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$15 Minimum Wage Could Save Federal Budget At Least $65 Billion

New analysis estimates $21.2 billion in additional tax revenues and $44.2 billion in savings

The Raise the Wage Act of 2021, recently introduced by Senator Bernie Sanders and Representative Bobby Scott, would increase the federal minimum wage to $9.50 this year and then gradually to $15 by 2025. Congress is considering whether the Act could be passed as a budget reconciliation item.

To inform this debate, UC Berkeley professor Michael Reich has estimated the likely effects of The Act on changes in federal revenues and expenditures. Once it is fully implemented in 2025, the Act would have a positive effect on the federal budget of $65.4 billion per year. Importantly:

- Pay increases for low-wage workers will add about $21.2 billion per year in payroll and income tax revenues.
- Wage increases will lead to savings of about $32 billion per year on means-tested safety net programs like food stamps, welfare, the Earned Income Tax Credit and the Childcare Tax.
- The Social Security Trust fund will realize $12.2 billion per year in savings, as some older workers delay retirement.

“A $15 federal minimum wage will generate substantial increases to payroll and income taxes and considerable savings for means-tested safety net programs and Social Security,” said Reich. Professor Reich is the author of numerous scholarly studies of minimum wage effects on employment, which have influenced the views of the economic profession. He has also studied the effects of minimum wages on federal safety net programs, on adult health, and on child poverty.

Read the full analysis.

The Center on Wage and Employment Dynamics (CWED) is a project of the Institute for Research on Labor and Employment (IRLE) at UC Berkeley. IRLE connects world-class research with policy to improve workers’ lives, communities, and society.

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