

SB 10 Articles/Minimum Wage Increase Act:

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Why the U.S. needs a \$15 minimum wage

How the Raise the Wage Act would benefit U.S. workers and their families

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This fact sheet was updated February 19 with a new section on tipped workers.

The federal minimum hourly wage is just \$7.25 and Congress has not increased it since 2009. Low wages hurt all workers and are particularly harmful to Black workers and other workers of color, especially women of color, who make up a disproportionate share of workers who are severely underpaid. This is the result of structural racism and sexism, with an economic system rooted in chattel slavery in which workers of color—and especially women of color—have been and continue to be shunted into the most underpaid jobs.¹

The Raise the Wage Act of 2021 would gradually raise the federal minimum wage to \$15 an hour by 2025 and narrow racial and gender pay gaps. Here is what the Act would do:

- Raise the federal minimum wage to \$9.50 this year and increase it in steps until it reaches \$15 an hour in 2025.²
- After 2025, adjust the minimum wage each year to keep pace with growth in the median wage, a measure of wages for typical workers.
- Phase out the egregious subminimum wage for tipped workers, which has been frozen at a meager \$2.13 since 1991.³
 - Sunset unacceptable subminimum wages for workers with disabilities employed in sheltered workshops and for workers under age 20.

The benefits of gradually phasing in a \$15 minimum wage by 2025 would be far-reaching, lifting pay for tens of millions of workers and helping reverse decades of growing pay inequality.

The Raise the Wage Act would have the following benefits:⁴

- Gradually raising the federal minimum wage to \$15 by 2025 would lift pay for **32 million workers—21% of the U.S. workforce.**
- Affected workers who work year round would **earn an extra \$3,300 a year**—enough to make a

tremendous difference in the life of a cashier, home health aide, or fast-food worker who today struggles to get by on less than \$25,000 a year.

- **A majority (59%) of workers whose total family income is below the poverty line would receive a pay increase** if the minimum wage were raised to \$15 by 2025.
- A \$15 minimum wage would **begin to reverse decades of growing pay inequality** between the most underpaid workers and workers receiving close to the median wage, particularly along gender and racial lines. For example, minimum wage increases in the late 1960s explained 20% of the decrease in the Black–white earnings gap in the years that followed, whereas failures to adequately increase the minimum wage after 1979 account for almost half of the increase in inequality between women at the middle and bottom of the wage distribution.⁵
- A \$15 minimum wage by 2025 would **generate \$107 billion in higher wages** for workers and would also benefit communities across the country. Because underpaid workers spend much of their extra earnings, this injection of wages will **help stimulate the economy and spur greater business activity and job growth**.

Raising the minimum wage to \$15 will be particularly significant for workers of color and would help narrow the racial pay gap.

- **Nearly one-third (31%) of African Americans and one-quarter (26%) of Latinos** would get a raise if the federal minimum wage were increased to \$15.⁶
- **Almost one in four (23%) of those who would benefit is a Black or Latina woman.**
- African Americans and Latinos are paid 10%–15% less than white workers with the same characteristics, so **The Raise the Wage Act will deliver the largest benefits to Black and Latino workers: about \$3,500 annually for a year-round worker.**⁷
- **Minimum wage increases in the 1960s Civil Rights Era significantly reduced Black–white earnings inequality and are responsible for more than 20% of the overall reduction in later years.**⁸

The majority of workers who would benefit are adult women—many of whom have attended college and many of whom have children.

- **More than half (51%) of workers who would benefit are adults between the ages of 25 and 54; only one in 10 is a teenager.**
- **Nearly six in 10 (59%) are women.**
- **More than half (54%) work full time.**
- **More than four in 10 (43%) have some college experience.**
- **More than a quarter (28%) have children.**

The Raise the Wage Act follows the lead of the growing number of states and cities that have adopted significant minimum wage increases in recent years,

thanks to the ‘Fight for \$15 and a union’ movement led by Black workers and workers of color.

- Since the Fight for \$15 was launched by striking fast-food workers in 2012,⁹ **states representing approximately 40% of the U.S. workforce**—California, Connecticut, Florida, Illinois, Maryland, Massachusetts, New Jersey, New York, Virginia, and the District of Columbia—**have approved raising their minimum wages to \$15 an hour.**¹⁰
- Additional states—including Washington, Oregon, Colorado, Arizona, New Mexico, Vermont, Missouri, Michigan, and Maine—have approved **minimum wages ranging from \$12 to \$14.75 an hour.**¹¹

Not just on the coasts, but all across the country, workers need at least \$15 an hour *today*.

- **Today, in all areas across the United States, a single adult without children needs at least \$31,200—what a full-time worker making \$15 an hour earns annually—to achieve a modest but adequate standard of living.**¹² By 2025, workers in these areas and those with children will need even more, according to projections based on the Economic Policy Institute’s [Family Budget Calculator](#).¹³
- **For example, in rural Missouri, a single adult without children will need \$39,800 (more than \$19 per hour for a full-time worker) by 2025** to cover typical rent, food, transportation, and other basic living costs.
- **In larger metro areas of the South and Southwest—where the majority of the Southern population live—a single adult without children will also need more than \$15 an hour by 2025** to get by: \$20.03 in Fort Worth, \$21.12 in Phoenix, and \$20.95 in Miami.
- **In more expensive regions of the country, a single adult without children will need far more than \$15 an hour by 2025** to cover the basics: \$28.70 in New York City, \$24.06 in Los Angeles, and \$23.94 in Washington, D.C.

Workers in many essential and front-line jobs struggle to get by on less than \$15 an hour today and would benefit from a \$15 minimum wage.

- **Essential and front-line workers make up a majority (60%) of those who would benefit from a \$15 minimum wage.**¹⁴ The median pay is well under \$15 an hour for many essential and front-line jobs; examples include **substitute teachers** (\$13.84), **nursing assistants** (\$14.26), and **home health aides** (\$12.15).¹⁵
- **More than one-third (35%) of those working in residential or nursing care facilities would see their pay increase**, in addition to home health aides and other health care support workers.
- One in three retail-sector workers (36%) would get a raise, including **42% of workers in grocery stores.**
- **More than four in 10 (43% of) janitors, housekeepers, and other cleaning workers would benefit.**
- **Nearly two-thirds (64%) of servers, cooks, and other food preparation workers** would see their earnings rise by \$5,800 on a year-round basis.

- **Ten million workers in health care, education, construction, and manufacturing would see a raise**—representing nearly one-third (31%) of the workers who would see a raise.

Phasing out the egregiously low \$2.13 minimum wage for tipped workers would lift pay, provide stable paychecks, and reduce poverty for millions of tipped workers.

- **There are 1.3 million tipped workers throughout the country who are paid as little as \$2.13 per hour** because Congress has not lifted the federal tipped wage in 30 years. Another 1.8 million tipped workers receive wages above \$2.13, but still less than their state's regular minimum wage.¹⁶
- **Seven states (Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington) have already eliminated their lower tipped minimum wage.** In these “one-fair-wage” states, tipped workers in these states are paid the same minimum wage as everyone else before tips.¹⁷ For restaurant servers and bartenders, take-home pay in one-fair-wage states is 21% higher, on average, than in \$2.13 states.
- **Having a lower minimum wage for tipped jobs results in dramatically higher poverty rates for tipped workers.** In states that use the federal \$2.13 tipped minimum wage, the poverty rate among servers and bartenders is 13.3%—5.6 percentage points higher than the 7.7% poverty rate among servers and bartenders in one-fair-wage states.¹⁸
- **Eliminating the lower tipped minimum wage has not harmed growth in the restaurant industry or tipped jobs.** From 2011 to 2019, one-fair-wage states had stronger restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service restaurants (17.5% versus 11.1%) and in full-service restaurant employment (23.8% versus 18.7%).¹⁹

Growing numbers of business owners and organizations have backed a \$15 minimum wage.

- In states that have already approved \$15 minimum wages, **business organizations representing thousands of small businesses have endorsed a \$15 minimum wage.**
- Business groups that have endorsed a \$15 minimum wage include Business for a Fair Minimum Wage,²⁰ the American Sustainable Business Council,²¹ the Patriotic Millionaires,²² the Greater New York Chamber of Commerce,²³ the Long Island African American Chamber of Commerce,²⁴ and others.
- **Growing numbers of employers have responded to pressure from workers and raised their starting pay scales to \$15 or higher.** These include retail giants Amazon,²⁵ Whole Foods²⁶ (owned by Amazon), Target,²⁷ Walmart,²⁸ Wayfair,²⁹ Costco,³⁰ Hobby Lobby,³¹ and Best Buy;³² employers in the food service and producing industries, such as Chobani,³³ Starbucks,³⁴ Sanderson Farms (Mississippi),³⁵ and the Atlanta-area locations of Lidl grocery stores;³⁶ health care employers including Michigan's Henry Ford Health System³⁷ and Trinity Health System,³⁸ Ohio's Akron Children's Hospital³⁹ and Cincinnati Children's Hospital Medical Center,⁴⁰ Iowa's Mercy Medical Center and MercyCare Community Physicians,⁴¹ Missouri's North Kansas City Hospital and Meritas Health,⁴² and Maryland's LifeBridge Health;⁴³ insurers and banks such as Amalgamated Bank,⁴⁴ Allstate,⁴⁵ Wells Fargo,⁴⁶ and Franklin Savings Bank in New Hampshire⁴⁷; and tech and communications leaders such as Facebook⁴⁸ and Charter Communications.⁴⁹

Our economy can more than afford a \$15 minimum

wage.

- Workers earning the current federal minimum wage **are paid less per hour in real dollars than their counterparts were paid 50 years ago.**⁵⁰
- Businesses can afford to pay the most underpaid worker in the U.S. today substantially more than what her counterpart was paid half a century ago.⁵¹
- The economy has grown dramatically over the past 50 years, and workers are producing more from each hour of work, with **productivity nearly doubling since the late 1960s.** If the minimum wage had been raised at the same pace as productivity growth since the late 1960s, **it would be over \$20 an hour today.**⁵²

Research confirms what workers know: Raising wages benefits us all.

- High-quality academic scholarship confirms that modest **increases in the minimum wage have not led to detectable job losses.**⁵³
- After the federal minimum wage was raised to its highest historical peak in 1968, wages grew and racial earnings gaps closed without constricting employment opportunities for underpaid workers overall.⁵⁴
- Comprehensive research on 138 state-level minimum wage increases shows that all underpaid workers benefit from minimum wage increases, not just teenagers or restaurant workers.⁵⁵
- Multiple studies conclude that total annual incomes of families at the bottom of the income distribution rise significantly after a minimum wage increase.⁵⁶ Workers in low-wage jobs and their families benefit the most from these income increases, reducing poverty and income inequality.
- By providing families with higher incomes, **minimum wage increases have improved infant health and also reduced child abuse and teenage pregnancy.**⁵⁷

An immediate increase in the minimum wage is necessary for the health of our economy.

- **Raising the minimum wage now will tilt the playing field back toward workers who have dangerous jobs and little bargaining power during the pandemic.**⁵⁸
- Providing underpaid workers with more money will directly counter the consumer demand shortfall during this recession.⁵⁹
- Even the Congressional Budget Office's 2019 study of the impact of raising the federal minimum wage to \$15 by 2025 clearly showed that the policy would raise incomes of underpaid workers overall and significantly reduce the number of families in poverty.⁶⁰

Low wages threaten the economic security of workers and their families, who then turn to social benefits programs to make ends meet.

- In states without laws to raise the minimum wage to \$15, nearly half (47%, or 10.5 million) of families of workers who would benefit from the Act rely on public supports programs in part because they do not earn enough at work.⁶¹

- These workers and their families account for nearly one-third of total enrollment in one or more public supports programs.⁶²
- In states without a \$15 minimum wage law, public supports programs for underpaid workers and their families make up **42% of total spending** on Medicaid and CHIP (the Children’s Health Insurance Program), cash assistance (Temporary Assistance for Needy Families, or TANF), food stamps (Supplemental Nutrition Assistance Program, or SNAP), and the earned income tax credit (EITC), and **cost federal and state taxpayers more than \$107 billion a year.**⁶³

Notes and Sources

This fact sheet is an update of *Why America Needs a \$15 Minimum Wage*, published by EPI and the National Employment Law Project, February 2019.

Unless otherwise indicated, the figures presented in this fact sheet come from a forthcoming EPI analysis of the *2021 Raise the Wage Act*.

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Joint Economic Committee Republicans

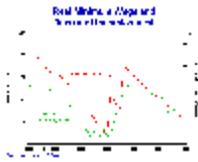
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The Case Against a Higher Minimum Wage

The voices clamoring for a minimum wage hike are getting ever louder. Proponents argue that the current wage level does not provide an adequate incentive for work. Also, they argue that an increase in the minimum wage will have only a very minor impact on jobs. These arguments are not grounded in fact. The impact of raising the minimum wage has been studied since its inception. All credible research has come to the same conclusion: **raising the minimum wage hurts the poor. It takes away jobs, keeps people on welfare, and encourages high-school students to drop out.** Policy makers should be clear on the consequence of higher minimum wages.

Jobs and the Minimum Wage

Economists have studied the job-destroying features of a higher minimum wage. **Estimates of the job losses of raising the minimum wage from \$4.25 to \$5.15 have ranged from 625,000 to 100,000 lost jobs.** It is important to recognize that the jobs lost are mainly entry-level jobs. By destroying entry-level jobs, a higher minimum wage harms the lifetime earnings prospects of low-skilled workers.



[Click here to see Figure 1.](#)

Proponents have been able to muddle the debate by pointing to a study done by two Princeton economists, David Card and Alan Krueger. These economists claimed to find that raising the minimum wage does not lower employment. [1] In one paper, they succeeded in casting doubt on 200 years of economic research and theory. Economists took their challenge seriously and attempted to recreate their results. It could not be done. Economists who attempted to replicate their work demonstrated conclusively that raising the minimum wage destroys jobs. [2]

Even after the Card and Krueger study was fully discredited by economic science, it is still being used by proponents of higher minimum wages to support an increase. Why must they rely on discredited research to support their call for raising the minimum wage? Because they recognize that Americans do not support proposals that destroy jobs. Proponents often like to show survey results that say more than eighty percent of Americans support a higher minimum wage. Yet, the same survey shows less than half surveyed, 46 percent, support raising the minimum wage if it "might reduce the number of jobs available for workers with limited skills." [3] Clearly, if Americans were informed of the true effects of raising the minimum wage, support would rapidly erode.

Minimum Wage Workers

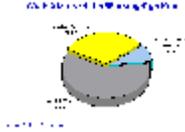
Supporters claim that raising the minimum wage is important for working families. Secretary of Labor Robert Reich often repeats the fact that forty percent of minimum wage workers are the sole source of

income for their families. This is misleading because it relies on lumping single, non-family individuals with families. **Only 2.8 percent of workers earning less than \$5.15 are single parents.** [4] **Only 1.2 percent of all minimum wage workers were adult heads of households with incomes less than \$10,000.** [5] **Fifty-seven percent of minimum wage workers are single individuals, many of them living with their parents.**



[Click here to see Figure 2.](#)

Minimum wage workers are not parents struggling to feed their children. Rather, they are high school or college students living at home. The level of the minimum wage is irrelevant for most people in poverty. **Only 9.2 percent of poor people of working age have full-time jobs.** [6]



[Click here to see Figure 3.](#)

Side Effects of Raising the Minimum Wage

It has been well documented that the minimum wage destroys jobs, particularly the jobs of low-skilled, young workers. However, there are other equally pernicious side effects of higher minimum wages. Higher minimum wages make it more difficult for people to leave welfare and induce high-school students to drop out.

Dr. Peter Brandon of the Institute for Research on Poverty studied how raising the minimum wage affect the transition from welfare to work. [7] He found that raising it keeps welfare mothers on welfare longer. **Mothers on welfare in states that raised their minimum wage remained on welfare 44 percent longer than mothers on welfare in states where it was not raised.**[8]

The reason for this result is that raising the minimum wage induces some people to enter the labor market who would not apply if not for the higher level. With a larger labor market, employers choose higher-skilled applicants. Thus, raising the minimum wage hurts low-skilled workers in two ways. First, there are fewer jobs available. Second, with a larger pool of applicants, competition is stiffer. Low-skilled workers have a more difficult time getting those job skills that are crucial to economic well-being.

Another side effect of raising the minimum wage is that it increases the number of high-school students who drop out. [9] Some of these students do not find employment. Another group of students are part of those applicants that compete jobs away from welfare recipients. Dropping out of school is very destructive. High school drop-outs have a very difficult time improving their well-being.

The Elusive Benefits of a Higher Minimum Wage

The proponents of a higher minimum wage argue that it is vitally important to raise it in order to improve the lives of poor workers. However, the raise will have only a limited impact on poor working families. [10] A single parent with two children living in California would gain only 26 cents from a 90 cent increase in the minimum wage.

To put this gain in perspective, **each minimum wage worker who earns \$4.25 an hour brings home \$3.92 for each hour worked once payroll taxes are deducted.** The employer costs of a minimum wage worker is \$4.58 an hour when the employers share of the payroll tax is included. [11] **If workers could take home the amount of money it costs the employer to hire workers, they could have 62 cents more per hour.** Clearly, the California parent would be better off if the tax wedge were reduced, rather than increasing the minimum wage.

Conclusion

The campaign to raise the minimum wage will have little positive impact on the lives of poor people. Rather, it is a political measure that plays to a misunderstanding of the impact of higher minimum wages. The future of the American economy depends on a correct understanding of the causes of prosperity. For too long, attempts to relieve poverty have been misguided. To lift people out of poverty, we need a system that maximizes opportunities for economic well-being of low-skilled workers. Raising the minimum wage is a wrong-headed solution that will deprive young, poor Americans of an opportunity to improve their economic situation.

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