Raise the Wage Act of 2021

$15 Federal minimum wage, universally applied, by 2025

A $15 Federal minimum wage would reduce poverty.

But it will also create inequality.

If the minimum wage is too high – relative to the local market – there will end up being employment losses.

• Neumark and Shirley (2021) find that 78.9% of these studies find a negative effects, 54% of these studies show a negative and significant effect.
What are the expected wage and employment effects of a $15 minimum wage?

- 17M Americans see their wages increase to $15/hour
- 10M Americans see more modest wage increases above $15/hour
- 1.4M Americans lose their jobs
What are the weighted costs and benefits of a $15 minimum wage? (cumulative over 10 years)
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509 Billion

Wage Benefits

Employment Costs
What are the weighted costs and benefits of a $15 minimum wage? (cumulative over 10 years)

Costs will primarily impact young and less educated Americans. This burden grows if we include non-pecuniary costs.

Job loss is associated with:
- A 15-30% increase in the likelihood of receiving a diagnosis of depression or anxiety\(^1\)
- A 50-100% increase in mortality in the years immediately following the job loss\(^2\)
- An increase in the probability of divorce\(^3\)
- Lower rates of educational attainment for children in the household\(^4\)

What are the weighted costs and benefits of a $15 minimum wage? (cumulative over 10 years)

Small employment losses are very costly.
What are the weighted costs and benefits of a $15 minimum wage? (cumulative over 10 years)

Wage Benefits: 509 Billion

Employment Costs: ? Billion
How should we raise the minimum wage?

1. The federal minimum wage should be set optimally for each local market.

2. The federal minimum wage should be based on a formula that (with limited flexibility) automatically updates each year as local market changes.
A $15 minimum wage will not impact all firms equally.

A $15 minimum wage will disproportionally hurt small businesses.

Overall, 54% of small businesses oppose raising the minimum wage, according to the Q1 2021 CNBC|SurveyMonkey Small Business Survey, which includes responses from 2,111 small business owners nationwide and was conducted from Jan. 25-Jan. 31 using the SurveyMonkey platform.

Twenty percent of small business owners said they would be forced to lay off workers if the minimum wage increases to $15/hour, while another 13% said they’d likely be raising wages for some workers while laying off others.
A $15 minimum wage will not impact all consumers equally

A higher minimum wage will lead to higher prices for goods and services.

Impacts will be concentrated for:

1) The price of childcare

2) The price of health care aides for the disabled and elderly
Is a higher minimum wage the best way to get more Americans to a living wage?

The minimum wage needs to be set optimally for each market to minimize employment costs

- A federal formula which will give a minimum wage for each community based on local prices and wages and which automatically adjusts each year.

Alternatively – a Universal Basic Income could more efficiently ensure that all American households can afford basic necessities.