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Committees:

Finance
Finance Subcommittee,
Health and Human Services
Federalism
State and Local Government
(Ranking Member)

Chair Manning, Vice Chair Dean, Ranking Member Lepore-Hagan, and members of the House Commerce and Labor Committee, thank you for the opportunity to provide sponsor testimony on House Bill 34, legislation to modernize Ohio’s minimum wage.

The promise of America is that it is supposed to be the land of opportunity, where if you work hard, you can succeed, and you can get ahead. The bad news is that too many people in Ohio know it doesn’t matter how hard they work. Their families still live, and often struggle, paycheck to paycheck. In fact, since 1979, productivity has risen six times faster than hourly compensation for the typical U.S. worker.¹

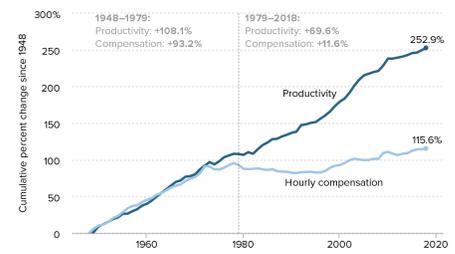
The good news is this is a problem that can be solved. It doesn’t have to be this way. Profits and productivity can continue to go up, but wages should, too. By modernizing our minimum wage, more people can earn the opportunity for a better life.

A constitutional amendment passed in 2006 stated that Ohio’s minimum wage shall increase on January 1 of each year by the rate of inflation. This January, the minimum wage increased to \$8.70 per hour (\$4.35 for tipped employees). House Bill 34 will gradually phase in a \$15 minimum wage by 2023, lifting pay for millions of workers and reversing decades of growing pay inequality. As written, the bill would have increased minimum pay to \$12 beginning on January 1, 2020 and increased yearly by \$1.00 an hour until 2023, when it reaches \$15 per hour.

Raising pay is good for families and good for communities. According to a 2019 report from Policy Matters Ohio², (\$15 minimum wage would improve incomes, increase equity):

“A \$15 minimum wage by 2023 would lift wages for 2 million Ohio workers, 37 percent of the wage-earning workforce. Nearly 1.6 million directly affected workers (26 percent of the workforce) would receive an average increase of \$2.73 per hour in 2018 dollars. The average directly affected worker puts in 30.6 hours per week, and would see an earnings boost of \$4,252. Another 450,000 workers would benefit from a spillover effect as employers raise wages of those making more than \$15 in order to attract and retain their workforces.”

The gap between productivity and a typical worker’s compensation has increased dramatically since 1979
Productivity growth and hourly compensation growth, 1948–2018



Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts

Updated from Figure A in *Raising America’s Pay: Why It’s Our Central Economic Policy Challenge* (Bivens et al. 2014)

Economic Policy Institute

Ohio’s low wage workers by age and education

Group	Estimated workers	Directly affected	Indirectly affected	Total	Share of group who are affected	Group’s share of total affected
Age						
16-20	408,000	348,000	27,000	430,000	93%	18%
21-25	583,000	316,000	53,000	368,000	63%	18%
26-54	3,290,000	648,000	260,000	908,000	28%	45%
55+	1,233,000	277,300	112,000	390,000	32%	19%
Education						
Less than high school	358,000	255,000	33,000	288,000	80%	14%
High school	1,766,000	616,400	223,000	839,000	48%	41%
Some college, no degree	1,007,000	397,000	71,000	467,000	46%	23%
Associate’s degree	567,000	133,000	47,000	180,000	32%	9%
Bachelor’s	1,177,000	141,000	60,000	201,000	17%	10%
Masters or professional+	633,000	41,000	17,000	58,000	9%	3%

Note: Figures do not all sum due to rounding and sample weighting in dataset

SOURCE: Policy Matters Ohio from Current Population Survey Outgoing Rotation Group, Center for Economic Policy Research extract. Ohio workforce from Bureau of Labor Statistics:

https://beta.bls.gov/data/viewer/view/timeseries/L_AUST3900000000000006

¹ <https://www.epi.org/press/job-growth-stays-solid-but-wages-disappoint-again/>

² <https://www.policymattersohio.org/files/research/minimumwage2019.pdf>

According to a 2017 Fact Sheet from the National Employment Law Project³:

“Cost of living data from the Economic Policy Institute shows that in all fifty states—in both rural and urban areas—\$15 an hour is the minimum wage that a single adult working full-time will need by 2024 to cover basic living expenses— including rent, food, transportation, health care, and taxes. And workers in expensive regions, or workers with children, will need even more.”

Minimum wage earners aren’t just young adults working over the summer. Instead, they are between 26 and 54 years of age, many of whom have at least some college education.⁴ They are people who want jobs where they can build a life, save for retirement, and take care of their families.

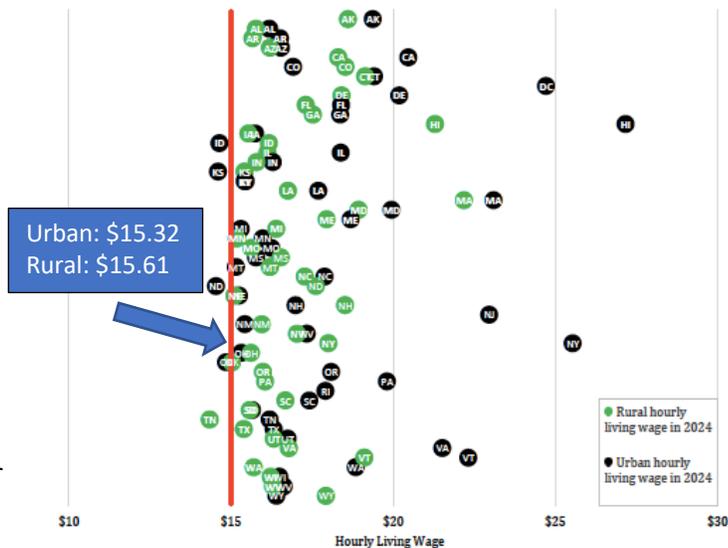
Successful businesses--large and small--have shown that good wages are good business. Showing up to work every day and working hard to contribute to your company’s bottom line shouldn’t mean you have to rely on food stamps or cash assistance just to get by. It shouldn’t mean you have to choose between rent and reliable transportation, or between packing lunch and keeping your lights on.

The current minimum wage leaves a full-time worker in Ohio with approximately \$18,096 dollars a year, before taxes, and about \$3,000 below the federal poverty line for a family of three. Employers that pay poverty wages are ultimately subsidized by taxpayers as their employees are forced onto federal and state safety net programs just to get by. Safety-net benefits for low-wage workers and their families make up more than half of spending on Medicaid, welfare (TANF), food stamps (SNAP), and the earned income tax credit, and cost federal and state taxpayers more than \$150 billion a year⁵.

A 2019 report from National Low Income Housing Coalition⁶ notes that the Fair Market Rent (FMR) for a two-bedroom apartment in Ohio is \$818; to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn \$2,727 monthly or \$32,728 annually. So, with the 2019 minimum wage of \$8.55 per hour, an Ohioan making minimum wage would need to work 74 hours per week to afford a two-bedroom apartment (58 hours for a one-bedroom). And between 2015 and 2017, 13.7 percent of households in the state experienced times when they could not afford enough food⁷.

Hourly Living Wage in 2024, Fifty States and the District of Columbia

In the chart below, hourly living wages for rural and urban workers across the fifty states and the District of Columbia are clustered above the \$15 mark (vertical red line).



Hourly living wage figures calculated based on the Economic Policy Institute’s Family Budget Calculator, applying Congressional Budget Office Consumer Price Index projections to update them to 2024. Urban hourly living wage calculated using cost of living in each state’s largest metropolitan areas. Rural hourly living wage calculated using each state’s average rural cost of living. The District of Columbia, New Jersey, and Rhode Island do not have rural areas.

In Ohio, the Fair Market Rent (FMR) for a two-bedroom apartment is \$818. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn \$2,727 monthly or \$32,728 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

\$15.73
PER HOUR
STATE HOUSING
WAGE

FACTS ABOUT OHIO:

STATE FACTS	
Minimum Wage	\$8.55
Average Renter Wage	\$13.92
2-Bedroom Housing Wage	\$15.73
Number of Renter Households	1572672
Percent Renters	34%

74
Work Hours Per Week At
Minimum Wage To Afford a 2-Bedroom
Rental Home (at FMR)

58
Work Hours Per Week At
Minimum Wage To Afford a 1-Bedroom
Rental Home (at FMR)

1.8
Number of Full-Time Jobs At
Minimum Wage To Afford a
2-Bedroom Rental Home (at FMR)

1.4
Number of Full-Time Jobs At
Minimum Wage To Afford a
1-Bedroom Rental Home (at FMR)

³ <https://s27147.pcdn.co/wp-content/uploads/workers-in-all-50-states-will-need-15-by-2024.pdf>

⁴ <https://www.policymattersohio.org/files/news/minimumwage2018.pdf>

⁵ <http://laborcenter.berkeley.edu/the-high-public-cost-of-low-wages/>

⁶ <https://reports.nlihc.org/sites/default/files/oor/files/reports/state/OH.pdf>

⁷ https://www.chn.org/wp-content/uploads/2019/01/State-Poverty-Snapshot_Ohio.pdf

In a 2019 study published in the Quarterly Journal of Economics, economists evaluated the local effect of more than 130 minimum-wage increases since 1979 and showed the fall in jobs paying less than the new minimum wage had been fully offset by the jump in new jobs paying just over it.⁸ Raising the minimum wage means less turnover, longer careers, and lower poverty rates.

We can't afford to stay stuck in the past with poverty-wage jobs that don't let Ohioans live up to their full potential. Ohio's minimum wage needs an overhaul to meet the demands of today's new economy.

Two in five Ohio households struggle to come up with enough resources to provide basic necessities, including housing, childcare, food, transportation, and health care. In Ohio, 14% of households live in poverty, and another 26% are considered working poor.⁹ This is not how we build a strong economy or a strong state.

As home health care worker Chaundra Kidd of Cleveland said when we introduced similar legislation last General Assembly: "This is about paying my bills, this is about taking care of my family, this is about the dignity for the work that I do."

This is the single biggest thing, the most transformative thing, we can do for people and families in our state is to give them a raise.

I am happy to answer any questions.

⁸ <https://www.washingtonpost.com/business/2019/07/08/its-not-just-paychecks-surprising-society-wide-benefits-raising-minimum-wage/>

⁹ <https://local12.com/news/childhood-poverty-a-cincinnati-crisis/united-way-2-in-5-ohio-households-struggle-to-afford-basics-10-05-2017>