



## FACT SHEET

# It's Time to Raise the Minimum Wage

This fact sheet draws upon [data tables](#) from *Raising the Minimum Wage to \$12 by 2020 Would Lift Wages for 35 Million American Workers*, a forthcoming paper by David Cooper of the Economic Policy Institute.

The minimum wage in 2014 was 24 percent below its 1968 level despite the fact that U.S. productivity more than doubled over that period and low-wage workers now have much more experience and education than they did back then.<sup>1</sup> Now is the time to address this historic weakness in the minimum wage by raising it and lifting the earnings of low-wage workers.

Across the country, there is overwhelming momentum in favor of raising wages for our nation's lowest-wage workers. Twenty-nine states and the District of Columbia, as well as 21 cities and counties, set their minimum wages above the inadequate federal rate of \$7.25. The Fight for \$15 campaign has galvanized workers across the country to demand the kind of living wages that they are entitled to receive. As a result of their actions, cities such as Seattle and San Francisco have raised their minimum wages to \$15, and some of the nation's largest employers have raised wages even in the absence of federal action.

On Election Day in November 2014, in Arkansas, Alaska, South Dakota, and Nebraska, voters by very wide margins approved ballot initiatives to raise their state minimum wages. And a national poll released in January 2015 showed that 75 percent of Americans—representing all demographics—support raising the federal minimum wage to over \$12 per hour.<sup>2</sup> These facts demonstrate that a substantial increase in the minimum wage is needed and enjoys overwhelming support across political lines. The **Raise the Wage Act** measures proposed by Senator Patty Murray and Representative Robert “Bobby” C. Scott will take important and long-overdue steps to address the national crises of wage stagnation and income inequality.

### What Would the Raise the Wage Act Do?

- Raise the federal minimum wage to \$12.00 by 2020 (by \$0.75 to \$8 an hour the first year, then by \$1.00 a year for the next four years).
- Set automatic increases starting in 2021 to keep pace with rising wages overall (i.e., adjust the minimum wage to maintain a constant minimum wage-to–median wage ratio).
- Gradually phase out the subminimum wage for tipped workers, which has been frozen at \$2.13 since 1991.

## Who Will Benefit from The Raise the Wage Act?

- 35 million workers (more than one in four)
- 30 percent of wage-earning women (which equals 19.6 million women)
- 35 percent of African American workers
- 38 percent of Hispanic workers
- 15.5 million working men
- Adults: 89 percent of affected workers are 20 years old or older
- Parents: 27.7 percent of affected workers have children
- Lower-income families: Half of affected workers have total family incomes of less than \$40,000 a year
- College-educated workers: 45 percent of affected workers have at least some college experience
- Children: 17.5 million children (23 percent of all U.S. children) have at least one parent who will get a raise

## Why \$12?

- **An increase of the federal minimum wage to \$12.00 would provide raises for 35 million workers (directly or indirectly through ripple effects)—more than a quarter of the workforce—in an era of stagnant wages.**
- **An increase to \$12.00 would pump billions of dollars into the U.S. economy, benefiting Main Street businesses:** Workers who are both directly and indirectly affected by this bill would see nearly \$80 billion in increased earnings over the next five years. Because low-wage workers tend to spend increased earnings locally on basic needs, this will benefit Main Street businesses that rely on consumer spending.
- **An increase to \$12.00 would restore the federal minimum wage's historic value:** \$12.00 in 2020 would equal a modest 10 percent increase from the federal minimum wage at its peak value in 1968, based on the Bureau of Labor Statistics' most commonly used measure of inflation and Congressional Budget Office inflation projections. A 10 percent raise is modest, indeed, given that today's low-wage workers are older, better educated, and more productive than their counterparts in 1968.
- **A \$12.00 wage in 2020 is economically sustainable:** This proposal will restore the minimum wage to its relation to (its value relative to) a typical worker's wage when the minimum wage was at its strongest, back in 1968 when the national unemployment rate was below 4 percent.
- **Annual increases under this proposal are in line with past federal minimum wage increases, in percentage terms:** Raising the minimum wage to \$12.00 over five years represents average annual increases of 10.6 percent. The average of all increases since 1961 is 11.7 percent a year.

## Why Set One Fair Wage for Tipped Workers?

- **Eliminating the subminimum wage will reduce poverty, particularly for women workers:** In states that have a subminimum wage for tipped workers, two-thirds of whom are women, these workers are twice as likely to live in poverty than the non-tipped workforce. Conversely, in states that don't have a subminimum wage for tipped

workers, the poverty rate for tipped workers is dramatically lower: Poverty among restaurant servers and bartenders is 43 percent lower in states where tipped workers get the regular minimum wage than in states where they're paid the federal \$2.13 subminimum wage for tipped workers.

- **There is strong bipartisan support for one fair wage:** The January 2015 poll commissioned by the National Employment Law Project found that 71 percent of Americans support eliminating the subminimum wage for tipped workers.

## Why Index the Minimum Wage?

- **Low-wage workers, like all workers, deserve an incremental and predictable raise each year, so they don't fall further and further behind.** Indexing will ensure that the minimum wage will effectively serve as the wage floor in the labor market, establishing the maximum allowable gap between our county's lowest-wage workers and average-earning workers. Indexing is a simple, sensible, and effective tool to combat wage stagnation and income inequality.
- **Employers will also be better served by incremental and predictable wage increases each year.** As with all other costs of doing business that increase from year to year, when an employer can plan for them, she can absorb them better by making strategic choices about costs and pricing, rather than having to absorb larger, unpredictable increases for a number of years after congressional action.

## Endnotes

1. *Low-Wage Workers Have Far More Education Than They Did in 1968, Yet They Make Far Less*, by Lawrence Mishel, Economic Policy Institute, January 2014.
2. "New Poll Shows Overwhelming Support for Substantial Minimum Wage Increase," by Mitchell Hirsch, Raise the Minimum Wage, January 15, 2015.

This is a corrected version of a publication initially posted on April 23, 2015. A programming error did not correctly account for scheduled changes to state minimum wages in 2019 and 2020. Accounting for those changes doesn't significantly change the overall picture or the demographic profile of workers affected by the federal minimum-wage bill, but does decrease the estimate of affected workers and the amount of their increased wages, as some workers previously expected to get a raise under the bill will already have higher wages from the increase in their state minimum wage.