GUIDANCE ON MINIMUM WAGE

Question : Kennedy minimum wage proposal – will it get passed into law?

Answer:

- The Kennedy minimum wage proposal is consistent with what the President proposed in the 1999 SOTU. Proposal would increase the minimum wage by $1 to $6.15 over two years, building on past increases. NOTE: In 1992, President Clinton promised to increase the minimum wage to help more families working hard but falling behind. In 1996, President Clinton signed into law a minimum wage hike, raising it from $4.25 to $5.15.

- President Clinton's proposal to increase the minimum wage by $1 in two equal steps -- combined with the previous 90-cent increase -- simply restores the real value of the minimum wage to what it was when President Reagan took office in 1981. (During President Reagan's eight years in office, the real value of the minimum wage *fell* more than 25 percent. This increase -- in percentage terms -- is in line with previous ones that helped low-wage workers without adversely affecting the economy: both this proposal and the last one increase the minimum wage by about 20 percent.)

- The minimum wage is not enough to make ends meet for many families. Working 40 hours a week, 50 weeks a year, a minimum wage worker still earns just $10,300 a year – below the poverty level for a family of four. For these workers and their families, a one-dollar increase would make a real difference. It would mean another $2,000 a year.

- Hopeful that it will be passed into law this year.

Question: Doesn't increasing the minimum wage hurt businesses and employment opportunities for entry level jobs for teenagers, African Americans, welfare recipients?

Answer: More than two dozen empirical studies have found that moderate increases in the minimum wage do not have significant effects on employment. These studies include state-specific research in California, Texas, and New Jersey that show that state minimum wage increases did not result in any job loss.

- Since the last increase signed into law by President Clinton became effective (September 1996), well over 8 million new jobs have been added. More than one million (1.12 million) new retail jobs have been added.
- Unemployment has also declined significantly over the same period. The August 1999 unemployment rate of 4.2 percent is at its lowest rate in nearly 30 years.
- African-Americans are experiencing a near historic low unemployment rate at 7.8– down from 10.6 percent in September 1996. Unemployment for Hispanics has dropped from 8.3 percent to 6.5 percent. For high school dropouts, unemployment dropped from 8.2 percent to 6.4 percent. Teenage unemployment declined from 15.7 percent to 13.5 percent. African-American teen unemployment went from 33 percent to 28.6 percent.

- Employment has increased dramatically as well. Employment among African-American women has risen from 57.2 percent to 64.7 percent. And employment for welfare recipients and single mothers with children is continuing to climb, at least partly because of policies that "make work pay" such as a higher minimum wage. According to CEA, the minimum wage increases during this Administration accounted for 10 –16 percent of the 2.7 million reduction in welfare recipients between 1996 - 1998.

Question: Who will be helped by the minimum wage proposal?

Answer: For more than 11 million American workers, increasing the minimum wage from $5.15 an hour to $6.15 an hour will help pay the rent, buy the groceries and keep the kids in clothes.

- The minimum wage is not enough to make ends meet for many families. Working 40 hours a week, 50 weeks a year, a minimum wage worker still earns just $10,300 a year. For these workers and their families, a one-dollar increase would make a real difference. It would mean another $2,000 a year.
- When we last raised the minimum wage and expanded the earned income tax credit, we took important steps to reward work and help millions of American raise their families with dignity and move off of welfare. Because of our actions, a full-time working parent with two children does not have to live in poverty. But more must be done to ensure that *all* working families are lifted out of poverty.

Question: Aren't most of those who will benefit from the minimum wage increase teenagers in middle income families?

Answer: Seventy percent of those who would benefit are adults, age 20 and over. Three-fifths are women, many of whom are the sole breadwinners in their families.

Question: Is raising the minimum wage the only way to help lift people out of poverty?

Answer: Raising the minimum wage is one part of a strategy that also includes the Earned Income Tax Credit. In 1993, President Clinton expanded the Earned Income Tax Credit (EITC), helping to lift hundreds of thousands of working families out of poverty. Today, with the previous minimum wage increase and the expanded EITC, parents who work full-time do not have to bring up their children in poverty. This increase will help ensure that -- as costs continue to increase -- parents who work hard and play by the rules can bring up their children out of poverty.

Question: When will Senator Kennedy offer his amendment?

Senator Kennedy intends to offer the minimum wage amendment to the Bankruptcy bill to be considered on the Senate floor next week. This will be the 5th time since September of 1998, that Senator Kennedy has offered an amendment to increase the minimum wage. Most recently, on July 30, 1999, 46 Senators supported Senator Kennedy's effort to amend the tax bill to include a minimum wage increase. Support continues to grow for this effort to provide American workers with a fair day's pay for a fair day's work.

Fle: Minimum Wage

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THE MINIMUM WAGE INCREASE:

A Working Woman's Issue

by Jared Bernstein, Heidi Hartmann, and John Schmitt

As Congress considers raising the federal minimum wage from its current level of $5.15 per hour to $6.15, it is important to understand who will benefit from this increase. An analysis of low-wage workers shows that the main beneficiaries of this one-dollar increase would be working women, almost one million of whom are single mothers. In fact, of the 11.8 million workers who would receive a pay increase as the result of this higher minimum wage, 58% would be women, simply because, as a group, they earn lower wages than men. As a result, a minimum wage increase would help to reduce the overall pay gap between women and men.

Since the minimum wage is not indexed to inflation, when Congress fails to raise the minimum wage, these workers' purchasing power declines, as was the case over the 1980s. Even with the two increases thus far in the 1990s, the minimum wage remains 19% below its inflation-adjusted 1979 level. This decline in the minimum wage helps to explain the growth of wage inequality and the diminished earnings of low-wage female workers over the last two decades.

In 1979, a woman working at the minimum wage earned 70% of the hourly wage of the median female worker (the woman right in the middle of the female wage scale). By 1998, that ratio had fallen to 52%. Similarly, in 1979 a single mother working full time at the minimum wage earned enough to lift a family of three (herself and two children) above the poverty line. By 1998, however, the same family would be 18% below the poverty line.[1]

Table 1 shows the number and the share of working women in 1998 – nationally and in each state – that would benefit from the proposed increase. About 7 million women nationally – 12.6% of all working women – earn between $5.15 and $6.14, the wage range that would be directly affected by an increase in the federal minimum wage.[2] In lower-wage states, the share of women that would benefit from the proposed increase is typically higher than the national average. For example, one-fifth or more of working women would receive a raise

TABLE 1
Female workers, by state, who would benefit from proposed minimum wage increase, 1998
(in thousands)

State	Share of Female Workers*	Number
NORTHEAST	**10.5%**	**1,139**
Maine	14.1	36
New Hampshire	8.6	23
Vermont	10.1	14
Massachusetts	8.6	119
Rhode Island	12.2	26
Connecticut	7.3	53
New York	10.4	372
New Jersey	8.9	157
Pennsylvania	13.6	338
MIDWEST	**12.2%**	**1,654**
Ohio	14.7	345
Indiana	10.2	127
Illinois	11.6	297
Michigan	11.5	235
Wisconsin	9.8	121
Minnesota	8.7	94
Iowa	14.2	93
Missouri	12.7	152
North Dakota	19.0	28
South Dakota	18.8	30
Nebraska	14.8	55
Kansas	14.0	77
SOUTH	**15.3%**	**2,974**
Delaware	10.4	17
Maryland	8.9	101
D.C.	NA	NA
Virginia	11.0	157
West Virginia	22.5	70
North Carolina	12.0	190
South Carolina	17.8	154
Georgia	13.3	224
Florida	14.1	414
Kentucky	16.5	130
Tennessee	13.5	156
Alabama	19.1	170
Mississippi	21.1	110
Arkansas	21.9	106
Louisiana	20.2	170
Oklahoma	20.0	128
Texas	17.0	669
WEST	**10.4%**	**1,210**
Montana	20.8	35
Idaho	15.9	38
Wyoming	18.3	17
Colorado	8.6	77
New Mexico	16.1	50
Arizona	15.4	134
Utah	14.1	60
Nevada	8.7	31
Washington	9.4	109
Oregon	7.7	51
California	9.4	572
Alaska	NA	NA
Hawaii	12.2	31
U.S.	**12.6%**	**6,977**

* As share of female workforce.
Source: EPI analysis of 1998 CPS data.

after a one-dollar increase in the federal minimum in the following states: West Virginia (22.5%), Arkansas (21.9%), Mississippi (21.1%), Montana (20.8%), Louisiana (20.2%), and Oklahoma (20.0%). The states with the largest numbers of working women who would benefit from the increase are: Texas (669,000), California (572,000), Florida (414,000), New York (372,000), Ohio (345,000), and Pennsylvania (338,000).

Table 2 helps provide a clearer picture of the low-wage women who would benefit from the proposed increase (see column 1). The vast majority (75.3%) of these women are adults (age 20 or older). Although most low-wage women workers are white (65.4%), African American and Hispanic women are overrepresented in low-

TABLE 2
Characteristics of female workers by wage range, 1998

Characteristic	Affected directly by increase ($5.15-$6.14)	Other low-wage workers ($6.15-$7.14)	$7.15 and above	All
Average wage	$5.64	$6.70	$14.65	$12.18
Employment	6,976,792	5,668,877	40,076,797	55,497,227
Share of total	12.6%	10.2%	72.2%	100.0%
Demographics				
Teens (16-19)	24.7%	11.0%	1.4%	6.2%
20+	75.3%	89.0%	98.6%	93.8%
White	65.4%	67.5%	76.6%	73.6%
Black	16.2%	16.2%	12.0%	13.1%
Hispanic	14.4%	12.2%	7.1%	9.0%
Work Hours				
Full time (35+)	44.9%	63.8%	82.2%	74.0%
Part time				
20-34 hours	35.0%	25.6%	13.1%	18.1%
1-19 hours	20.0%	10.5%	4.7%	7.9%
Industry				
Manufacturing	8.4%	10.3%	12.3%	11.4%
Retail trade	44.0%	31.2%	11.4%	18.6%
Occupation				
Sales	28.3%	20.2%	8.7%	12.7%
Cashiers	16.4%	8.5%	1.3%	4.2%
Services	32.5%	25.9%	9.3%	15.0%
Food preparation	16.1%	9.9%	3.1%	6.1%
Union Membership				
Union	3.9%	6.5%	16.2%	13.1%
Nonunion	96.1%	93.5%	83.8%	86.9%

Note: "Affected directly by the increase" indicates those workers who earn between the minimum wage in their state and the proposed new level ($6.15).

Source: EPI analysis of1998 CPS data.

wage jobs. African American women are 13.1% of all women workers (see the last column of Table 2), but 16.2% of those in the range affected by the minimum wage increase; Hispanic women are 9.0% of all women workers, but 14.4% of low-wage women. Close to half (44.9%) of the female workers in the affected range work full time (35 or more hours a week), and another 35.0% work between 20 and 34 hours per week.

The next few rows of Table 2 show the industries and occupations where low-wage women tend to find work. An analysis by industry shows that most low-wage females are concentrated in retail trade, which employs 44.0% of those in the affected range. In contrast, a much smaller share of low-wage women work in the higherpaying manufacturing sector (8.4%). An analysis by occupation reveals that 28.3% of low-wage women are sales workers, with 16.4% working as cashiers. One-third of these women (32.5%) work in service occupations such as food preparation (16.1%). Finally, just under 4% of low-wage women are covered by collective bargaining through a union, in contrast to 16.2% of women earning $7.15 or more per hour.

Table 3 examines the parental status of those workers aged 18-64 who are in the affected wage range. Parents with children under 18 years old represent 33% of the beneficiaries of the proposed increase. Almost one million (967,000) single mothers would receive a pay increase as a result of a one-dollar rise in the minimum wage. More than two million married men and women with children would benefit from the proposed increase (and within these married couple families, women are disproportionately the direct beneficiaries).

All of the evidence suggests that the minimum wage increase is well targeted, providing significant benefits to poor and middle-income households. **Table 4** shows that about 18% of the benefits of a one-dollar increase would go to households with incomes below $10,000 per year; another 32% of the benefits would go to households with annual incomes between $10,000 and $25,000. In total, households making less than $25,000 a year would receive half of the benefits of a one-dollar increase. Among the affected single mothers shown in Table 3, 85% have house-

TABLE 3
Parental status of affected workforce, age 18-64, 1998 (in thousands)

	Number	Percent
Working parents with children		
Married couple	2,142	22.1%
Married female	1,457	15.0
Married male	685	7.1
Single parents	1,056	10.9%
Single female	967	10.0
Single male	89	0.9
Workers without children under 18*		
All	6,507	67.1%
Female	3,486	35.9
Male	3,021	31.1

* Includes single individuals and childless couples.

Source: EPI analysis of 1998 CPS data.

TABLE 4
Share of gains from proposed increase by household income level, 1998

Less than $10,000	18.1%
$10,000 - 25,000	32.0
$25,000 - 35,000	14.9
$35,000 - 50,000	13.6
$50,000+	21.4

Source: 1998 CPS data. Sample excludes nonworkers. For those in the affected range, gains are calculated as the difference between current earnings and the new level (by state). This value is multiplied by weekly hours and summed across each income group.

hold incomes below $25,000, underscoring the importance of the policy for these low-wage and low-income families.

Conclusion

Those who oppose raising the minimum wage typically argue that the increase will force employers to fire, or hire fewer of those workers affected by the increase. The evidence, however, fails to support this claim.[3] Since the last increase, in late 1996 and 1997, employment rates of low-wage workers, and particularly single mothers, have increased dramatically, as the strong economy has bolstered demand in the low-wage labor market. In this regard, one of the main policy lessons from the current recovery is that the macroeconomy is the key determinant of employment opportunity for low-wage workers, most of whom are women. But, as the above evidence shows, the wage that these women receive is very much a function of where the minimum wage is set by Congress. Disregarding this reality can only serve to swell the ranks of the working poor. Raising the minimum wage will help to raise the incomes of many low-income families, especially those headed by single mothers.

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Endnotes

1. If we deduct the costs incurred in working full time for a single mother (e.g., child care and transportation), the family's disposable income would fall further below the poverty line. By the same token, if we add the cash value of food stamps and the earned income tax credit, the gross income of the 1998 family would be above the poverty line. But if both work costs and government assistance are considered, family income still falls below the poverty line.

2. More precisely, affected workers in this report are those who earn between the maximum of either their state's minimum or $5.15, at the lower end, and the proposed new minimum wage, at the upper end. About 4.8 million men, or 7.9% of all working men, are in this range.

3. For a detailed analysis of the employment impact of the 1996-97 increase, see *Making Work Pay*, Bernstein and Schmitt, Economic Policy Institute (1998).