

Minimum Wage Issue Guide

updated July 21, 2009

by [Kai Filion](#)

Introduction

EPI's Issue Guide on the Minimum Wage provides an accessible overview for those who are interested in the effects this important labor market policy has on the economy and its workers. This Issue Guide is comprised of a series of fact sheets, important data and charts, and a bibliography of the key research conducted by both EPI and others in this area.

This Minimum Wage Issue Guide specifically includes data on how many people are affected state-by-state, along with information about trends on the minimum wage's value over time, and other clear, research-based answers to the key questions and issues in the current national debate over minimum wage policy.

Who will get a raise? How it will affect their families' living standards? Where will the impact be greatest? What are the likely effects for the economy and the labor market? These questions and more are answered in EPI's comprehensive Minimum Wage Issue Guide, newly updated on our Web site and in a print-friendly PDF.

[Fact sheet for 2009 minimum wage increase](#)

[Key EPI publications and other minimum wage resources](#)

[Tables, figures, and downloadable data](#)

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Fact sheet for 2009 minimum wage increase

by [Kai Filion](#)

On July 24, 2009, the federal minimum wage will increase to \$7.25 per hour. This is the final step of a three-step increase passed in 2007 when the minimum wage was only \$5.15. In this last step, about 4.5 million workers will receive a raise, providing an additional \$1.6 billion annually in increased wages. However, when adjusted for inflation, the new federal minimum is still less than the minimum wage through most of the period from 1961 to 1981.

What states will be affected:

- There are 31 states that will be affected by the minimum wage increase to \$7.25 on July 24, 2009:

Alabama, Alaska, Arkansas, Delaware, Florida, Georgia, Idaho, Indiana, Kansas, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming

- Nineteen states and the District of Columbia will not be affected by this increase. Of these, there are six states that already have a minimum of \$7.25 (as of July 24, 2009):

Arizona, Hawaii, Iowa, Kentucky, Maine (increases to \$7.50 in October), and New Hampshire

- The other 13 states and the District of Columbia have a minimum wage above \$7.25: California, Colorado, Connecticut, District of Columbia, Illinois, Massachusetts, Michigan, Nevada, New Mexico, Ohio, Oregon, Rhode Island, Vermont, Washington (D.C. has legislation that sets the minimum wage to be at least \$1 more than the federal minimum)

A minimum wage increase will raise the wages of low-income workers.

- An estimated 4.5 million workers (less than 4% of the workforce) will receive an increase in their hourly wage rate when the minimum wage is raised to \$7.25 in 2009. Of these workers, 2.8 million workers currently earn less than \$7.25 and will be directly affected by the increase. The additional 1.6 million workers earning slightly above the minimum, those we call indirectly affected, will also be likely to benefit from an increase due to "spillover effects." These spillover effects preserve the wage structure in a firm.

Minimum wage increases benefit working families.

- The earnings of minimum wage workers are crucial to their families' well-being. Evidence

from an analysis of the 1996-97 minimum wage increase shows that the average minimum wage worker brings home more than half (54%) of his or her family's weekly earnings.

- An estimated 430,000 single parents with children under 18 will benefit from a minimum wage increase to \$7.25 in 2009. Single parents will benefit disproportionately from an increase—single parents will make up 10% of workers affected by this increase, but they make up only 7% of the overall workforce. In addition, approximately 2.2 million children will benefit as their parents' wages are increased.
- Adults make up the largest share of workers who will benefit from a minimum wage increase: 76% of workers whose wages will be raised by a minimum wage increase to \$7.25 in 2009 are adults (age 20 or older).
- Almost half (47%) of workers who will benefit from a minimum wage increase work full time and another third (34%) work between 20 and 34 hours per week.

Minimum wage increases benefit disadvantaged workers.

- Women are the largest group of beneficiaries from a minimum wage increase: 63% of workers who will benefit from an increase to \$7.25 by 2009 are women.
- A disproportionate share of minorities will benefit from a minimum wage increase. African Americans represent 11% of the total workforce, but are 18% of workers affected by an increase. Similarly, 14% of the total workforce is Hispanic, but Hispanics are 19% of workers affected by an increase.

A minimum wage increase will help reverse the trend of declining real wages for low-wage workers.

- The inflation-adjusted value of the minimum wage is 17% lower in 2009 than it was in 1968.
- Wage inequality has been increasing, in part, because of the declining value of the minimum wage compared to other workers' wages. Today, the minimum wage is 39% of the average hourly wage of production and nonsupervisory workers, well below the ratio of the 1950s, 1960s, and 1970s.

A minimum wage increase is part of a broad strategy to end poverty.

- As welfare reform forces more poor families to rely on their earnings from low-paying jobs, a minimum wage increase is likely to have a greater impact on reducing poverty.
- A recent study of state minimum wage increases between 1997 and 1999 in Oregon found that as many as one-half of the welfare recipients entering the workforce were likely

to have received a raise due to the increase. After the increase, the inflation-adjusted hourly starting wages for former welfare recipients rose from \$6.48 in 1996 to \$7.23 in 1999.

- The federal Earned Income Tax Credit (EITC) combined with the minimum wage helps to reward work and reduce poverty, but the EITC is not a replacement for a minimum wage increase.
- The benefits of the increase disproportionately help those working households at the bottom of the income scale. More than half of families with a minimum wage worker earn less than \$35,000 a year.
- The minimum wage raises the wages of low-income workers in general, not just those below the official poverty line. Many families move in and out of poverty, and near-poor families are also beneficiaries of minimum wage increases.

There is no evidence of job loss from previous minimum wage increases.

- A 1998 EPI study failed to find any systematic, significant job loss associated with the 1996-97 minimum wage increase (Bernstein and Schmitt 1998). In fact, following the most recent increase in the minimum wage in 1996-97, the low-wage labor market performed better than it had in decades (e.g., lower unemployment rates, increased average hourly wages, increased family income, decreased poverty rates).
- Studies of the 1990-91 federal minimum wage increase, as well as studies by David Card and Alan Krueger of several state minimum wage increases, also found no measurable negative impact on employment.
- New economic models that look specifically at low-wage labor markets help explain why there is little evidence of job loss associated with minimum wage increases. These models recognize that employers may be able to absorb some of the costs of a wage increase through higher productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.
- A recent Fiscal Policy Institute (FPI) study of state minimum wages found no evidence of negative employment effects on small businesses.

Minimum wage increases stimulate the economy through increased consumer spending.

- A study by the Chicago Federal Reserve found that households with minimum wage workers increase their spending when the minimum wage goes up.
- EPI estimates that the increase to \$7.25 will, over the course of the following 12 months, boost consumer spending by over \$5.5 billion.

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Key EPI publications

[A stealthy stimulus: How boosting the minimum wage is helping to support the economy](#)
by Kai Filion, May 2009

[What a new federal minimum wage means for the states](#)
by Liana Fox, June 2007

[Minimum wage: Still waiting on a raise](#)
by Liana Fox, April 2007

[Tax credits or minimum wages? We need both](#)
by Jared Bernstein and Elaine Maag, March 2007

[A fish is not a fowl: Tax credits and the minimum wage](#)
by Max B. Sawicky, February 2007

[Minimum wage, maximum pork: The breaks could just as easily benefit owners not affected by the wage increase](#)
by Max B. Sawicky, February 2007

[Minimum wage increasingly lags poverty line](#)
by Liana Fox, January 2007

[Like a fish needs a bicycle: Does a minimum wage increase require new business tax cuts?](#)
by Max B. Sawicky, January 2007

[Keep it clean: There's no good reason to lard the coming minimum wage bill with extraneous new tax cuts](#)
by Jared Bernstein and Lawrence Mishel, January 2007

[Tax incentives for businesses in response to a minimum wage increase](#)
by Jared Bernstein, January 2007

[Raising the minimum wage to \\$7.25 is an important first step](#)
by Jared Bernstein and Ross Eisenbrey, December 2006

[State minimum wages: A policy that works](#)
by Paul Wolfson, November 2006

[Minimum wage trends: Understanding past and contemporary research](#)
by Liana Fox, October 2006

[State minimum wages on the ballot](#)

by Liana Fox, October 2006

[Securing the wage floor: Indexing would maintain the minimum wage's value and provide predictability to employers](#)

by Michael Ettlinger, October 2006

[Hundreds of economists say: Raise the minimum wage](#)

Economists' Statement, October 2006

[Nine years of neglect: Federal minimum wage remains unchanged for ninth straight year, falls to lowest level in more than half a century](#)

by Jared Bernstein (EPI) and Isaac Shapiro (CBPP), August 2006

[House-passed minimum wage bill cuts wages for tipped employees in seven states by as much as \\$5.50 per hour](#)

by Ross Eisenbrey, August 2006

[Federal inaction forces states to raise minimum wages](#)

by Mary C. Gable, July 2006

[Buying power of minimum wage at 51-year low: Congress could break record for longest period without an increase](#)

by Jared Bernstein (EPI) and Isaac Shapiro (CBPP), June 2006

[If you work, then you shouldn't be poor](#)

by Jeff Chapman, March 2006

[Inequality widens as real value of minimum wage falls](#)

by Liana Fox, February 2006

[Indexing the minimum wage for inflation](#)

by Liana Fox, December 2005

[Unhappy anniversary: Federal minimum wage remains unchanged for eighth straight year, falls to 56-year low relative to the average wage](#)

by Jared Bernstein (EPI) and Isaac Shapiro (CBPP), September 2005

[Job slayers or fact slayers? *The Wall Street Journal's* flawed argument against raising the minimum wage](#)

by Jeff Chapman, September 2005

[Comparing the minimum wage proposals](#)

by Jeff Chapman, March 2005

[The who and why of the minimum wage: Raising the wage floor is an essential part of a strategy to support working families](#)

by Jeff Chapman and Michael Ettlinger, August 2004

[Higher minimum wage most helps low-earning households](#)

by Jeff Chapman, July 2004

[No longer getting by: An increase in the minimum wage is long overdue](#)

by Amy Chasanov, May 2004

[Employment and the minimum wage: Evidence from recent state labor market trends](#)

by Jeff Chapman, May 2004

[Minimum wage and its effect on small business \(Congressional testimony\)](#)

by Jared Bernstein, April 2004

[States move on minimum wage: Federal inaction forces states to raise wage floor to protect low-wage workers](#)

by Jeff Chapman, June 2003

[Time to repair the wage floor: Raising the minimum wage to \\$6.65 will prevent further erosion of its value](#)

by Jared Bernstein and Jeff Chapman, May 2002

[Divided we fall: Deserving workers slip through America 's patchwork unemployment insurance system](#)

by Jeffrey Wenger, August 2001

[Step up, not out: The case for raising the federal minimum wage for workers in every state](#)

by Edith Rasell, Jared Bernstein, and Heather Boushey, February 2001

[Pay workers a living wage](#)

by Jared Bernstein, August 2001

[The impact of the minimum wage: Policy lifts wages, maintains floor for low-wage labor market](#)

by Jared Bernstein and John Schmitt, June 2000

[The next step: The new minimum wage proposal and the old opposition](#)

by Jared Bernstein and Chauna Brocht, March 2000

[Unbalanced Acts: A comparison of the proposed minimum wage and tax bills](#)

by Jared Bernstein, Robert S. McIntyre, and Lawrence Mishel, March 2000

[The minimum wage increase -- A working woman's issue](#)

by Jared Bernstein, Heidi Hartmann, and John Schmitt, September 1999

[Making work pay: the impact of the 1996-97 minimum wage increase](#)

by Jared Bernstein and John Schmitt, 1998

[Minimum wages and poverty \(Congressional testimony\)](#)

by Jared Bernstein, April 1999

[Memo to Greenspan: The facts support a minimum wage raise](#)

by Jared Bernstein, May 1999

[Another modest minimum wage increase](#)

by Jared Bernstein, February 1998

[Out of date on the minimum wage](#)

by John Schmitt and Jared Bernstein, June 1996

Other minimum wage resources

[U.S. Department of Labor information on the federal minimum wage](#)

Includes information about the 1996-97 minimum wage increase and the history of the minimum wage.

[Minimum wage laws in the states](#)

Prepared by the U.S. Department of Labor. Information on state minimum wage levels that are higher than the federal minimum wage.

[AFL-CIO minimum wage resource page](#)

[Coalition for Human Needs minimum wage resource page](#)

Includes information on current and recent minimum wage legislation.

[Raise the floor: Wages and policies that work for all of us](#)

By Sklar, Mykyta, and Wefald. Ms. Foundation for Women. 2001.

[Do some workers have minimum wage careers?](#)

by Carrington and Fallick. Monthly Labor Review.

[A hand up for the bottom third: Toward a new agenda for low-income working families](#)

by Isabel Sawhill and Adam Thomas, The Brookings Institution.

[Oregon's increasing minimum wage brings raises to former welfare recipients and other low-wage workers without job losses](#)

From the Oregon Center for Public Policy Web site.

[The effects of the recent minimum wage increases on the restaurant industry](#)

From the Oregon Center for Public Policy Web site.

[How women can earn a living wage: The effects of pay equity remedies and a higher minimum wage](#)

by Figart and Lapidus. Institute for Women's Policy Research. 1997.

[The minimum wage can be raised: Lessons from the 1999 Levy Institute survey of small business](#)

From the Levy Institute web site.

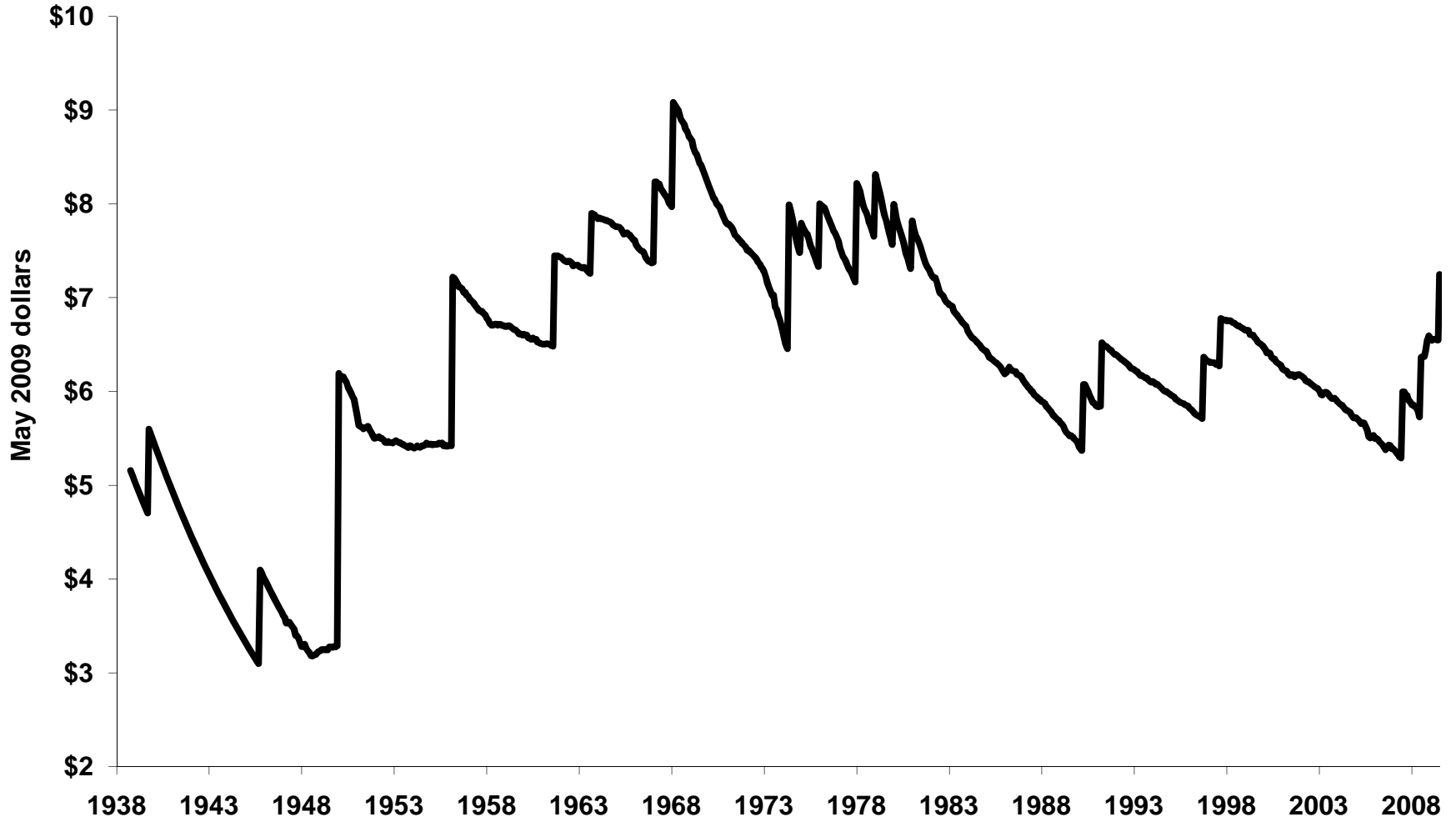
[Out of reach](#)

From the National Low Income Housing Coalition Web site. This report calculates the number of hours minimum wage workers would have to work in order to rent affordable housing in the county where they live.

[Reports on minimum wage increase in California](#)

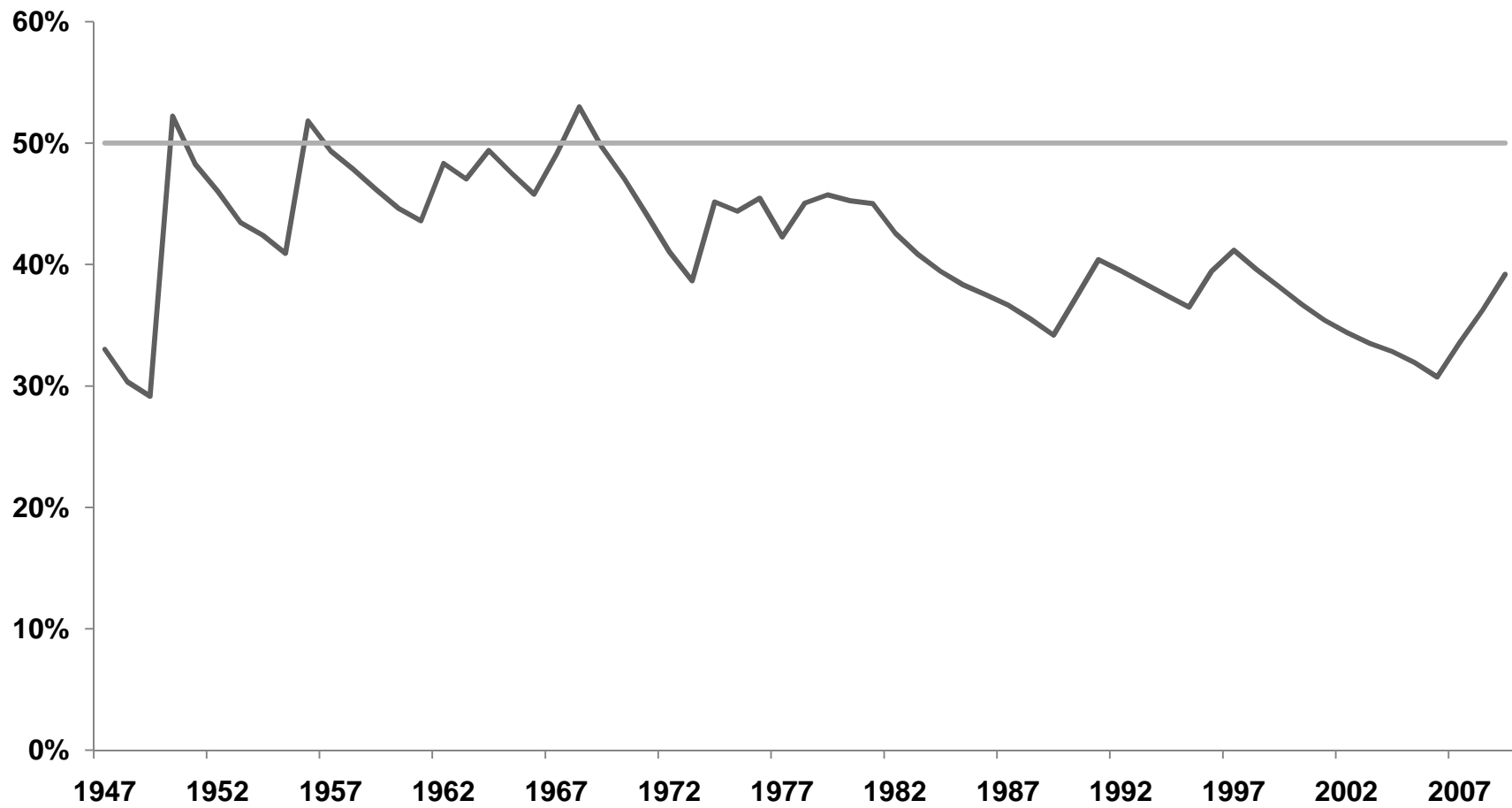
From the California Budget Project Web site.

Figure A. Real value of the minimum wage, 1938-2009



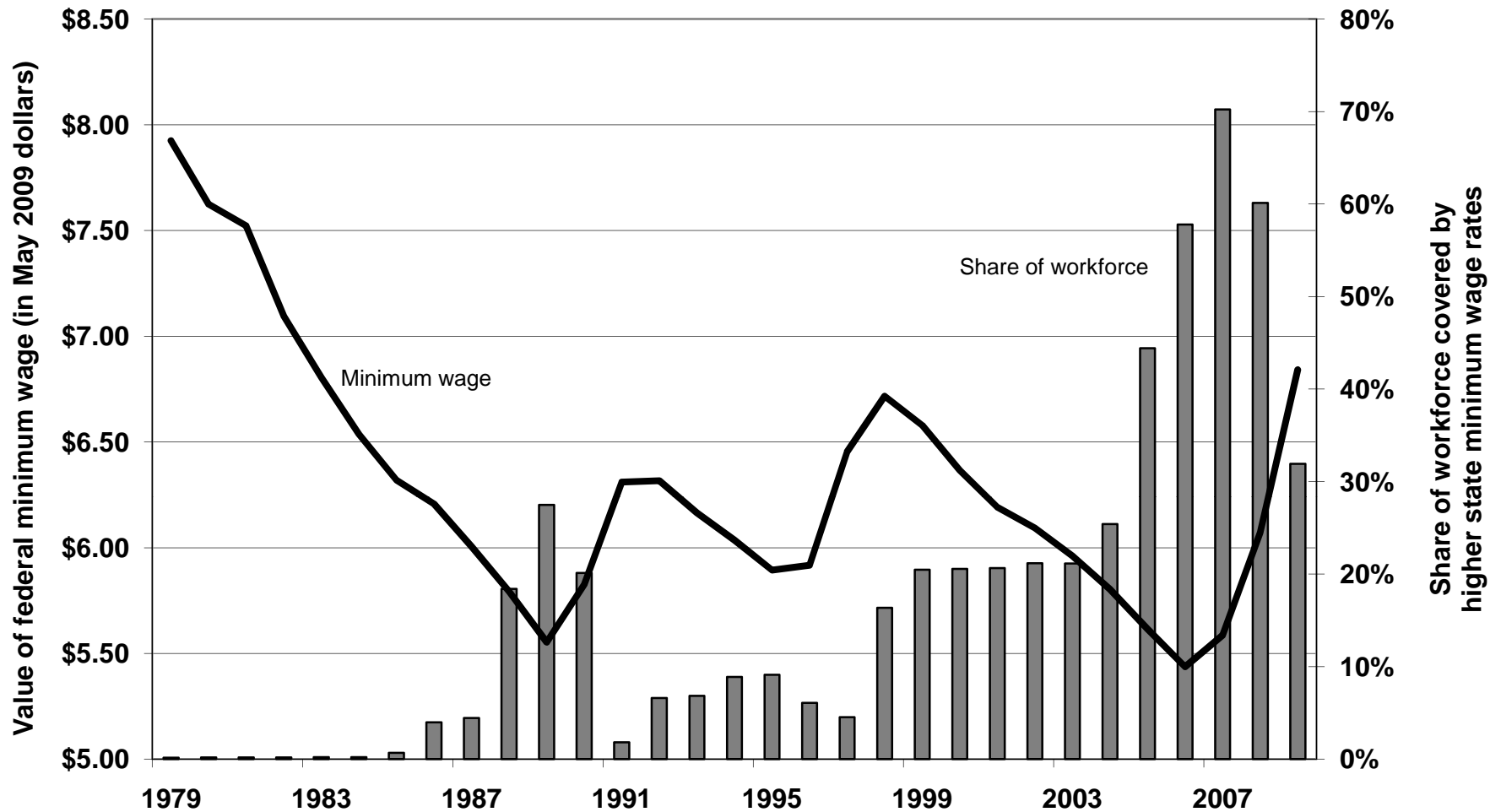
Source: Economic Policy Institute analysis of U.S. Department of Labor data.

Figure B. The minimum wage as a percent of the average wage, 1947-2009



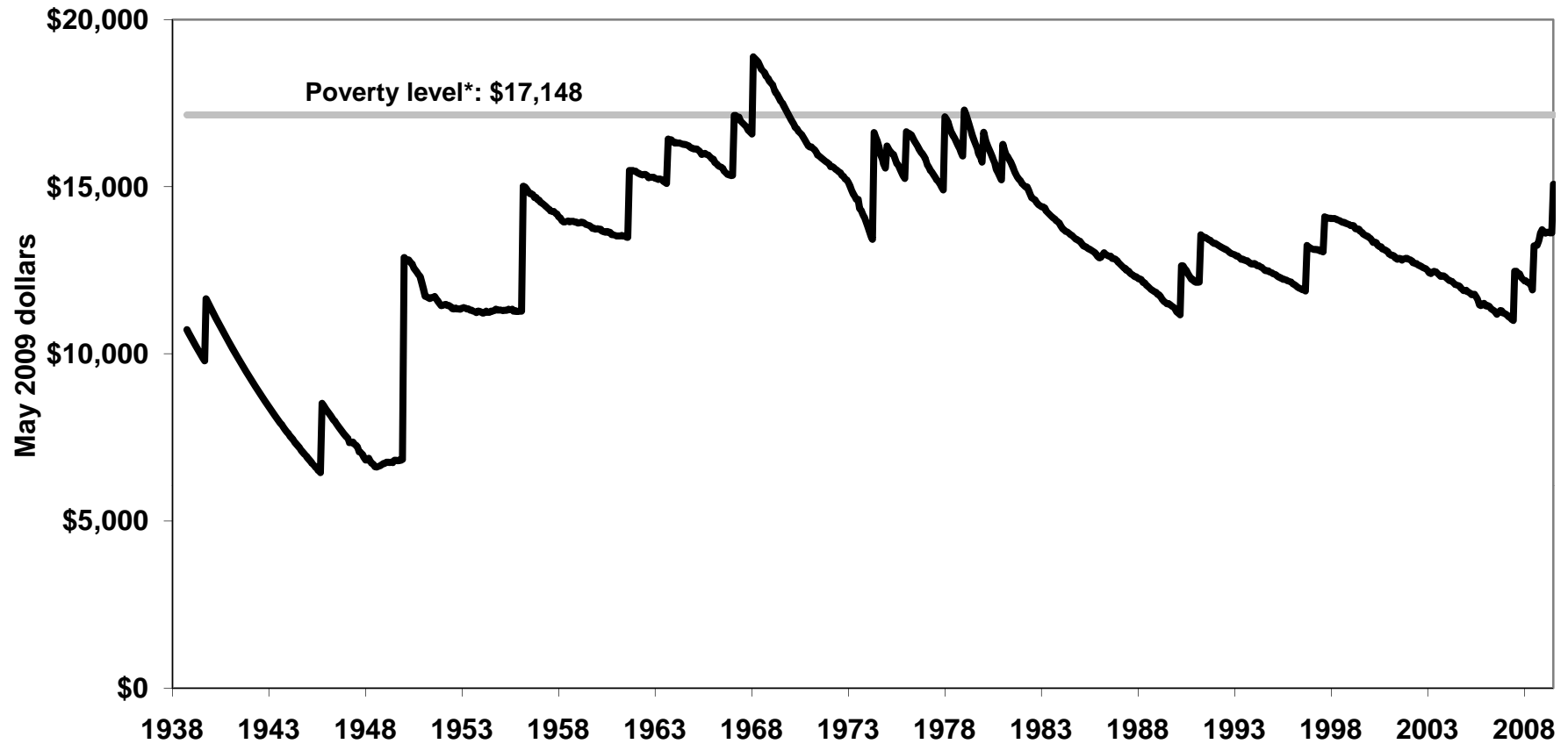
Source: Economic Policy Institute analysis of U.S. Department of Labor and Bureau of Labor Statistics data.

Figure C. Value of federal minimum wage compared to share of workforce covered by higher state minimums, 1979-2009



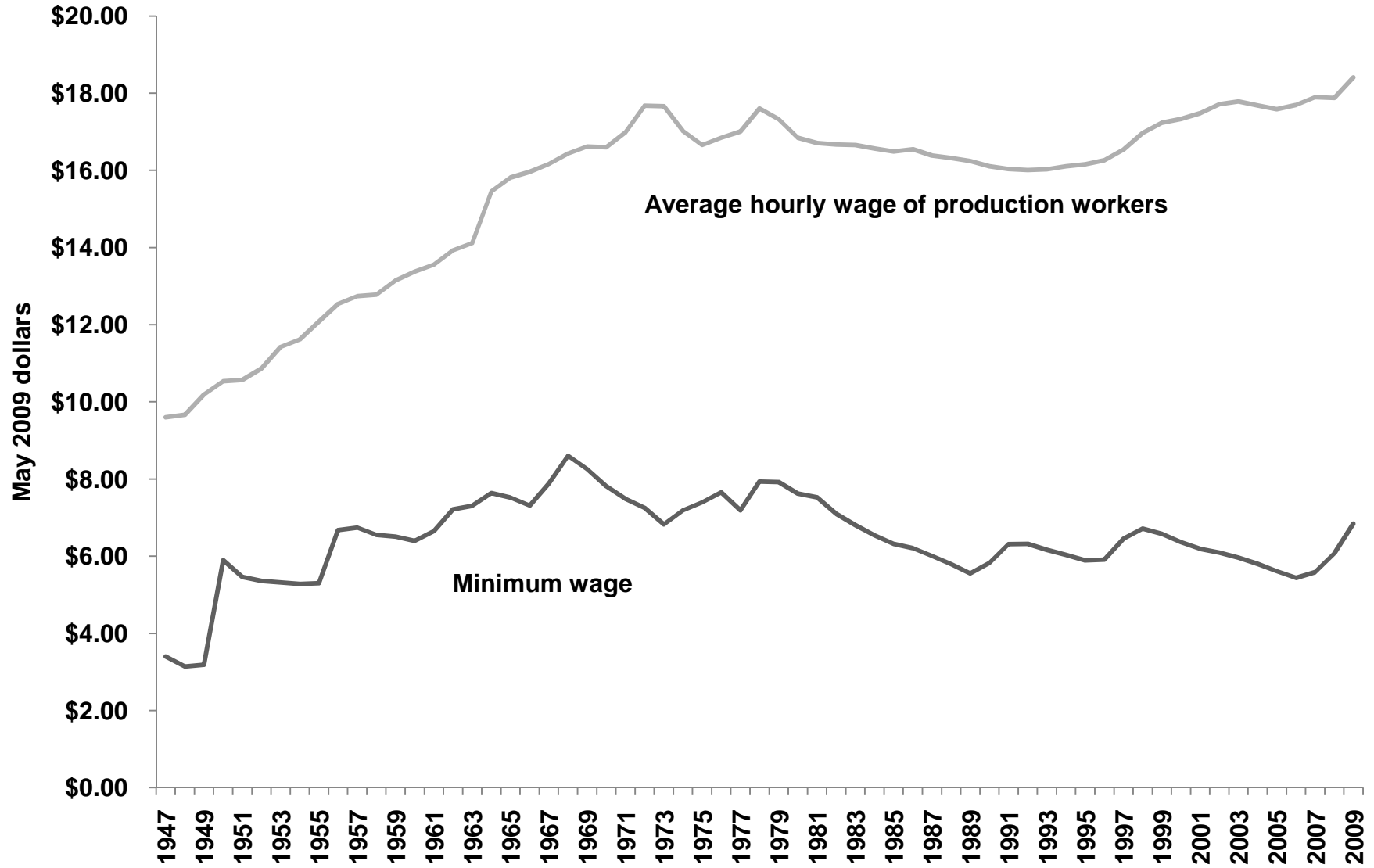
Source: Economic Policy Institute analysis of U.S. Department of Labor data.

Figure D. Annual minimum wage earnings and poverty level for family of three



Note: The poverty level is composed of one adult and two children.
The poverty level for two adults and one child is roughly the same, \$17,132 in May 2009 dollars.
*2008 poverty thresholds from Census Bureau in May 2009 dollars.

Figure E. Average wages and minimum wage, 1947-2009*



* Average hourly wage for June 2009 was used for year 2009.
Source: Economic Policy Institute analysis of BLS data.

Table 1**Workers affected by federal minimum wage increase to \$7.25
on July 24, 2009**

		Directly affected	Indirectly affected	Total affected	Total workers
Sex	All	100.0%	100.0%	100.0%	100.0%
	Female	62.5%	62.9%	62.7%	48.3%
	Male	37.5%	37.1%	37.3%	51.7%
Age	20 or older	73.0%	79.9%	75.6%	95.8%
	Under 20	27.0%	20.1%	24.4%	4.2%
Race	White	58.0%	58.0%	58.0%	67.9%
	Black	18.7%	17.9%	18.4%	11.2%
	Hispanic	19.3%	19.3%	19.3%	14.4%
	Asian	2.1%	2.5%	2.2%	4.7%
	Other	1.9%	2.3%	2.0%	1.9%
Family type	Married parent	14.1%	16.4%	14.9%	28.3%
	Single parent	9.7%	9.8%	9.7%	6.5%
	Total parents	23.8%	26.2%	24.7%	34.8%
	Married, no kids	15.1%	18.2%	16.2%	27.5%
	Unmarried, no kids	61.2%	55.6%	59.1%	37.8%
Family income	Under \$35,000	56.9%	57.4%	57.1%	36.4%
	Over \$35,000	43.1%	42.6%	42.9%	63.6%
Education	Less than high school	34.7%	29.0%	32.6%	10.5%
	High school	34.0%	36.4%	34.9%	28.8%
	Some college	21.2%	22.9%	21.8%	19.6%
	AA degree	5.2%	5.9%	5.5%	9.8%
	Bachelor's or higher	4.9%	5.8%	5.2%	31.3%
Hours	Part time (19 hrs or less)	20.0%	15.7%	18.4%	5.3%
	Mid time (20 - 34 hrs)	36.8%	29.6%	34.2%	12.8%
	Full time (35 or more hrs)	43.2%	54.7%	47.4%	81.9%

Source: EPI analysis of 2008 CPS.

Notes: Directly affected workers are those earning between the state's current minimum wage and \$7.25.

Indirectly affected workers are those earning between \$7.25 and \$7.25 plus the size of the minimum wage increase.

Table 2
Workers affected by federal minimum wage increase
to \$7.25 on July 24, 2009

	Directly affected	Indirectly affected	Total
United States	2,814,000	1,640,000	4,454,000
Alabama	109,000	70,000	179,000
Alaska	-	-	-
Arizona	0	0	0
Arkansas	78,000	41,000	119,000
California	0	0	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	-	-	-
District of Columbia	0	0	0
Florida	155,000	23,000	178,000
Georgia	160,000	114,000	274,000
Hawaii	0	0	0
Idaho	31,000	21,000	52,000
Illinois	0	0	0
Indiana	116,000	84,000	200,000
Iowa	0	0	0
Kansas	67,000	39,000	107,000
Kentucky	0	0	0
Louisiana	103,000	39,000	142,000
Maine	0	0	0
Maryland	74,000	51,000	125,000
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	79,000	44,000	123,000
Mississippi	73,000	36,000	110,000
Missouri	100,000	28,000	129,000
Montana	17,000	10,000	26,000
Nebraska	36,000	24,000	61,000
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	-	-	-
New Mexico	0	0	0
New York	63,000	60,000	123,000
North Carolina	167,000	96,000	263,000
North Dakota	17,000	10,000	27,000
Ohio	0	0	0
Oklahoma	92,000	53,000	146,000
Oregon	0	0	0
Pennsylvania	63,000	48,000	112,000
Rhode Island	0	0	0
South Carolina	97,000	55,000	151,000
South Dakota	17,000	13,000	29,000
Tennessee	95,000	67,000	162,000
Texas	632,000	353,000	985,000
Utah	54,000	28,000	82,000
Vermont	0	0	0
Virginia	120,000	77,000	198,000
Washington	0	0	0

West Virginia	63,000	32,000	95,000
Wisconsin	100,000	96,000	196,000
Wyoming	11,000	7,000	18,000

Source: EPI Analysis of 2008 CPS.

Notes: Directly affected workers are those earning between the state's current minimum wage, and \$7.25. Indirectly affected workers are those earning between \$7.25 and \$7.25 plus the size of the minimum wage increase.

Some cells are not reported due to insufficient sample size

Table 3**The real value of the minimum wage, 1947-2009****

Year	Nominal	Adjusted for inflation (using CPI-U-RS)**	As a share of average private nonsupervisory wage
1947	\$0.40	\$3.40	35%
1948	\$0.40	\$3.14	33%
1949	\$0.40	\$3.18	31%
1950 (Jan 25)*	\$0.75	\$5.90	56%
1951	\$0.75	\$5.46	52%
1952	\$0.75	\$5.36	49%
1953	\$0.75	\$5.32	47%
1954	\$0.75	\$5.28	45%
1955	\$0.75	\$5.30	44%
1956 (Mar 1)*	\$1.00	\$6.96	56%
1957	\$1.00	\$6.74	53%
1958	\$1.00	\$6.55	51%
1959	\$1.00	\$6.51	50%
1960	\$1.00	\$6.40	48%
1961 (Sept 3)*	\$1.15	\$7.29	54%
1962	\$1.15	\$7.21	52%
1963 (Sept 3)*	\$1.25	\$7.74	55%
1964	\$1.25	\$7.64	49%
1965	\$1.25	\$7.52	48%
1966	\$1.25	\$7.31	46%
1967 (Feb 1)*	\$1.40	\$7.94	49%
1968 (Feb 1)*	\$1.60	\$8.71	53%
1969	\$1.60	\$8.26	50%
1970	\$1.60	\$7.81	47%
1971	\$1.60	\$7.48	44%
1972	\$1.60	\$7.25	41%
1973	\$1.60	\$6.83	39%
1974 (May 1)*	\$2.00	\$7.69	45%
1975	\$2.10	\$7.39	44%
1976	\$2.30	\$7.66	45%
1977	\$2.30	\$7.19	42%
1978	\$2.65	\$7.93	45%
1979	\$2.90	\$7.92	46%
1980	\$3.10	\$7.62	45%
1981	\$3.35	\$7.52	45%
1982	\$3.35	\$7.09	43%
1983	\$3.35	\$6.80	41%
1984	\$3.35	\$6.54	39%
1985	\$3.35	\$6.32	38%
1986	\$3.35	\$6.21	38%
1987	\$3.35	\$6.00	37%
1988	\$3.35	\$5.79	35%
1989	\$3.35	\$5.55	34%
1990 (April 1)*	\$3.80	\$6.00	37%

1991 (April 1)*	\$4.25	\$6.48	40%
1992	\$4.25	\$6.32	39%
1993	\$4.25	\$6.16	38%
1994	\$4.25	\$6.04	37%
1995	\$4.25	\$5.89	36%
1996 (Oct 1)*	\$4.75	\$6.42	39%
1997 (Sep 1)*	\$5.15	\$6.81	41%
1998	\$5.15	\$6.72	40%
1999	\$5.15	\$6.58	38%
2000	\$5.15	\$6.37	37%
2001	\$5.15	\$6.19	35%
2002	\$5.15	\$6.09	34%
2003	\$5.15	\$5.96	34%
2004	\$5.15	\$5.80	33%
2005	\$5.15	\$5.62	32%
2006	\$5.15	\$5.44	31%
2007 (Jul 24)*	\$5.85	\$6.01	34%
2008 (Jul 24)*	\$6.55	\$6.48	36%
2009 (Jul 24)*	\$7.25	\$7.25	39%

*Minimum wage changed during the course of the year on the date listed. Value given is after the increase.

**In May 2009 dollars.

Source: EPI analysis based on data from the U.S. Department of Labor.

Table 4**State minimum wages greater than the federal minimum wage**

(As of July 24, 2009)

State	2008 state minimum wage	Planned 2009 state minimum wage	Planned 2010 state minimum wage
United States	5.85 (6.55 on 7/24/08)	6.55 (7.25 on 7/24/09)	\$7.25
California	8.00	8.00	8.00
Colorado	7.02	7.28	Inflation Adjusted
Connecticut	7.65	8.00	8.25
District of Columbia	7.00 (7.55 on 7/24/08)	7.55 (8.25 on 7/24/09)	8.25
Illinois	7.50 (7.75 on 7/01/08)	7.75 (8.00 on 7/01/09)	8.00 (8.25 on 7/01/10)
Massachusetts	8.00	8.00	8.00
Michigan	7.15 (7.40 on 7/01/08)	7.40	7.40
Nevada	6.33 (6.85 on 7/01/08)	6.85 (7.55 on 7/01/09)	Inflation adjusted
New Mexico	6.50	7.50	7.50
Ohio	7.00	7.30	Inflation adjusted
Oregon	7.95	8.40	Inflation adjusted
Rhode Island	7.40	7.40	7.40
Vermont	7.68	8.06	Inflation adjusted
Washington	8.07	8.55	Inflation adjusted

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