

## Making the case for an enhanced minimum wage



### EPI's proposal stimulates the economy and ensures equity to all workers

It takes an act of Congress, and often years of waiting, for some workers to simply get a cost of living adjustment, much less a raise. That's one of the inequities of the minimum wage that EPI economist Heidi Shierholz addresses in her Briefing Paper [Fix It and Forget It](#). She proposes a simple amendment to the minimum wage law, the Fair Labor Standards Act (FLSA), which will guarantee a consistent wage standard that rewards work, reduces poverty, and helps to ensure that growth in the economy is broadly shared across the workforce.

#### NEWS FROM EPI

FOR IMMEDIATE  
RELEASE

Thursday,  
December 17, 2009

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“It is especially important to address these inequities now. Increasing the minimum wage stimulates the economy, and as the economy begins to recover, we must ensure that all workers share in that growth,” said Shierholz.

Specifically, Shierholz recommends the minimum wage be set at 50% of the previous year's average wage of production and nonsupervisory workers and be automatically indexed to that average wage each year thereafter. Pegging the yearly increase to 50% of the average wage annually restores the value of the minimum wage to what it was 40 years ago.

According to the formula Shierholz presents, the minimum wage would be raised to about \$9.80 per hour in 2012 and would [act as a stimulant to the economy](#). Incremental increases over the next two years would bring the adjustment into full effect in 2012. About 15.9 million workers would be directly affected by the proposal, and 7.0 million would be indirectly affected because they earn close to, but above, the new minimum and would likely see a wage increase as employers preserve internal wage ladders. About 11.2 million children – 15% of all children in the United States – would see at least one parent get a raise under this proposed formula.

Currently, a typical no-frills basic family budget (*see EPI's [Basic Family Budget Calculator](#)*) for a family with one parent and two children is \$40,273 a year, about three times the income of a full-time worker making the current minimum wage.

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