	\$1.95	\$0.56	\$2.51	\$2,915	\$827.99	\$3,743
Black	\$2.20	\$0.23	\$2.43	\$3,725	\$377.00	\$4,102
Hispanic	\$2.06	\$0.48	\$2.54	\$3,567	\$803.40	\$4,371
Asian	\$1.89	\$0.96	\$2.85	\$3,196	\$1,759.80	\$4,956
Other race/ethnicity	\$2.27	\$0.64	\$2.92	\$3,534	\$958.18	\$4,492

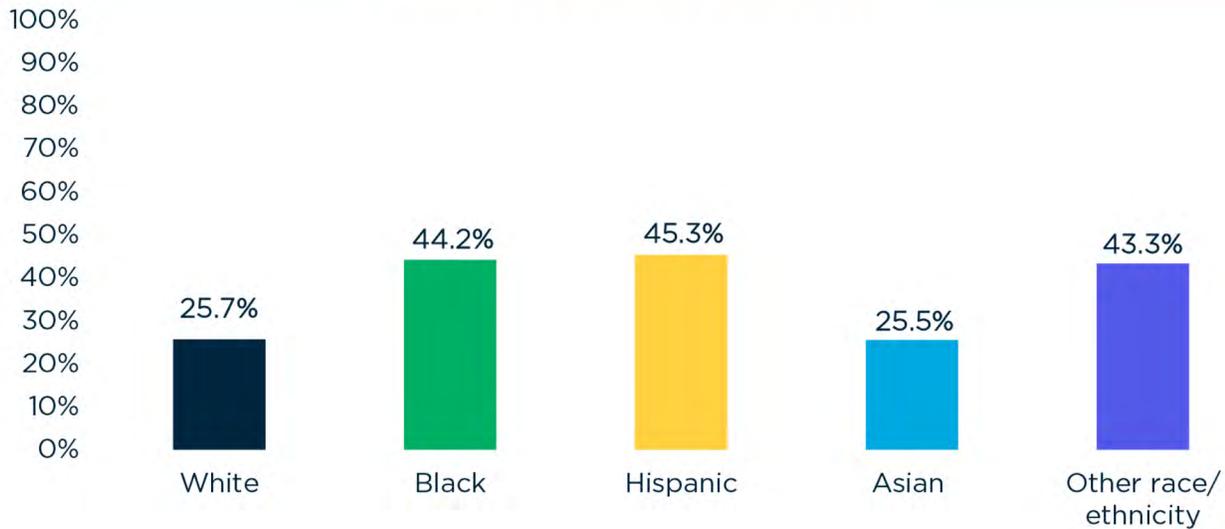
Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO January 2020 projections.

Figure 2 shows the share of Ohioans who would benefit from a \$15 minimum wage by race.

Figure 2

Raising the minimum wage would improve wages for working people in every race category

Impact of \$15 minimum wage by race



Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO January 2020 projections.

Raising the wage: Age & education

Most Ohioans who stand to gain from the \$15 minimum wage measure are adults aged 20-plus (83%). Among those whose pay would go up, working parents outnumber teenagers by 141,000 (406,000 parents and 265,000 teens).

The majority of Ohioans who would benefit from a \$15 minimum wage (84.4%), have already graduated high school. High school grads with no further education are the single largest cohort of people whose pay would go up (40.3%). Next are Ohioans who have had some college but not received a degree (31.5%). This group includes both students working their way through college, and those who have left school without finishing. Ohioans who have not completed high school make up 15.6%. This group’s 244,000 members will partially overlap with the 265,000 teens reported above; the group includes high school students as well as older adults who did not complete high school.

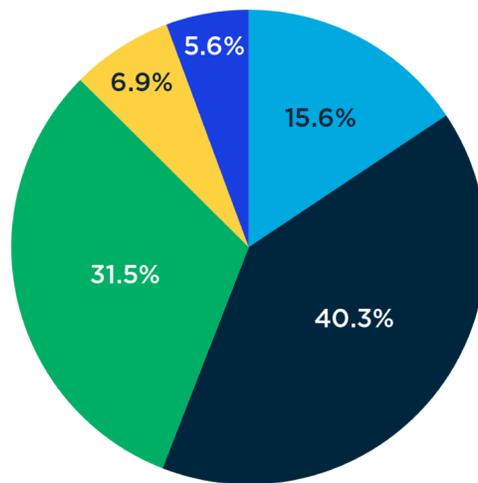
Holding a college degree significantly increases average pay relative to Ohioans without a degree, but degree-holders' wages have been held down over the last two decades: Median wages for Ohio Bachelor's degree-holders peaked in 1999 and fell 2.2% by 2019.⁴⁶ Ohioans with an Associate's or Bachelor's degree comprise 12.6% of those who would get a raise from a \$15 minimum wage.

Figure 3 shows the highest education level completed by Ohioans who would receive a wage increase from a \$15 minimum wage.

Figure 3

Most who would benefit from a \$15 minimum wage have graduated high school

Education completed by Ohioans who would benefit from a \$15 minimum wage



- Less than high school
- High school
- Some college, no degree
- Associate degree
- Bachelor's degree or higher

Source: Economic Policy Institute Minimum Wage Simulation Model, using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO January 2020 projections.

Raising the wage by industry

While low-paying jobs can be found across industries, some industries stand out. Those with the largest share of affected workers are retail (20.3%), restaurant and food service jobs (19%), and the health care industry (16.3%), which — until the coronavirus recession — was Ohio’s fastest growing.⁴⁷

Policy Matters has shown how six of the state’s 10 most common jobs pay too little to support a family of three without food aid.⁴⁸ These include jobs in some of Ohio’s largest and most profitable corporations. Ohio retail firms, where cashiers work face-to-face with customers all day long during the pandemic, topped the list of CEO-to-median-worker pay ratios, where some CEOs are paid more than 1,000 times the salary of the median worker.⁴⁹ This disparity results both from the low wages typical of the industry, and the fact that many people who work in retail work part time. While some workers prefer part-time work, others accept it because it’s all their employer will offer. A survey of part-time retail sales associates found that 45% wanted more hours, but salaried managers said they routinely assigned excess hours to themselves — unpaid — because their hours did not count toward the company’s stringent scheduling limits.^{50 51}



Photo by Bernard Hermant on Unsplash

Restaurants, meanwhile, routinely shunt a portion of their workforce costs directly onto customers in the form of tips. Because tip credits make it easy to steal from workers, and substantially raise the chances that workers will face poverty, eight states have done away with tip credits altogether. Ohio should follow their lead and implement equal treatment in pay for all workers regardless of industry.

Table 3 shows impacted Ohioans by industry. All industry estimates are based on the Economic Policy Institute’s Minimum Wage Simulator.⁵² The core estimates are constructed from the ACS 5-year estimates from 2014-2018, and projected forward to account for labor force growth. Consistent with Congressional Budget Office analysts, the simulator assumes that Ohio will return to pre-pandemic growth patterns and jobs makeup.⁵³

Table 3

Retail, restaurants, healthcare dominate low wage jobs						
Impact of \$15 minimum wage by industry						
Industry	Estimated workers in group	Directly affected	Indirectly affected	Total	Share of group who are affected	Group's share of total affected
Agriculture, forestry, fishing, hunting	38,129	10,301	2,523	12,824	33.6%	0.8%
Construction	237,039	21,361	13,805	35,166	14.8%	2.2%
Manufacturing	878,844	91,911	56,182	148,093	16.9%	9.5%
Wholesale trade	147,211	19,595	10,751	30,346	20.6%	1.9%
Retail trade	627,982	246,520	70,090	316,610	50.4%	20.3%
Transportation, warehousing, utilities	270,233	31,571	17,689	49,260	18.2%	3.2%
Information	90,930	10,041	4,829	14,870	16.4%	1.0%
Finance, insurance, real estate	341,365	22,883	14,831	37,714	11.0%	2.4%
Professional, scientific, management, technical services	279,278	14,313	9,314	23,628	8.5%	1.5%
Administrative, support, and waste management	199,522	63,231	20,518	83,749	42.0%	5.4%
Education	480,595	64,944	23,960	88,904	18.5%	5.7%
Healthcare	875,769	185,950	69,331	255,281	29.1%	16.3%
Arts, entertainment, recreational services	85,197	36,378	9,185	45,563	53.5%	2.9%
Accommodation	31,298	16,212	4,055	20,267	64.8%	1.3%
Restaurants and food service	389,155	242,943	54,247	297,189	76.4%	19.0%
Other services	200,359	60,577	27,660	88,237	44.0%	5.6%
Public administration	213,961	9,257	6,089	15,345	7.2%	1.0%

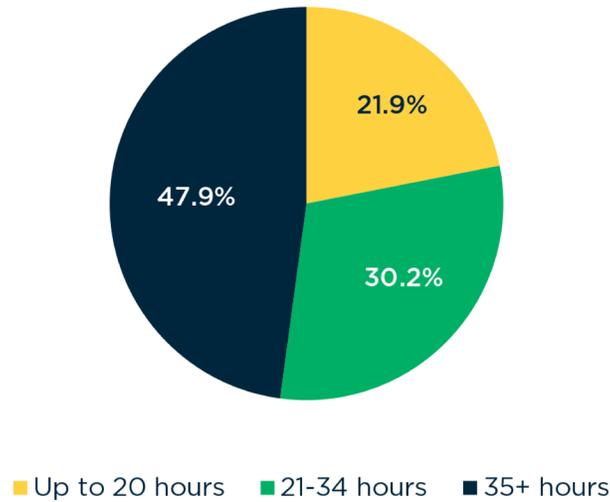
Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO January 2020 projections.

Ohioans who would benefit from a \$15 minimum wage work a mix of part- and full-time hours. Figure 4 shows the breakdown.

Figure 4

Nearly half of Ohioans whose pay would increase with a \$15 minimum wage work full-time

Hours worked by Ohioans affected by a \$15 minimum wage



Source: Economic Policy Institute Minimum Wage Simulation Model, using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office. See EPI Minimum Wage Simulation Model 2019. Dollar values adjusted by projections for CPI-U in CBO January 2020 projections.

Nearly half (47.9%) of Ohioans whose pay would increase with a \$15 minimum wage work full-time, at least 35 hours per week. Another 30.2% work more than 20 hours, while 21.9% work just 20 hours or less. Some workers choose a reduced schedule to balance other commitments such as schooling or caring for children or other loved ones. Others work part-time for economic reasons, meaning they would like to work full-time but are unable to get enough hours.

What happens to businesses & jobs in places that raise the minimum wage?

The most obvious effect of raising the minimum wage is also the most important: Many people get paid more fairly for their work, and the money goes especially to those who need it most.

The Congressional Budget Office this February found that raising the minimum wage to \$15 by 2025 would benefit 17 million Americans who would otherwise make less by that year, and many of the 10 million more whose wages are otherwise projected slightly higher, as employers adjust their pay scales up.⁵⁴ The report also estimated that employers would reduce enough work hours to offset 1.4 million jobs, but economists have critiqued CBO's assumptions that led to that estimate.⁵⁵ The estimate is out of sync with most of the research, where the median net finding on jobs change is zero. CBO aligns with those studies in finding that at least 95% of those affected are clear beneficiaries.

Most of the research on minimum wage increases finds negligible or no impact on employment levels. Wolfson and Belman looked at 37 studies conducted over 15 years and concluded that raising the minimum wage did not have a substantial impact on U.S. employment.⁵⁶ A study of 138 minimum wage increases from 1979 to 2016 found no overall change in the number of jobs as employment just below the new minimum wage dropped and was offset by an equal-sized increase just above the new minimum, with no change in employment of higher paid workers.⁵⁷ The findings suggest that employers are complying with the law and raising wages but not adjusting employment. The same study also found no evidence of employment effects in the restaurant industry or among teens — two groups heavily impacted by the minimum wage — but some evidence of reduced employment in manufacturing.⁵⁸ That effect could square with the overall finding of no change in employment if the mix of occupations changed.

The Center for American Progress noted increased productivity from staff who are motivated by the raise and able to work harder, and reduced turnover and training costs as benefits small businesses reap when they raise their minimum wage.⁵⁹ Improved staff capacity stems from the better quality of life higher wages afford, from less chaos to improved health.⁶⁰ To these, Business for a Fair Minimum Wage added lower error and accident rates, less product waste and better customer service. The Greater Cleveland Foodbank told Policy Matters Ohio that improved morale helped absorb the cost when they raised their minimum wage, and won them back a prized employee who had left for a small raise.⁶¹ When the food bank raised its base wage 21.7 percent, its operating costs increased by just 0.5%.

Perhaps the most important effect of raising wages on business is to boost consumer demand. David Cooper noted that lost revenue — not the cost of wages — is the critical challenge for businesses in the coronavirus recession.⁶² U.S. Women's Chamber of Commerce CEO Margot Dorfman said of the \$15 proposal, "Raising the minimum wage is a vital investment in businesses and our economy."⁶³

Case study: McDonald's

Princeton researchers Orley Ashenfelter and Štěpán Jurajda studied McDonald's restaurants in 90% of U.S. counties over five years ending in 2020 to see how those in cities or states that raised their minimum wage responded to the change.⁶⁴ McDonald's is a good case study because the company has restaurants in nearly every U.S. county and a large share of its workers are affected by minimum wage increases. McDonald's wages rose substantially in communities with a minimum wage increase. Wages in about 40% of restaurants were very near the minimum wage both before and after the increase. About the same share raised their wages more than was required by the new legal minimum, showing two things: First, they could afford higher wages. Second, they were willing to pay a premium for dedicated workers — but the premium was relative to the going wage rate and therefore rose with an increase in the minimum wage. The researchers found no effects of minimum wages on existing McDonald's restaurants closing, or new ones opening; and no relationship between wage policy and McDonald's adoption of automated ordering machines. Big Mac prices rose by about 14 cents per dollar of increase in the minimum wage. If that rate holds for Ohio, we would expect the \$15 wage proposal to lift the price of a Big Mac by 58 cents in 2019 dollars.⁶⁵ Responding to the study, McDonald's president and CEO Chris Kempczinski told reporters that — as long as it's applied across the board for all employers — “McDonald's will do just fine” with a \$15 minimum wage.⁶⁶

Conclusion

For decades, Ohio policymakers have looked the other way while some businesses paid wages that fell short of both the cost of living and the value low-paid workers produced for their employers. They have passed policies that helped those employers diminish workers' bargaining power so they could capture more wealth for themselves — wealth that Ohio's working people created.

Those dollars matter. They mean time with loved ones: a parent who could have been there longer; a baby who could have made it home from the hospital.

Workers have earned them. Many of Ohio's lowest-paid work in critical infrastructure jobs. They have kept the food supply chain open through the pandemic of the century. They have put themselves on the line to deliver the supplies that made it possible for others to shelter at home through the worst of the crisis. They have cared for the sick, and for the children of parents who depended on them to make it back to work themselves. When businesses gave their workers hazard pay last spring, they demonstrated that those workers were worth the higher wage. When they took it away they did so not because that changed, but because they knew that without strong wage mandates, workers lacked the bargaining power to stop them.

Everyone deserves a chance to have a good life. Everyone who works deserves a wage that covers the basics. This is not only a moral judgment but a fundamental economic reality: At a minimum, the cost of living is the cost of labor.

It is time to ensure that all Ohioans who work are paid a fair wage. It's time to pass a \$15 minimum wage.

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