

The Fair Minimum Wage Act of 2013:

Restoring the Lost Value of the Minimum Wage Would Boost the Economy and the Incomes of 30 Million Workers in the U.S.

More than four years after the official end of the Great Recession, pay for America's workers remains stagnant while the cost of living continues to rise. Low-wage occupations have dominated job growth in the post-recession recovery, accelerating a decades-long shift in the U.S. economy toward lower-paying jobs. At the same time, the federal minimum wage of \$7.25 per hour, which translates to just \$15,080 per year for a full-time worker, remains decades out of date, and the federal minimum wage for tipped workers – \$2.13 per hour – has not increased in over twenty years.

The Fair Minimum Wage Act of 2013 will help restore much of the lost value of the federal minimum wage, providing America's lowest-paid workers with an urgently needed raise while boosting the consumer spending that fuels our economy.

Background and Key Elements

Following President Obama's call to raise the minimum wage in his 2013 State of the Union address, Senator Tom Harkin (D-IA), Chair of the Senate Health, Education, Labor and Pensions Committee, and Representative George Miller (D-CA), the top Democrat on the House Workforce Committee, have introduced the **Fair Minimum Wage Act of 2013**. It would:

- **Raise the federal minimum wage to \$10.10** by 2015, in three steps of 95 cents each.
- **Adjust the minimum wage each year to keep pace with the rising cost of living** starting in 2016 – a key policy reform known as “indexing,” which ten states are already using to prevent the minimum wage from falling in value each year.
- **Raise the minimum wage for tipped workers** – which has been frozen at a meager \$2.13 per hour for more than twenty years – to 70% of the minimum wage.

Restoring a Strong Minimum Wage for America's Workers

- The Fair Minimum Wage Act of 2013 would help restore the minimum wage to its historic level, making up for decades of erosion. **The federal minimum wage has lost more than 30% of its value and would be more than \$10.55 per hour today** if it had kept pace with the cost of living over the past forty years.¹

Helping 30 Million Americans Make Ends Meet

- **More than 30 million workers** would receive a raise from the Fair Minimum Wage Act of 2013.²
- **88% are adults** over the age of twenty, **56% are women**, **nearly half are workers of color**, and **over 43% have some college education**.³
- More than **17 million children** have a parent who would get a raise under the Fair Minimum Wage Act of 2013.⁴
- The **average affected worker brought home approximately 49% of her household's income** in 2011.⁵
- **71% of tipped workers getting raises would be women** – a key step for women's pay equity.⁶

Higher Wages to Power Economic Recovery and Growth

- **Consumer spending accounts for 70 percent of U.S. economic activity** but remains tepid because consumers just don't have the money to spend. Wages and salaries now make up the lowest share of national income since 1966, while corporate profits are now the largest share of national income since 1950.⁷
- **Raising the minimum wage boosts consumer demand**, as low-income workers spend their higher wages at local businesses.
- The Fair Minimum Wage Act of 2013 would generate more than **\$32 billion in new economic activity**, translating to **140,000 new full-time jobs** as higher sales lead businesses to hire more employees, according to estimates by the Economic Policy Institute.⁸

More Working Adults Than Ever Are Depending on Low-Wage Jobs

- Since the recession, **58% of new jobs have been in low-wage occupations** like cashiers and food preparation where the minimum wage sets pay scales.⁹
- **Six of the ten top growth occupations are low-wage**, according to the Bureau of Labor Statistics.¹⁰
- **48% of college graduates work in jobs requiring just a high school diploma.** Despite obtaining advanced education in record numbers, America's workers remain stuck in low-quality jobs that pay inadequate wages.¹¹
- The **median age of a low-wage worker has risen to 34.9.**¹²
- **Waitresses and waiters are three times more likely to be paid below the poverty line** than the general workforce and nearly twice as likely to need food stamps.¹³
- **57% of the pay gap** between workers at the bottom of the wage scale and those in the middle is due to the **eroding purchasing power of the minimum wage** over the past thirty years, according to a recent study by the Economic Policy Institute.¹⁴

The Minimum Wage Chiefly Affects Large Chains, Not Small Businesses

- **Two-thirds of low-wage employees work for large companies** with over 100 employees, not the small businesses that many opponents claim.¹⁵
- **Most big low-wage employers – including retail and fast food chains like Walmart and McDonalds – are enjoying strong profits and can readily afford a higher minimum wage.** 78% have been profitable every year for the past three years, and 63% of these companies are earning higher profits now than before the recession.¹⁶

The Economic Evidence Shows a Higher Minimum Wage Does Not Cost Jobs

- The most rigorous studies of minimum wage increases over the past twenty years show **no discernible reduction in employment or slowing of job growth** when the minimum wage has increased. An overview of the research – including recent **“meta-studies” that show most credible research finds negligible impact on jobs** – can be found in “Why Does the Minimum Wage Have No Discernible Effect on Employment?” (Center for Economic and Policy Research 2013).¹⁷
- For example, one of the latest **state-of-the-art studies**, published in 2010 in the prestigious *Review of Economics and Statistics*, compared employment levels between 1990 and 2006 in over 250 pairs of neighboring U.S. counties with differing minimum wage levels and found

minimum wage increases had no effect on employment.¹⁸ A similar study published in 2011 in the journal *Industrial Relations* found that even during times of high unemployment, minimum wage increases have not led to job loss.¹⁹

- The panel of roughly 40 economic experts that the University of Chicago's Booth School of Business surveys regularly on public policy issues agrees that the benefits of a higher minimum wage outweigh the costs. When weighted by the confidence with which the experts hold their opinions, **62 percent of the leading economists surveyed agree that the benefits of raising and indexing the minimum wage outweigh the costs, while only 16 percent disagree.**²⁰
- **More of the business press than ever has endorsed raising the minimum wage**, including Bloomberg News,²¹ Crain's New York Business,²² and The Economist,²³ citing the evidence that a higher minimum wage does not cost jobs.

For more information on the Fair Minimum Wage Act of 2013, visit raisetheminimumwage.org/pages/fair-minimum-wage-act-of-2013 or contact Jack Temple at jtemple@nelp.org.

¹ See <http://www.raisetheminimumwage.com/facts/entry/amount-with-inflation/> for calculation.

² Economic Policy Institute analysis of the Fair Minimum Wage Act of 2013.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Nelson D. Schwartz, "Recovery in U.S. is Lifting Profits, But Not Adding Jobs," *New York Times*, March 3, 2013, available at: <http://www.nytimes.com/2013/03/04/business/economy/corporate-profits-soar-as-worker-income-limps.html?hp& r=0>.

⁸ Economic Policy Institute analysis of Fair Minimum Wage Act of 2013

⁹ National Employment Law Project, "The Low-Wage Recovery and Growing Inequality", Data Brief, August 2012, available at <http://raisetheminimumwage.org/pages/low-wage-job-growth>

¹⁰ U.S. Department of Labor, Bureau of Labor Statistics, "Occupational Employment Projections to 2018," published in the *November 2009 Monthly Labor Review*, available at http://www.bls.gov/emp/ep_table_104.htm

¹¹ Richard Vedder, Christopher Denhart and Jonathan Robe, "Why Are Recent College Graduates Under-employed?," Center for College Affordability and Productivity, Jan. 2013, available at: <http://centerforcollegeaffordability.org/uploads/Underemployed%20Report%202.pdf>

¹² John Schmitt and Janelle Jones, Low-wage Workers Are Older and Better Educated than Ever, Center for Economic and Policy Research, Apr. 2012, available at: <http://www.cepr.net/documents/publications/min-wage3-2012-04.pdf>

¹³ Restaurant Opportunities Center United, "Tipped Over the Edge," February 2012.

¹⁴ Lawrence Mishel, "Declining value of the federal minimum wage is a major factor driving inequality," Economic Policy Institute, February 21, 2013, available at: <http://www.epi.org/publication/declining-federal-minimum-wage-inequality>.

¹⁵ Big Business, Corporate Profits, and the Minimum Wage, National Employment Law Project, July 2012, available at <http://www.raisetheminimumwage.org/pages/corporate-profits>

¹⁶ Ibid.

¹⁷ John Schmitt, "Why Does the Minimum Wage Have No Discernible Effect on Employment?," Center for Economic and Policy Research, 2013, available at:

<http://www.cepr.net/index.php/publications/reports/why-does-the-minimum-wage-have-no-discernible-effect-on-employment> . See also Jared Bernstein, "Raising the Minimum Wage: the Debate Begins...Again," On the Economy Blog, February 14, 2013, available at: <http://jaredbernsteinblog.com/raising-the-minimum-wage-the-debate-begins-again>

¹⁸ Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *The Review of Economics and Statistics*, 92(4): 945–964 (November 2010), available at <http://www.irle.berkeley.edu/workingpapers/157-07.pdf>

¹⁹ Sylvia A. Allegretto, Arindrajit Dube and Michael Reich, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," *Industrial Relations*, Vol. 50, No. 2 (April 2011), available at <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>

²⁰ Chad Stone, "Benefits of Obama's Minimum Wage Hike Outweigh the Costs," *U.S. News and World Report*, February 28, 2013, available at: <http://www.usnews.com/opinion/blogs/economic-intelligence/2013/02/28/benefits-of-obamas-minimum-wage-hike-outweigh-costs>

²¹ "Raise the Minimum Wage," *Bloomberg View*, April 16, 2012, available at: <http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html>.

²² "Raise the Minimum Wage," *Crain's New York Business*, February 5, 2012, available at: <http://www.crainnewyork.com/article/20120205/SUB/302059999#ixzz2H2tFGMTT>.

²³ "The Argument in the Floor," *The Economist*, November 24, 2012, available at: <http://www.economist.com/news/finance-and-economics/21567072-evidence-mounting-moderate-minimum-wages-can-do-more-good-harm>.