

# **Raising the Minimum Wage**

**Talking Points and Background**

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# Contents

<b>Talking Points: Raising the Minimum Wage</b>	<b>1</b>
<b>The Realities Behind the Myths</b>	
▪ Congress Should Act Now to Raise the Minimum Wage by \$1.50	<b>2</b>
▪ The Current Minimum Wage Leaves a Family of Three 24 Percent Below the Poverty Line	<b>5</b>
▪ Raising the Minimum Wage is an Important Strategy for Helping Low-Income Families	<b>7</b>
▪ The Minimum Wage Should Help Guarantee an Opportunity to Make a Living From Work	<b>8</b>
▪ Raising the Minimum Wage Does Not Cause Job Loss	<b>9</b>
▪ Raising the Minimum Wage Will Not Harm Welfare Recipients Trying to Find Employment	<b>10</b>
▪ Most Minimum Wage Workers are Adults Who Work to Support Themselves and Their Families	<b>11</b>
<b>Who Are Low-Wage Workers?</b>	<b>12</b>
<b>Who Will Benefit from the Kennedy-Bonior Minimum Wage Proposals?</b>	
▪ What S. 2538 and H.R. 4799 Will Do for America	<b>13</b>
▪ Workers Who Will Benefit From the Kennedy-Bonior Proposals, by State	<b>14</b>
<b>Americans Support an Increase in the Minimum Wage</b>	
▪ Four Out of Five Americans Say the Minimum Wage Should Be Increased by a Dollar—or More!	<b>15</b>
<b>States Are Raising Their Minimum Wage Rates Above the Federal Floor</b>	<b>16</b>
▪ State Minimum Wage Rates	<b>18</b>
<b>‘State Flexibility’: A Backdoor Way to Eliminate Federal Minimum Wage Protections</b>	<b>19</b>

## Talking Points: Raising the Minimum Wage

- Congress should act now to raise the minimum wage of \$5.15 by \$1.50 an hour. The minimum wage in 2001 was 21 percent less than the minimum wage in 1979, and 27 percent less than at its highest point in 1968, after adjusting for inflation. If the minimum wage in 2001 had been worth what it was worth in 1968, the minimum wage in 2001 would have been \$7.08.
- The real value of the minimum wage plummeted during the 1980s, when the Reagan administration refused to support a minimum wage increase. Although Congress raised the minimum wage in 1990 and 1991 and again in 1996 and 1997, these increases were not large enough to undo the damage. Failure to raise the minimum wage will cause a repeat of the experiences of the early 1980s and early 1990s.
- Work should be a bridge out of poverty, but for many it is not. About 3.5 million workers worked full-time and year-round in 1999, yet they and their families lived in poverty. A 2001 U.S. Conference of Mayors study found that 37 percent of adults seeking emergency food aid were employed. Officials in 63 percent of the cities surveyed identified low-paying jobs as a primary cause of hunger.
- One reason for such poverty and need among workers is the eroded value of the minimum wage. During the 1960s and 1970s, the poverty level for a family of three was roughly equal to the yearly earnings of a full-time, year-round worker earning the minimum wage. The minimum wage, however, remained unchanged at \$3.35 an hour from 1981 until April 1990, and thus minimum wage earnings slipped significantly below the poverty level. Recent increases have not restored all the lost value. To reach the poverty level for a family of three in 2001 (\$14,129), a full-time, year-round worker would need to earn \$6.80 an hour—\$1.65 more than the current minimum wage.
- The 1996–1997 increase in the minimum wage had a broad positive impact, and passing a new increase would benefit many workers. Raising the minimum wage by \$1.50 in three steps, as proposed by Sen. Edward Kennedy (D-Mass) and Rep. David Bonior (D-Mich.) in recent bills (S. 2538 and H.R. 4799), would directly benefit 5.6 million low-wage workers, according to a new study by the Economic Policy Institute. An additional 8.4 million workers would benefit because of the spillover effect of a minimum wage increase, in which workers earning a little above the minimum wage also experience a wage increase.
- Allowing states to “opt out” of federal minimum wage increases is a thinly veiled attempt to give states the power to veto a minimum wage increase.

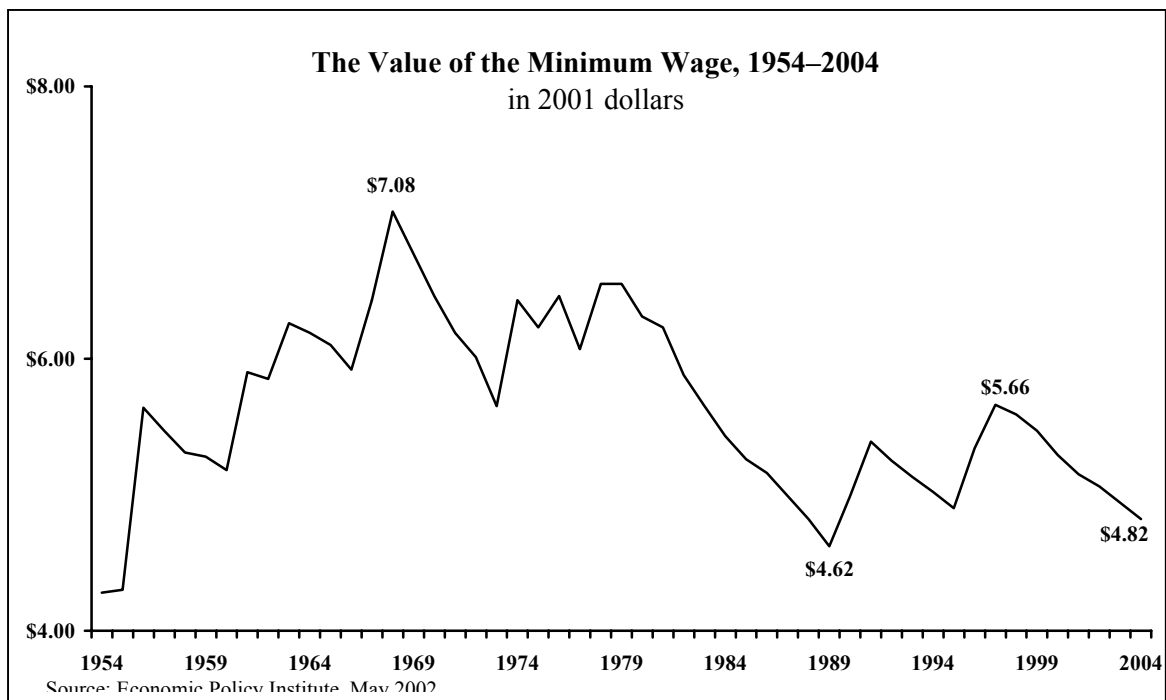
# The Realities Behind the Myths

## ***Congress Should Act Now to Raise the Minimum Wage by \$1.50***

**Myth:** The minimum wage already is high enough.

**Reality: The minimum wage is approaching historical lows.**

- The minimum wage in 2001 was 21 percent less than the minimum wage in 1979, and 27 percent less than at its highest point in 1968, after adjusting for inflation.
- If the minimum wage in 2001 had been worth what it was worth in 1968, the minimum wage in 2001 would have been \$7.08.
- The real value of the minimum wage plummeted during the 1980s, when the Reagan administration refused to support a minimum wage increase (see chart). Although Congress raised the minimum wage in 1990 and 1991 and again in 1996 and 1997, these increases were not large enough to undo the damage. Failure to raise the minimum wage will cause a repeat of the experiences of the early 1980s and early 1990s.
- If the minimum wage is not increased, its real value will fall to \$4.82 by the year 2004—lower than all but one year (1989) since 1955.



**Myth:** Congress only recently increased the minimum wage; it is too soon for another increase.

**Reality: A minimum wage hike is overdue, and unless Congress acts to raise the minimum wage, its value will once again decline to a 47-year low.**

- The minimum wage wasn't recently increased. The last minimum wage increase occurred in 1997—five years ago! Many past minimum wage increases have occurred after shorter periods of time.
- Minimum wage workers already have lost all of their gains since Congress last raised the minimum wage in 1997.
- Every day the minimum wage is not increased, it continues to lose value because of inflation.
- If Congress fails to act, inflation will keep eroding the value of the minimum wage until it becomes irrelevant.

<b>The Federal Minimum Wage and Dates of Increases</b>	
<b>Date of Increase</b>	<b>Hourly Rate</b>
10/24/38	\$0.25
10/24/39	\$0.30
10/24/45	\$0.40
01/25/50	\$0.75
03/01/56	\$1.00
09/03/61	\$1.15
09/03/63	\$1.25
02/01/67	\$1.40
02/01/68	\$1.60
05/01/74	\$2.00
01/01/75	\$2.10
01/01/76	\$2.30
01/01/78	\$2.65
01/01/79	\$2.90
01/01/80	\$3.10
01/01/81	\$3.35
04/01/90	\$3.80
04/01/91	\$4.25
10/01/96	\$4.75
09/01/97	\$5.15

Source: U.S. Department of Labor, *History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938–1996*, [www.dol.gov/esa/minwage/chart.htm](http://www.dol.gov/esa/minwage/chart.htm)

**Myth:** Raising the minimum wage by a dollar is enough—a \$1.50 increase is too much.

**Reality:** Any increase of less than \$1.50 leaves workers falling further and further behind and fails to make up for the wage standard's lost value.

- A \$1.50 increase in the minimum wage is modest. In fact, the \$1.50 an hour increase will benefit a smaller percentage of workers than previous minimum wage increases. The EPI report *Time to Repair the Wage Floor* finds that 4.5 percent of the workforce will directly benefit from a \$1.50 increase in the minimum wage—a much smaller percentage than when the minimum wage increase occurred in 1996 and 1997, benefiting 8.9 percent of the workforce directly. As EPI states, “in historical terms, the current proposal is modest.”
- Raising the minimum wage by \$1.50 by 2004 would actually affect fewer people and a smaller percentage of the workforce than the proposal in 2000 to raise the minimum wage by \$1 by 2001. About 10.3 million workers (8.7 percent of the workforce) would have benefited from the \$1 increase by 2001, while 5.6 million workers (4.5 percent of the workforce) would benefit from a \$1.50 increase by 2004.
- Even at \$6.65 by 2004, full-time annual minimum wage earnings would come to only \$13,832 a year—\$1,279 (8 percent) less than the poverty level for a family of three in 2004.
- According to a new study by the Economic Policy Institute, even a \$1.50 increase will leave the real value of the minimum wage below what it was in 1981.
- The minimum wage would have to be increased by \$1.60 by 2004 to have the same purchasing power as a \$1 increase would have had in 2000.

Sources: Jared Bernstein and Jeff Chapman, *Time to Repair the Wage Floor—Raising the Minimum Wage to \$6.65 Will Prevent Further Erosion of its Value*, Economic Policy Institute, May 22, 2002; Jared Bernstein and Chauna Brocht, *The Next Step—The New Minimum Wage Proposals and the Old Opposition*, Economic Policy Institute, March 8, 2000

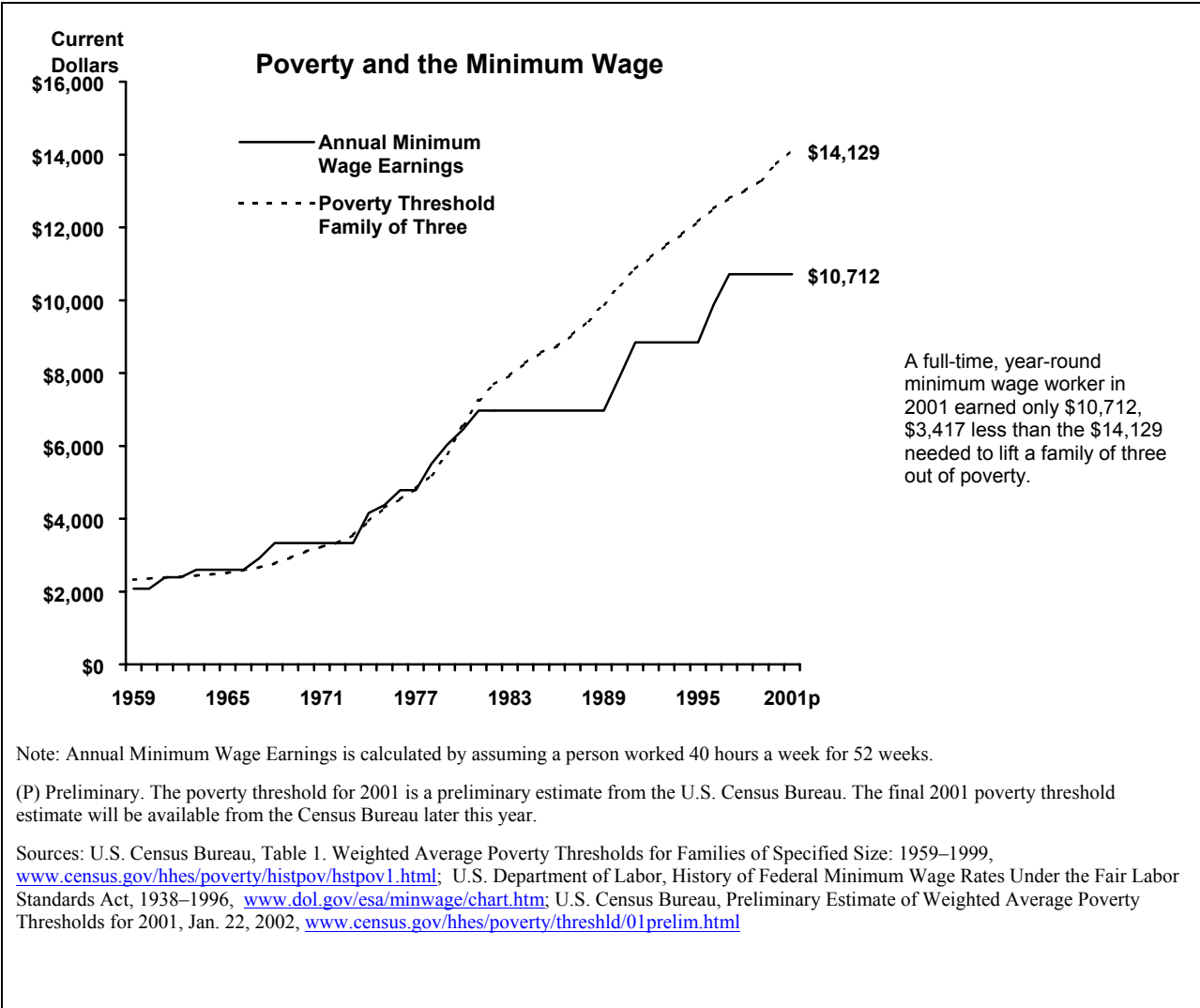
## ***The Current Minimum Wage Leaves a Family of Three 24 Percent Below the Poverty Line***

**Myth:** No one who works for a living is poor.

**Reality:** Work should be a bridge out of poverty, but for many it is not. About 3.5 million workers worked full-time and year-round in 1999, yet they and their families lived in poverty.

- A 2001 U.S. Conference of Mayors study found that 37 percent of adults seeking emergency food aid were employed. Officials in 63 percent of the cities surveyed identified low-paying jobs as a primary cause of hunger.
- According to the National Low Income Housing Coalition's September 2001 report *Out of Reach*, "The national median housing wage, based on each county's housing wage for a two-bedroom unit at the Fair Market Rent weighted by Census 2000 population estimates, is \$13.87 an hour, more than twice the federal minimum wage of \$5.15 per hour. This means that on average, there must be more than two full-time minimum wage workers in a household in order for the household to afford a two-bedroom housing unit at the Fair Market Rent."
- America's Second Harvest reported in October 2001 that among client households (who receive emergency food assistance from soup kitchens, food pantries and shelters), four out of 10 (38.9 percent) had at least one employed adult. Of the adults in client households, 17 percent (or 2.5 million adults) worked full-time.
- One reason for such poverty and need among workers is the eroded value of the minimum wage. In the past, the minimum wage provided enough income to lift a family of three out of poverty. During the 1960s and 1970s, the poverty level for a family of three was roughly equal to the yearly earnings of a full-time, year-round worker earning the minimum wage. The minimum wage, however, remained unchanged at \$3.35 an hour from 1981 until April 1990, and thus minimum wage earnings slipped significantly below the poverty level. Recent increases have not restored all the lost value. To reach the poverty level for a family of three in 2001 (\$14,129), a full-time, year-round worker would need to earn \$6.80 an hour—\$1.65 more than the current minimum wage.

Sources: America's Second Harvest, *Hunger in America—2001 National Report—Preliminary Report*, October 2001, [www.hungerinamerica.org/A2H-NatlRpt10-31.pdf](http://www.hungerinamerica.org/A2H-NatlRpt10-31.pdf); Jennifer G. Twombly, Sheila Crowley, Nancy Ferris, Chushing N. Dolbeare, *Out of Reach—America's Growing Wage-Rent Disparity*, National Low Income Housing Coalition/LIHIS, September 2001, [www.nlihc.org/oor2001/introduction.htm](http://www.nlihc.org/oor2001/introduction.htm); The United States Conference of Mayors, *A Status Report on Hunger and Homelessness in America's Cities—2001*, December 2001, [www.usmayors.org/uscm/hungersurvey/2001/hungersurvey2001.pdf](http://www.usmayors.org/uscm/hungersurvey/2001/hungersurvey2001.pdf); U.S. Department of Commerce, Bureau of the Census, *Preliminary Estimate of Weighted Average Poverty Thresholds for 2001*, Jan. 22, 2002, [www.census.gov/hhes/poverty/threshld/01prelim.html](http://www.census.gov/hhes/poverty/threshld/01prelim.html); U.S. Department of Labor, Bureau of Labor Statistics, *A Profile of the Working Poor, 1999*, February 2001, [www.bls.gov/cps/cpswp99.pdf](http://www.bls.gov/cps/cpswp99.pdf)



## ***Raising the Minimum Wage is an Important Strategy for Helping Low-Income Families***

**Myth:** Minimum wage workers are not poor and do not need a raise.

**Reality: A minimum wage increase benefits most those who need it most.**

- Fifty-eight percent of the gains from the most recent minimum wage increase went to working households at the bottom 40 percent of the income scale. And according to a new EPI study, 61 percent of the gains from a \$1.50 increase would go to working households in the bottom 40 percent.
- EPI also found that the bottom 20 percent of working households receives only 5 percent of America's total earnings—but they would receive 39 percent of the benefits from a \$1.50 increase in the minimum wage.
- Forty percent of minimum wage workers are the sole breadwinners in their families.

**Reality: A \$1.50 increase in the minimum wage will help to lift families out of poverty.**

- According to EPI's report *Time to Repair the Wage Floor*, in 1997, full-time, year-round earnings at the minimum wage in conjunction with the Earned Income Tax Credit (EITC) brought a single mother and two children out of poverty. In 2001, the EITC and the minimum wage were not enough to bring this family out of poverty. But with a \$1.50 increase in the minimum wage, the minimum wage in 2004 along with the EITC would bring this family out of poverty.
- A full-time, year-round minimum wage worker earns only \$10,712—\$3,417 less than the \$14,129 needed to lift a family of three out of poverty.
- A \$1.50 increase in the minimum wage means an additional \$3,120 per year for minimum wage workers to spend on food, housing, utilities, medicine and other health care needs, education and other necessities. That \$3,120 per year for a family of three would pay for more than eight months worth of groceries. In most states (43), \$3,120 is enough to pay for four months of rent for a two-bedroom apartment. Also, \$3,120 would pay for an education at a two-year public community college. It is almost enough to pay for one year of tuition at a public four-year university.

Sources: Jared Bernstein and Jeff Chapman, *Time to Repair the Wage Floor—Raising the Minimum Wage to \$6.65 Will Prevent Further Erosion of its Value*, Economic Policy Institute, May 22, 2002; Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996–1997 Minimum Wage Increase*, Economic Policy Institute, 1998; Democratic Policy Committee Special Report, *Keeping Pace With Prosperity: Americans Deserve a Fair Minimum Wage*, March 19, 1998; U.S. Department of Commerce, Bureau of the Census, *Preliminary Estimate of Weighted Average Poverty Thresholds for 2001*, Jan. 22, 2002, [www.census.gov/hhes/poverty/threshld/01prelim.html](http://www.census.gov/hhes/poverty/threshld/01prelim.html); U.S. Department of Agriculture, *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, May 2002*, <http://www.usda.gov/cnpp/FoodPlans/Updates/foodmay02.pdf>; National Low Income Housing Coalition, *Out of Reach 2001*, [www.nlihc.org/cgi-bin/oor2001.pl?state=all](http://www.nlihc.org/cgi-bin/oor2001.pl?state=all); U.S. Department of Education, National Center for Education Statistics, Table 314—Average undergraduate tuition and fees and room and board rates paid by full-time-equivalent students in degree-granting institutions, by control of institution and by state: 1998–99 and 1999–2000, September 2000, <http://nces.ed.gov/pubs2001/digest/tables/PDF/table314.pdf>

## ***The Minimum Wage Should Help Guarantee an Opportunity to Make a Living From Work***

**Myth:** The minimum wage is an entry-level wage. Workers do not stay in minimum wage jobs for long.

**Reality:** Not all minimum wage workers move on to higher-wage jobs—many of them earn the minimum wage or near the minimum wage for quite some time.

- According to a study by economists William J. Carrington and Bruce C. Fallick, 19.2 percent of workers who were finished with school spent at least half of the first eight years into their careers in jobs that paid \$1.50 above the minimum wage. Some 13.2 percent spent at least half of the first 10 years into their careers in jobs that paid \$1.50 above the minimum wage.
- A Joint Economic Committee study found that of the 4.2 million young adults (ages 21–29 with high school educations or less) working in minimum wage contour\* jobs in 1986, more than half (2.4 million) still were employed in those jobs three years later.
- A minimum wage job should offer more than just an opportunity to work—it should guarantee an opportunity to make a living from work. Anyone who puts in a fair day’s work should receive a fair day’s pay, regardless of whether he or she works for a week, a month, a year or 10 years in the job.

\* Jobs on the minimum wage contour are low-paying jobs with wage levels that move in accordance with the minimum wage rather than being influenced by market forces.

**Sources:** Joint Economic Committee, Democratic Minority Office, *Worth More Than They Earn: Economic Effects of the Minimum Wage*, May 1996; William J. Carrington and Bruce C. Fallick, “Do Some Workers Have Minimum Wage Careers?,” *Monthly Labor Review*, May 2001, [www.bls.gov/opub/mlr/2001/05/art2full.pdf](http://www.bls.gov/opub/mlr/2001/05/art2full.pdf)

## ***Raising the Minimum Wage Does Not Cause Job Loss***

**Myth:** Raising wages for the nation's lowest-paid workers will cause substantial job loss.

**Reality: Modest increases in the minimum wage do not cause job loss.**

- A solid body of contemporary research has found no job loss resulting from modest increases in the minimum wage. For example, research by the Economic Policy Institute found that the 1996 and 1997 minimum wage increases did not cause job loss. There was no negative employment effect among either teens or adults. In fact, adults actually experienced a small, though not statistically significant, increase in employment.\*
- EPI found that raising the minimum wage did not reduce the employment of minorities and women. Raising the minimum wage was associated with statistically significant employment increases among teenage Latinas, less-educated adult women and less-educated adult African American women. For whites and for African Americans overall, the minimum wage increase resulted in neither significant positive nor negative employment effects.
- According to a 1999 study by the Jerome Levy Economics Institute, the last increase in the minimum wage did not affect the overwhelming majority of small businesses. Nine out of 10 (89.1 percent) of the small businesses surveyed said the last increase did not have an effect on their employment or hiring decisions.
- The fact that the economy was stronger in 1996 and 1997 than it is today does not mean that Congress should not raise the minimum wage. As discussed in EPI's *Step Up, Not Out*, David Card's study of the 1990 and 1991 minimum wage increases (which occurred when the economy was in recession) found that the increases did not have any negative effect on employment.

\* "Statistically significant" means a positive or negative effect is not due to chance.

Sources: Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996–1997 Minimum Wage Increase*, Economic Policy Institute, 1998; Oren M. Levin-Waldman, *Small Business and Welfare Reform*, The Jerome Levy Economics Institute, March 1999; Edith Rasell, Jared Bernstein and Heather Boushey, *Step Up, Not Out—The Case for Raising the Federal Minimum Wage for Workers in Every State*, Economic Policy Institute, Feb. 7, 2001

## ***Raising the Minimum Wage Will Not Harm Welfare Recipients Trying to Find Employment***

**Myth:** Raising the minimum wage will hurt people trying to make the transition from welfare to work.

**Reality:** Raising the minimum wage does not hinder efforts to move from welfare to work. In fact, raising the minimum wage actually helps, since a higher minimum wage provides a greater incentive to work and enhances the prospects of self-sufficiency among those leaving welfare.

- Oregon's minimum wage increased from \$4.75 in 1996 to \$5.50 in 1997, to \$6 in 1998 and to \$6.50 in 1999. According to a study by the Oregon Center for Public Policy, the minimum wage increases in Oregon did not harm welfare recipients' opportunities to find work. In fact, a larger percentage of welfare recipients in Oregon found jobs after the minimum wage increased than before the increases. In 1996, 6.4 percent of individuals in the Adult and Family Services caseload found employment; 7.3 percent found employment in 1997, 8.2 percent found employment in 1998, 9.3 percent found employment in 1999 and 10.6 percent found employment in 2000.
- Increasing the minimum wage helps people moving from welfare to work better support their families. The Oregon Center for Public Policy reports that before the Oregon minimum wage increases went into effect, real starting wages were declining for people moving from welfare to work. After the Oregon minimum wage hikes went into effect, starting wages (adjusted for inflation) increased for people moving from welfare to work.
- Almost nine out of 10 (85.2 percent) small businesses surveyed for a 1999 Jerome Levy Economics Institute report said an increase in the minimum wage would not affect their decision to hire former welfare recipients.

Sources: Oren M. Levin-Waldman, *Small Business and Welfare Reform*, Jerome Levy Economics Institute, March 1999; Jeff Thompson and Charles Sheketoff, *Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform*, Oregon Center for Public Policy, March 12, 2001

## ***Most Minimum Wage Workers are Adults Who Work to Support Themselves and Their Families***

**Myth:** Most of the workers who would benefit from a minimum wage increase are teenagers who work part-time to earn extra spending money.

**Reality:** The majority of minimum wage workers are adults, many of whom contribute substantially to family income.

- According to a new study from the Economic Policy Institute, nearly seven of every 10 workers (68 percent) who would benefit from a \$1.50 increase in the minimum wage are adults.
- Adult women made up the single largest group of beneficiaries from the last minimum wage increase, representing 43 percent of the beneficiaries.
- EPI found that nearly eight of 10 workers who would benefit from a \$1.50 increase in the minimum wage work full-time (42 percent) or between 20 and 34 hours per week (34 percent).
- EPI also found that minimum wage workers contributed an average of 76 percent of a family's weekly earnings in families with less than \$25,000 in income.
- A minimum wage increase also benefits many single-parent families. Twenty-five percent of the workers affected by the three-step increase in Oregon's minimum wage to \$6.50 by 1999 were heads of single-parent families.
- Forty percent of minimum wage workers are the sole breadwinners in their families.

Sources: Jared Bernstein and Jeff Chapman, *Time to Repair the Wage Floor—Raising the Minimum Wage to \$6.65 Will Prevent Further Erosion of its Value*, Economic Policy Institute, May 22, 2002; Jeff Thompson and Charles Sheketoff, *Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform*, Oregon Center for Public Policy, March 12, 2001; Democratic Policy Committee Special Report on the Minimum Wage, *Keeping Pace with Prosperity: Americans Deserve a Fair Minimum Wage*, March 19, 1998; Jared Bernstein and John Schmitt, *Making Work Pay—The Impact of the 1996–97 Minimum Wage Increase*, Economic Policy Institute, 1998

## Who Are Low-Wage Workers?

Jobs paying poverty-level wages—less than \$8.47 per hour in 2000 (the hourly wage a worker would need to earn to bring a family of four out of poverty assuming the worker works full-time, year-round)—are concentrated in service, agricultural and sales occupations. In 2000, half or more of the workers in more than 50 occupations were paid poverty-level wages. A number of these jobs—personal/home care aides, child care workers, home health aides—involve substantial responsibility for providing care for our children and elderly parents.

### Examples of Occupations With Half or More of the Workers Paid Poverty-Level Wages

	Median Wage		Median Wage		Median Wage
Agricultural Equipment Operators	\$7.68	Food Preparation Workers	\$7.38	Parking Lot Attendants	\$7.15
Baggage Porters/Bellhops	\$7.80	Funeral Attendants	\$8.14	Personal/Home Care Aides	\$7.50
Bartenders	\$6.86	Hand Packers and Packagers	\$7.53	Pressers (Textile and Garment)	\$7.77
Cashiers	\$6.95	Home Health Aides	\$8.23	Retail Salespersons	\$8.02
Child Care Workers	\$7.43	Host/Hostesses, Restaurant, Lounge and Coffee Shop	\$6.95	Security Guards	\$8.45
Cooks (Fast Food)	\$6.53	Hotel, Motel and Resort Desk Clerks	\$7.87	Service Station Attendants	\$7.35
Cooks (Short Order)	\$7.55	Janitors and Cleaners	\$8.26	Sewers (Hand)	\$8.09
Crossing Guards	\$8.37	Laundry/Dry Cleaning Workers	\$7.59	Sewing Machine Operators	\$7.80
Counter and Rental Clerks	\$7.87	Locker Room, Coat Room and Dressing Room Attendants	\$7.62	Shampooers	\$6.58
Dining Room and Cafeteria Attendants and Bartender Helpers	\$6.53	Maids and Housekeeping Cleaners	\$7.41	Shoe/Leather Workers/Repairers	\$8.32
Dishwashers	\$6.69	Manicurists and Pedicurists	\$7.42	Taxi Drivers/Chauffeurs	\$8.19
Farm Labor Contractors	\$6.82	Meat, Poultry and Fish Cutters and Trimmers	\$8.06	Ushers, Lobby Attendants, Ticket Takers	\$6.61
Farm Workers (Farm and Ranch Animals)	\$7.61	Motion Picture Projectionists	\$7.08	Vehicle/Equipment Cleaners	\$7.55
Farm Workers and Laborers (Crop, Nursery, Greenhouse)	\$6.64	Nonfarm Animal Caretakers	\$7.67	Waiters and Waitresses	\$6.42

Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Table 1. National employment and wage data from the Occupational Employment Statistics survey by occupation, 2000*, [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm); U.S. Department of Labor, Bureau of Labor Statistics, *2000 National Occupational Employment and Wage Estimates—Personal Care and Service Occupations*, [www.bls.gov/oes/2000/oes\\_39Pe.htm](http://www.bls.gov/oes/2000/oes_39Pe.htm); U.S. Department of Labor, Bureau of Labor Statistics, *2000 National Occupational Employment and Wage Estimates—Building and Grounds Cleaning and Maintenance Occupations*, [www.bls.gov/oes/2000/oes\\_37Bu.htm](http://www.bls.gov/oes/2000/oes_37Bu.htm); U.S. Department of Labor, Bureau of Labor Statistics, *2000 National Occupational Employment and Wage Estimates—Food Preparation and Serving Related Occupations*, [www.bls.gov/oes/2000/oes\\_35Fo.htm](http://www.bls.gov/oes/2000/oes_35Fo.htm); U.S. Census Bureau, *Poverty Thresholds in 2000 by Size of Family and Number of Related Children Under 18 Years*, Sept. 25, 2001, [www.census.gov/hhes/poverty/threshld/thresh00.html](http://www.census.gov/hhes/poverty/threshld/thresh00.html)

# Who Will Benefit from the Kennedy-Bonior Minimum Wage Proposals?

## ***What S. 2538 and H.R. 4799 Will Do for America.***

The Kennedy-Bonior minimum wage proposals would increase the minimum wage by \$1.50 to \$6.65 an hour in three steps.

- According to a new Economic Policy Institute study, some 5.6 million working people—or 4.7 percent of the workforce—will benefit directly from the minimum wage increase.
- An additional 8.4 million workers would benefit from the spillover effect of an increase, in which workers earning a little above the new minimum wage also experience a wage increase.
- Raising the minimum wage by \$1.50 would benefit approximately 10 percent or more of the workforce in eight states (Arkansas, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Oklahoma and West Virginia). Five percent or more of the workforce would benefit in an additional 22 states.

Sources: Jared Bernstein and Jeff Chapman, *Time to Repair the Wage Floor—Raising the Minimum Wage to \$6.65 Will Prevent Further Erosion of its Value*, Economic Policy Institute, May 22, 2002; Economic Policy Institute, unpublished data, May 2002

## Workers Who Will Benefit from the Kennedy-Bonior Proposals, by State

	Number	% of the Workforce		Number	% of the Workforce
<b>United States</b>	<b>5,551,024</b>	<b>4.7</b>	Missouri	125,182	5.0
Alabama	135,777	7.8	Montana	38,728	11.5
Alaska	8,624	3.2	Nebraska	50,911	7.0
Arizona	122,215	6.1	Nevada	38,541	4.5
Arkansas	89,471	9.2	New Hampshire	20,324	3.4
California	-0-	0.0	New Jersey	131,750	3.6
Colorado	61,685	3.2	New Mexico	78,655	12.2
Connecticut	-0-	0.0	New York	403,531	5.5
Delaware	n/a	n/a	North Carolina	194,075	5.9
District of Columbia	12,423	5.2	North Dakota	26,127	9.8
Florida	388,868	6.2	Ohio	273,405	5.5
Georgia	172,845	4.9	Oklahoma	123,483	9.5
Hawaii	20,933	4.2	Oregon	42,696	3.0
Idaho	33,886	6.3	Pennsylvania	268,245	5.2
Illinois	271,701	5.1	Rhode Island	n/a	n/a
Indiana	131,882	5.0	South Carolina	80,536	5.0
Iowa	70,370	5.3	South Dakota	21,168	6.6
Kansas	67,027	5.9	Tennessee	147,345	6.4
Kentucky	108,874	6.7	Texas	716,447	8.5
Louisiana	198,151	12.4	Utah	54,351	5.9
Maine	24,477	4.4	Vermont	n/a	n/a
Maryland	74,908	3.1	Virginia	119,248	3.7
Massachusetts	-0-	0.0	Washington	-0-	0.0
Michigan	227,604	5.2	West Virginia	67,947	9.9
Minnesota	77,387	3.3	Wisconsin	98,784	3.9
Mississippi	103,728	10.0	Wyoming	16,503	7.9

Source: Economic Policy Institute, unpublished data, May 2002

# Americans Support an Increase in the Minimum Wage

## ***Four Out of Five Americans Say the Minimum Wage Should Be Increased by a Dollar—or More!***

- A January 2002 poll by Lake Snell Perry & Associates for the Ms. Foundation found that 77 percent of likely voters surveyed support raising the minimum wage from \$5.15 to \$8 per hour. Some 79 percent of likely voters support regular increases in the minimum wage to address the effect of inflation on the real value of the minimum wage.
- A November 2001 survey conducted by Techno Metrica Institute of Policy and Politics for *Investor's Business Daily* and *The Christian Science Monitor* found that 75 percent of the survey respondents supported raising the minimum wage as a way to stimulate the economy.
- An October 2001 survey by the Gallup Organization for Gallup, CNN and *USA Today* found that 81 percent of the respondents supported an increase in the minimum wage.
- A survey conducted in January and February 2001 by National Public Radio, the Kaiser Family Foundation and Harvard University's Kennedy School of Government found that 85 percent of Americans support raising the minimum wage.
- In a January 2001 poll by Peter D. Hart Research Associates Inc., 83 percent of respondents favored increasing the minimum wage by \$1. When asked to imagine that they could vote on issues on Election Day, 82 percent of respondents in an October 2000 Gallup Poll said they would vote to raise the minimum wage by \$1.

## ***States Are Raising Their Minimum Wage Rates Above the Federal Floor***

States may adopt minimum wage requirements as long as they are not inconsistent with the federal requirement. In other words, these laws cannot reduce the requirements of the Fair Labor Standards Act (FLSA). Some states track the federal minimum wage, while others cover workers not covered under the FLSA. Some also set higher minimum wages than the federal rate.

- Several states recognize that the value of the federal minimum wage has been declining and have taken steps to ensure the minimum wage in their state continues to be meaningful. Eleven states and the District of Columbia have minimum wage laws that establish higher minimum wage rates than the federal minimum wage.
- Every year, state legislatures consider minimum wage increases. In 2001, legislation to increase state minimum wage rates was introduced in the majority of state legislatures. Since 1998, 16 states have enacted minimum wage increases as a result of legislation or successful ballot initiatives.\*
- One purpose of the federal minimum wage law is to establish a national floor below which workers' wages cannot fall. While states can raise their minimum wage rates above the federal level, there always will be a need for regular increases in the federal minimum wage, our nation's wage floor.
- It is time to raise the federal minimum wage. Perpetual failure to raise the federal minimum wage will make the federal standard essentially meaningless.

\* These 16 states are California, Connecticut, Delaware, Georgia, Hawaii, Kentucky, Indiana, Maine, Massachusetts, New Jersey, New York, Rhode Island, Texas, Vermont, Washington and Wyoming.

*Sources:* Richard Nelson, "State labor legislation enacted in 2001," *Monthly Labor Review*, Bureau of Labor Statistics, January 2002; Richard Nelson, "State labor legislation enacted in 2000," *Monthly Labor Review*, Bureau of Labor Statistics, January 2001; Richard Nelson, "State labor legislation enacted in 1999," *Monthly Labor Review*, Bureau of Labor Statistics, January 2000; Richard Nelson, "State labor legislation enacted in 1998," *Monthly Labor Review*, Bureau of Labor Statistics, January 1999

***Opponents of State Minimum Wage Increases Argue That  
Minimum Wage is a Federal Matter***

**The Business Council of New York State Inc., regarding a proposal to increase the New York minimum wage:**

The Business Council has long maintained that the minimum wage should be established in Washington, said Business Council President Daniel B. Walsh.

“A state minimum wage that is higher than the federal minimum wage will put New York State employers at a competitive disadvantage, especially smaller businesses,” Walsh said.

Source: The Business Council of New York State Inc., “Council urges members to voice opposition to minimum-wage bill,” NEWS—June 2000, [www.bcnys.org/whatsnew/2000/0608minw.htm](http://www.bcnys.org/whatsnew/2000/0608minw.htm)

**Associated Industries of Massachusetts, regarding its opposition to an increase in the state minimum wage:**

Brian Gilmore, spokesman for the Associated Industries of Massachusetts, a 5,000-member organization that opposes the increase, says that AIM’s position is that the state should wait for the federal increase, because raising the minimum in one state puts it at a disadvantage relative to neighboring states.

Source: Mary Carey, “Story seeks Finneran’s voice,” *GazetteNET*, March 4, 1999

**California Farm Bureau Federation, on the California minimum wage increase passed in 2000:**

“It will increase the cost of doing business,” said Roy Gabriel, head of the California Farm Bureau Federation, which represents 90,000 growers, about 38,000 of whom hire workers to plant and harvest the crops.

By raising the wage only in California, state farmers are at a disadvantage because they compete with growers in other states whose labor costs are lower, he said. The farmers would not have objected to an increase in the federal minimum wage, which would have applied equally to growers across the country, he said.

Source: Marianne Costantinou, “Labor lauds, business laments wage hike,” *The San Francisco Examiner*, Oct. 24, 2000

## State Minimum Wage Rates

The Fair Labor Standards Act (FLSA), which establishes the federal minimum wage, permits states and communities to pass their own minimum wage laws if they are not inconsistent with the federal law (see Note for details).

State	Rate	State	Rate	State	Rate
<b>Federal</b>	<b>\$5.15</b>	<b>Kansas</b>	<b>\$2.65</b>	<b>North Dakota</b>	<b>\$5.15</b>
		<b>Kentucky</b>	<b>\$5.15</b>	<b>Ohio</b>	<b>\$4.25</b>
<b>Alabama</b>	<b>None</b>	<b>Louisiana</b>	<b>None</b>	<b>Oklahoma</b>	<b>\$5.15</b>
<b>Alaska</b>	<b>\$5.65</b> (will rise to \$7.15 on 1/1/03; beginning on 1/1/04, wage rate will be indexed to inflation, adjusted every Jan. 1)	<b>Maine</b>	<b>\$5.75</b> (will rise to \$6.25 on 1/1/03)	<b>Oregon</b>	<b>\$6.50</b>
<b>Arizona</b>	<b>None</b>	<b>Maryland</b>	<b>\$5.15</b>	<b>Pennsylvania</b>	<b>\$5.15</b>
<b>Arkansas</b>	<b>\$5.15</b>	<b>Massachusetts</b>	<b>\$6.75</b>	<b>Rhode Island</b>	<b>\$6.15</b>
<b>California</b>	<b>\$6.75</b>	<b>Michigan</b>	<b>\$5.15</b>	<b>South Carolina</b>	<b>None</b>
<b>Colorado</b>	<b>\$5.15</b>	<b>Minnesota</b>	<b>\$5.15</b>	<b>South Dakota</b>	<b>\$5.15</b>
<b>Connecticut</b>	<b>\$6.70</b> (will rise to \$6.90 on 1/1/03 and to \$7.10 on 1/1/04)	<b>Mississippi</b>	<b>None</b>	<b>Tennessee</b>	<b>None</b>
<b>Delaware</b>	<b>\$6.15</b>	<b>Missouri</b>	<b>\$5.15</b>	<b>Texas</b>	<b>\$5.15</b>
<b>D.C.</b>	<b>\$6.15</b>	<b>Montana</b>	<b>\$5.15</b>	<b>Utah</b>	<b>\$5.15</b>
<b>Florida</b>	<b>None</b>	<b>Nebraska</b>	<b>\$5.15</b>	<b>Vermont</b>	<b>\$6.25</b>
<b>Georgia</b>	<b>\$5.15</b>	<b>Nevada</b>	<b>\$5.15</b>	<b>Virginia</b>	<b>\$5.15</b>
<b>Hawaii</b>	<b>\$5.75</b> (will rise to \$6.25 on 1/1/03) Jan. 1)	<b>New Hampshire</b>	<b>\$5.15</b>	<b>Washington</b>	<b>\$6.90</b> (rate is indexed to inflation—adjusted every
<b>Idaho</b>	<b>\$5.15</b>	<b>New Jersey</b>	<b>\$5.15</b>	<b>West Virginia</b>	<b>\$5.15</b>
<b>Illinois</b>	<b>\$5.15</b>	<b>New Mexico</b>	<b>\$4.25</b>	<b>Wisconsin</b>	<b>\$5.15</b>
<b>Indiana</b>	<b>\$5.15</b>	<b>New York</b>	<b>\$5.15</b>	<b>Wyoming</b>	<b>\$5.15</b>
<b>Iowa</b>	<b>\$5.15</b>	<b>North Carolina</b>	<b>\$5.15</b>		

**Note:** A state cannot reduce the requirements of the FLSA. Most states have adopted minimums, although many simply track the FLSA. Others are broader, for example, covering workers not covered under the FLSA or setting higher minimums than the federal rate. Some states set a state minimum lower than the federal rate. In that case, all workers in the state who are covered by the FLSA must receive the federal minimum. When state laws require a higher wage, employers must pay at least that higher rate to all workers covered by the state law, whether or not they also are covered by the federal law. Some minimum wage rates in this table apply only to large companies or employers with a certain dollar amount of receipts. Smaller companies may either have to pay a different minimum wage (which is not listed here) or there may be no minimum wage requirement at all.

**Sources:** U.S. Department of Labor, Employment Standards Administration, *Minimum Wage and Overtime Premium Pay Standards Applicable to Nonsupervisory, Non-Farm, Private-Sector Employment Under State and Federal Laws*, Jan. 1, 2002, <http://www.dol.gov/esa/minwage/america.htm>; Public Act No. 02-33, <http://prdbasis.cga.state.ct.us/2002/act/Pa/2002PA-00033-R00HB-05057-PA.htm>

## **‘State Flexibility’: A Backdoor Attempt to Eliminate Federal Minimum Wage Protections**

President Bush and some minimum wage opponents are promoting a “state flexibility” proposal, which would allow states with minimum wage rates of at least \$5.15 an hour to opt out of any future federal minimum wage increases. Supporters of this proposal contend it will better enable states to respond to state and local economic conditions. The truth, however, is that this proposal is nothing more than a thinly veiled attempt to give states a minimum wage veto. In the short run, this veto power would rob millions of low-wage workers of a much-needed wage increase; over time, it essentially would repeal the federal minimum wage.

- **The federal minimum wage is our nation’s wage floor, below which workers’ wages cannot fall.** The American people believe that a fair day’s work deserves a fair day’s pay. That’s why the Fair Labor Standards Act (FLSA) was enacted in 1938 and has been amended and expanded over the years. And that’s why overwhelming majorities of Americans support minimum wage hikes. For more than 60 years, the FLSA’s minimum wage requirement has served as the nation’s wage floor, below which workers’ wages **cannot** fall. Absent such a floor, workers would have no recourse against employers who otherwise could pay them as little as possible. Allowing states to opt out of future minimum wage increases would eliminate this national wage floor, converting it into nothing more than a “wage suggestion.”
- **The national wage floor established by the federal minimum wage helps level the playing field among the states.** One of the reasons Congress first enacted a national minimum wage standard was to prevent or mitigate the interference with interstate commerce that arises when states have differing minimum wage rates. Congress wanted to preclude the use of a poverty wage as a competitive tool among states. That purpose is equally—or perhaps even more—compelling today, when states are engaged in high-stakes competition to attract businesses. Encouraging states to compete by opting out of minimum wage hikes would accelerate a race to the bottom that ultimately would be bad for the state, its workers and the nation as a whole.
- **States already have the right to go above and beyond what the federal minimum wage requires by establishing even higher minimum wage rates.** Minimum wage opponents argue that their plan will give states the ability to deal with the economic conditions unique to each state. Yet, states already have the ability to establish minimum wage rates that are higher than the federal rate. The federal minimum wage is the floor and states have the ability to raise the floor. Minimum wage opponents are looking for a backdoor way to give states the power to veto a minimum wage increase.
- **No proponent of “state flexibility” has supported efforts to increase minimum wages at the state or local level.** In fact, they consistently oppose them. “State flexibility” is not really about “flexibility” at all—it is simply a dressed-up, backdoor way to end the federal minimum wage. Eliminating this fundamental federal right would break a solemn covenant with America’s workers and accelerate the unraveling of the nation’s frayed worker protection safety net.



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