



FEW REWARDS

AN AGENDA TO GIVE AMERICA'S WORKING POOR A RAISE

Economic
Policy
Institute



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This report is linked to an interactive map project on the Oxfam America website: www.oxfamamerica.org/lowwagemap.

WHAT CONSTITUTES A “LOW” WAGE?

The current federal minimum wage is \$7.25 an hour, which works out to \$15,080 a year for a full-time worker. That’s more than \$5,000 below the poverty line for a family of three—clearly a “low” wage.¹

In this report, we are looking at workers who earn wages under a series of thresholds, from \$10 to \$15 an hour. Even at \$15, a worker with a family is only slightly above the poverty line (\$24,300 for a family of four). We also consider these “low” wages.

This analysis also includes workers earning UNDER the federal minimum wage. For example, roughly two million farmworkers are excluded from key labor protections and may be paid under the minimum wage.²

Finally, the report includes an analysis of the “overtime threshold,” which applies to salaried workers. Until recently, anyone making more than \$23,600 a year would not be guaranteed overtime pay. On May 18, 2016, the White House finalized a rule to raise the threshold to \$47,476 a year. We refer to these workers as “modest income.”

INTRODUCTION

Over the past 40 years, the reality of low-wage work in America has shifted dramatically. Today, more people than ever are working in jobs that pay too little and offer too few benefits. In fact, our research reveals that nearly half the workforce is stuck in jobs that pay under \$15 an hour.

Millions of workers are struggling simply to survive. Once, they knew that hard work could pay off: they could support a family, save for retirement, educate their children, or even own a home. That is no longer true.

People doing low-wage jobs do vital work that keeps the economy humming: they care for the young and elderly, prepare food, clean offices, and help customers. These jobs are essential, but the economy has stopped rewarding the workers who do them appropriately. Wages are stagnating and demands on workers are increasing.

And this trend is only growing worse, as the jobs of the future are concentrated in sectors with low wages and threadbare benefits.³

This situation is not right—nor is it inevitable. It is the consequence of our policy choices over many years.

In this report, we propose a new agenda—one that will ensure hard work is rewarded and that the economy functions for everyone. The agenda for giving America's working poor a raise includes four essential policy shifts, as noted below.

As states and cities across the country have begun to take action, Congress has worked to block efforts to implement national solutions. It is crucial that our next president and Congress take real steps, together, to restore equity and opportunity in the economy.

INCREASING INEQUALITY

During the past 40 years, the very rich have seen an astronomical increase in income, while people with low and modest incomes have seen wages stagnate.⁴ As this divide has grown, the wealthiest people and companies have gained disproportionate power in our economy and our political system; the rest of us have seen our access to power and influence dwindle.

This disparity is the consequence of our political choices. In order to address growing inequality, we need to advance the right policy solutions.

Oxfam America and the Economic Policy Institute (EPI) are working together to illustrate the reality of life for millions of US workers through a series of interactive maps. The user can see

numbers and percentages of workers making under \$10, \$11, \$12, \$13, \$14, or \$15 an hour in each state, along with snapshots of the differences by gender, race, and more.⁵

The maps clearly illustrate one thing: millions of workers need to see changes. This is not about teenagers making pocket change; this is about nearly half of the US workforce struggling in low-wage, no-benefit jobs where the rules are rigged against them.

The state of working America is hurting: 41.7 million workers earn under \$12 an hour and 58.3 million workers earn under \$15 an hour—wages that are too low for families to thrive.⁶ Nearly half of all private sector workers lack a single paid sick day. Until recently, too few workers were protected by overtime pay rules; recently expanded protections are currently under attack. The Earned Income Tax Credit fails to reach many of our lowest-paid workers, including young adults and workers without children.

Action to right these wrongs would make our economy and our society stronger, healthier, more equitable—and, perhaps most importantly, it would restore hope for the future.

AN AGENDA TO GIVE AMERICA'S WORKING POOR A RAISE

- **Raise the federal minimum wage.**
- **Provide access to earned sick leave.**
- **Protect overtime pay for millions of workers.**
- **Expand the Earned Income Tax Credit (EITC).**



Ambre Davidson works the register in Portland, Maine. Davidson, who holds two low-wage jobs, said she was recently notified of a rent increase for her apartment. She noted that an increase in the minimum wage would make it easier for her and her family to survive. While Maine ranks 26th in the list of states in percentage of workers who earn under \$12 an hour, nearly half of all women workers in the state earn under \$15 an hour. *Whitney Hayward / Portland Herald Press via Getty Images*

OUR MINIMUM WAGE: WAY BEHIND THE TIMES

As the federal minimum wage has remained stuck at \$7.25 over the past seven years, millions of workers have seen their wages decline in real value. The federal *tipped* minimum wage, which applies to workers who rely predominantly on tips for their income, has not risen from \$2.13 an hour since 1991.

Despite the successful efforts of several states and cities to raise the minimum wage for workers in their jurisdictions (including California and New York going gradually to \$15), our poverty-level minimum wage of \$7.25 remains the wage floor in 21 states.⁷ In most states, the minimum wage is perilously (and historically) low by every relevant benchmark.⁸

The US has a history of regularly raising the federal minimum wage to keep up with increases in the cost of living. Since the minimum wage was established in 1938, we have raised it 22 times with bipartisan support.⁹ Today the value of the wage is about 25 percent lower than its peak in 1968 (adjusted for inflation), despite continued increases in worker productivity.¹⁰

In the current Congress (114th) several proposals have been introduced that would raise the wage; these include the Raise the Wage Act to reach \$12 by 2020, and Pay Workers a Living Wage Act to reach \$15 by 2020.¹¹ Both proposals would gradually raise and phase out the tipped wage. Neither proposal has been voted on in Congress.

// I have a 4-year-old, and a couple dollars extra an hour would be a huge thing for me, especially with child care. //

Ambre Davidson, working mom in Portland, Maine on proposal to raise the minimum wage

HARD WORK WITH FEW REWARDS

Most of the largest occupations in America pay well under \$15 an hour.¹² In fact, the US has the highest proportion of low-wage jobs of any rich country in the world.¹³

The numbers are stunning: more than four in 10 (43.7percent) workers in the US earn under \$15 an hour (58.3 million workers).¹⁴ Nearly 41.7 million people earn under \$12 an hour, which translates to less than \$25,000 a year, just above the federal poverty line for a family of four.¹⁵

In addition, many of these low-wage jobs offer few or no benefits (paid sick leave, vacation days, child care, pension plans), which makes it nearly impossible for workers to balance work with family and to plan for the future.

The lack of these benefits may put major obstacles in the way of workers thriving.

In addition, workers with acute family needs may be unable to find or take jobs that would pay better, or offer more hours. Some parents opt out of the workforce altogether when the cost of child care exceeds the money they earn while working.

A WIDENING GAP

- In 2014 the CEO-to-average-worker pay ratio was 303 to 1; in 1965 it was just 20 to 1.
- From 1978 to 2014, inflation-adjusted CEO compensation increased 997 percent while the value of the minimum wage actually fell by 18 percent.¹⁶

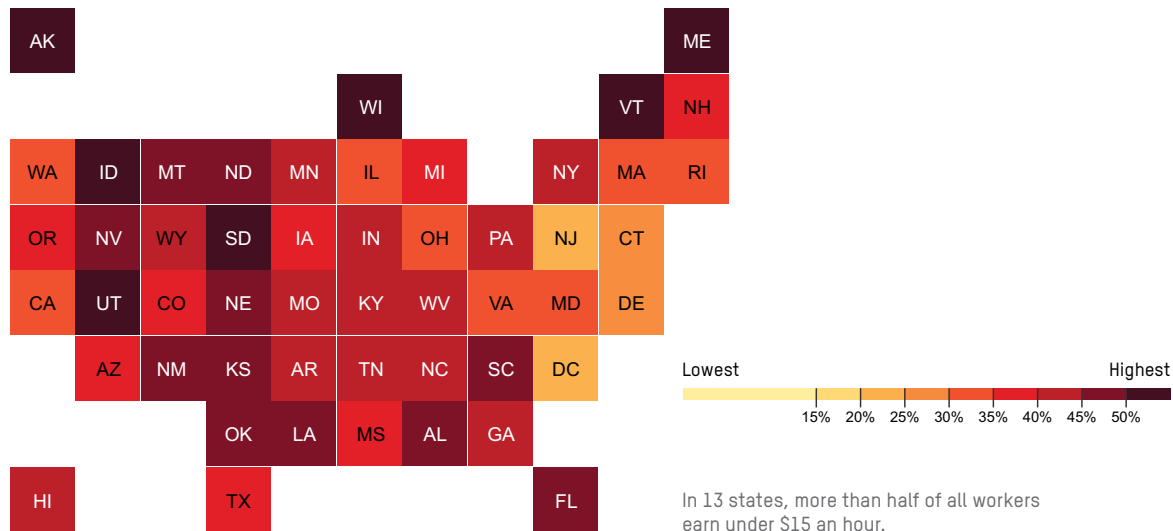
TOP 10 OCCUPATIONS IN THE US, MAY 2015

OCCUPATION	TOTAL WORKERS	HOURLY MEDIAN WAGE	ANNUAL MEDIAN WAGE
Retail salespersons	4,612,510	\$10.47	\$21,780
Cashiers	3,478,420	\$9.82	\$19,310
Combined food preparation and serving workers, including fast food	3,216,460	\$9.09	\$18,910
Office clerks, general	2,944,420	\$14.22	\$29,580
Registered nurses	2,745,910	\$32.45	\$67,490
Customer service representatives	2,595,990	\$15.25	\$31,720
Waiters and waitresses	2,505,630	\$9.25	\$19,250
Laborers and freight, stock, and material movers, hand	2,487,680	\$12.02	\$25,010
Secretaries and administrative assistants, except legal, medical, and executive	2,281,120	\$16.31	\$33,910
Janitors and cleaners, except maids and housekeeping cleaners	2,146,880	\$11.27	\$23,440

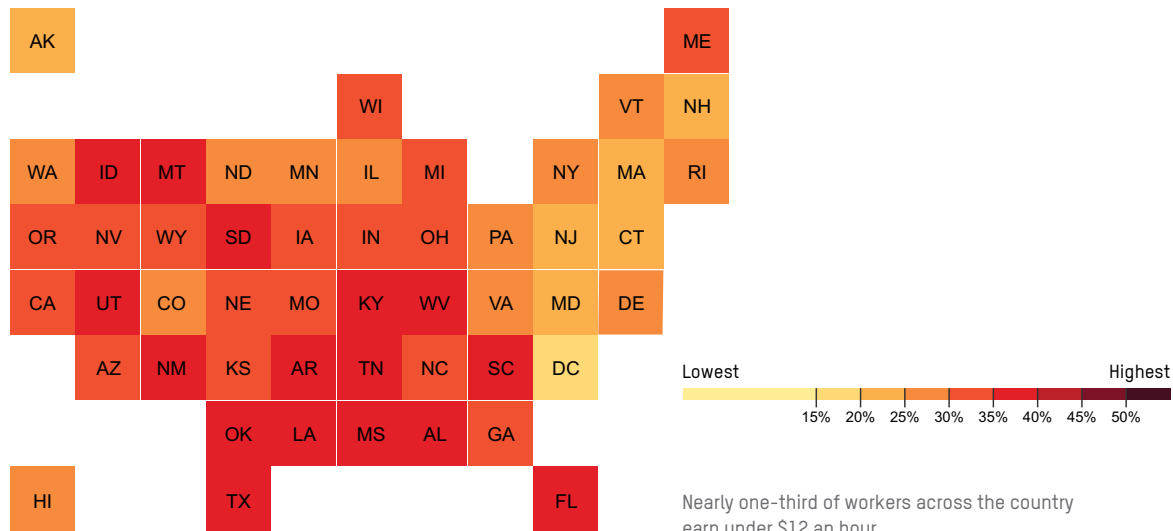
SOURCE: Bureau of Labor Statistics, May 2015 Occupational Employment Statistics.

WHERE LOW-WAGE WORKERS CALL HOME

CONCENTRATIONS OF WORKERS EARNING UNDER \$15 AN HOUR



CONCENTRATIONS OF WORKERS EARNING UNDER \$12 AN HOUR



SOURCE: EPI/Oxfam analysis of US Census, American Community Survey, 2014 Data, <https://www.census.gov/programs-surveys/acs/news/data-releases/2014/release.html>.

NOTE: For an interactive version of these maps, please go to www.oxfamamerica.org/lowwagemap.



Child-care workers at Learning World Child Development Center in Riverdale, Md. Over 1.25 million workers care for people (young, elderly, disabled) at home or in facilities. The median hourly wage for childcare workers is \$9.77 (\$20,320 per year). (See Bureau of Labor Statistics, "Childcare Workers," 2015.)
Ricky Carioti / Washington Post via Getty Images

EVERY STATE HAS HUNDREDS OF THOUSANDS OF LOW-WAGE WORKERS

Low-wage workers live in all corners of the country, and do all kinds of work. Nationally, 43.7 percent of workers earn under \$15 an hour.

However, in several states, they make up the *majority* of the workforce. The South has a disproportionate share of these workers. In most Southern states, over half the workforce earns under \$15 an hour; in Arkansas and Mississippi, they account for over 53 percent. The other state with more than 53 percent of low-wage workers is Idaho.

The map of workers earning under \$12 an hour shows very similar dynamics. Nearly one in every three workers nationwide earns under \$12 an hour, for a total of 41.7 million workers.

MANY LOW-WAGE WORKERS, IN OR NEAR POVERTY, DEPEND ON PUBLIC ASSISTANCE

A boost in the federal minimum wage is not just helpful for workers—it's also good for taxpayers. When workers earn poverty wages, they are compelled to turn to assistance programs, private and public. EPI previously found that raising the federal minimum wage to \$12 could reduce federal spending by \$17 billion.¹⁷

To keep a family of four out of poverty, a full-time worker needs to earn nearly \$12 an hour (40 hours a week, 52 weeks a year—no breaks). Many low-wage workers live either at or near the federal poverty line. For example, roughly half (47.1 percent) of workers making under \$12 an hour report a family income that places them below or near the federal poverty level.¹⁸ For workers earning under \$15 an hour, two in five workers (40.0 percent) are either living in or near poverty.

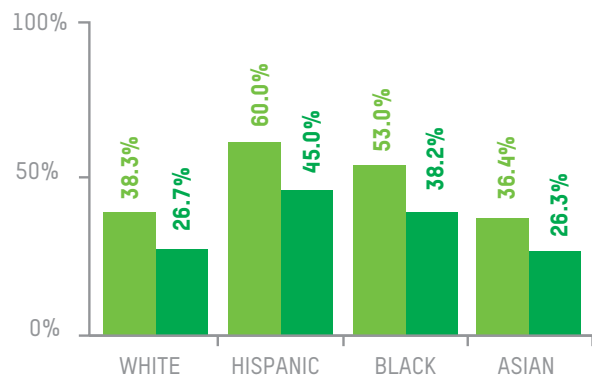
Many low-wage workers and their families depend on federal and state public assistance programs to make ends meet. For instance, among workers earning under \$15 an hour, over 10 million depend on SNAP (food stamps) to put food on the table.¹⁹

WOMEN AND PEOPLE OF COLOR DO MORE THAN THEIR FAIR SHARE

PEOPLE OF COLOR ARE DISPROPORTIONATELY CONCENTRATED IN LOW-WAGE JOBS

While the majority of low-wage workers are white, black and Hispanic workers are far more likely to be in low-wage jobs. More than half (53 percent) of black workers and 60 percent of Hispanic workers earn under \$15 an hour. For black and Hispanic women, the numbers are even more dramatic.

LOW-WAGE WORK ACROSS RACE AND ETHNICITY



■ Share of workers earning under \$15/hour

■ Share of workers earning under \$12/hour

SOURCE: EPI/Oxfam analysis of US Census, American Community Survey, 2014 Data, <https://www.census.gov/programs-surveys/acs/news/data-releases/2014/release.html>.

MOST LOW-WAGE WORKERS ARE WOMEN

In the US, women are more likely to find themselves in jobs that do not pay well and offer few benefits. Many low-wage occupations—from restaurant servers to child care workers—are dominated by women. Despite women representing less than half of the workforce (49 percent), they are well over half (nearly 55 percent) of those workers earning under \$12 an hour. In every state, women make up the majority of workers earning under \$12; the highest percentage is in Louisiana (59.4 percent), and the lowest is in California (50.9 percent).

In all states, women are more likely than men to be doing low-wage work. Overall, more than a third (35.2 percent) of all working women earn under \$12 an hour. In nearly three out of every five states (29 states) half of working women earn under \$15.²⁰

For all these reasons, it is no surprise that increasing the minimum wage would help reduce the wage gap between men and women; women working full time were paid only 79 cents for every dollar paid to their male counterparts in 2015.²¹ In fact, the wage gap is significantly less in states with minimum wages above \$7.25.²²

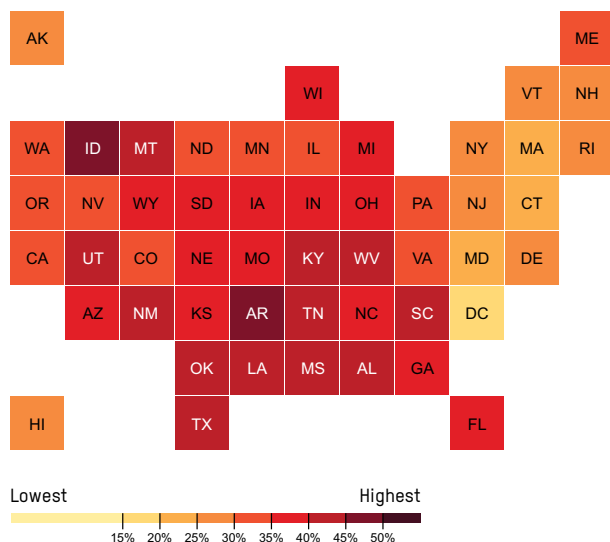
MILLIONS OF FAMILY MEMBERS AND CHILDREN NEED A RAISE, TOO

Low-wage work touches an enormous number of families. In total, over 125 million people, including over 31.5 million children, live in households with at least one worker earning under \$15 an hour.²³ That's more than two in every five (42.9 percent) of US children. When you consider the effects of low family income on children's health, economic opportunity, and educational success, raising wages becomes a critical challenge for our future.²⁴

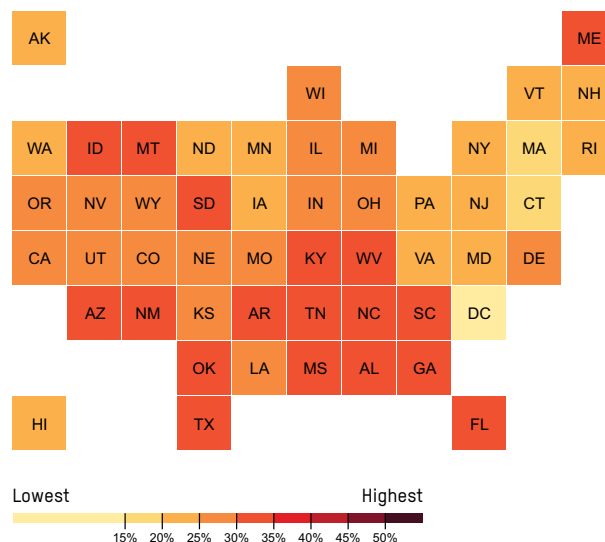
Of the nearly 41.7 million workers earning under \$12 an hour, roughly a third (13.0 million) are parents of dependent children. Roughly one-third of parents earning low wages are single parents, leading to particular hardships for their families.²⁵

WOMEN AND MEN IN LOW-WAGE JOBS

CONCENTRATIONS OF WOMEN EARNING UNDER \$12 AN HOUR



CONCENTRATIONS OF MEN EARNING UNDER \$12 AN HOUR



SOURCE: EPI/Oxfam analysis of US Census, American Community Survey, 2014 Data, <https://www.census.gov/programs-surveys/acs/news/data-releases/2014/release.html>.

NOTE: For an interactive version of these maps, please go to www.oxfamamerica.org/lowwagemap.

HIGHEST CONCENTRATIONS OF FEMALE LOW-WAGE WORKERS

RANK	STATE	SENATORS	EARNING UNDER \$12/HOUR	EARNING UNDER \$12/HOUR	EARNING UNDER \$15/HOUR	EARNING UNDER \$15/HOUR
1	Idaho	Senator Michael D. Crapo (R) Senator James E. Risch (R)	142,615	47.7%	187,235	62.6%
2	Arkansas	Senator John N. Boozman (R) Senator Tom Cotton (R)	254,307	46.0%	334,513	60.5%
3	Montana	Senator Jon Tester (D) Senator Steve Daines (R)	90,767	44.8%	120,594	59.6%
4	New Mexico	Senator Martin T. Heinrich (D) Senator Tom Udall (D)	171,265	44.7%	221,087	57.7%
5	Mississippi	Senator Thad Cochran (R) Senator Roger F. Wicker (R)	245,631	44.3%	329,654	59.4%
6	Louisiana	Senator David Vitter (R) Senator Bill Cassidy (R)	393,895	43.4%	526,147	57.9%
7	Alabama	Senator Richard C. Shelby (R) Senator Jeff Sessions (R)	394,011	43.3%	519,431	57.0%
8	West Virginia	Senator Joe Manchin (D) Senator Shelley Moore Capito (R)	143,420	43.2%	192,466	58.0%
9	Utah	Senator Orrin G. Hatch (R) Senator Michael Lee (R)	238,189	42.7%	322,727	57.8%
10	Oklahoma	Senator James M. Inhofe (R) Senator James Lankford (R)	315,864	42.1%	434,967	58.0%

HOW THE STATES RANK

CONCENTRATIONS OF LOW-WAGE WORKERS BY STATE

RANK	STATE	US SENATORS	EARNING UNDER \$12/HOUR	EARNING UNDER \$12/HOUR	EARNING UNDER \$15/HOUR	EARNING UNDER \$15/HOUR
1	Arkansas	Senator John N. Boozman (R) Senator Tom Cotton (R)	451,446	39.6%	617,406	54.1%
2	Idaho	Senator Michael D. Crapo (R) Senator James E. Risch (R)	251,013	39.6%	337,767	53.3%
3	New Mexico	Senator Tom Udall (D) Senator Martin T. Heinrich (D)	311,541	39.3%	414,289	52.3%
4	Mississippi	Senator Thad Cochran (R) Senator Roger F. Wicker (R)	426,823	38.8%	587,584	53.4%
5	Montana	Senator Jon Tester (D) Senator Steve Daines (R)	157,509	38.3%	211,799	51.5%
6	South Carolina	Senator Lindsey O. Graham (R) Senator Tim Scott (R)	734,341	37.7%	1,008,336	51.8%
7	Alabama	Senator Richard C. Shelby (R) Senator Jeff Sessions (R)	688,591	37.0%	948,134	50.9%
8	Tennessee	Senator Lamar Alexander (R) Senator Bob Corker (R)	961,323	36.7%	1,332,479	50.8%
9	West Virginia	Senator Joe Manchin (D) Senator Shelley Moore Capito (R)	257,453	36.6%	351,998	50.1%
10	Kentucky	Senator Mitch McConnell (R) Senator Rand Paul (R)	629,492	36.1%	871,808	50.0%
11	Oklahoma	Senator James M. Inhofe (R) Senator James Lankford (R)	563,265	36.0%	795,106	50.8%
12	Florida	Senator Bill Nelson (D) Senator Marco Rubio (R)	2,753,645	35.8%	3,853,759	50.1%
13	Louisiana	Senator David Vitter (R) Senator Bill Cassidy (R)	658,366	35.7%	896,431	48.7%
14	Utah	Senator Orrin G. Hatch (R) Senator Michael Lee (R)	439,930	35.4%	602,948	48.5%
15	Texas	Senator John Cornyn (R) Senator Ted Cruz (R)	3,938,598	35.1%	5,323,272	47.5%
16	South Dakota	Senator John Thune (R) Senator Mike Rounds (R)	137,172	35.0%	202,042	51.6%
17	North Carolina	Senator Richard Burr (R) Senator Thom Tillis (R)	1,394,368	34.7%	1,998,258	49.7%
18	Missouri	Senator Claire McCaskill (D) Senator Roy Blunt (R)	881,848	34.5%	1,241,100	48.5%
19	Georgia	Senator Johnny Isakson (R) Senator David Perdue (R)	1,374,595	34.2%	1,891,734	47.1%
20	Indiana	Senator Dan Coats (R) Senator Joseph Donnelly (D)	949,994	33.4%	1,338,152	47.0%
21	Arizona	Senator John McCain (R) Senator Jeff Flake (R)	856,734	33.3%	1,185,167	46.0%
22	Michigan	Senator Debbie Stabenow (D) Senator Gary Peters (D)	1,343,481	33.2%	1,853,909	45.8%
23	Nebraska	Senator Deb Fischer (R) Senator Ben Sasse (R)	294,945	33.2%	422,155	47.5%
24	Kansas	Senator Pat Roberts (R) Senator Jerry Moran (R)	413,360	32.9%	584,117	46.5%
25	Ohio	Senator Sherrod Brown (D) Senator Rob Portman (R)	1,612,661	32.2%	2,264,247	45.2%

CONCENTRATIONS OF LOW-WAGE WORKERS BY STATE (cont.)

RANK	STATE	US SENATORS	EARNING UNDER \$12/HOUR	EARNING UNDER \$12/HOUR	EARNING UNDER \$15/HOUR	EARNING UNDER \$15/HOUR
26	Maine	Senator Susan M. Collins (R) Senator Angus King (I)	181,410	31.9%	261,476	46.0%
27	Oregon	Senator Ron Wyden (D) Senator Jeff Merkley (D)	505,366	31.5%	713,894	44.5%
28	Wyoming	Senator Michael B. Enzi (R) Senator John A. Barasso (R)	83,413	31.2%	116,732	43.7%
29	Iowa	Senator Charles E. Grassley (R) Senator Joni Ernst (R)	434,430	30.9%	630,214	44.8%
30	California	Senator Barbara Boxer (D) Senator Dianne Feinstein (D)	4,738,362	30.6%	6,444,046	41.6%
31	Wisconsin	Senator Tammy Baldwin (D) Senator Ron Johnson (R)	812,934	30.5%	1,165,040	43.8%
32	Nevada	Senator Harry Reid (D) Senator Dean Heller (D)	360,272	30.3%	535,671	45.1%
33	Illinois	Senator Richard J. Durbin (D) Senator Mark Steven Kirk (R)	1,624,748	29.0%	2,293,974	41.0%
34	Pennsylvania	Senator Robert P. Casey (D) Senator Pat Toomey (R)	1,588,086	28.7%	2,299,726	41.5%
35	North Dakota	Senator John Hoeven (R) Senator Heidi Heitkamp (D)	96,647	28.3%	147,659	43.2%
36	Colorado	Senator Michael Bennet (D) Senator Cory Gardner (R)	669,011	28.0%	948,670	39.8%
37	Delaware	Senator Thomas R. Carper (D) Senator Christopher Coons (D)	113,238	27.9%	161,909	39.8%
38	Virginia	Senator Mark Warner (D) Senator Tim Kaine (D)	1,003,259	27.2%	1,417,974	38.5%
39	Minnesota	Senator Amy Klobuchar (D) Senator Al Franken (D)	692,693	26.9%	999,370	38.8%
40	New York	Senator Charles E. Schumer (D) Senator Kristen Gillibrand (D)	2,255,081	26.8%	3,175,081	37.7%
41	Hawaii	Senator Brian Schatz (D) Senator Mazie Hirono (D)	153,860	25.9%	233,009	39.2%
42	Washington	Senator Patty Murray (D) Senator Maria Cantwell (D)	771,452	25.8%	1,112,676	37.2%
43	Vermont	Senator Patrick J. Leahy (D) Senator Bernard Sanders (I)	71,785	25.6%	116,765	41.7%
44	Rhode Island	Senator Jack Reed (D) Senator Sheldon Whitehouse (D)	121,101	25.5%	187,287	39.5%
45	New Hampshire	Senator Jeanne Shaheen (D) Senator Kelly Ayotte (D)	154,927	24.4%	225,305	35.5%
46	New Jersey	Senator Bob Menendez (D) Senator Cory Booker (D)	957,379	24.1%	1,354,468	34.1%
47	Alaska	Senator Lisa A. Murkowski (R) Senator Daniel Sullivan (R)	74,017	23.3%	105,279	33.2%
48	Maryland	Senator Barbara A. Mikulski (D) Senator Benjamin L. Cardin (D)	617,519	22.5%	907,755	33.1%
49	Connecticut	Senator Richard Blumenthal (D) Senator Christopher S. Murphy (D)	356,071	22.2%	524,403	32.7%
50	Massachusetts	Senator Elizabeth Warren (D) Senator Ed Markey (D)	687,894	22.0%	1,010,966	32.4%

MILLIONS OF WORKERS HAVE NO PAID SICK LEAVE

Over 51 million workers across the country lack a single day of paid sick leave; most are low-wage workers.²⁶ The US lags significantly behind other wealthy nations as the only one without any form of guaranteed paid sick leave.²⁷

Nearly half of all private sector employees (46 percent) do not receive paid sick leave from their employers. Nearly all public sector employees (86 percent) receive paid sick leave as part of their compensation.²⁸

Overall, 40 percent of workers lack access to paid leave.²⁹ Five states currently have laws requiring employers to provide paid sick leave. In the other states, the percentage of private sector workers without paid sick leave varies from a high of 49.7 percent in New Mexico to a low of 38.9 percent in New Hampshire.^{30, 31}

The lack of paid leave disproportionately impacts those workers who can least afford to miss out on wages. Four of five low-wage workers—80.6 percent—lack access to paid sick leave, compared with 21.4 percent of high-wage workers.³² For many low-wage workers, taking time off can result in job loss. A recent Oxfam survey found that one in seven low-wage women workers had lost a job as a consequence of taking a sick day to care for themselves or a family member.³³

Paid leave is essential to health and well-being. People need time to recover from illness and time to access preventive care for themselves and their families.³⁴

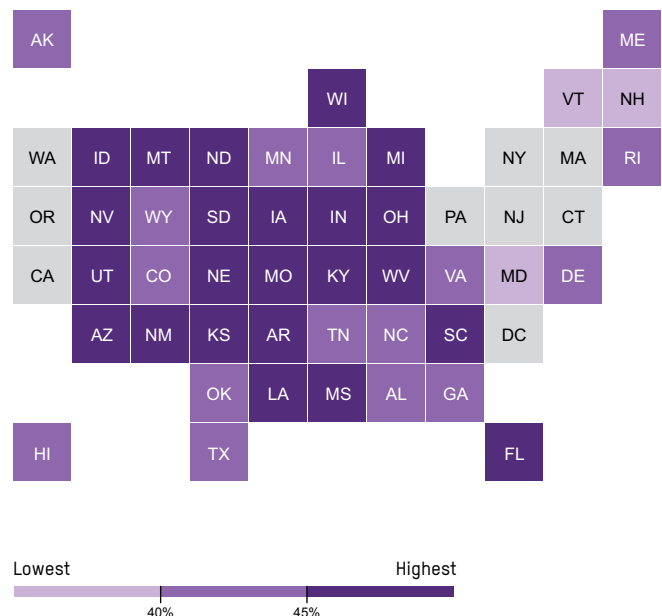
Paid leave also brings benefits to the economy. When people do go to work while they're sick, they expose co-workers and customers to illness; this problem costs \$160 billion in lost productivity annually.³⁵ When parents send sick children to school or child-care, they expose teachers and others to illness.

Some legislators are working to establish a national standard for access to paid leave. The Healthy Families Act would require businesses to enable workers to earn up to seven paid sick days a year.³⁶

// When my kids caught the swine flu, I missed a week of pay to stay home and take care of them, and I'm still paying off the credit card bills I racked up. //

Desiree Rosado, a school bus driver who lacked paid sick days

PRIVATE SECTOR WORKERS WITHOUT PAID SICK LEAVE



Nationwide, 46 percent of private sector workers lack a single day of paid sick leave.

SOURCE: Institute for Women's Policy Research and the National Partnership for Women & Families, "Workers' Access to Paid Sick Days in the States," May 2015.

NOTES: Percentages of private sector workers who do not have any paid sick leave. Statistics for states with statewide or major municipal laws requiring paid sick leave are indicated in gray (CA, CT, DC, MA, NJ, NY, OR, PA, and WA).



Gabriel Cruz attends a rally in New York City with his mother, a cook, to show support for a bill that would require paid sick leave. Nearly half of all private sector employees (46 percent) do not receive paid sick leave from their employers, leaving parents and workers struggling to cover when illness strikes. *Spencer Platt / Getty Images*

THE URGENCY TO PROTECT OVERTIME PAY FOR MILLIONS OF WORKERS

While some workers struggle to find full-time work, the average worker with a full-time job in the US actually works much more than 40 hours a week; a recent Gallup survey put the average hours per week at 47, with over 40 percent clocking in more than 50.³⁷

However, most of these workers do not get fairly compensated for these extra hours. Until recently, salaried workers making more than \$23,600 (the “overtime threshold”) were not guaranteed the time-and-a-half pay provided to most hourly and lower-paid salaried workers.

When the overtime threshold was set at \$23,600 in 1975, it covered more than 60 percent of salaried workers. As of 2015, it covered only about 8 percent of salaried workers.³⁸ Had the overtime threshold kept pace with its original level, workers earning up to \$69,000 would be covered.³⁹

On May 18, 2016, the Obama administration finalized an effort to revise these rules, updating the threshold for overtime pay to \$47,476; this move enables many low-income and middle-class

workers and families to enjoy proper compensation for hours worked.⁴⁰ The raise impacts 12.5 million workers. The workers who will see the most benefit include women, African Americans, Latinos, workers under age 35, and workers with lower levels of education.⁴¹ Still, some opponents in Congress are threatening to block President Obama from implementing these updated rules; it is imperative that the next president and Congress protect these gains.⁴²

WHAT IS OVERTIME PAY?

Workers covered by Fair Labor Standards Act (FLSA) overtime provisions must be paid at least “time and a half,” or 1.5 times their regular pay rate, for each hour of work per week beyond 40 hours.⁴³



Mayra Dittman (right) helps Juanita Gilbert walk to the restroom at an adult day health care center in Novato, Calif. Nearly two million personal care aides make a median wage of \$10.09 an hour (\$20,980 per year). The occupation is nearly 90 percent female, and is one of the fastest growing in the nation. Justin Sullivan / Getty Images

A TAX CREDIT TO LIFT WORKERS OUT OF POVERTY

The federal government established the Earned Income Tax Credit (EITC) to subsidize working families with low incomes. Workers receive a credit equal to a percentage of their earnings, up to a maximum. Both the rate and the maximum vary by family size.⁴⁴

The EITC is widely popular, and has long had champions among Democrats and Republicans in Washington; President Ronald Reagan called it “the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress.”⁴⁵ In 2013, the EITC lifted 6.2 million Americans out of poverty.⁴⁶

The amount of credit from the EITC to each taxpayer is determined by a formula that considers income and number of dependent children (it averages around \$2,400, but can reach as high as \$6,241).⁴⁷

One drawback to the program is that low-wage workers without children, or under age 25, receive few benefits. As a result, childless and young adult workers earning low wages face much higher

effective tax rates. In 2012, 1.2 million childless workers paid so much in federal taxes that their incomes dipped below the poverty line; another 5.8 million were pushed deeper into poverty through federal taxes.⁴⁸

Speaker of the House Paul Ryan, a Republican from Wisconsin, has proposed an expansion of the EITC that would lower the eligibility age to 21 and would raise the maximum credit to about \$1,000 for childless workers.⁴⁹ President Barack Obama announced support for a similar increase. Such an increase could have a positive impact on 13.5 million people.⁵⁰

Some legislators have proposed that an EITC increase could be used as an alternative to a minimum wage increase. However, these two policies are not interchangeable: one is about employers paying a fair wage, while the other is about the federal government using tax policy to prevent workers from falling into poverty. In fact, they are complementary policies.⁵¹

WHY THE TIME FOR THESE CHANGES IS NOW

After decades of decisions that have resulted in low-wage workers falling further behind, it's well past time for our elected officials to support solutions to make the economy work for everyone.

1. AMERICANS SUPPORT THESE CHANGES

The four changes cited are hugely popular with voters. In a recent poll, Oxfam found almost nine in 10 voters support federal action on increasing the minimum wage and requiring paid sick leave, including majorities of Republicans, Democrats, and independents.⁵² Other polls show four in five voters support increasing the overtime threshold.

2. HISTORICALLY, BOTH PARTIES SUPPORT THESE CHANGES

In the past, both Republican and Democratic leaders in the White House and Congress worked together to pass laws that benefited working families. The federal overtime threshold actually reached its highest point under Republican President Gerald Ford; Democratic President Obama has proposed an increase to help it get closer to its historic value.

Today, we have glimmers of hope for bipartisan cooperation. President Obama and Speaker of the House Paul Ryan recently called for extending the EITC to childless and younger workers. In the Senate in 2015, albeit in a nonbinding vote, 14 Republicans joined 47 Democrats to express support for extending paid leave to workers.

3. MANY BUSINESSES SUPPORT THESE CHANGES

Poll after poll has shown support for these recommendations in the business community: from executives, human resources professionals, and small business owners. Groups like Business for a Fair Minimum Wage, Small Business Majority, and the Main Street Alliance have stepped up to advocate for these issues.⁵³ A recent poll of chamber of commerce members (a group that has traditionally fought against some of these policies) showed an overwhelming number of C-suite executives of companies in

the local, state, and national chambers of commerce support a stronger minimum wage (80 percent) and support requiring paid sick leave (73 percent) among other policies.⁵⁴

4. THE ECONOMY NEEDS THESE CHANGES

Economists have long recognized that putting money into people's pockets boosts purchasing power and has positive ripple effects for the entire economy.⁵⁵ These four policy changes benefit exactly the kind of people who will pump money directly back into the economy.

5. THE CHANGES WILL REDUCE POVERTY AND INEQUALITY

These policies will bolster the incomes of our lowest-earning families. In recent years, as CEO pay and the income of the top 1 percent have skyrocketed, people in the bottom 30 percent have seen little to no increase in real wages.⁵⁶ These changes will create a more inclusive economy.

AN AGENDA TO GIVE AMERICA'S WORKING POOR A RAISE

- **Raise the federal minimum wage.**
- **Provide access to earned sick leave.**
- **Protect overtime pay for millions of workers.**
- **Expand the Earned Income Tax Credit (EITC).**



Waitress Sheila Abramson at Langer's Delicatessen in Los Angeles, Calif. is one of nearly five million "food and beverage serving" workers who earn a median wage of \$9.16 an hour (\$19,040 per year). Many servers earn the federal tipped wage, which has been stuck at \$2.13 an hour since 1991. Tipped workers face great uncertainty from shift to shift and experience high rates of poverty. (See Bureau of Labor Statistics, "Food and Beverage Serving and Related Workers," 2015.) Kevork Djansezian / Getty Images

CONCLUSION

The agenda to give America's working poor a raise outlined in this report would benefit millions of workers, their families, and the economy as a whole.

The four policy solutions—raising the federal minimum wage, providing paid sick leave, protecting overtime pay, and expanding the EITC—would increase buying power and reduce the daily struggle for people to pay their basic expenses. These policies would pump much-needed money into the economy, and they would enable working families to actually save for and invest in their future.

Despite the urgent need for change, however, these issues have become bogged down by partisan politics. Low-wage working families today are facing increasingly few rewards for their hard work.

Restoring economic well-being and hope for working families will require our next president and Congress to put the needs of hard-working constituents first and to fight for solutions on these critical issues.

METHODOLOGY

This report is linked to an interactive map project by Oxfam America and EPI, located at www.oxfamamerica.org/lowwagemap.

The report and the maps build upon the Working Poor in America project, a previous collaboration between Oxfam America and the Economic Policy Institute. In addition to the policy agenda here, EPI has put forward a separate Agenda to Raise America's Pay that includes many of the same recommendations. For more information, see <http://www.epi.org/pay-agenda/>.

The maps illustrate several data sets. First, an original analysis, conducted by EPI, identifies the number and percentage of workers, and their demographics, earning below a range of hourly wage thresholds in each of the 50 states and the District of Columbia (\$10, \$11, \$12, \$13, \$14, and \$15) using 2014 American Community Survey (ACS) microdata made available by the University of Minnesota.⁵⁷

Hourly wage values in the ACS are imputed based on each worker's reported annual income from wages, usual hours worked per week, and weeks worked per year.⁵⁸ Note that the number of workers earning under the specified wage value reported in these maps will be larger than the number of workers who would benefit from a minimum wage increase to the same value. This is because a significant number of workers earn *under* the minimum wage (roughly 12 million). These workers are

unlikely to be affected immediately by a change in the level of the minimum wage without additional changes in the coverage of the law and stronger protections against wage theft.

Next, these maps analyze the impact of the recent update of overtime regulations (conducted by EPI)⁵⁹ and the numbers and percentage of workers lacking access to paid sick leave (previously conducted by the Institute for Women's Policy Research and the National Partnership for Women & Families).⁶⁰

Lastly, the maps contain data on usage of the Earned Income Tax Credit (EITC) from the Internal Revenue Service,⁶¹ as well as data on the impact of proposed expansion of the EITC from the Executive Office of the President and US Treasury Department.⁶² The maps show the number and percentage of tax filers (formally known as "tax units") receiving the EITC, as well as those who would be eligible under the proposed EITC expansion in each state.

CREDITS

This project is the result of collaboration between the Economic Policy Institute and Oxfam America. David Cooper of EPI did the quantitative analysis described above. Jeffrey Buchanan of Oxfam America drafted the report. Michael Stanaland created the online interactive maps.

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COVER PHOTO: Jose Motolinia sweeps the trading floor of the New York Stock Exchange. Well over 2.3 million janitors and building cleaners make a median hourly wage of \$11.27 an hour (\$23,440 per year). Many work evening hours (when buildings are empty), and the work can be "physically demanding and sometimes dirty and unpleasant." (See Bureau of Labor Statistics, "Janitors and Building Cleaners," 2015.)
Don Emmert / AFP via Getty Images



1225 EYE STREET NW, SUITE 600
WASHINGTON, DC 20005
(202) 775-8810

epi@epi.org
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(202) 496-1180

info@oxfamamerica.org
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