

Myth vs. Fact: A \$15 Minimum Wage, Jobs & New Jersey's Economy

Myth: Economists believe that a \$15 minimum wage is too high for New Jersey.

Fact: Many economists believe that \$15 an hour is good policy, particularly in high-cost states like New Jersey.

More than 200 economists have endorsed a \$15 federal minimum wage by 2020, 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.”¹



Distinguished economist Alan Krueger, who has served as the US Department of Labor's Chief Economist and Chairman of President Barack Obama's Council of Economic Advisers, recently noted that “high-wage cities and states could probably absorb a \$15-an-hour minimum wage with little or no job loss.”² New Jersey has the third highest median wage in the country.

Two careful studies – one by researchers at the University of Massachusetts³ and a second by researchers at the Purdue School of Hospitality and Tourism Management⁴ – **show that fast food restaurants will be able to accommodate a \$15 minimum wage** through significant savings from reduced staff turnover and small price increases.

Myth: Research shows that increasing the minimum wage will lead to significant job losses, and so will hurt rather than help New Jersey's workforce.

Fact: The bulk of rigorous minimum wage studies show that raising the minimum wage boosts incomes for low-wage workers with only very small adverse impacts on employment.

“[A] wave of new economic research is disproving those arguments about job losses and youth employment,” Bloomberg News wrote in summarizing the research. “Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. **The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.**”⁵

¹ Office of Senator Bernie Sanders, [Economists In Support of a \\$15 U.S. Minimum Wage as of 2020](#), July 2015.

² Alan Krueger in the New York Times, [The Minimum Wage: How Much is Too Much?](#), October 2015.

³ University of Massachusetts-Amherst, [A \\$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs](#), January 2015.

⁴ Purdue University School of Hospitality and Tourism Management, [The Minimum Wage, A Competitive Wage and the Price of a Burger](#), July 2015.

⁵ Bloomberg News Editorial Board, [Raise the Minimum Wage](#), April 2013.

This is best illustrated by “meta-studies” that survey and aggregate the findings of scores of minimum wage studies. The two leading meta-studies show that the vast majority of recent studies find **minimum wage increases have little to no effect on employment levels or job growth.**⁶

Myth: Even if more moderate minimum wage increases do not lead to significant job losses, a \$15 minimum wage would be too much and would hurt workers and the state economy.

Fact: Some of the most respected economists in the country disagree.

State-of-the-art modeling of the impact of a \$15 minimum wage conducted by University of California economists under contract with the City of Los Angeles found that, if phased in gradually over five years, **a \$15 wage would be manageable for employers and would raise business operating costs just 0.9 percent by 2019.**

The University of California analysis found that a phased-in \$15 minimum wage would increase business operating costs and prices – but also increase spending by workers receiving higher wages. **Any net negative impact on jobs would be very small.**

For workers, the analysis found that the benefits would be far reaching, raising pay for approximately 41 percent of the city’s workforce and **delivering an average raise of nearly \$5,000 per worker per year (in 2014 dollars).**⁷

Myth: In places that have passed \$15 minimum wage increases, businesses have started to close en masse.

Fact: The experiences of the first jurisdictions phasing their minimum wages up to \$15 have been positive.

In Seattle, the first major city to adopt a \$15 wage, the unemployment rate has stayed steady – decreasing slightly from 4.4% in June 2014, when the wage increase was announced, to 4.2% in December 2015. In a front-page story titled “Apocalypse Not: \$15 and the Cuts that Never Came,” **the Puget Sound Business Journal reported on “The minimum wage meltdown that never happened,” explaining that Seattle’s restaurant industry has continued to expand and thrive as the \$15 wage phases in.**⁸ King County, where Seattle is located, is on track to break last year’s record for the number of business permits issued to food service establishments. And business owners who had publicly opposed the \$15 minimum wage are in the process of expanding operations.

⁶ National Employment Law Project, [Minimum Wage Basics: Employment and Business Effects of Minimum Wage Increases](#), September 2015.

⁷ Institute for Research on Labor and Employment, University of California-Berkeley, [The Proposed Minimum Wage Law for Los Angeles: Economic Impacts and Policy Options](#), March 2015.

⁸ The Puget Sound Business Journal, [Apocalypse Not: \\$15 and the Cuts That Never Came](#), October 2015.