



MINIMUM WAGE

According to the nonpartisan Congressional Budget Office (CBO), raising the minimum wage to \$15 an hour would impose numerous unintended consequences, such as 1.4 million in job losses, higher prices of goods and services, and a permanent class of unemployable workers.¹ Congress should focus on helping Americans get back to work, not taking more jobs away.

- President Biden has released a plan that supports increasing the federal minimum wage from the current \$7.25 level to \$15 per hour.² Accordingly, Democrats reintroduced S. 53, the Raise the Wage Act, on January 26, 2021.
 - Currently, 29 states have a higher minimum wage than the federal level.³ The state and regional levels are where these matters should be addressed.
- Instead of federal intervention, with a one-size-fits all mandate, Congress should allow states and municipalities to address the issue of minimum wage to reflect **regional differences**. For example:
 - The cost of living index in Washington, D.C. is 152.1, and 75.9 in Ozark, AL. Given that it is 50% cheaper to live in Ozark, AL, a \$15 minimum wage is likely unsustainable.⁴
 - The Montgomery County, MD, City Council passed a \$15 wage increase with a divided vote 5-4. The County Executive vetoed the bill and required a study to assess the implications of the wage increase. The 2017 report summary states the minimum wage was ultimately not increased, because, “In short, the benefits from a minimum wage increase have the potential to be significant. However, workers who lose their jobs or are not hired as a result will not experience them.”⁵
 - The study projected close to 47,000 job losses by the year 2022 to mostly low-income wage earners, with the county experiencing a projected income loss of almost \$400 million.
- The underlying reason low-skilled, low-wage earners will likely lose their employment is **automation**, according to a study by the National Bureau of Economic Research (NBER).
 - The study concluded, “increasing the minimum wage decreases significantly the share of automatable employment held by low-skilled workers, and increases the likelihood that low-skilled workers in automatable jobs become nonemployed or employed in worse jobs.”⁶
 - A separate NBER study also found that minimum wage increases “also lead to lower bank credit, higher loan defaults, lower employment, [and] a lower entry and higher exit rate for small businesses.”⁷
- The findings of the Montgomery County and NBER studies can be seen playing out in daily life, from substituting self-service checkout to cashiers, to automated menu ordering in restaurants. Examples include:⁸

- Flippy, the Burger-Flipping Robot, can work all day at a Pasadena CaliBurger restaurant without getting tired. According to restaurant management, Flippy “doesn’t mess up as much” and can perform certain tasks “better than my average employee.”⁹
 - A Flippy robot can cost fast food chains as low as \$3 an hour, or \$2,000 per month,¹⁰ and requires no additional benefits, such as workers’ compensation.
- Meanwhile, in Washington State: Simone Barron, a self-identified progressive, considers herself a victim of the unintended consequences related to Seattle’s \$15 minimum wage hike.¹¹ Prior to the hike, Ms. Barron, a waitress, worked four shifts to provide for her family. After the wage increase, Ms. Barron’s employer restructured employee compensation, effectively eliminating tips, in order to keep the restaurant in business. Ms. Barron now has to work six shifts instead of four to maintain a comparable level of income, even though her salary was “increased.”¹²

➤ An estimated 22 million Americans lost their jobs during the height of the COVID-19 pandemic.¹³ President Biden’s \$15 federal minimum wage plan would send another million Americans to the unemployment line. Congress should focus instead on reopening the economy, eliminating burdensome regulations, and supporting pro-growth reforms to the tax code. An honest discussion requires us to address the positives – increased earnings for some, and the negatives – unemployment, perhaps permanent, for others. Rushing this process on a party line vote does not amount to honest discussion.

¹ <https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf>

² While this is the minimum allowed under federal law, states are free to pursue their own wage laws in excess of \$7.25, and many states have adopted minimum wage laws above the federal level. <https://www.whitehouse.gov/briefing-room/legislation/2021/01/20/president-biden-announces-american-rescue-plan/>

³ <https://www.epi.org/minimum-wage-tracker/> and <https://www.cnbc.com/2021/01/20/us-is-closer-than-ever-to-a-15-minimum-wage-with-biden-presidency-.html>

⁴ <https://www.bestplaces.net/cost-of-living/washington-dc/ozark-al/50000>

⁵ https://montgomerycountymd.gov/OPI/Resources/Files/2017/MC_Minimum-Wage-Impact-Analysis_7-31-2017.pdf

⁶ This is demonstrated from a recent study by the National Bureau of Economic Research, People Versus Machines: The Impact of Minimum Wages on Automobile Jobs. <https://www.nber.org/papers/w23667> and

https://www.nber.org/papers/w23667?utm_campaign=ntw&utm_medium=email&utm_source=ntw

⁷ Small, young, labor-intensive establishments located in competitive and low-income areas also experience higher financial stress.

https://www.nber.org/system/files/working_papers/w26523/w26523.pdf

⁸ The Employment Policies Institute’s (EPI) “Faces of \$15” website features stories of workers and businesses harmed by minimum wage hikes across the country. https://www.facesof15.com/?gclid=EAIaIQobChMIrP-T1rCt7gIVA5KGCh3uDwGDEAAAYASAAEgJV-D_BwE

⁹ <https://www.youtube.com/watch?v=KJVOqunm5E> and see also <https://thespoon.tech/caliburger-adds-a-second-flippy-robot-to-make-french-fries/>

¹⁰ <https://www.latimes.com/business/technology/story/2020-02-27/flippy-fast-food-restaurant-robot-arm> and

<https://www.theburnin.com/startups/miso-robotics-burger-flipping-robot-only-costs-3-per-hour-2020-2/>

¹¹ Prager University, accessed at

https://assets.ctfassets.net/qnesrjodfi80/6bZ7XbQwRZrBFBVpDVTBbD/f52de5e5c911c1bc89c21378b819b192/Barron-Minimum_Wage_Cost_Me_My_Job-Transcript.pdf

¹² https://edlabor.house.gov/imo/media/doc/Testimony_Barron020719.pdf and <https://www.wsj.com/articles/seattles-wage-mandate-kills-restaurants-11576195087>. In January 2020, Seattle raised its minimum wage again to \$16.39 per hour. A restaurant Ms. Barron worked at closed shortly before this took effect, and Ms. Barron lost her job. Wall Street Journal, Dec. 12, 2019, accessed at <http://archive.is/SIvKh>

¹³ <https://www.forbes.com/sites/jonathanponciano/2020/11/30/it-could-take-4-years-to-regain-the-22-million-jobs-lost-during-covid-19-pandemic-moodys-warns/?sh=778fed6a4332> and <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html>