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Concerning an Increase in the Statewide Minimum Wage to \$12.50 on January 1, 2020

HCR15-1001

Testimony to the House State, Veterans & Military Affairs
George Awuor, policy analyst
March 23, 2015

Thank you for the opportunity to address the committee. My name is George Awuor and I am a policy analyst with the Bell Policy Center. The Bell is a non-partisan, non-profit research and policy organization founded on progressive values and dedicated to expanding opportunity for all Coloradans.

I'm here in support of concurrent resolution HCR15-1001, which creates a referred measure that will appear before voters at the November 2016 general election. If passed, the measure would amend the Colorado Constitution to increase the statewide minimum wage from \$8.23 to \$12.50 by Jan. 1, 2020.

The immediate benefit of raising the minimum wage is the generation of extra income for some of the lowest-paid workers in the state. More and more families rely on low-wage and minimum-wage jobs to make ends meet. During the recent recession, job losses were experienced in higher-wage sectors like construction, manufacturing and finance. However, most of the jobs (58 percent) created during the recovery have been concentrated disproportionately in the low-wage sector.¹

The U.S. Bureau of Labor Statistics projects that this is not a short-term trend – six of the top 10 growth occupations are low-wage jobs, including home health aides, customer-service representatives, food-preparation and service workers, personal and home-care aides, retail salespersons and office clerks.²

Raising the minimum wage would boost pay scales in these types of jobs, where millions of Americans will likely spend their careers. This increase in disposable income will provide dignity for many and enable families frequently living paycheck to paycheck to pay off debt and reduce the possibility of asking for government assistance.

¹ National Employment Law Project (2012), The Low-Wage Recovery and Growing Inequality, data brief, http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?moodn=1

² U.S. Department of Labor, U.S. Bureau of Labor Statistics (2015), Employment Projections, Occupations with the most job growth, http://www.bls.gov/emp/ep_table_104.htm

For some, raising the minimum wage is a concern because they believe that it will lead to an increase in unemployment. However, in recent years, studies have shown that increases in the minimum wage have had little or no negative effect on employment. A study of fast-food restaurants in New Jersey (where the minimum wage was increased) and Pennsylvania (where it was not) surveyed 410 fast-food restaurants before and after the increase in the minimum wage. The researchers found no indication that New Jersey's increase in the minimum wage reduced employment.³

Other researchers expanded the New Jersey vis-a-vis Pennsylvania study and compared 288 pairs of contiguous U.S. counties with minimum wage differentials from 1990 to 2006 and found no effects on employment because of a minimum wage increase.⁴

Finally, a report by economists at the Center for Economic Policy Research reviewed research since 2000 and determined that there is little or no evidence that there is an employment response to modest increases in the minimum wage. They argue that this is mostly because "the cost shock of the minimum wage is small relative to most firms' overall costs and only modest relative to the wages paid to low-wage workers."⁵

Additionally, raising wages reduces costly employee turnover and increases productivity. Research has documented how, especially in low-wage industries, employers can see significant savings because of reduced recruitment, retraining and re-staffing costs when turnover is reduced because workers who are paid more stay with their current employer longer. A study of the effect of a wage increase for workers at the San Francisco Airport found that annual turnover among security screeners quickly dropped from 95 percent to 19 percent when their hourly wage rose from \$6.45 to \$10 per hour.⁶

Raising the minimum wage right now is more important than ever. Minimum-wage increases stimulate the economy by increasing consumer spending, without adding to state and federal budget deficits. Spending by Americans drives 70 percent of the U.S. economy, and increasing demand is key for jump-starting production and rehiring. A raise in the minimum wage puts money into the pockets of low-income consumers, who immediately spend it at local businesses.

Thank you for the opportunity to testify before this committee. We thank Reps. Moreno and Rep. Melton for bringing the bill to you today.

³ Card, D. Krueger, A. (1993), Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania, NBER Working Paper No. 4509, <http://www.nber.org/papers/w4509.pdf>

⁴ Dube, A., Lester, W. and Reich, M. (2010), Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. *The Review of Economics and Statistics*, Vol. 92, No. 4, Pages 945-964. <http://www.irlle.berkeley.edu/workingpapers/157-07.pdf>

⁵ Schmitt, J. (2013), Why Does the Minimum Wage Have No Discernible Effect on Employment? Center for Economic and Policy Research, Washington, D.C., <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

⁶ Reich, M., Hall, P. And Jacobs, K. (2003), Living Wages and Economic Performance The San Francisco Airport Model, Institute of Industrial Relations University of California-Berkeley, http://www.irlle.berkeley.edu/research/livingwage/sfo_mar03.pdf

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