Minimum Wage

A full-time job should be a bridge out of poverty, an opportunity to make a living from work. But for minimum wage earners, especially those with families, it is not.

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Summary

- **The current minimum wage of $5.15 per hour leaves millions of Americans in poverty.**
- **Because of inflation coupled with inaction by the federal government, the value of the minimum wage has plummeted.**
- **Only twelve states have a minimum wage greater than $5.15 per hour.**
- **Increasing the minimum wage would help millions of working families escape poverty.**
- **The current minimum wage strains state public assistance programs.**
- **Raising the minimum wage does not cost jobs.**
- **Three out of four Americans say the minimum wage should be increased by a dollar or more.**

The current minimum wage of $5.15 per hour leaves millions of Americans in poverty.

A full-time job should be a bridge out of poverty, an opportunity to make a living from work. But for minimum wage earners, especially those with families, it is not. A wage earner working full-time at the minimum wage of $5.15 per hour earns about $10,700 a year—$4,500 below the 2003 poverty line for a family of three, and $7,700 below the poverty line for a family of four.

Because of inflation coupled with inaction by the federal government, the value of the minimum wage has plummeted.

The federal minimum wage is not adjusted for inflation, and it has not been increased since 1997. Each year the President and Congress neglect the minimum wage, low-wage workers fall further and further behind. If the minimum wage had just kept pace with inflation since 1979, when it was $2.90 per hour, it would now be over $7.65.[1] Without an increase, the real, inflation-adjusted value of the minimum wage in 2004 will be lower than in all but one year (1989) since 1955.[2]

Only twelve states have a minimum wage greater than $5.15 per hour.

Twelve states (AK, CA, CT, DE, HI, IL, ME, MA, OR, RI, VT, WA) and the District of Columbia have a minimum wage greater than the federal, the highest being $7.15 in Alaska and $7.16 in Washington. Twenty-nine states (AR, CO, GA, ID, IN, IA, KY, MD, MI, MN, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OK, PA, SD, TX, UT, VA, WV, WI, WY) match the federal minimum of $5.15. Two states (KS, OH) have a minimum wage that is lower than the federal, and seven (AL, AZ, FL, LA, MS, SC, TN) have no state minimum wage at all.

Increasing the minimum wage would help millions of working families escape poverty.

If the minimum wage were increased by $1.50, from $5.15 to $6.65, it would directly affect the wages of 5-10 percent of the workforce, depending on the state.[3] An additional 5-10 percent of workers, those who currently earn between $6.65 and $7.65 per hour, would see their wages increase because of the "spillover" effect of a rise in the minimum wage.

Increasing the minimum wage would especially help women and people of color.

Working women are the largest group that would benefit from a minimum wage increase. About 12.6 percent of working women—11 million Americans and their families—would be directly affected by a $1 increase in the minimum wage. Similarly, 18.1 percent of African American workers and 14.4 percent of Hispanic workers would directly benefit from such an increase.[4]

The current minimum wage strains state public assistance programs.

When they are paid at or near the current minimum wage, workers and their families must rely on public assistance to survive. They need Medicaid, subsidized housing, childcare programs, and free school lunches. Raising the minimum wage requires employers to shoulder more of the responsibility for the basic needs of their employees. This lowers costs for the state.

Raising the minimum wage does not cost jobs.

A comprehensive study by the Economic Policy Institute found that the 1996 and 1997 federal minimum wage increases did not cause job losses. Even teen employment, which some argue is the most vulnerable to minimum wage increases, suffered no job losses.[5] Increases in the minimum wage do not harm businesses because costs are offset by the benefits of higher employee productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

Three out of four Americans say the minimum wage should be increased by a dollar or more.

A 2001 poll for the *Christian Science Monitor* found that 75 percent of Americans support an increase in the minimum wage.[6] That support is only increasing: a nationwide poll in 2002 found that 77 percent of likely voters support raising the minimum wage from $5.15 to $8 per hour, and 79 percent favor regular cost-of-living adjustments to the minimum wage.[7]

Endnotes

[1] Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers computed by the U.S. Bureau of Labor Statistics.

[2] AFL-CIO, "Minimum Wage: Myths and Realities," 2003.

[3] Economic Policy Institute, "Step Up, Not Out: The Case for Raising the Federal Minimum Wage for Workers in Every State," 2001.

[4] Ibid.

[5] Economic Policy Institute, "The Impact of the 1996-97 Minimum Wage Increase," 1998.

[6] TechnoMetrica Market Intelligence Poll for *Investor's Business Daily / Christian Science Monitor*, November 2001.

[7] Lake Snell Perry and Associates for the Ms. Foundation, "Raise the Floor: Wages and Policies That Work For All Of Us," January 2002.

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Fair Minimum Wage Act

SECTION 1. SHORT TITLE

This Act shall be called the "Fair Minimum Wage Act."

SECTION 2. FINDINGS AND PURPOSE

(A) FINDINGS—The legislature finds that:

1. The current minimum wage is insufficient to keep families out of poverty or allow them to become self-sufficient.

2. Because of inflation coupled with inaction by the federal government, the value of the federal minimum wage has plummeted over the years.

3. State services are strained by the need to provide public assistance to families of workers who are paid at or near the current minimum wage.

(B) PURPOSE—This law is enacted to increase the wages of low-income workers, promote the economic strength of the state, and take pressure off state social service programs.

SECTION 3. FAIR MINIMUM WAGE

After section XXX, the following new section XXX shall be inserted:

1. Every employer shall pay not less than the [STATE] minimum wage designated in this section to each employee in every occupation.

2. The minimum wage for all employees at least 18 years of age shall be $6.15 per hour, beginning on July 1, 2004.

3. On September 30, 2005, and on each succeeding September 30, the Secretary [of Labor] shall calculate an adjusted minimum wage rate in direct proportion to any increase or decrease in the U.S. Department of Labor's Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), or a successor index, for the prior period of July 1 to June 30. That adjusted minimum wage shall take effect on the following January 1.

4. The minimum wage for employees under 18 years of age shall be 50 cents less than the minimum wage for employees who are at least 18 years of age.

5. For employees engaged in occupations in which gratuities are customarily recognized as part of the remuneration for employment, employers are entitled to an allowance for gratuities in an amount not to exceed 40% of the minimum wage rate. The Secretary [of Labor] shall require each employer desiring an allowance for gratuities to provide substantial evidence that the amount claimed was actually received by the employee in the period for which the claim of exemption is made, and no part thereof was returned to the employer.

SECTION 4. EFFECTIVE DATE

This Act shall take effect on July 1, 2004.