

Written Testimony of Yannet M. Lathrop

National Employment Law Project

On Assembly Bill 175, Which Would Raise Nevada's Minimum Wage to \$15

Hearing before the Nevada Assembly Committee on Commerce and Labor

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Thank you, Assemblywomen Irene Bustamante Adams and Maggie Carlton, and members of the Assembly Committee on Commerce and Labor, for the opportunity to submit written testimony on A.B 175, “An Act Relating to Employment; Requiring Certain Increases in the Minimum Wage Paid to Employees in Private Employment in this State; and Providing Other Matters Properly Relating Thereto,” which would gradually raise Nevada’s minimum wage by \$1.25 each year until it reaches at least \$15.

My name is Yannet Lathrop and I am Researcher and Policy Analyst at the National Employment Law Project (NELP). NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices throughout the country. We partner with federal, state, and local lawmakers on a wide range of workforce issues including unemployment insurance, the on-demand economy, and – as is relevant for today’s hearing – the minimum wage.

NELP testifies in support of a minimum wage increase to at least \$15 in Nevada. A \$15 minimum wage would raise pay for nearly 536,000 low-wage workers in the state. The typical worker who would be affected by a minimum wage increase in Nevada is a woman over 25 who works full-time and who is likely to have at least some college experience. She may also be a mother to dependent children, doing her best to raise her family while living in or near poverty.

The impact of a gradually phased-in \$15 minimum wage would not only be positive for low-wage workers, but also have a negligible impact on jobs and businesses, according to the most recent and sophisticated economic research, which I will review below.

Workers Across Nevada Need Close to \$15 Today, Just to Cover the Basics; By 2023, When the New State Minimum Wage Would Reach \$15, They Will Need More

- If Nevada’s minimum wage increases by \$1.25 per year starting in 2018, the state will not reach a minimum of \$15 until 2023. By then, workers throughout Nevada – even single workers without family responsibilities – will need more than \$15 to make ends meet. For this reason, an hourly rate of \$15, as proposed by A.B. 175, is a more appropriate wage floor than lower rates, such as \$12.
- Even in **rural Nevada**, workers already need close to \$15 an hour to cover the basics. According to the Economic Policy Institute, back in 2014 a single worker in rural regions of the state needed to earn \$29,034 a year just to cover housing, food, transportation and other basic costs.¹ This translates to \$13.96 an hour for a full-time worker. Adjusted for inflation, the minimum wage single workers in rural Nevada currently need is **\$14.15**.²
- Workers in the **Las Vegas/Paradise** metropolitan area, or those supporting children, need more. A single worker in Las Vegas/Paradise with no children today needs to make **\$14.40** an hour to afford the basics. And in a two-worker family with two children in 2017, each adult needs to earn **\$17.42** to afford a cheap apartment and living costs.³
- With rent and living costs continuing to rise across the state, workers will need even more **by 2023**, when the proposed minimum wage phase-in would finally reach at least \$15 per hour. In rural Nevada, the estimated hourly wage in 2023 will be **\$16.68** for single workers, and **\$20.03** for each parent in a 2-parent, 2-children household. In Las Vegas, these workers will need **\$16.98** and **\$19.62**, respectively.⁴

A \$15 Minimum Wage in Nevada Should Not Include a Provision that Would Allow Employers to Pay a Lower Minimum Wage if They Merely Offer Health Benefits

- Nevada’s minimum wage constitutional amendment, approved by voters in 2006, authorized employers to pay a \$1 lower minimum wage if they also provide health benefits to their employees. However, unscrupulous employers have been abusing this provision by offering unaffordable, sham health coverage, and then insisting that that entitles them to pay their employees the \$1 lower minimum wage.
- A.B. 175 should be amended to end that abuse by clarifying that health benefits must be actually provided – not merely offered – in order for an employer to be eligible to pay the \$1 lower wage.

The Benefits of Gradually Phasing in a \$15 Minimum Wage in Nevada Would be Far-Reaching & Would Help Reverse Decades of Pay Inequality

- Due to flat or falling wages, today approximately 536,000 workers in Nevada earn less than \$15 an hour and would benefit from a minimum wage increase to that amount.⁵
- Nearly half of workers in the Silver State – 45.1 percent of its workforce⁶ – would receive a long overdue raise by gradually phasing in a \$15 minimum wage, as proposed in A.B. 175.

The Typical Worker Earning Less than \$15 in Nevada is a Woman Over 25 Who Works Full-Time, and is Likely to Have at Least Some College Experience

- More than three-quarters of Nevada’s low-wage workers are 25 or older, many of whom support families.⁷
- Although women represent less than half of Nevada’s workforce, more than half (50.2 percent) of them earn under \$15 per hour.⁸
- 51.3 percent of African-Americans and 59.0 percent of Latinos in the state earn less than \$15.⁹
- 65.2 percent work full-time.¹⁰
- 29.3 percent have some college experience or have earned an Associate’s degree, and an additional 10.5 percent have at least a Bachelor’s degree – for a total of 39.8 percent.¹¹
- 53.4 percent of Nevada children live in families with at least one parent who earns less than \$15.¹²
- 30.4 percent of Nevada’s working families live in or near poverty, and 14.1 percent receive Food Stamps.¹³

By Adopting a \$15 Minimum Wage, Nevada Would Join a Growing Number of States that are Raising their Wage Floors to \$15 per Hour

- Last year, California,¹⁴ New York,¹⁵ Washington, D.C.¹⁶ and Flagstaff, Arizona¹⁷ all adopted gradual minimum wage increases to \$15 per hour by the early 2020's. Once they are phased in, these measures will deliver of around \$4,000 a year for more than one-in-three workers.
- More states and cities are now looking to follow their lead. In Massachusetts, legislators are proposing an increase to \$15, which, if not approved, is likely to appear on the state's 2018 ballot.¹⁸ Legislative leaders in Connecticut,¹⁹ Rhode Island,²⁰ Vermont,²¹ New Jersey,²² Pennsylvania,²³ Missouri,²⁴ Baltimore²⁵ and Minneapolis²⁶ are similarly calling for, or have introduced legislation or filed ballot proposals for a \$15 minimum wage.

While Business Lobbyists Argue that Employers Cannot Adjust to \$15, Growing Numbers of Employers and Small Business Organizations in Other States Say that it Will Be Manageable – and Even Beneficial

- In other states that have already approved \$15 minimum wages, business organizations representing more than 32,000 small businesses have either endorsed the \$15 minimum wage – or in some cases simply not opposed it. These include the Greater New York Chamber of Commerce (endorsed),²⁷ the Brooklyn Chamber of Commerce (endorsed),²⁸ the Northeast Organic Farmers Association – New York Chapter (endorsed),²⁹ the Long Island and Westchester/Putnam African-American Chambers of Commerce (endorsed),³⁰ the Restaurant Association of Metropolitan Washington (endorsed),³¹ the Golden Gate Restaurant Association (did not oppose),³² and others.
- A diverse range of business leaders confirm that transitioning to a \$15 minimum wage is feasible. “Everybody in retail is dealing with an increase in minimum wage,” said Popeyes CEO Cheryl Bachelder to CNN Money. “We will adjust to increased costs just like we have before. Life will go on. There’s been too much hubbub about it.”³³
- As fast food franchise owner Dennis Kessler who teaches at the University of Rochester’s Simon School of Business told the Washington Post, “This \$15 thing is being phased in over quite a few years, so I don’t think it’s going to have much of an impact. . . . People are going to have to pay a little more. It really isn’t too much more complicated than that.”³⁴
- In Flagstaff, Arizona, where voters in November approved a \$15 minimum wage, Ron Watkins, the director of operations for 16 McDonald’s restaurants throughout northern Arizona, told the Arizona Daily Sun, “the minimum wage measure would not affect the company’s willingness to add locations or jobs in Flagstaff.”³⁵
- In California, Bill Phelps, CEO of Wetzel’s Pretzels with 100 stores statewide, and franchise owner Mike Jacobs report that they have already seen higher sales resulting from their customers having more money to spend.³⁶

Economic Research Shows that the Benefits of a Gradually Phased-In \$15 Minimum Wage Far Outweigh the Costs

- With relatively high costs of living, even in rural areas of the state, a gradually phased-in \$15 minimum wage is actually not that high for Nevada. The portion of the state's workforce that would be boosted by a \$15 minimum wage— approximately 45 percent – is comparable to the impact of \$12 minimum wage in lower cost states like New Mexico, Montana and Idaho.³⁷
- State-of-the-art research on the impact of a \$15 minimum wage by University of California economists for the State of New York shows that, if phased in gradually over five years, a \$15 wage would be manageable for employers and would raise business operating costs only moderately.³⁸
- Studies of the New York and California \$15 minimum wages by University of California economists have examined the net impact of all the positive and negative effects on businesses of a \$15 wage.³⁹ They found that, unlike small wage increases, a \$15 minimum wage generates billions in new consumer spending that offsets much of the impact of the higher wage costs on businesses.⁴⁰ As a result, any net negative impact on jobs would likely be small – and would be vastly outweighed by the benefits of delivering large raises for more than 1 in 3 workers, reversing decades of falling pay.
- The California study focuses in particular on the impact of the state's \$15 minimum wage in areas such as Fresno County – one of the poorest areas of the state, located in California's agricultural Central Valley. It finds that in poor areas of the state the net impact is roughly the same: the large increase in worker spending power generated by a \$15 minimum wage offsets most of the higher costs to businesses.⁴¹
- More than 75 economists and researchers have endorsed the findings of the University of California study in New York,⁴² and another 200 economists and researchers have endorsed a gradually phased-in \$15 federal minimum wage, finding that raising the minimum to \$15 an hour “will be an effective means of improving living standards for low-wage workers and their families and will help stabilize the economy. The costs to other groups in society will be modest and readily absorbed.”⁴³
- Experiences in the first regions of the U.S. to phase in \$15 minimum wages – San Francisco, Seattle and New York – have shown continued strong job growth as wages have increased.
- For example, in Seattle – the first U.S. city to approve a \$15 minimum wage for all private sector employers, and where the wage floor reached \$15 in January for large businesses – restaurant job growth has continued to be strong, and unemployment has hit record lows. As *Forbes* reported last month, “Higher Seattle Minimum Wage Hasn't Hurt Restaurant Jobs Growth After a Year.”⁴⁴ Earlier reporting in the Puget Sound Business Journal was titled “Apocalypse Not: \$15 and the Cuts that Never Came.”⁴⁵ Although a July 2016 initial analysis had suggested that while jobs continued to grow strongly in Seattle, the pace of growth might have slowed slightly on account of the minimum wage,⁴⁶ in November the study's author backed away from those findings, concluding that they were not statistically significant.

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