

# **Raising the Minimum Wage**

**Talking Points and Background**

**AFL-CIO  
Legislation Department**

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## Talking Points: Raising the Minimum Wage

- Congress should act now to raise the minimum wage from \$5.15 to \$7.25. Sen. Edward Kennedy (D-MA) and Rep. George Miller (D-CA) have introduced legislation (S. 1062 and H.R. 2429) to raise the minimum wage by \$2.10 in three steps over 26 months.
- It has been nearly 9 years since the last increase in the minimum wage, the second longest period without a pay raise since the federal minimum wage law was first enacted in 1938.
- Since the minimum wage was last increased in 1997, Congress has raised its own pay eight times, by a total of \$31,600. Yet over those 9 years, Congress has refused to increase the pay of minimum wage workers, who earn at most \$10,712 per year.
- Every day the minimum wage is not raised, it loses value to inflation. Today the minimum wage is at its lowest level, in inflation-adjusted terms, since 1955. The value of the minimum wage in 2006 is 31 percent less than in 1979, after adjusting for inflation, and 33 percent less than at its highest point in 1968. If today's minimum wage had the same value as in 1968, it would be \$7.74 – \$2.59 more than the current level.
- For the minimum wage to equal 50 percent of the average wage, the level experienced during the 1950s and 1960s, it would need to be increased to \$8.20 – \$3.05 more than the current minimum wage.
- People who work full-time in America should not be poor, but in 2003 there were 3.7 million workers who worked full-time, year-round, and still lived in poverty. During the 1960s and 1970s, the yearly earnings of a full-time, year-round worker earning the minimum wage were roughly equal to the poverty level for a family of three. To reach the poverty level for a family of three in 2005 (\$15,577), a full-time, year-round worker would need to earn \$7.49 an hour — \$2.34 more than the current minimum wage.
- A minimum wage increase of \$2.10 over 26 months would directly benefit 7.3 million low-wage workers, according to the Economic Policy Institute, and its spillover effects would benefit an additional 8.2 million workers.
- A minimum wage increase would benefit poor workers who need it most: 58.5 percent of the gains from the proposed \$2.10 increase would go to working households in the bottom 40 percent of the income scale.
- Most minimum wage workers are adults who work to support themselves and their families.
- Most workers have not benefited from the economic recovery that began in November 2001. Average real wages are lower today than they were when the recovery began, even though productivity has increased by 13 percent.
- A solid body of contemporary research has found no job loss resulting from increases in the minimum wage.

- Opponents of legislation to increase the minimum wage have tried to attach “poison pill” amendments that would weaken overtime and minimum wage protections for certain workers. But a minimum wage increase simply restores some of the wage protection that workers have lost due to inflation. Workers should not have to forfeit their FLSA wage and hour protections as a condition for restoring the buying power of the minimum wage.
- The minimum wage should be raised and then automatically increased on an annual basis.
- The vast majority of Americans support an increase in the minimum wage. In a January 2006 poll, 81 percent of respondents said that raising the minimum wage was an important priority, and nearly half (47 percent) said it was a top priority.
- In the absence of action by Congress, states are raising state minimum wage rates on their own. Eighteen states and the District of Columbia have higher minimum wage rates than the federal rate, and two more states will join them in October 2006.

# The Realities Behind the Myths

## ***The Value of the Minimum Wage is Approaching Historic Lows***

**Myth:** The minimum wage is high enough.

**Reality:** *The minimum wage has not recovered the value it has lost to inflation, and its inflation-adjusted value is approaching historic lows.*

- Every day the minimum wage is not raised, it loses value to inflation.
- The inflation-adjusted value of the minimum wage plummeted during the 1980s, when the Reagan administration refused to support a minimum wage increase. Although Congress raised the minimum wage in 1990-91, and again in 1996-97, these increases were not large enough to undo the damage done in the 1980s (see chart).
- Due to inflation, workers have already lost their gains from the 1996-97 increase.
- Today the minimum wage is at its lowest level, in inflation-adjusted terms, since 1955.
- Today the minimum wage is 31 percent lower than in 1979, after adjusting for inflation, and 33 percent lower than at its highest point in 1968.
- If today's minimum wage had the same value as in 1968, it would be \$7.74 -- \$2.59 higher than today's level.



## **A \$2.10 Increase in the Minimum Wage is Modest By Traditional Standards**

**Myth:** A \$2.10 increase in the minimum wage is too much.

**Reality:** *A \$2.10 increase is modest compared to previous minimum wage increases and relative to traditional measures.*

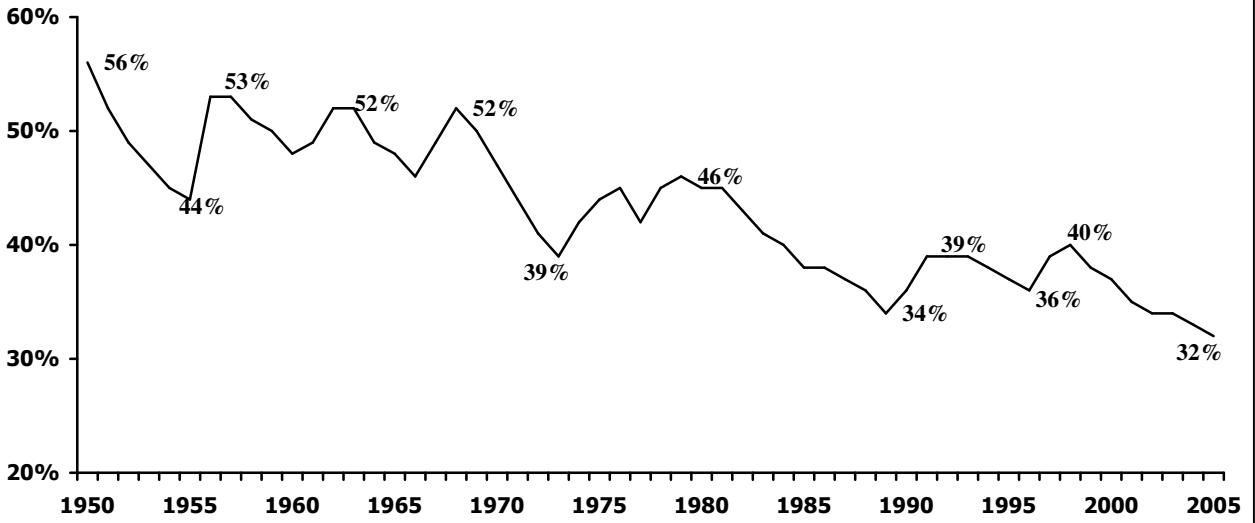
- A \$2.10 increase in the minimum wage would benefit a smaller percentage of workers than the 1996-97 increase. The Kennedy-Miller proposal would directly benefit 5.8 percent of the workforce, whereas the 1996-97 increase directly benefited 8.9 percent of the workforce.
- Today the minimum wage stands at 32 percent of the average private sector hourly wage for production workers, its lowest share since 1949. In 1950, the minimum wage equaled 56 percent of production workers' average wage, and remained near 50 percent throughout the 1950s and 1960s. In the majority of years since 1949, the minimum wage has been above 40 percent of the average wage for production workers.
- To reach 50 percent of the average wage—the level experienced in the 1950s and 1960s—the minimum wage would need to be increased to \$8.20.
- If the minimum wage were increased to \$7.25 by 2008, it would represent approximately 42 percent of the average hourly wage for private sector production workers.
- Without an increase, the federal minimum wage will fall to 29.8 percent of the average hourly wage for private sector production workers.\* In 2006 the differential between the minimum wage and the average wage will be the greatest since the end of World War II.
- During the 1960s and 1970s, the annual earnings of a full-time, year-round worker earning the minimum wage were roughly equal to the poverty level for a family of three. But even if the minimum wage were increased to \$7.25 by 2008 under the Kennedy-Miller legislation, full-time annual minimum wage earnings would still amount to only \$15,080 a year — \$1,645 (9.8 percent) less than the poverty level for a family of three in 2008.\*\*

\*Average private sector production worker wages for 2008 were estimated using Congressional Budget Office projections of the Consumer Price Index for 2006, 2007, and 2008.

\*\*The poverty threshold for 2008 was estimated using the 2005 preliminary poverty threshold from the Census Bureau and Congressional Budget Office projections of the Consumer Price Index for 2006, 2007, and 2008.

**Sources:** Jared Bernstein and Chauna Brocht, *The Next Step—The New Minimum Wage Proposals and the Old Opposition*, Economic Policy Institute, March 8, 2000; Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase*, 1998; Jared Bernstein and Isaac Shapiro, *Unhappy Anniversary – Federal Minimum Wage Remains Unchanged for Eighth Straight Year, Falls to 56 Year Low Relative to Average Wage*, Center on Budget and Policy Priorities and the Economic Policy Institute, September 1, 2005; Bureau of Labor Statistics; Congressional Budget Office, *The Budget and Economic Outlook*, January 2006; Economic Policy Institute, *Minimum Wage Facts at a Glance*, January 2006; Economic Policy Institute, 2006; Liana Fox, *Inequality Widens As Real Value of Minimum Wage Falls*, Economic Policy Institute February 17, 2006; U.S. Census Bureau, *Preliminary Estimate of Weighted Average Poverty Thresholds for 2005*, January 19, 2006.

### The Federal Minimum Wage as a Percentage of Average Wages, 1950 to 2005



**Source:** Economic Policy Institute. Annual wages are for private sector nonsupervisory workers.

## ***The Current Minimum Wage Leaves Full-Time Workers in Poverty***

**Myth:** No one who works for a living is poor.

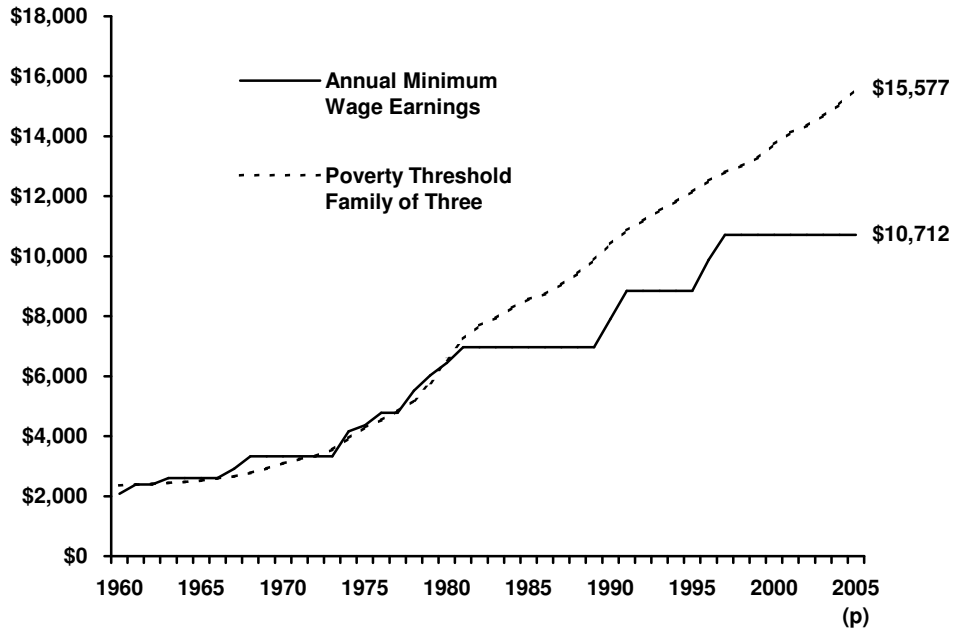
**Reality:** *No one who works full-time in America should be poor, but in fact many poor people are low-wage workers.*

- In 2003 there were 3.7 million workers who worked full-time and year-round, but still lived in poverty, along with their families.
- The Economic Policy Institute (EPI) has found that nearly 8 of 10 workers who would benefit from a \$2.10 increase in the minimum wage work full-time (43.9 percent), or between 20 and 34 hours per week (34.5 percent).
- A 2005 U.S. Conference of Mayors study found that 40 percent of adults seeking emergency food aid were employed.
- America's Second Harvest reports that in 2005, among client households (households that receive emergency food assistance from soup kitchens, food pantries, or shelters) more than one out of three (35.9 percent) had at least one employed adult. Of the adults in client households, 14.6 percent worked full-time.
- According to the National Low Income Housing Coalition, the national housing wage in 2005 for a two-bedroom home was \$15.78, three times the federal minimum wage.
- The number of Americans living in poverty has increased by 5.4 million since President Bush took office. And the number of full-time year-round workers who are poor has more than doubled since the late 1970s!
- One reason for such poverty and need among low-income workers is the erosion in the value of the minimum wage. The current minimum wage of \$5.15 leaves a family of three 31 percent below the poverty line.
- To reach the poverty level for a family of three in 2005 (\$15,577), a full-time, year-round worker would need to earn \$7.49 an hour — \$2.34 more than the current minimum wage (see chart).
- A minimum wage job should offer more than just an opportunity to work; it should guarantee an opportunity to make a living from work.

**Sources:** America's Second Harvest, *Hunger Study – 2006*; Bureau of Labor Statistics, *A Profile of the Working Poor, 2003*, March 2005; Economic Policy Institute, *Table 1. Characteristics of workers affected by minimum wage increase to \$7.25*; National Low Income Housing Coalition, *NLIHC Releases 2005 Housing Affordability Report*, December 13, 2005; U.S. Census Bureau, *Preliminary Estimate of Weighted Average Poverty Thresholds for 2005*, January 19, 2006; U.S. Census Bureau, *Income, Poverty and Health Insurance in the United States: 2004*; U.S. Census Bureau, *Table 18. Workers as a Proportion of All Poor People: 1978 to 2004*, December 14, 2005; The United States Conference of Mayors – Sodexho, Inc., *Hunger and Homelessness Survey*, December 2005.

Current Dollars

### Poverty and the Minimum Wage, 1960-2005



A full-time, year-round minimum wage worker in 2005 earned only \$10,712, \$4,865 less than the \$15,577 needed to lift a family of three out of poverty.

**Note:** Annual Minimum Wage Earnings is calculated by assuming a person worked 40 hours a week for 52 weeks.

(p) Preliminary. The poverty threshold for 2005 is a preliminary estimate from the U.S. Census Bureau. The final 2005 poverty threshold estimate will be available from the Census Bureau later this year.

**Sources:** U.S. Census Bureau, *Preliminary Estimate of Weighted Average Poverty Thresholds for 2005*, January 19, 2006; U.S. Census Bureau, *Table I. Weighted Average Poverty Thresholds for Families of Specified Size: 1959-2004*; U.S. Department of Labor, *History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938-1996*.

## ***A Minimum Wage Increase Would Benefit Workers Who Need It Most***

**Myth:** Most minimum wage workers are not poor and do not need a raise.

**Reality:** *A minimum wage increase would benefit poor workers who need it most.*

- 58.1 percent of the gains from the 1996-97 increase in the federal minimum wage went to working households in the bottom 40 percent of the income scale.
- Similarly, 58.5 percent of the gains from a \$2.10 increase would go to working households in the bottom 40 percent of the income scale.
- And 38.1 percent of the gains from a \$2.10 increase would go to working households in the bottom 20 percent of the income scale, who account for only 5.1 percent of total income.
- A \$2.10 increase in the minimum wage would mean an additional \$4,368 per year for minimum wage workers to spend on food, housing, utilities, medicine and other health care needs, education and other necessities. That \$4,368 per year for a family of three would pay for more than ten months worth of food. In most (47) states, \$4,368 would be enough to pay for four months of rent for a two-bedroom apartment. And \$4,368 would more than cover the costs of a student's education at a two-year public community college.

**Sources:** Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996–1997 Minimum Wage Increase*, Economic Policy Institute, 1998; Jeff Chapman and Michael Ettlinger, *The Who and Why of the Minimum Wage: Raising the Wage Floor is an Essential Part of a Strategy to Support Working Families*, Economic Policy Institute, August 2004; Economic Policy Institute, *Minimum Wage Facts at a Glance*, January 2006; National Low Income Housing Coalition, *Out of Reach 2005*; U.S. Census Bureau, Preliminary Estimate of Weighted Average Poverty Thresholds for 2005, January 19, 2006; U.S. Department of Agriculture, *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, February 2006*, (Food calculation based on assumption that the family of three is comprised of a woman between the ages of 20 and 50 supporting two children (ages 3-5 and 6-8)); U.S. Department of Education, National Center for Education Statistics, *Table 313 Average undergraduate tuition and fees and room and board rates charged for full-time-equivalent students in degree-granting institutions, by type and control of institution: 1964-65 to 2003-04*, March 2005.

## ***Most Minimum Wage Workers Are Adults Who Work to Support Themselves and Their Families***

**Myth:** Most of the workers who would benefit from a minimum wage increase are teenagers who work part-time to earn extra spending money.

**Reality:** *The majority of minimum wage workers are adults.*

- According to the Economic Policy Institute (EPI), seven of every 10 workers (72.1 percent) who would benefit from a \$2.10 increase in the minimum wage are adults. And 84.3 percent of the workers who would benefit from the spillover effects of a \$2.10 increase (workers earning between \$7.25 and \$8.25) are adults.
- Adult women comprised the single largest group of beneficiaries from the last minimum wage increase, representing 43.2 percent of beneficiaries.
- A minimum wage increase would also benefit many single-parent families. Twenty-five percent of the workers affected by the three-step increase in Oregon's minimum wage to \$6.50 by 1999 were heads of single-parent families.

**Reality:** *Many minimum wage workers contribute substantially to family income.*

- On average, minimum wage workers contribute 54 percent of their family's earnings.
- More than a third (36 percent) of workers who would benefit from a \$2.10 increase in the federal minimum wage are sole providers for their family.

**Sources:** Jared Bernstein and Jeff Chapman, *Time to Repair the Wage Floor—Raising the minimum wage to \$6.65 will prevent further erosion of its value*, Economic Policy Institute, May 22, 2002; Jared Bernstein and John Schmitt, *Making Work Pay—The Impact of the 1996–97 Minimum Wage Increase*, Economic Policy Institute, 1998; Jeff Chapman and Michael Ettlinger, *The Who and Why of the Minimum Wage – Raising the Wage Floor Is An Essential Part of a Strategy to Support Working Families*, Economic Policy Institute, August 6, 2004; Economic Policy Institute, *Minimum Wage Facts at a Glance*, January 2006; Economic Policy Institute, *Table 1. Characteristics of Workers Affected by Minimum Wage Increase to \$7.25*; Jeff Thompson and Charles Sheketoff, *Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform*, Oregon Center for Public Policy, March 12, 2001.

## ***Many Minimum Wage Workers Earn the Minimum Wage For Years***

**Myth:** The minimum wage is an entry-level wage, and workers do not stay in minimum wage jobs for long.

**Reality:** *Not all minimum wage workers move on to higher-wage jobs, and a significant percentage earns the minimum wage, or near the minimum wage, for years.*

- A 2005 study by economist Heather Boushey found that more than one-third (36.6 percent) of minimum wage workers between the ages of 25 and 54 remained in minimum wage jobs three years later.\* One-fourth (24.2 percent) of the minimum wage workers in this study were no longer employed after three years, and only 39.2 percent had moved on to jobs that paid higher wages.
- A Joint Economic Committee study found that of the 4.2 million young adults (ages 21–29 with high school educations or less) working in minimum wage contour\*\* jobs in 1986, more than half (2.4 million) were still employed in minimum wage contour jobs three years later.
- According to a study by economists William J. Carrington and Bruce C. Fallick, 19.2 percent of workers who were finished with school spent at least half of the first eight years of their careers in jobs that paid no more than \$1.50 above the minimum wage. Some 13.2 percent spent at least half of the first 10 years into their careers in jobs that paid no more than \$1.50 above the minimum wage.
- Anyone who puts in a fair day’s work should receive a fair day’s pay, regardless of whether he or she works for a week, a month, a year, or 10 years in the job.

\* Boushey defines minimum wage jobs as those paying \$6.15 per hour or less.

\*\* Jobs on the minimum wage contour are low-paying jobs with wage levels that move in accordance with the minimum wage rather than being influenced by market forces.

**Sources:** Heather Boushey, “No Way Out: How Prime-Age Workers Get Trapped in Minimum Wage Jobs,” *Working USA: The Journal of Law and Society*, December 2005; Joint Economic Committee, Democratic Minority Office, *Worth More Than They Earn: Economic Effects of the Minimum Wage*, May 1996; William J. Carrington and Bruce C. Fallick, “Do Some Workers Have Minimum Wage Careers?,” *Monthly Labor Review*, May 2001.

## ***Low-Wage Workers Hold a Variety of Jobs, Many of Which Involve Substantial Responsibility***

**Myth:** Workers who would benefit from an increase in the minimum wage work primarily in the fast food industry.

**Reality:** *Workers who would benefit directly and indirectly from an increase in the minimum wage hold a variety of jobs in different industries, including many jobs with substantial responsibility.*

- Most of the workers who would benefit from a \$2.10 increase in the minimum wage do not work in the fast food or restaurant industry.
- Jobs paying poverty-level wages—less than \$9.29 per hour in 2004 (the hourly wage a worker would need to earn to bring a family of four out of poverty assuming the worker works full-time, year-round)—are concentrated in service, agricultural, and sales occupations.
- In November 2004, half or more of the workers in 51 occupations were paid poverty-level wages. A number of these jobs—including personal/home care aides, child care workers, and home health aides—involve substantial responsibility for providing care for our children and elderly parents.

**Sources:** Economic Policy Institute, *Table 1. Characteristics of Workers Affected by Minimum Wage Increase to \$7.25*; U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Wages and Employment, November 2004*; U.S. Census Bureau, *Poverty Thresholds for 2004*, August 30, 2005.

<b>Examples of Occupations in Which Half or More of the Workers Are Paid Poverty-Level Wages</b>					
	<b>Median Wage</b>		<b>Median Wage</b>		<b>Median Wage</b>
Agricultural Equipment Operators	<b>\$9.05</b>	Food Preparation Workers	<b>\$8.12</b>	Parking Lot Attendants	<b>\$8.09</b>
Baggage Porters/ Bellhops	<b>\$8.69</b>	Gaming Dealers	<b>\$6.91</b>	Personal/Home Care Aides	<b>\$8.18</b>
Bartenders	<b>7.51</b>	Hand Packers and Packagers	<b>\$8.29</b>	Pharmacy Aides	<b>\$9.13</b>
Cashiers	<b>\$7.78</b>	Home Health Aides	<b>\$8.92</b>	Pressers (Textile and Garment)	<b>\$8.36</b>
Child Care Workers	<b>\$8.15</b>	Host/Hostesses, Restaurant, Lounge and Coffee Shop	<b>\$7.56</b>	Retail Salespersons	<b>\$9.03</b>
Cooks (Fast Food)	<b>\$7.10</b>	Hotel, Motel, and Resort Desk Clerks	<b>\$8.54</b>	Service Station Attendants	<b>\$8.33</b>
Cooks (Short Order)	<b>\$8.27</b>	Janitors and Cleaners	<b>\$9.19</b>	Sewers (Hand)	<b>\$9.22</b>
Counter and Rental Clerks	<b>\$8.86</b>	Laundry/Dry Cleaning Workers	<b>\$8.34</b>	Sewing Machine Operators	<b>\$8.67</b>
Dining Room and Cafeteria Attendants and Bartender Helpers	<b>\$7.17</b>	Locker Room, Coat Room and Dressing Room Attendants	<b>\$8.52</b>	Shampooers	<b>\$7.31</b>
Dishwashers	<b>\$7.41</b>	Maids and Housekeeping Cleaners	<b>\$8.17</b>	Tour Guides	<b>\$9.27</b>
Farm Labor Contractors	<b>\$8.54</b>	Manicurists and Pedicurists	<b>\$8.72</b>	Ushers, Lobby Attendants, Ticket Takers	<b>\$7.35</b>
Farm Workers (Farm and Ranch Animals)	<b>\$8.42</b>	Motion Picture Projectionists	<b>\$8.25</b>	Vehicle/Equipment Cleaners	<b>\$8.47</b>
Farm Workers and Laborers (Crop, Nursery, Greenhouse)	<b>\$7.85</b>	Nonfarm Animal Caretakers	<b>\$8.48</b>	Waiters and Waitresses	<b>\$6.78</b>
<b>Source:</b> U.S. Department of Labor, Bureau of Labor Statistics, <i>Occupational Wages and Employment, November 2004.</i>					

## ***Raising the Minimum Wage Does Not Cause Job Loss***

**Myth:** Increasing the minimum wage would harm workers by causing substantial job loss.

**Reality:** *Minimum wage increases have not caused job loss.*

- A solid body of contemporary research has found no job loss resulting from increases in the minimum wage. For example, research by the Economic Policy Institute (EPI) found that the 1996 and 1997 minimum wage increases did not cause job loss. There was no negative employment effect among either teens or adults. In fact, adults earning the minimum wage actually experienced a small, though not statistically significant, increase in employment.\*
- EPI found that the 1996-97 increase in the minimum wage did not reduce the employment of minorities or women. Raising the minimum wage was associated with statistically significant employment increases among teenage Latinas, less-educated adult women, and less-educated adult African-American women. For whites and for African-Americans overall, the minimum wage increase resulted in neither significant positive nor negative employment effects.
- A March 2006 report from the Fiscal Policy Institute found that state minimum wage rates that are higher than the federal rate have not had a negative effect on employment. In states with minimum wage rates above the federal level, small business employment and employment overall grew faster than in states where the federal minimum wage of \$5.15 was in effect. Between January 1998 and January 2006, employment overall grew by 9.7 percent in higher minimum wage states, compared to employment growth of 7.5 percent in states with a \$5.15 minimum wage.
- The Fiscal Policy Institute also found that the number of small businesses grew faster in higher minimum wage states than in states with a \$5.15 minimum wage.
- Oregon passed a ballot initiative in 2002 that increased the state minimum wage and indexed it to inflation. New research from the Oregon Center for Public Policy finds that Oregon has had faster job growth since the new minimum wage went into effect than 41 other states!
- The Oregon Center for Public Policy also found in 2005 that since the minimum wage increase and indexing went into effect, minimum wage employers have been adding jobs at a faster rate than Oregon employers overall!
- According to a 1999 study by the Jerome Levy Economics Institute, the 1996-97 increase in the minimum wage did not affect the overwhelming majority of small businesses in the U.S. Nine out of 10 (89.1 percent) of the small businesses surveyed said the increase did not have an effect on their employment or hiring decisions.
- According to a March 2006 Gallup poll, 86 percent of small business owners say the minimum wage has no effect on their business, and nearly as many say it has a positive effect (5 percent) as say it has a negative effect (8 percent). Forty-six (46) percent of small

business owners say the minimum wage should be increased, while only 34 percent think it should remain unchanged (and 2 percent think it should be lowered).

- A 2004 report by the National Federation of Independent Businesses (NFIB) found that small businesses ranked minimum wages and living wages 57<sup>th</sup> out of a list of 75 problems facing small businesses.
- In the four years after the last minimum wage increase of 1996-97, the economy experienced its strongest growth in over three decades. More than 11 million new jobs were created between October 1996 and October 2000. In contrast, only 4.5 million jobs have been created in the last four years (between March 2002 and March 2006), during which time the minimum wage has not been increased.
- Even when the economy is struggling, minimum wage increases have not been found to cost jobs. As discussed in EPI's *Step Up, Not Out*, economist David Card's study of the 1990 and 1991 minimum wage increases -- which occurred when the economy was in recession -- found that the increases did not have any negative effect on employment.

\* "Statistically significant" means a positive or negative effect is not due to chance.

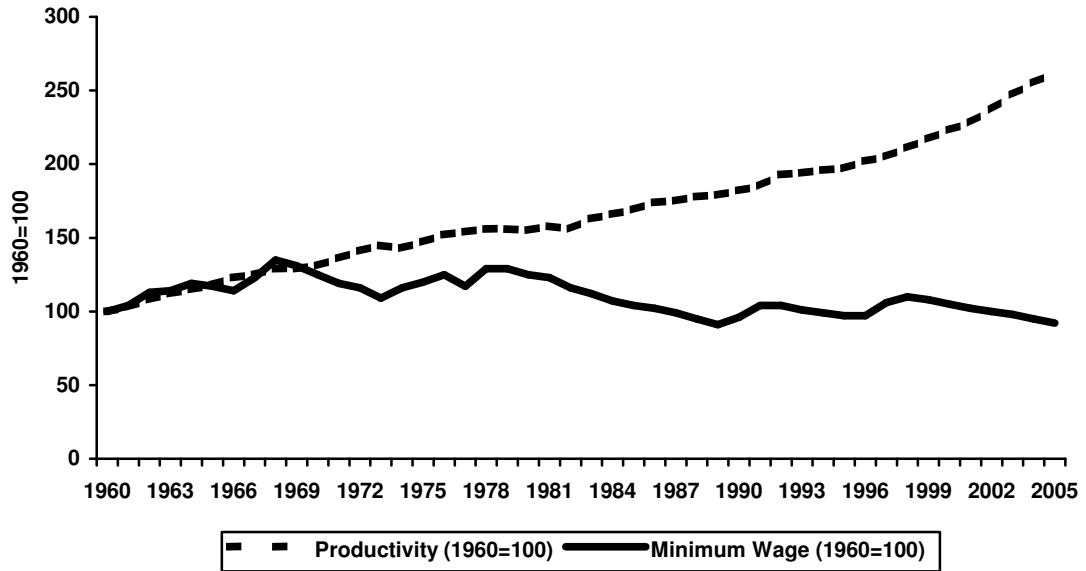
**Sources:** Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996–1997 Minimum Wage Increase*, Economic Policy Institute (1998); U.S. Bureau of Labor Statistics; Jeff Chapman, *Comparing the Minimum Wage Proposals* (March 2, 2005); Fiscal Policy Institute, *State Minimum Wages and Employment in Small Businesses* (April 20, 2004); Fiscal Policy Institute, *States with Minimum Wages Above the Federal Level Have Had Faster Small Business and Retail Job Growth* (March 30, 2006); Oren M. Levin-Waldman, *Small Business and Welfare Reform*, The Jerome Levy Economics Institute (March 1999); National Federation of Independent Businesses, *Small Business Problems & Priorities* (June 2004); Oregon Center for Public Policy, *Minimum Wage Employers Posting Strong Job Growth* (September 16, 2005); Oregon Center for Public Policy, *New Year's Day Minimum Wage Boost Helps Low-Wage Workers Without Hurting the Economy* (December 30, 2005); Edith Rasell, Jared Bernstein and Heather Boushey, *Step Up, Not Out—The Case for Raising the Federal Minimum Wage for Workers in Every State*, Economic Policy Institute (February 7, 2001); Wells Fargo-Gallup Small Business Index poll (March 1-15, 2006).

## ***A Minimum Wage Increase Would Help More Workers Benefit from the Economic Recovery***

- The recovery from the 2001 recession has been different from previous economic recoveries in that worker earnings have not kept up with productivity or inflation.
- Most workers in America have not benefited from the economic recovery that began in November 2001. Productivity has risen by 13 percent in the four years since the beginning of the recovery, yet real wages are lower today than they were in November 2001.
- Real hourly wages for low-wage workers fell by 0.9 percent between 2003 and 2005.
- Most recently, real median earnings for full-time workers fell by 1.3 percent from the first quarter of 2005 to the first quarter of 2006.
- Median household income, adjusted for inflation, has fallen every year since 1999, when it reached a high of \$46,129. Median household income fell by 4 percent between 1999 and 2004.
- There are several reasons why workers have not shared in the gains from productivity growth since November 2001, including a deceptively slack job market, a decline in unionization, and the decline in the real value of the minimum wage
- Raising the minimum wage is a concrete step Congress could take to help more workers receive share in the productivity gains of this recovery.
- According to the Economic Policy Institute, real wages for lower-wage workers had declined for two decades before the 1996-97 minimum wage increase helped to reverse that trend. It has been nine years since the last minimum wage increase, the gains from which have been erased by inflation. A minimum wage increase is needed to help reverse the decline in real wages for lower-wage workers.
- Minimum wage workers have received the benefits of productivity increases over the last three and one-half decades. In 2005, the real value of the minimum wage was 8 percent lower than in 1960; meanwhile, productivity has increased by 162 percent over that same time period.

**Sources:** Jared Bernstein, *Median Earnings Still Lagging*, Economic Policy Institute, April 20, 2006; Jared Bernstein, *Wage Growth Slows for Most Workers Between 2000 and 2005*, Economic Policy Institute, January 11, 2006; Jared Bernstein and Lawrence Mishel, *Wages Gain Ground – Workforce Benefits in 1998 from Tighter Labor Markets, Higher Minimum Wage*, Economic Policy Institute, February 2, 1999; Jared Bernstein and Lee Price, *An Off-Kilter Expansion: Slack Job Market Continues to Hurt Wage Growth*, Economic Policy Institute, September 2, 2005; Bureau of Labor Statistics, *Major Sector Productivity and Costs Index*; Economic Policy Institute; Lawrence Mishel and Ross Eisenbrey, *What’s Wrong with the Economy?*, Economic Policy Institute, December 21, 2005; Lee Price, *The Boom That Wasn’t: The Economy Has Little to Show for \$860 Billion in Tax Cuts*, Economic Policy Institute, updated March 2006.

### Minimum Wage Workers Have Not Benefited From Increases in Productivity



Sources: Bureau of Labor Statistics; Economic Policy Institute. Adjustments for inflation calculated using the CPI-U-RS.

## ***Congress Has Raised Its Own Pay While Denying a Pay Raise to Minimum Wage Workers***

- Since Congress last increased the federal minimum wage in 1996-97, it has increased the annual salary for members of Congress eight times, for a total pay increase of \$31,600 since 1998. This year alone, Congress raised its own pay by \$3,100!
- The annual earnings of a full-time, year-round minimum wage worker are little more than a third of that amount – \$10,720.
- Congress should not raise its own pay again without giving minimum wage workers a pay raise.

<b>Members of Congress Give Themselves \$31,600 in Pay Increases, While Refusing to Raise the Pay of Minimum Wage Workers</b>		
	<b>Pay Increase for Congress</b>	<b>Pay Increase for Minimum Wage Workers</b>
1998	\$3,100	\$0
1999	\$0	\$0
2000	\$4,600	\$0
2001	\$3,800	\$0
2002	\$4,900	\$0
2003	\$4,700	\$0
2004	\$3,400	\$0
2005	\$4,000	\$0
2006	\$3,100	\$0
<b>TOTAL:</b>	<b>\$31,600</b>	<b>\$0</b>

Source: The Capitol.net (<http://www.thecapitol.net/FAQ/payandperqs.htm>).

## ***Workers Should Not Have to Forfeit Wage and Hour Protections in Exchange for a Minimum Wage Increase***

- Legislation to increase the minimum wage merely restores some of the wage protection that workers have lost due to inflation. There is therefore no justification for attaching amendments that would weaken the wage and hour protections of the Fair Labor Standards Act (FLSA) for certain workers. Workers should not have to forfeit their FLSA wage and hour protections as a condition for restoring the buying power of the minimum wage.
- If Congress weakened the wage and hour protections of the FLSA every time it made adjustments to the minimum wage, the FLSA would soon be eviscerated.
- Amendments to weaken FLSA wage and hour protections for workers are “poison pills” designed to prevent any increase in the federal minimum wage.
- In March 2005, when Senator Ted Kennedy (D-MA) offered an amendment to raise the minimum wage by \$2.10, Senator Rick Santorum (R-PA) proposed an alternative \$1.10 increase coupled with several provisions that would weaken FLSA protections for workers.
  - *The 80-Hour Work Period.* The Santorum Amendment would allow employers to reduce overtime pay for workers by replacing the 40-hour workweek with an 80-hour two-week work period. Under this provision, a worker with median income could lose \$3,000 in overtime pay every year.
  - *Eliminating Wage and Hour Protections for Over 7 Million Workers.* The Santorum Amendment would eliminate FLSA protections for workers employed by firms with annual revenues of less than \$1 million. In 1997 there were 6.8 million workers employed by firms with annual revenues of between \$500,000 and \$1 million. So the Santorum Amendment would harm far more workers than it would help: while eliminating FLSA protections for over 7 million workers, its paltry \$1.10 increase would directly benefit only 1.8 million workers.
  - *Barring State Wage Protections for Tipped Employees.* The Santorum Amendment would lower wages for millions of tipped workers -- by as much as \$5.50 an hour in the state of Washington. Under the FLSA, employers can credit \$3.02 per hour in tips towards meeting their minimum wage requirement for tipped workers. But 29 states and the District of Columbia guarantee a higher minimum cash wage for tipped workers by limiting the amount of tips that employers can credit towards meeting their minimum wage requirement.\* Under the Santorum Amendment, however, states could not “enforce” any state law that “prohibits any portion of the tipped employee’s tips” from counting towards the state minimum wage. So the Santorum Amendment would not only prohibit states from passing new wage guarantees for tipped workers, but would also bar 29 states and the District of Columbia from enforcing their existing wage guarantees for tipped workers.\*\*

- In recent years, opponents of a minimum wage increase have threatened to attach various other “poison pill” legislative provisions that would weaken wage and hour protections for workers, including the following:
  - *Replacing Overtime Pay With Comp Time.* “Comp time” legislation would relieve employers of their FLSA obligation to pay a time-and-a-half cash premium for overtime work. Employers could pay workers nothing at the time overtime work is performed, so long as they promise workers time off in the future. “Comp time” legislation would reduce worker pay and make mandatory overtime cheaper for employers, resulting in longer hours and more unpredictable work schedules. Employers would still control when workers could take time off, and “comp time” legislation would provide no new work schedule flexibility.
  - *Excluding Bonuses From Overtime Calculation.* Under the FLSA, overtime is calculated based on the “regular rate” of pay, which includes performance-based compensation such as bonuses and commissions. Excluding non-discretionary bonuses from the calculation of overtime would reduce pay for millions of workers and encourage employers to circumvent the FLSA by converting more worker compensation into bonuses.
  - *Disqualifying Inside Sales Workers From Wage and Hour Protections.* Legislation to disqualify certain inside sales workers from FLSA protection would reduce pay for millions of workers. *Outside sales workers* are ineligible for FLSA protections because the nature of their work makes it difficult for employers to record and verify their work hours, but no such considerations apply to *inside sales workers*.
  
- The minimum wage should be raised and then automatically increased on an annual basis. Relying on haphazard periodic legislative adjustments results in the continuous erosion of the real value of the minimum wage, and also invites amendments to roll back wage and hour protections for workers.

\*Seven states have passed laws that bar tip credits. These 7 states are Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. Twenty-two other states and the District of Columbia have passed laws that limit the amount of tips that employers can credit towards their minimum wage requirement. These 22 states are Arkansas, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Dakota, Oklahoma, Pennsylvania, Rhode Island, Vermont, West Virginia and Wisconsin.

\*\*On March 7, 2005, Sen. Santorum claimed that the tip credit provision of his amendment (which was substantively the same as H.R. 3732) would apply only to the seven states that had already passed laws barring tip credits. Congressional Record (March 7, 2005), at S2121. By its terms, the Santorum Amendment would apply to state laws that “prohibit *any portion of* a tipped employee’s tips from being considered as wages” for purposes of the minimum wage. Apparently, Sen. Santorum was interpreting the words “*any portion of*” as surplus language. But the 22 state laws that limit the federal tip credit also “prohibit a portion” of tipped employees’ tips from being counted as wages. Under the Santorum Amendment, the affected states could not enforce their wage protections for tipped workers unless they allowed a tip credit equal to the applicable minimum wage in the state, which would nullify the wage protection for tipped workers.

**Sources:** Congressional Record, March 3, 2005 (S1979), March 7, 2005 (S2111-S2134); Jeff Chapman, *Comparing the Minimum Wage Proposals*, Economic Policy Institute, March 2, 2005; U.S. Department of Labor, Employment Standards Administration, *Table of Minimum Hourly Wages for Tipped Employees by State*, January 1, 2006.

## ***An Overwhelming Majority of Americans Support an Increase in the Federal Minimum Wage***

- A January 2006 poll from the Pew Research Center found that 81 percent of respondents thought that increasing the minimum wage was an important priority. Nearly half (47 percent) said it was a top priority.
- A November 2005 Gallup Poll found that 83 percent of respondents supported legislation to increase the federal minimum wage.
- A Pew Research Center poll released in January 2005 found that 82 percent of respondents thought that increasing the minimum wage was an important priority.
- A January 2002 poll by Lake Snell Perry & Associates for the Ms. Foundation found that 77 percent of likely voters surveyed support raising the minimum wage from \$5.15 to \$8 per hour. Some 79 percent of likely voters supported regular increases in the minimum wage to address the effect of inflation on the real value of the minimum wage.
- A November 2001 survey conducted by Techno Metrica Institute of Policy and Politics for *Investor's Business Daily* and *The Christian Science Monitor* found that 75 percent of the survey respondents supported raising the minimum wage as a way to stimulate the economy.
- An October 2001 survey by the Gallup Organization for CNN and *USA Today* found that 81 percent of the respondents supported an increase in the minimum wage.
- A survey conducted in January and February 2001 by National Public Radio, the Kaiser Family Foundation and Harvard University's Kennedy School of Government found that 85 percent of Americans support raising the minimum wage.

## ***Congressional Inaction Threatens the Minimum Wage as a National Standard***

- One purpose of the federal minimum wage law – the Fair Labor Standards Act (FLSA) – is to establish a national floor below which workers’ wages cannot fall. Congress enacted the federal minimum wage in 1938 to level the playing field among the states and discourage competition based on keeping wages low.
- Because of inflation, each year the federal guarantee helps fewer and fewer workers. Failure to raise the federal minimum wage until it helps only a negligible number of workers is tantamount to slow-motion repeal of the federal standard.
- Under the FLSA, states may set a higher minimum wage than the federal standard and cover more workers, but they cannot lessen FLSA requirements. Several states have recognized the declining value of the federal minimum wage and have taken steps to ensure that the minimum wage under state law continues to be meaningful.
- Eighteen states and the District of Columbia have minimum wage laws that establish higher rates than under federal law, and the minimum wage rates in Michigan and Arkansas will rise above the federal rate beginning October 1, 2006.\*
- Every year, more state legislatures consider minimum wage increases. Since 1998, 26 states and the District of Columbia have enacted minimum wage increases as a result of legislation or successful ballot initiatives.\*\* Activity to raise state minimum wage rates is underway in several states for 2006.
- In the 2000 presidential campaign, George W. Bush proposed allowing states to opt out of future increases in the federal minimum wage. While the Bush administration has not succeeded in enacting this proposal, it has achieved the same result by failing to raise the federal standard and leaving minimum wage increases to the discretion of individual states. Failure to increase the federal minimum wage allows states to opt out from a meaningful national floor on wages.

\* West Virginia’s minimum wage rate will rise above the federal level on July 1, 2006, but the raise generally will not apply to workers who are covered by the federal minimum wage requirement.

\*\*These 26 states are Alaska, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New Mexico, New York, Oregon, Rhode Island, Texas, Vermont, Washington, Wisconsin, and Wyoming. West Virginia is not included because the higher wage rate generally will not apply to workers who are covered by the federal minimum wage requirement.

**Sources:** Andrew DeMillo, “Huckabee signs Ark. minimum wage increase into law,” *The Associated Press State & Local Wire*, April 10, 2006; Scott Finn, “Manchin signs minimum wage hike; Metro bill also gets governor’s approval,” *The Charleston Gazette*, April 5, 2006; John J. Fitzpatrick, Jr., “State Labor Legislation enacted in 2005,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2006; John J. Fitzpatrick, Jr., “State Labor Legislation enacted in 2004,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2005; Richard R. Nelson and John J. Fitzpatrick, Jr., “State labor legislation enacted in 2003,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2004; Richard R. Nelson, “State labor legislation enacted in 2002,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2003; Richard Nelson, “State labor legislation enacted in 2001,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2002; Richard Nelson, “State labor legislation enacted in 2000,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2001; Richard Nelson, “State labor legislation enacted in 1999,” *Monthly Labor Review*, Bureau of Labor Statistics, January 2000; Richard Nelson, “State labor legislation enacted in 1998,” *Monthly Labor Review*, Bureau of Labor Statistics, January 1999; U.S. Department of Labor, Employment Standards Administration, *Minimum Wage and Overtime Premium Pay Standards Applicable to Non-supervisory, Non-Farm, Private-Sector Employment Under State and Federal Laws*, March 1, 2006.

## State Minimum Wage Rates

The Fair Labor Standards Act (FLSA), which establishes the federal minimum wage, permits states and communities to pass their own minimum wage laws so long as they are not inconsistent with the federal law.

State	Rate	State	Rate	State	Rate	State	Rate
<b>FEDERAL</b>	<b>\$5.15</b>	<b>Idaho</b>	<b>\$5.15</b>	<b>Missouri</b>	<b>\$5.15</b>	<b>Pennsylvania</b>	<b>\$5.15</b>
<b>Alabama</b>	<b>None</b>	<b>Illinois</b>	<b>\$6.50</b>	<b>Montana</b>	<b>\$5.15</b>	<b>Rhode Island</b>	<b>\$7.10</b> (will increase to \$7.40 on 1/1/07)
<b>Alaska</b>	<b>\$7.15</b>	<b>Indiana</b>	<b>\$5.15</b>	<b>Nebraska</b>	<b>\$5.15</b>	<b>South Carolina</b>	<b>None</b>
<b>Arizona</b>	<b>None</b>	<b>Iowa</b>	<b>\$5.15</b>	<b>Nevada</b>	<b>\$5.15</b>	<b>South Dakota</b>	<b>\$5.15</b>
<b>Arkansas</b> (will rise to \$6.25 on 10/1/06)	<b>\$5.15</b>	<b>Kansas</b>	<b>\$2.65</b>	<b>New Hampshire</b>	<b>\$5.15</b>	<b>Tennessee</b>	<b>None</b>
<b>California</b>	<b>\$6.75</b>	<b>Kentucky</b>	<b>\$5.15</b>	<b>New Jersey</b> (will rise to \$7.15 on 10/1/06)	<b>\$6.15</b>	<b>Texas</b>	<b>\$5.15</b>
<b>Colorado</b>	<b>\$5.15</b>	<b>Louisiana</b>	<b>None</b>	<b>New Mexico</b>	<b>\$5.15</b>	<b>Utah</b>	<b>\$5.15</b>
<b>Connecticut</b> (will rise to \$7.65 on 1/1/07)	<b>\$7.40</b>	<b>Maine</b> (will rise to \$6.75 on 10/1/06; will rise to \$7.00 on 10/1/07)	<b>\$6.50</b>	<b>New York</b> (will rise to \$7.15 on 1/1/07)	<b>\$6.75</b>	<b>Vermont</b> (beginning 1/1/07, wage rate will rise every Jan. 1)	<b>\$7.25</b>
<b>Delaware</b>	<b>\$6.15</b>	<b>Maryland</b>	<b>\$6.15</b>	<b>North Carolina</b>	<b>\$5.15</b>	<b>Virginia</b>	<b>\$5.15</b>
<b>D.C.</b>	<b>\$7.00</b>	<b>Massachusetts</b>	<b>\$6.75</b>	<b>North Dakota</b>	<b>\$5.15</b>	<b>Washington</b> (rate is indexed to inflation— adjusted every January 1)	<b>\$7.63</b>
<b>Florida</b> (wage rate indexed to inflation, adjusted every Jan. 1)	<b>\$6.40</b>	<b>Michigan</b> (will rise to \$6.95 on 10/1/06; will rise to \$7.15 on 7/1/07; will rise to \$7.40 on 7/1/08)	<b>\$5.15</b>	<b>Ohio</b> (will rise to \$5.15 on 6/30/06)	<b>\$4.25</b>	<b>West Virginia</b> (wage rate will rise to \$5.85 on 7/1/06; will rise to \$6.55 on 7/1/07; will rise to \$7.25 on 7/1/08. Wage increase generally will not apply to FLSA covered workers)	<b>\$5.15</b>
<b>Georgia</b>	<b>\$5.15</b>	<b>Minnesota</b>	<b>\$6.15</b>	<b>Oklahoma</b>	<b>\$5.15</b>	<b>Wisconsin</b> (will rise to \$6.50 on 6/1/06)	<b>\$5.70</b>
<b>Hawaii</b> (will rise to \$7.25 on 1/1/07)	<b>\$6.75</b>	<b>Mississippi</b>	<b>None</b>	<b>Oregon</b> (wage rate indexed to inflation, adjusted every Jan. 1)	<b>\$7.50</b>	<b>Wyoming</b>	<b>\$5.15</b>

**Note:** A state cannot lessen the requirements of the FLSA. Most states have adopted minimums, although many simply track the FLSA. Others are broader, for example, covering workers not covered under the FLSA or setting higher minimums than the federal rate. Two states set a state minimum lower than the federal rate. In that case, all workers in the state who are covered by the FLSA must receive the federal minimum. When state laws require a higher wage, employers must pay at least that higher rate to all workers covered by the state law, whether or not the federal law also covers them. Some minimum wage rates in this table apply only to large companies or employers with a certain dollar amount of receipts. Smaller companies may either have to pay a different minimum wage (not listed here) or there may be no minimum wage requirement.

**Sources:** Glen Adams, "Governor signs bill to hike hourly minimum wage to \$7," *Boston.com*, April 13, 2006; Andrew DeMillo, "Huckabee signs Ark. minimum wage increase into law," *The Associated Press State & Local Wire*, April 10, 2006; Scott Finn, "Manchin signs minimum wage hike; Metro bill also gets governor's approval," *The Charleston Gazette*, April 5, 2006; Florida Agency for Workforce Innovation, [http://www.floridajobs.org/resources/fl\\_min\\_wage.html](http://www.floridajobs.org/resources/fl_min_wage.html); Governor Doyle Announces Increase in Statewide Minimum Wage, 6/1/2005, [http://www.wisgov.state.wi.us/journal\\_media\\_detail.asp?prid=1148](http://www.wisgov.state.wi.us/journal_media_detail.asp?prid=1148); "Michigan Workers Will Get a Raise! Granholm signs legislation increasing the state's minimum wage," 3/28/06, <http://www.michigan.gov/gov/0,1607,7-168-23442-139644--,00.html>; Ohio Senate Bill 7; Rhode Island Department of Labor and Training, *Minimum Wage and the Minimum Wage Act*; U.S. Department of Labor, *Employment Standards Administration, Minimum Wage and Overtime Premium Pay Standards Applicable to Nonsupervisory, Non-Farm, Private-Sector Employment Under State and Federal Laws*, March 1, 2006; West Virginia House Bill 4023.