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A \$10.10 MINIMUM WAGE WOULD GIVE ECONOMY (AND MORE LOW-WAGE WORKERS) A BIGGER BOOST

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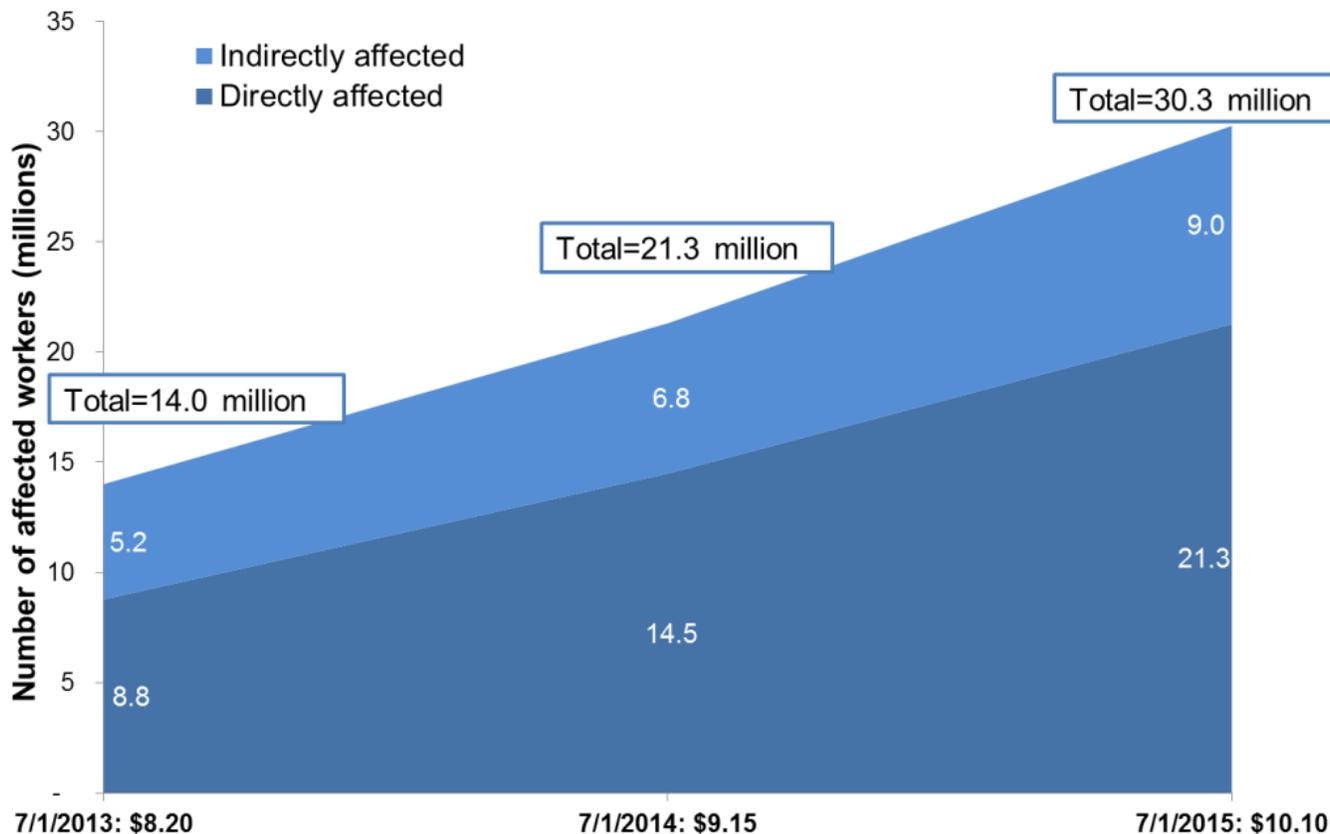
Following the President's **expression of support for a \$9.00 minimum wage**, Sen. Tom Harkin (D-Iowa) and Congressman George Miller (D-California) sent out a press release indicating their support for increasing the minimum wage to \$10.10 (this proposal follows their 2012 effort to pass legislation supporting a \$9.80 minimum wage). Their proposal would increase the minimum wage via three incremental increases of \$0.95, after which it would be indexed to inflation. The tipped minimum wage (the minimum wage paid to workers who earn a portion of their wages in tips) would also be increased in \$0.85 increments from its current value of \$2.13 per hour, where it has languished since 1996, until it reaches 70 percent of the regular minimum wage. At noon today, Senator Harkin and Congressman Miller will unveil the *Fair Minimum Wage Act of 2013*.

Raising the minimum wage would help reverse **the ongoing erosion of wages that has contributed significantly to growing income inequality**, while providing a modest stimulus to the entire economy, as increased wages contribute to GDP

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growth, which in turn leads to modest employment growth. Following are the major national findings of an upcoming EPI report on the impacts of a \$10.10 minimum wage for the country and individual states.

Figure A Number of workers (in millions) affected by increasing the federal minimum wage to \$10.10 by July 1, 2015



Source: Authors' analysis of Harkin/Miller proposal using Current Population Survey Outgoing Rotation Group

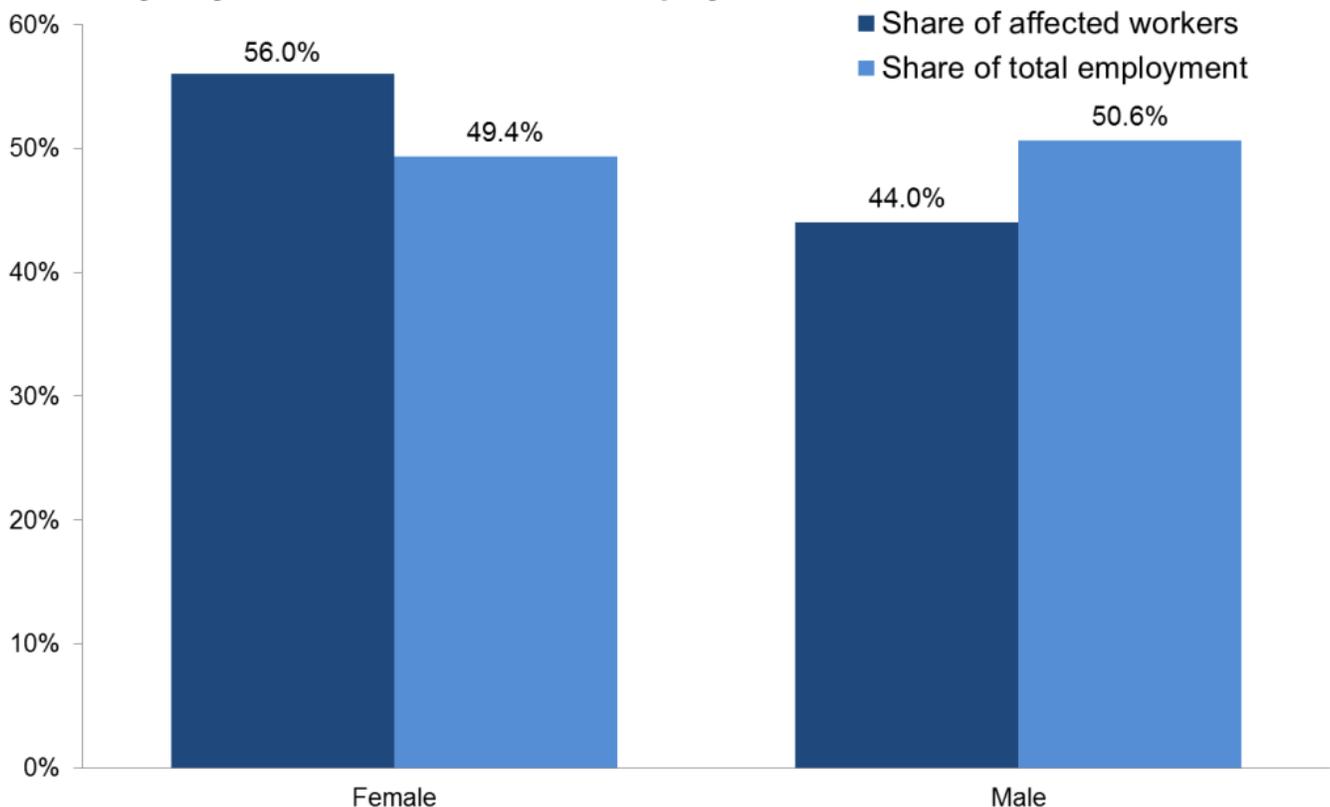
Demographic characteristics of affected workers

Increasing the minimum wage to \$10.10 would benefit millions of workers whose characteristics—in terms of their gender, age, race and ethnicity, educational attainment, work hours, family income, and family composition—contradict some prevailing beliefs about minimum-wage workers. In the first year, with an increase from \$7.25 to \$8.20, 14 million directly and indirectly affected workers would see higher wages. This number would rise to about 21 million workers with the second incremental increase to \$9.15 in 2014, and to more than 30 million workers with the third incremental increase to \$10.10 in 2015, as shown in **Figure A**.

Gender

Raising the minimum wage is a women's issue. While increasing the minimum wage would have a sizable impact on both men and women, it would disproportionately affect women. Women comprise 49.4 percent of US workers, yet 56.0 percent of workers who would be affected by a potential minimum-wage increase (see **Figure B**).

Figure B Gender of workers affected by increasing the federal minimum wage to \$10.10 by July 1, 2015 and of the total employment



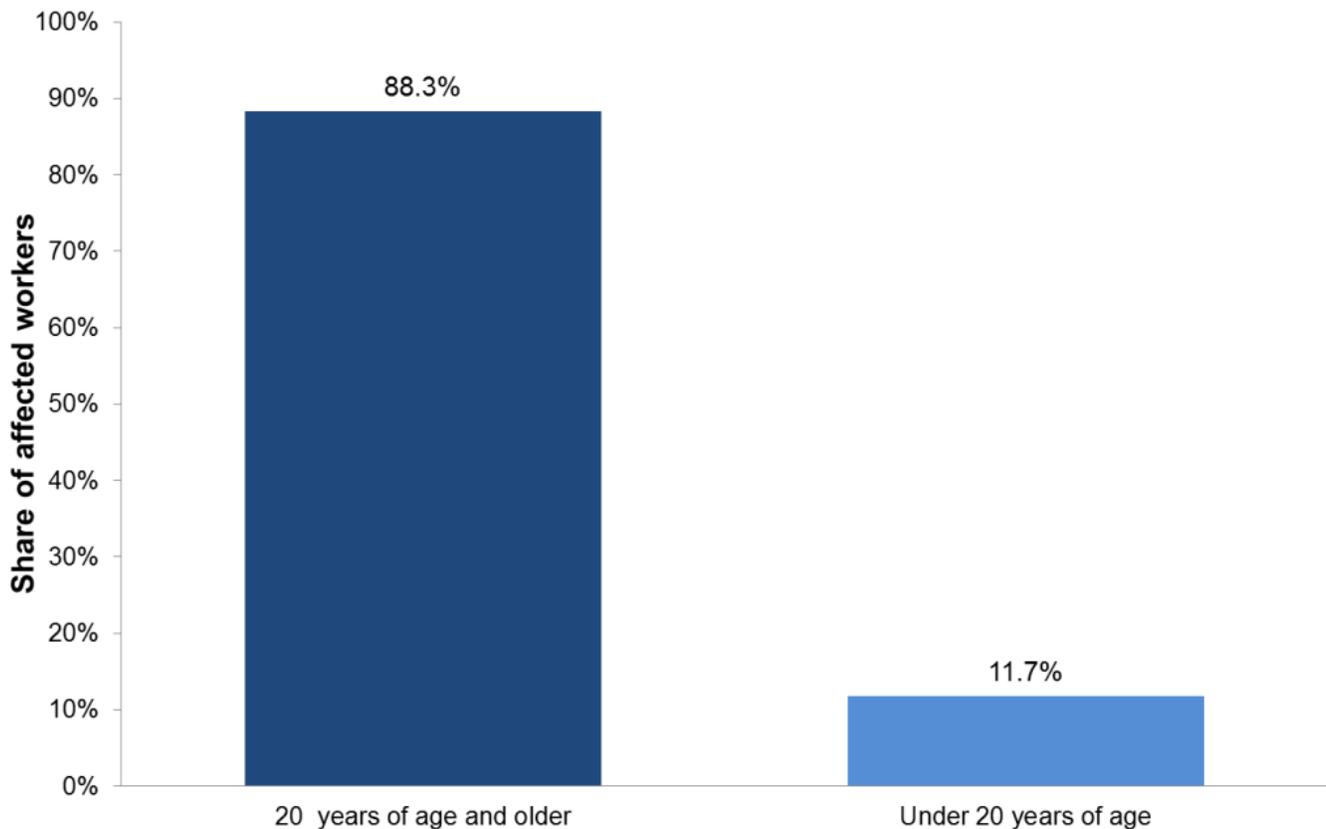
Source: Authors' analysis of Harkin/Miller proposal using Current Population Survey Outgoing Rotation Group microdata and Current Employment Statistics public data series

Age

Minimum-wage workers are older, more highly-educated, and have greater family responsibilities than commonly portrayed. The facts do not support the perception of minimum-wage workers as primarily teenagers working for spending money (though even if true, it would not justify paying teens sub-poverty wages).

Instead, as seen in **Figure C**, 88.3 percent of workers who would be affected by increasing the federal minimum wage to \$10.10 are at least 20 years old.

Figure C Age of workers affected by increasing the federal minimum wage to \$10.10 by July 1, 2015



Source: Authors' analysis of Harkin/Miller proposal using Current Population Survey Outgoing Rotation

Race/ethnicity

Increasing the minimum wage would substantially benefit both minority and non-minority workers. Nationally, 54.1 percent of workers who would be affected are non-Hispanic white workers. Nearly a quarter (24.6 percent) are Hispanic, 14.1 percent are black, and 7.1 percent are Asian or of another race or ethnicity.

Educational attainment

Data on educational attainment of those who would be affected by a minimum-wage increase further dispel the misperception of minimum-wage workers as high school students working in low-wage jobs for spending money. In fact, nationally just 21.3 percent of those who would be affected have less than a high school degree, while fully 43.8 percent have some college education, an associate degree, or a bachelor's degree or higher.

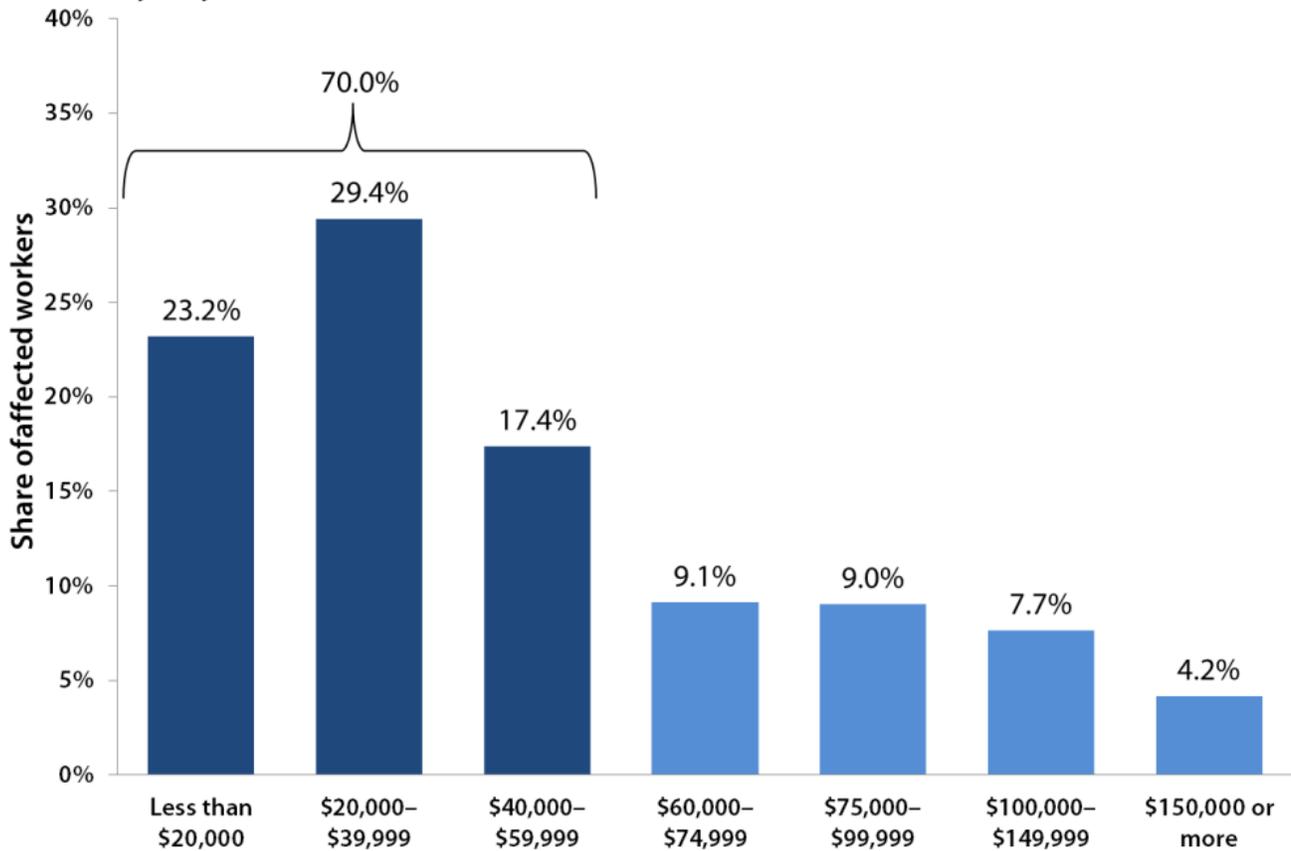
Work hours

Among those who would be affected by increasing the minimum wage to \$10.10, only 14.2 percent are part-time workers (defined as those who work less than 20 hours per week). More than half (54.5 percent) work full time (35 or more hours per week), while 31.3 percent work mid-time, between 20 and 34 hours per week.

Family income

The family income of those who would be affected by a minimum-wage increase is generally low to moderate. As shown in **Figure D**, 70.0 percent of affected families have a total family income of less than \$60,000, and nearly a quarter (23.2 percent) have total family income of less than \$20,000. Among all U.S. families, the median family income in 2011 was \$61,455 (according to data from the American Community Survey).

Figure D Family income of workers affected by increasing the federal minimum wage to \$10.10 by July 1, 2015



Source: Authors' analysis of Harkin/Miller proposal using Current Population Survey Outgoing Rotation Group

Those who would be affected by increasing the minimum wage to \$10.10 are vital contributors to their families' earnings. Nationally, the average affected worker earns half (49.9 percent) of his or her family's total income. Among affected workers who are parents, their income accounts for 58.6 percent of total family income, and nearly a quarter (23.8 percent) of these working parents are the sole source of income in the family.

Family composition

Nationally, more than a quarter (27.9 percent) of those who would be affected by increasing the minimum wage to \$10.10 are parents, while more than a third (35.8 percent) are married. Moreover, of the 75 million children in the United States, nearly a quarter (23.3 percent) has a parent who would benefit from the proposed federal minimum-wage increase.

In short, a minimum-wage increase would boost the wages of a diverse multitude of American workers—and would thus have widespread economic benefits.

Raising the minimum wage as a tool for economic growth

The immediate benefits of a minimum-wage increase are in the boosted earnings of the lowest-paid workers, but its positive effects would far exceed this extra income. **Recent research reveals that, despite skeptics' claims, raising the minimum wage does not cause job loss.** In fact, throughout the nation, minimum-wage increases would *create* jobs. Like unemployment insurance benefits or tax breaks for low- and middle-income workers, raising the minimum wage puts more money in the pockets of working families when they need it most, thereby augmenting their spending power.

Increasing the federal minimum wage to \$10.10 by July 1, 2015, would give an additional \$51.5 billion over the phase-in period to affected workers, who would, in turn, spend those extra earnings.

This projected rise in consumer spending is critical to any recovery, especially when weak consumer demand is one of the most significant factors holding back new hiring. Though the stimulus from a minimum-wage increase is smaller than the boost created by, for example, unemployment insurance benefits, it is still substantial—and has the crucial advantage of not imposing significant costs on government.

Using standard fiscal multipliers to analyze the jobs impact of an increase in compensation of low-wage workers and decrease in corporate profits that result from a minimum-wage increase, we find that increasing the national minimum wage from \$7.25 to \$10.10 per hour by July 1, 2015, would result in a net increase in economic activity of approximately \$32.6 billion over the phase-in period and would generate approximately 140,000 new jobs. Though the resulting employment impact is modest in the context of the **millions of workers currently unemployed nationwide**, creating tens of thousands of jobs would be a step in the right direction.