

# Why the U.S. needs at least a \$17 minimum wage

How the Raise the Wage Act would benefit U.S. workers, their families, and entire communities

**Fact Sheet** • July 31, 2023

**T**he federal minimum hourly wage is just \$7.25, and Congress has not increased it since 2009. Low wages hurt all workers and are particularly harmful to Black workers and other workers of color, especially women of color, who make up a disproportionate share of workers who are severely underpaid. This is the result of structural racism and sexism, with an economic system rooted in chattel slavery in which these workers continue to be shunted into the most underpaid jobs.<sup>1</sup>

**The Raise the Wage Act of 2023 would gradually raise the federal minimum wage to \$17 an hour by 2028, narrowing racial and gender pay gaps. Here is what the Act would do:**

- Raise the federal minimum wage to \$9.50 this year and increase it in steps until it reaches \$17 an hour in 2028.
- After 2028, adjust the minimum wage each year to keep pace with growth in the median wage, a measure of wages for typical workers.
- Phase out the egregious subminimum wage for tipped workers, which has been frozen at a meager \$2.13 since 1991.<sup>2</sup>
- Sunset unacceptable subminimum wages for workers with disabilities employed in sheltered

workshops and for workers under age 20.

- Increase the federal minimum wage beyond the previous benchmark of \$15 an hour to \$17 by 2028, in order to adjust for inflation and the fact that many states and localities have already moved to or beyond a \$15 minimum wage.

## **The Raise the Wage Act follows the lead of the growing number of states and cities that have adopted significant minimum wage increases in recent years, thanks to the ‘Fight for \$15 and a union’ movement led by Black workers and workers of color. Here is a summary of the ‘Fight for \$15 and a union’ movement’s impact:**

- Since the Fight for \$15 was launched by striking fast-food workers in 2012,<sup>3</sup> 12 states—California, Connecticut, Delaware, Florida, Hawaii, Illinois, Maryland, Massachusetts, Nebraska, New Jersey, New York, and Rhode Island—and the District of Columbia have approved raising their minimum wages to \$15 or more an hour. These states and D.C. represent approximately 40% of the U.S. workforce.<sup>4</sup>
- Additional states—Arizona, Colorado, Maine, Michigan, Missouri, Nevada, New Mexico, Oregon, Vermont, Virginia, and Washington—have approved minimum wages ranging from \$12 to \$14.75 an hour.
- In addition, more than four dozen cities and counties have adopted their own minimum wage laws of \$15 or more.<sup>5</sup>
- The benefits of phasing in a \$17 federal minimum wage by 2028 would be far-reaching, lifting pay for tens of millions of workers and helping reverse decades of growing pay inequality.
- Increased wages would make a tremendous difference in the life of a cashier, home health aide, or fast-food worker getting paid the minimum wage. These workers today often struggle to cover the basics, like food and rent, on less than \$35,000 a year.<sup>6</sup>
- A majority (60.4%) of workers whose total family income is below the poverty line would receive a pay increase if the minimum wage were raised to \$17 by 2028.<sup>7</sup>
- A \$17 minimum wage would begin to reverse decades of growing pay inequality between the most underpaid workers and workers receiving close to the median wage, particularly along gender and racial lines. For example, minimum wage increases in the late 1960s explained 20% of the decrease in the Black-white earnings gap in the years that followed, whereas failures to adequately increase the minimum wage after 1979 account for almost half of the increase in inequality between women at the middle and bottom of the wage distribution.<sup>8</sup>
- A \$17 minimum wage by 2028 would generate \$86 billion in higher wages for workers and would also benefit communities across the country. Because underpaid

workers spend much of their extra earnings, this injection of wages will help stimulate the economy and spur greater business activity and job growth.<sup>9</sup>

## **Raising the minimum wage to \$17 will be particularly significant for workers of color and would help narrow the racial pay gap. The majority of workers who benefit are adult women.**

- Nearly one-third (29.7%) of Black workers and one-quarter (24.6%) of Hispanic workers would get a raise if the federal minimum wage were increased to \$17.<sup>10</sup>
- African Americans are paid 10%–15% less than white workers with the same characteristics, so the Raise the Wage Act will deliver the largest benefits to Black workers: about \$3,200 annually for a year-round worker.<sup>11</sup>
- Minimum wage increases in the 1960s Civil Rights Era significantly reduced Black-white earnings inequality and are responsible for more than 20% of the overall reduction in later years.<sup>12</sup>

## **All across the country, workers need at least \$17 per hour to, at a minimum, meet the cost of living.**

- Today, in all areas across the United States, a single adult (without children) needs at least \$17 an hour—roughly \$35,000 annually for a full-time worker—to achieve a modest but adequate standard of living. By 2028, underpaid workers—especially those with children—will need even more, according to projections based on the Economic Policy Institute’s Family Budget Calculator.<sup>13</sup>
- For example, in rural Missouri, a single adult without children will need more than \$41,000 (more than \$20 per hour as a full-time worker) to cover typical rent, food, transportation, and other basic living costs.<sup>14</sup>
- In larger metro areas of the South and Southwest, a single adult without children will also need more than \$17 an hour to get by: \$24.30 in Fort Worth, \$25.70 in Phoenix, and \$26.20 in Miami.
- In more expensive regions of the country, a single adult without children will need far more than \$17 an hour to cover the basics: \$36.20 in New York City, \$31.20 in Los Angeles, and \$33.60 in Washington, D.C.

## Despite their indispensable roles during the COVID-19 pandemic, many essential workers are paid too-low wages and struggle to get by.

- Essential and front-line workers would benefit the most from a minimum wage increase.<sup>15</sup> The median pay for many of these jobs is well under \$17 an hour; examples include child care workers (\$13.71), home health and personal care aides (\$14.51), dining room and cafeteria attendants (including school cafeteria workers) (\$14.00), and ambulance drivers and attendants (\$14.61).<sup>16</sup>
- One in three retail-sector workers (33.5%) would get a raise.
- More than half (58.7%) of restaurant workers would see their earnings rise.
- 5.5 million workers in health care, social assistance, and education and 2.6 million workers in manufacturing and construction would see a raise.

## The federal minimum wage for tipped workers is still a deplorable \$2.13 an hour. Phasing out a tipped wage would lift pay, provide stable paychecks, and reduce poverty for millions of tipped workers.

- Congress has not lifted the federal tipped wage of \$2.13 per hour in 32 years. Phasing out the tipped wage will raise the take-home pay of 3.3 million workers in tipped occupations.<sup>17</sup>
- Seven states (Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington) have already eliminated their lower tipped minimum wage. These states are known as “one fair wage” states for their equitable treatment of tipped workers. The cities of Washington, D.C., and Flagstaff, Arizona, are also in the process of phasing out their subminimum tipped wage; and pending the outcome of litigation, the state of Michigan may soon join them.
- Tipped workers in “one fair wage” states are paid the same minimum wage as everyone else before tips. For restaurant servers and bartenders, take-home pay in “one fair wage” states is 24% higher, on average, than in \$2.13 states.<sup>18</sup>
- Having a lower minimum wage for tipped jobs results in dramatically higher poverty rates for tipped workers. In states that use the federal \$2.13 tipped minimum wage, the poverty rate among tipped workers in restaurants and bars is 20.8%—7.6 percentage points higher than the 13.2% poverty rate in “one fair wage” states.<sup>19</sup>
- Eliminating the lower tipped minimum wage has not harmed growth in the restaurant industry or tipped jobs. From 2011 to 2019, “one fair wage” states had stronger

restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service restaurants (17.5% vs. 11.1%) and in full-service restaurant employment (23.8% vs. 18.7%).<sup>20</sup>

## **Our economy can more than afford a \$17 minimum wage, and a higher federal minimum wage would make our economy healthier.**

- Workers earning the current federal minimum wage are paid less per hour in real dollars than their counterparts were paid 50 years ago. Yet businesses can afford to pay them substantially more.<sup>21</sup>
- The economy has grown dramatically over the past 50 years, and workers are producing more from each hour of work, with productivity doubling since the late 1960s. If the minimum wage had been raised at the same pace as productivity growth since the late 1960s, it would be over \$24 an hour today.<sup>22</sup>
- The economic relief and recovery measures from the COVID-19 pandemic have helped to drive a tighter labor market, which gave many workers more options to find better pay. But some of those effects are wearing off as the labor market is beginning to return to more normal levels of growth compared with the last two years. Raising the minimum wage can help to lock in the historic pay gains that low-wage workers made during the recovery from the pandemic economic crisis.

## **Research confirms what workers already know: Raising wages benefits us all, and those benefits are wide-ranging.**

- High-quality academic scholarship confirms that modest increases in the minimum wage have not led to detectable job losses.<sup>23</sup>
- After the federal minimum wage was raised to its highest historical peak in 1968, wages grew and racial earnings gaps closed without constricting employment opportunities for underpaid workers overall.<sup>24</sup>
- Comprehensive research on 138 state-level minimum wage increases shows that all underpaid workers benefit from minimum wage increases, not just teenagers or restaurant workers.<sup>25</sup>
- Multiple studies conclude that total annual incomes of families at the bottom of the income distribution rise significantly after a minimum wage increase.<sup>26</sup> Workers in underpaid jobs and their families benefit the most from these income increases, reducing poverty and income inequality.
- The benefits of minimum wage increases are not limited to income gains for affected workers. By providing families with higher incomes, minimum wage increases have improved a range of important health, well-being, and educational

outcomes—including infant health, mental health, children’s math and reading scores, and educational attainment—and have also reduced “deaths of despair,” child abuse, and teenage pregnancy.<sup>27</sup>

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## Notes

1. Kate Bahn and Carmen Sanchez Cumming, “[Four Graphs on U.S. Occupational Segregation by Race, Ethnicity, and Gender](#),” Washington Center for Equitable Growth, July 1, 2020.
2. Sylvia Allegretto and David Cooper, *Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage*, Economic Policy Institute, July 2014.
3. Alina Selyukh, “[‘Gives Me Hope’: How Low-Paid Workers Rose Up Against Stagnant Wages](#),” National Public Radio’s *All Things Considered*, February 26, 2020; Kimberly Freeman Brown and Marc Bayard, “[Editorial: The New Face of Labor, Civil Rights Is Black & Female](#),” NBC News, September 7, 2015; Amy B. Dean, “[Is the Fight for \\$15 the Next Civil Rights Movement?](#)” Al Jazeera America, June 22, 2015.
4. Economic Policy Institute calculation using employment shares from the 2022 Basic Monthly Current Population Survey. For recent minimum wage changes, see EPI’s *Minimum Wage Tracker*. We include the District of Columbia in this list even though it is not a state.
5. Economic Policy Institute (EPI), *Minimum Wage Tracker*, last updated July 1, 2023.
6. The median annual wage for these occupations is about \$30,000 according to the [May 2022 National Occupational Employment and Wage Estimates](#) from the U.S. Bureau of Labor Statistics.
7. Ben Zipperer, *The Impact of the Raise the Wage Act of 2023*, Economic Policy Institute, July 2023.
8. Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1 (February 2021); David Autor, Alan Manning, and Christopher L. Smith, “[The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment](#),” *American Economic Journal: Applied Economics* 8, no. 1 (January 2016).
9. Ben Zipperer, *The Impact of the Raise the Wage Act of 2023*, Economic Policy Institute, July 2023.
10. Ben Zipperer, *The Impact of the Raise the Wage Act of 2023*, Economic Policy Institute, July 2023.
11. Ben Zipperer, *The Impact of the Raise the Wage Act of 2023*, Economic Policy Institute, July 2023.
12. Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1 (February 2021).
13. Based on Congressional Budget Office projections for the Consumer Price Index and calculations from the Economic Policy Institute’s *Family Budget Calculator*, which measures the income a family needs to attain a secure yet modest standard of living in all counties and metro areas across the country.
14. The EPI Family Budget threshold for the least expensive county in Missouri is \$41,558 in projected 2028 dollars.

15. David Cooper, Zane Mokhiber, and Ben Zipperer, *Raising the Federal Minimum Wage to \$15 by 2025 Would Lift the Pay of 32 Million Workers*, Economic Policy Institute, March 2021.
16. U.S. Bureau of Labor Statistics, *May 2022 National Occupational Employment and Wage Estimates: United States* (online database).
17. Ben Zipperer, *The Impact of the Raise the Wage Act of 2023*, Economic Policy Institute, July 2023.
18. EPI analysis of 2022 Current Population Survey Outgoing Rotation Groups.
19. EPI analysis of the 2015–2019 American Community Survey.
20. EPI analysis of 2011–2019 Quarterly Census of Employment and Wages data.
21. David Cooper, Sebastian Martinez Hickey, and Ben Zipperer, “*The Value of the Federal Minimum Wage Is at Its Lowest Point in 66 Years*,” *Working Economics Blog* (Economic Policy Institute), July 14, 2022.
22. The 2023 federal minimum would be \$24.14 had the 1968 minimum wage of \$1.60 been indexed to net productivity, defined as net national product divided by total economy hours.
23. Arindrajit Dube, *Impacts of Minimum Wages: Review of the International Evidence*, report prepared for Her Majesty’s Treasury (UK), November 2019.
24. Ellora Derenoncourt and Claire Montialoux, “*Minimum Wages and Racial Inequality*,” *Quarterly Journal of Economics* 136, no. 1 (February 2021).
25. Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, “*The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator*,” *Quarterly Journal of Economics* 134, no. 9 (May 2019).
26. Arindrajit Dube, “*Minimum Wages and the Distribution of Family Incomes*,” *American Economic Journal: Applied Economics* 11, no. 4 (October 2019); Kevin Rinz and John Voorheis, “*The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data*,” U.S. Census Bureau Center for Administrative Records Research and Applications Working Paper 2018-02, 2018.
27. George L. Wehby, Dhaval M. Dave, and Robert Kaestner, “*Effects of the Minimum Wage on Infant Health*,” *Journal of Policy Analysis and Management* 39, no. 2 (Spring 2020); Kerri M. Raissian and Lindsey Rose Bullinger, “*Money Matters: Does the Minimum Wage Affect Child Maltreatment Rates?*” *Children and Youth Services Review* 72 (January 2017); Lindsey Rose Bullinger, “*The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis*,” *American Journal of Public Health*, March 2017; William H. Dow, Anna Godoy, Christopher Lowenstein, and Michael Reich, “*Can Labor Market Policies Reduce Deaths of Despair?*” *Journal of Health Economics* 74 (December 2020); Anna Godøy and Ken Jacobs, “*The Downstream Benefits of Higher Incomes and Wages*,” Federal Reserve Bank of Boston Community Development Discussion Papers 21-1, 2021.