ISSUE BRIEF
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New Minimum Wage Bills Would Accelerate Recovery and Improve Job Quality

As evidence mounts that America's workers face not only a crisis of limited job growth due to weak consumer demand but also the continuation of a 30-year decline in job quality, measures recently introduced in both houses of Congress to raise the federal minimum wage would boost incomes of America's lowest-paid workers, fueling demand, and also raise the floor at the bottom of the labor market, an important step in improving job quality.

As NELP reported earlier this year, wage growth in the U.S. remains well behind pre-recession growth rates, and, in fact, the real value of wages for many workers has actually declined over the past year. More recent data over the past month makes clear that wages have continued to grow at a sluggish pace through the summer and have continued to fall in real terms since last year:

- Average hourly wages for all private sector employees rose only $0.02 from June to July, without accounting for inflation.
- In real terms, average hourly wages rose only 0.3 percent from June 2011 to June 2012 for all private sector workers.
- For non-supervisory and production workers, real average hourly wages actually declined by 0.1 percent from June 2011 to June 2012.

Restoring the minimum wage to its historic value, indexing it to rise annually, and closing the loopholes that limit coverage for millions of low paid workers will bolster economic recovery by putting money in the pockets of working families who will spend it, driving up the consumer demand employers need in order to grow and create new jobs. A stronger minimum wage that boosts pay scales across the bottom of the labor market will also begin to address the growing problem of low-wage jobs in which increasing numbers of America's workers today spend their careers.

The Fair Minimum Wage Act of 2012

On July 26th, Senator Tom Harkin (D-IA) and Representative George Miller (D-CA) introduced the Fair Minimum Wage Act of 2012, which would restore much of the lost value of the minimum wage and boost the paychecks of low-wage workers in the U.S.

Specifically, the bill would:

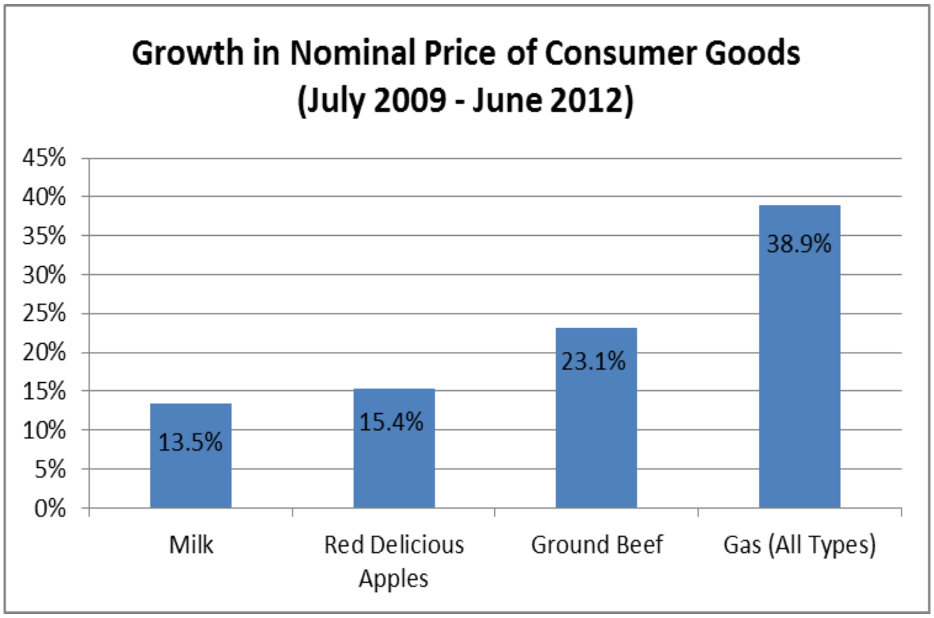
- Raise the minimum wage from the current $7.25, set three years ago, to $9.80 per hour by 2014;
- Index the minimum wage to automatically increase each year with the rising cost of living;

- Gradually raise the tipped minimum wage to $6.85 over five years, fixing it to 70 percent of the full minimum wage thereafter.

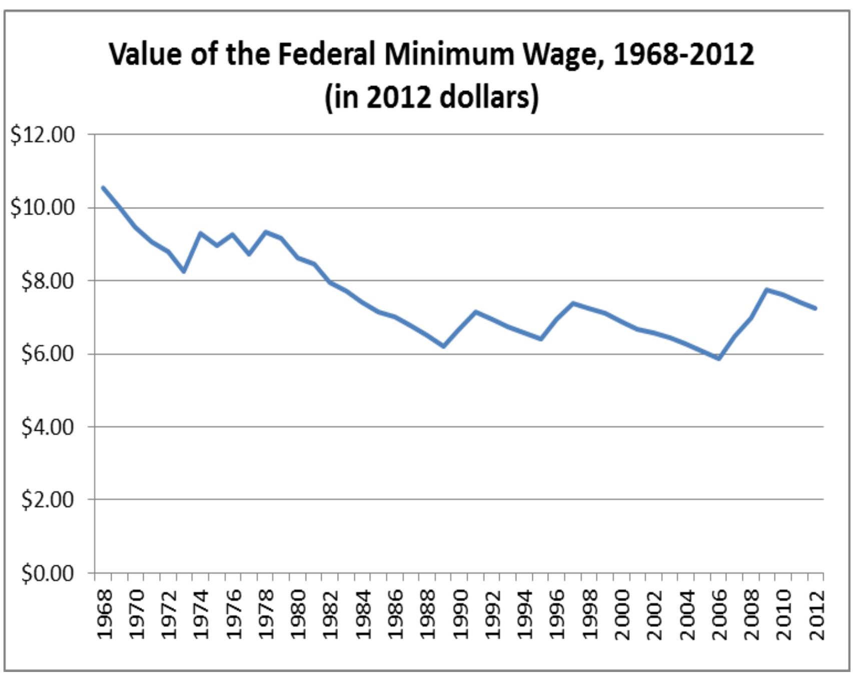
The Economic Policy Institute estimates that, if passed, the Fair Minimum Wage Act would:

- Raise the wages of 28 million low-paid workers in the United States;
- Boost GDP by over $25 billion;
- Support the creation of over 100,000 jobs.

The federal minimum wage was last raised over three years ago in July of 2009; since then, the cost of living in the U.S. has continued to rise, making many basic consumer goods such as milk and gasoline increasingly unaffordable for low-wage workers.



Source: NELP Analysis of Bureau of Labor Statistics Consumer Price Index Average Price Data



Source: NELP Analysis of Bureau of Labor Statistics Consumer Price Index (CPI-U)

A higher minimum wage would give working families the resources they need to afford basic expenses, allowing them to support businesses and invest in the local economy. Furthermore, the indexing provision included in the Fair Minimum Wage Act would ensure that future increases in the cost of living do not continue to erode the purchasing power of the paychecks of low-wage workers; indeed, if the real value of the minimum wage had just kept pace with the rising cost of living since 1968, it would be over $10.50 today.

While Congress has been slow to act on aggressive legislation to create jobs and reduce unemployment in the U.S., the Fair Minimum Wage Act of 2012 would improve the economic security of millions of working families in the U.S. and help promote consumer spending needed to grow the economy.

Raising the minimum wage is also an important step in beginning to reverse the 30-year-decline in job quality, a factor in our nation's expanding income inequality. As described in a just-released report by the Center for Economic and Policy Research, since 1979 the share of the workforce in good jobs—defined by CEPR as jobs paying at least $18.50 per hour, with some form of employer-provided health care and retirement benefits—has fallen even as the median age and education level of the workforce has risen. In other words, today's typical worker is older (generally a proxy for greater workforce experience) and has more formal education than his or her 1979 counterpart, but is less likely to have a good job. Among other policy failures, Congress passed increases in the federal minimum wage only twice between 1980 and 2006, and the measure lost roughly 32 percent of its real value over that period, contributing to the rapid rise of economic inequality over the past several decades.

A serious effort to restore the minimum wage to its historic value and maintain it as a meaningful wage standard at the bottom of the labor market not only would help ensure that people who work for a living can make a living from work, but also begin the slow reversal of a decades-long trend that has shifted more of the wages from work away from workers and into corporate profits and CEO pay.