



Improving Wages, Improving Lives:

Why raising the minimum wage is a civil and human rights issue

October 2014





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This report seeks to raise awareness among the civil rights and other communities about the need for stronger minimum wage policy to advance equity and fair pay for individuals and families struggling in low-paying jobs. We hope our members and partners throughout the country benefit from the report's narrative and associated resources to advance their respective work.

The author and publisher are solely responsible for the accuracy of statements and interpretations contained in this publication.

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### Introduction

An increased minimum wage was a core demand of the August 1963 March on Washington for Jobs and Freedom. More than a half-century later, the national minimum wage continues to fall short of providing workers their full dignity and a "decent standard of living," as called for at the march.<sup>1</sup> Last raised in 2009 to \$7.25 an hour,<sup>2</sup> the current national hourly minimum wage—and the subminimum wage for tipped workers—is low by historical standards<sup>3</sup> and inadequate for meeting the basic expenses faced by working families.<sup>4</sup>

Despite a series of legislative increases over the subsequent decades, the minimum wage afforded people a larger basket of goods and services at the time of the 1963 March on Washington than it does today.<sup>5</sup> The national minimum wage has been pushed even farther behind average wages, a key indicator of living standards in the United States<sup>6</sup> (See Figure 3). At the same time, the minimum wage that employers are required to pay tipped workers-the "tipped minimum wage"-has been frozen at just \$2.13 an hour for nearly a quarter century.<sup>7</sup> While the law requires that tips be sufficient to raise wages for tipped workers to the standard minimum wage, the reality often falls short of this goal. The failure to raise the tipped minimum wage since 1991 has fueled markedly higher poverty and instability for these workers, two-thirds of whom are women.8

Raising the minimum wage remains essential for advancing civil and human rights today. To appreciate why, it is important first to understand the vast reach of the minimum wage and the potential reach of a higher minimum wage. In addition to the more than 3 million people who are paid the national minimum wage or less today,<sup>9</sup> many more workers—representing nearly a quarter of all workers—would be affected by even a gradual, modest increase in the minimum wage over the next couple of years to more than \$10.00.<sup>10</sup> While its wide reach means that today's low minimum wage—including the tipped minimum wage—harms a diverse range of people in America, it nevertheless disproportionately impacts people of color, women,<sup>11</sup> LGBT individuals, and other disadvantaged groups.

The minimum wage is increasingly relevant for the wellbeing of low-wage workers' families, as those likely to be affected by the minimum wage are significantly older and more educated than before,<sup>12</sup> and contribute far more to their families' income (50 percent on average) than often perceived.<sup>13</sup> In addition, the choice by policymakers to keep the minimum wage low has been an important factor contributing to the dramatic and troubling rise in income inequality since the 1970s.<sup>14</sup> For all these reasons and more, the civil rights community has a crucial role to play in the coming months and years in the fight to raise the minimum wage.

When advocating in 1937 for establishing the first national floor for wages, President Franklin Delano Roosevelt argued that our country should guarantee "all our able-bodied working men and women a fair day's pay for a fair day's work."15 Roosevelt then explained that an appropriate minimum wage-along with other fundamental labor standards-was necessary in any "self-supporting and self-respecting democracy."16 Unfortunately, this basic labor standard has been weakened significantly since its peak in the late 1960s, when it equaled around \$10.00 an hour (2013 dollars) and about 50 percent of the average hourly wage for workers in the private sector.<sup>17</sup> When the minimum wage was at its high point during those years, the economy experienced robust growth,<sup>18</sup> and even more recent minimum wage increases have taken place alongside strong job growth.<sup>19</sup> It's of little surprise then that the most exhaustive review of research on the impacts of the minimum wage finds that, on balance, impacts on employment are



"both statistically insignificant and very close to zero, even when restricting the focus to teenagers and young adults."<sup>20</sup> Notably, 600 economists, including seven Nobel Prize winners, signed a letter supporting a minimum wage increase.<sup>21</sup>

More than five years have passed since the last national minimum wage increase went into effect (July 2009) under the Fair Minimum Wage Act of 2007.<sup>22</sup> While President Obama and many in Congress have called for a higher minimum wage in recent years, neither the U.S. House of Representatives nor the U.S. Senate has passed an increase since 2007. States and localities across the country—ranging from West Virginia and Connecticut to Seattle, Washington,<sup>23</sup> and Santa Fe, New Mexico<sup>24</sup>—

have acknowledged the problem and begun to raise state and local minimum wages. But millions of other individuals, families, and communities are waiting for Congress to act. With the current minimum wage—including the tipped minimum wage—indefensibly low and inconsistent with our nation's values, national policymakers have no reason not to act.

The remainder of this report discusses the current state of the minimum wage, the minimum wage as a core civil rights issue, recent progress in raising the minimum wage, and the need for congressional action, before concluding and providing recommendations. In addition, an appendix suggests additional resources to inform organizing efforts around the minimum wage.

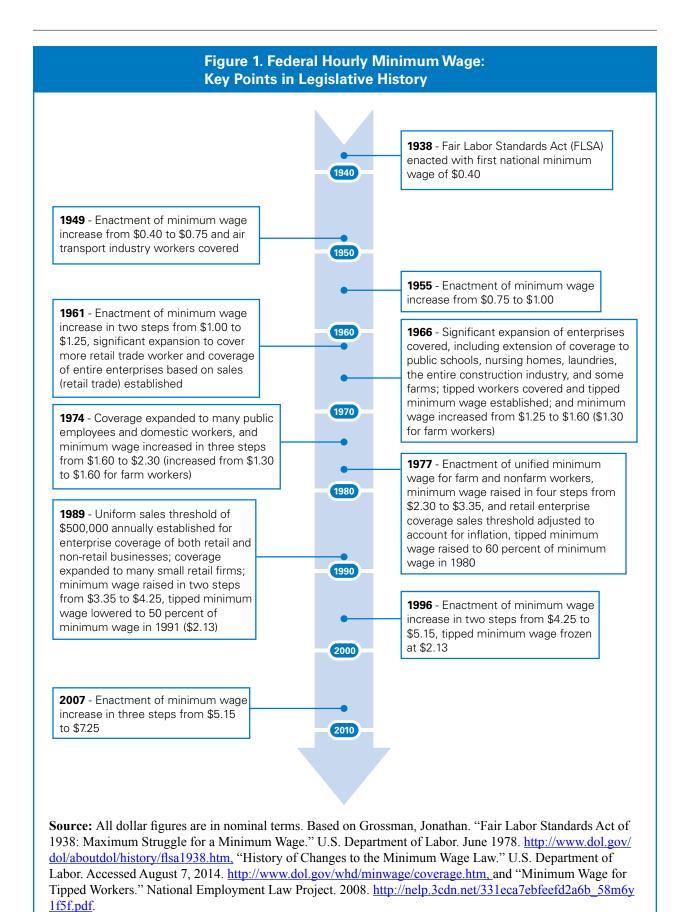
#### Box 1. The Subminimum Wage for Tipped Workers ("Tipped Minimum Wage")

The Fair Labor Standards Act of 1938 (FLSA) allows employers to pay a subminimum wage of \$2.13 an hour —representing less than 30 percent of the national minimum wage of \$7.25 an hour—to workers receiving just \$30.00 or more a month in tips.<sup>1</sup> In practice, analyses show that these workers at times earn less than the full minimum wage, not just for particular shifts, but even over the course of a full year, in part due to failures in tracking employee tips and enforcement challenges.<sup>2</sup>

Strengthening the tipped minimum wage would build on an early civil rights success. The 1966 FLSA amendments establishing the tipped minimum wage actually moved in the direction of addressing some of the concerns of the 1963 March on Washington and others that the minimum wage excluded too many workers.<sup>3</sup> In creating the tipped minimum wage, those amendments partially extended the application of the minimum wage to many hotel and restaurant workers who previously were without a national floor below their wages.<sup>4</sup>

During the subsequent decades, the tipped minimum wage rose to between 50 and 60 percent of the minimum wage, rising to \$2.13 in 1991 when the regular minimum wage was \$4.25 an hour.<sup>5</sup> But in 1996 when Congress and the president next raised the minimum wage, they failed to raise the tipped minimum wage.<sup>6</sup> Now more than two decades after the last increase in the tipped minimum wage, a 2014 White House analysis notes that "average hourly wages for workers in predominantly tipped occupations are nearly 40 percent lower than over-all average hourly wages."<sup>7</sup> As a result, tipped workers experience nearly twice the poverty rate (12.8 percent) as non-tipped workers (6.5 percent), according to the Economic Policy Institute.<sup>8</sup>





3



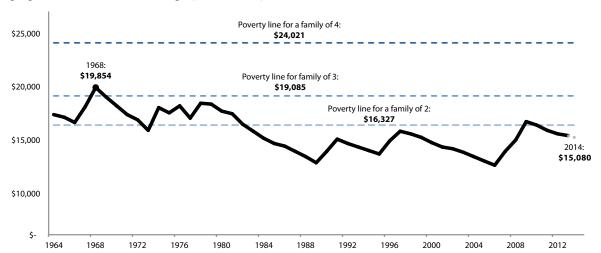
### **Current State of Minimum Wage**

Frozen by policymakers at \$7.25 an hour since 2009, the minimum wage today is low by a wide range of measures, harming millions of people in low-wage jobs. The current state of the minimum wage also means that reasonable increases to the minimum wage—including the tipped minimum wage, which has been frozen at \$2.13 an hour since 1991—would benefit a large share of individuals and working families in America.

## The minimum wage is unreasonably low and has declined significantly

A full-time, year-round worker paid the minimum wage would earn just \$15,080 a year.<sup>25</sup> As shown in Figure 2 below, that amount falls under the poverty line for a family of two and is far below the minimum wage's inflation-adjusted historical peak of \$19,854 (2014 dollars). Even a two-adult, two-child family with one

## Figure 2. The value of the minimum wage has fallen significantly and results in sub-poverty wages



Annual minimum-wage earnings and poverty line for families of two to four, 1964-2014 (projected) and proposed federal minimum wage (2014 dollars)

**Notes:** Poverty thresholds for 2014 for families of two (one adult, one child), three (one adult, two children), and four (two adult, two children) are inflated from 2013 U.S. Census Bureau thresholds, based upon CBO projected inflation for 2014. Minimum wage estimate for 2014 based upon CBO inflation projections. Annual earnings calculated assuming workers work 40 hours per week, 52 weeks per year.

**Source:** Author's analysis of Economic Policy Institute, U.S. Census Bureau, and U.S. Department of Labor data.

#### Box 2. Who Is and Who Is not Covered by the Minimum Wage?

The Fair Labor Standards Act of 1938 (FLSA) requires covered, non-exempt employees to be paid a minimum wage of \$7.25 an hour. According to the Department of Labor, the FLSA, including the minimum wage, applies to employees of governments, hospitals, schools, all enterprises with gross sales or business done of \$500,000 or more, and employees engaged in interstate commerce at smaller firms—including transportation and communication workers, as well as those "who regularly use [the postal service] or telephones for interstate communications."<sup>1</sup> Others, including "guards, janitors, and maintenance employees who perform duties which are closely related and directly essential to such interstate activities," as well as most domestic workers are also covered.<sup>2</sup> In practice, this means that approximately 99 percent of employees and more than 99 percent of establishments are potentially covered by the FLSA and its minimum wage protection.<sup>3</sup>

However, a diverse range of workers are exempt from the minimum wage including, farmworkers at small farms; some workers at seasonal and recreational establishments; salaried executive, administrative, professional and outside sales employees; babysitters; federal criminal investigators; workers in fishing; newspaper delivery employees; and employees at limited-circulation newspapers.<sup>4</sup>

In addition, there are several groups of workers who face exceptions to the minimum wage. The Department of Labor notes that there are exceptions for "workers with disabilities, full-time students, youth under age 20 in their first 90 consecutive calendar days of employment, tipped employees and student-learners." Box 1 describes the exemption for tipped workers, those receiving just \$30.00 or more a month in tips.<sup>5</sup>

Workers under age 20 may be paid just \$4.25 an hour for the first 90 consecutive calendar days or the employee turns 20 (whichever comes first), but this subminimum wage is allowed only if the teenager's work does not displace other workers.<sup>6</sup>

Workers with physical or intellectual disabilities that impair their "earning or productive capacity for the work being performed" may be paid less than the minimum wage, but commensurate with each worker's productivity, by employers certified by the Department of Labor.<sup>7</sup>

Full-time students employed in retail or service stores, agriculture, or colleges and universities may be paid as little as 85 percent of the minimum wage by certified employers. The students may be full-time workers when school is out of session, but may not work more than eight hours in a day and 20 hours in a week while school is in session.<sup>8</sup>

Finally, high school students age 16 and older in vocational education programs may be certified by the Department of Labor to be paid as little as 75 percent of the minimum wage by employers.<sup>9</sup>

full-time worker paid the national minimum wage and benefiting from federal working family tax credits would end up 17 percent below the poverty line.<sup>26</sup> And many researchers believe that the official poverty line is too low a threshold as it is.<sup>27</sup>

Comparing minimum wage earnings to reasonable but modest family budgets developed by researchers also makes clear the inadequacy of the current minimum wage for supporting families. For example, an MIT researcher estimates that a typical two-adult, two-child family "needs to work more than three full-time jobs (a 68-hour work week per working adult) to earn a living wage."<sup>28</sup> Wider Opportunities for Women similarly estimates that minimum wage pay leaves workers far short of being able to meet their families' basic needs.<sup>29</sup> The National Center on Children in Poverty's Basic Needs Budget Calculator suggests that "Even in lower-cost localities where access to better paying jobs are limited, a single parent with two children needs a job that pays more than twice the federal minimum wage in order to provide for her family."<sup>30</sup> Finally, the Economic Policy Institute's basic Family Budget Calculator shows that a single full-time worker paid the minimum wage with one child will be paid "far below the income necessary for such a family to attain a secure living standard even in the least expensive family budget area (which stands at \$35,132 for that family type in Simpson County, Miss.)."<sup>31</sup>

As shown in Figure 3, the minimum wage would be markedly higher had it kept pace with the growth in the cost of living, average wages, or productivity since its 1968 peak. Remarkably, the minimum wage was worth more in inflation-adjusted dollars at the start of the Reagan administration in 1981 than it is today.



In addition, the subminimum wage for tipped workers has lagged increasingly behind the minimum wage, opening up the largest gap in history between the minimum wage and the subminimum wage for tipped workers (see Figure 4). Evidence from states that have eliminated the distinction between tipped and nontipped workers strongly suggests that applying the same minimum wage to tipped workers would significantly reduce poverty among tipped workers and their families,<sup>32</sup> without any harm to the restaurant industry, where many tipped workers are employed, with some evidence of benefits such as higher sales and employment in states without a subminimum wage for tipped workers.<sup>33</sup>

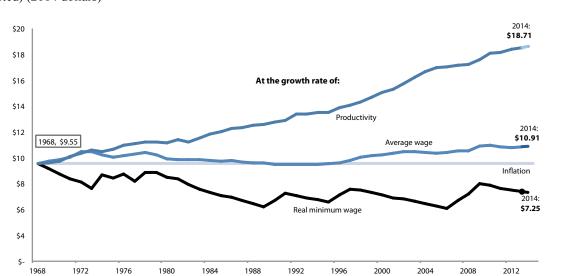
#### Raising the minimum wage boosts wages for a substantial share of workers

The minimum wage—and proposals to raise the minimum wage—directly and indirectly affect the wages of tens of millions of low-wage workers, in turn affecting the household incomes of many more people with low-wage workers in their families. Millions of people are paid exactly the \$7.25 national minimum wage (or less)<sup>34</sup> in the United States, and would earn higher wages after a minimum wage increase. But raising the minimum wage also tends to raise the wages of other

low-wage workers earning above, but near, the minimum wage<sup>35</sup> (One reason for this may be that some employers may feel compelled to take active steps to increase the pay of employees paid above the previous minimum wage and near a new minimum wage.<sup>36</sup>). The latter point is especially important, because it means that any reasonable minimum wage increase will likely affect much of the low-paid labor force. For example, the U.S. Bureau of Labor Statistics estimates that 3.3 million people were paid the minimum wage or less on an hourly basis in 2013-including an estimated 1.5 million people who earned exactly the minimum wage and another 1.8 million workers who earned even less than the minimum wage.37 (See Box 2 for more on who may be paid less than the minimum wage.<sup>38</sup>) Yet, the Congressional Budget Office estimates that in 2016, more than 30 million workers with hourly wages of up to \$11.50—several times the 3.3 million with wages at or below the minimum wage and representing nearly a quarter of all workers—would be affected by even a gradual, modest increase in the minimum wage.39

As a result, when considering the potential impacts of a minimum wage increase, it is essential to understand more broadly who is paid low wages, not just who is

## Figure 3. The minimum wage would be significantly higher had it kept pace with inflation, average wage growth, or productivity growth

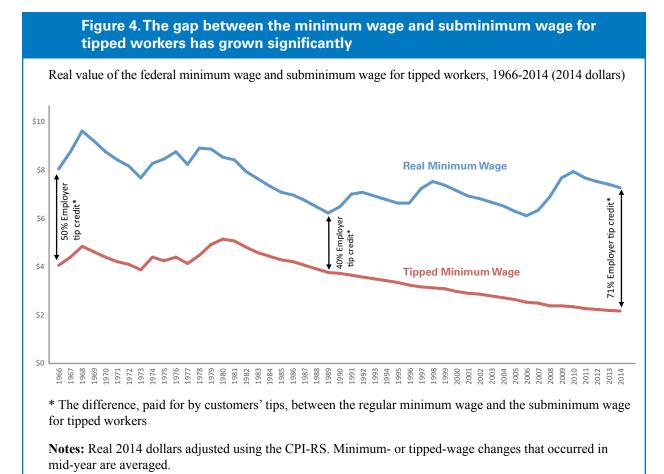


Real value of the federal minimum wage, actual and hypothetical, at various growth rates, 1968-2014 (projected) (2014 dollars)

**Note:** Dollars deflated using Bureau of Labor Statistics CPI-RS through 2013 and CBO inflation projection for 2014. Projected wage values based upon CBO inflation and productivity projections, and average wage growth for June and July 2014.

Source: Author's analysis of Economic Policy Institute, U.S. Department of Labor, and Congressional Budget Office data.





Source: Adapted from Economic Policy Institute analysis of Fair Labor Standards Act and amendments.

paid the minimum wage. The Economic Policy Institute estimates that the 30 million or so low-wage workers expected to benefit under a modest minimum wage increase are on average 35-years old-with just 12.5 percent being teenagers-and earn on average 50 percent of their family's income. As is often the case with labor standards, the minimum wage applies to workers without regard to their family income. However, higher wages from such an increase would disproportionately benefit low-, moderate-, and middle-income families, with more than two-thirds (69 percent) of affected workers in families earning less than \$60,000 a year, including nearly a quarter (23 percent) with family incomes below \$20,000 a year. In addition, a majority of workers (54 percent) who are likely to benefit from a higher minimum wage work full-time or at least 35 hours a week.40 It is also noteworthy that low-wage workers are far better educated today than in the past, with nearly four in five (79 percent) of the bottom fifth of wage earners having graduated from high school today compared to less than half (48 percent) in 1968, the year in which the minimum wage reached its highest value.41

Certain occupations are particularly likely to be affected by a minimum wage and tipped minimum wage increase. When looking at occupations of minimum wage workers, U.S. Bureau of Labor Statistics data for 2013 show that 11 percent of all service workers were paid at or below the minimum wage-the highest share among major occupation groups.42 Overall, service workers represent nearly two-thirds (64 percent) of all workers paid the minimum wage or less, with most of these workers in food preparation and serving-related jobs43-including restaurant fast food and restaurant cooks, bartenders and bartender helpers, cafeteria workers, hosts, dishwashers, and waiters and waitresses.44 Looking beyond just those paid the minimum wage or less, the Economic Policy Institute estimates that in 2010, nearly three-quarters (74 percent) of food preparation and serving-related workers were paid poverty wages-wages that are insufficient to keep a family of four with one full-time, year-round worker out of poverty-the highest rate of any occupation.45

## The benefits of raising the minimum wage come with little downside

A reasonable minimum wage increase could put billions



of dollars into the pockets of millions of low-wage workers—and with minimal downside.<sup>46</sup>

Research has increasingly come to conclude that reasonable minimum wage increases result in essentially no overall adverse employment effects.<sup>47</sup> A recent Upjohn Institute-published review of the evidence finds "little or no effect on employment and hours."<sup>48</sup> Another extensive review, concluded that "with 64 studies containing approximately 1,500 estimates, we have reason to believe that if there is some adverse employment effect from minimum-wage raises, it must be of a small and policy-irrelevant magnitude."<sup>49</sup>

One reason why a higher minimum wage has close to no effect on employment is that employers partially pass along higher labor costs to consumers, but even here the impact is very modest.50 An extensive review of research on price impacts found that "most studies reviewed above found that a 10% US minimum wage increase raises food prices by no more than 4% and overall prices by no more than 0.4%."<sup>51</sup> Another review of the research similarly found that while some prices do rise in response to a higher wage, this response is "weak."52 Researchers at the Food Labor Research Center at the University of California, Berkeley found that a proposal to raise the tipped minimum wage over three years to the point of more than doubling the wages of tipped workers' wages would result in retail grocery store food prices rising by an average of less than half a percent and restaurant prices by less than one percent a year, equivalent to an increased overall cost of food of just a dime per day per household in America during the phase-in period.53

At the same time, raising the minimum wage is likely to significantly reduce public spending. According to a recent analysis by researchers at the University of California, Berkeley, raising the minimum wage to more than \$10.00 could reduce enrollment in SNAP (formerly food stamps)—the farthest reaching federal income support program for low-income households—by up to 3.6 million people, thus saving taxpayers almost \$4.6 billion a year.<sup>54</sup>

A higher minimum wage may have additional positive social and economic effects. For example, a recent Standard and Poor's analysis suggests that an increase in the minimum wage would likely reduce poverty and thus "also help bolster government balance sheets and likely improve state and local credit conditions."<sup>55</sup> Additional research suggests that when the economy is not producing enough jobs (such as today), raising the minimum wage might even increase employment. Three economists at the Federal Reserve Bank of Chicago found that a \$1.00 minimum wage increase boosts consumer spending for households with minimum wage workers by about \$2,800 in the next 12 months.<sup>56</sup> Others estimate that raising the minimum wage by \$2.85 could increase consumer demand by enough to create 85,000 new jobs.<sup>57</sup> In addition, the minimum wage may also increase productivity and reduce turnover.<sup>58</sup>

The Upjohn Institute-published review of minimum wage literature concludes that "moderate increases in the minimum wage are a useful means of raising wages in the lower part of the wage distribution that has little or no effect on employment and hours. This is what one seeks in a policy tool, solid benefits with small costs."<sup>59</sup>



### **Minimum Wage and Civil and Human Rights**

A higher minimum wage is fundamental to achieving civil and human rights. Raising the minimum wage-including the tipped minimum wage—will help people of color, women, LGBT individuals, and other disadvantaged individuals disproportionately, as these groups are disproportionately represented in low-wage jobs. Since the mid-20th century through today, an adequate minimum wage has been understood as core to the struggle for civil rights. As noted earlier, raising the minimum wage was a key demand of 1963 March on Washington.<sup>60</sup> In October 2013, then-NAACP President Ben Jealous argued that "The current federal minimum wage is inadequate, outdated, and out of touch with the modern cost of living," and called for the African-American community to "demand a dignified minimum wage on the federal level and in our communities."61

### Raising the minimum wage will disproportionately impact people of color, women, LGBT individuals, and other disadvantaged groups

With African Americans, Latinos, women, LGBT individuals, and other disadvantaged groups disproportionately represented among low-wage workers, these individuals also would disproportionately benefit from a higher minimum wage. For example, even though White workers represent a majority of all beneficiaries (54 percent) from a higher minimum wage, less than 18 percent of all White workers are estimated to benefit, while 28 percent of African American workers and 32 percent of Latino workers, would benefit.<sup>62</sup>

According to the Economic Policy Institute, African Americans will represent 11 percent of the workforce by 2016, but nearly 15 percent of those that would benefit from one minimum wage proposal under consideration in Congress.<sup>63</sup> These figures mean that more than 4 million African-American workers,<sup>64</sup> including more than 2.4 million African-American female workers are estimated to benefit.<sup>65</sup> The Economic Policy Institute also estimates that a minimum wage of just over \$10.00 an hour would likely raise wages for nearly one in three (32 percent) Latino workers. Overall, though Latinos are estimated to represent 15 percent of the workforce in 2016, they would represent almost a quarter of all workers affected by a higher minimum wage (24 percent) under consideration in Congress.<sup>66</sup> These figures mean that almost 6.8 million Latino workers, are estimated to benefit.<sup>68</sup> Importantly, an increase in the tipped minimum wage likely would disproportionately help Latinos, who represent 15 percent of the workforce, but nearly 20 percent of waiters and waitresses—an occupation that represents more than three in five tipped workers nationwide.<sup>69</sup>

Of course, other people of color also would benefit from a minimum wage increase. For example, Asian Americans are estimated to see their collective wages rise by \$2.4 billion if the minimum wage rose to just over \$10.00 an hour.<sup>70</sup>

Women are particularly likely to benefit from an increased minimum wage. Summarizing the research to date, an Upjohn Institute-published book notes that "minimum wages and minimum wage increases have a greater impact on women than on men."<sup>71</sup> Women represented more than three in five (62 percent) of all workers paid at or below the federal minimum wage in 2013,<sup>72</sup> and more than half (55 percent) of those estimated to benefit from increasing the minimum wage and tipped minimum wage under a leading Congressional proposal.<sup>73</sup> The Economic Policy Institute estimates that two out of three tipped workers (67 percent) are women.

Dara Richardson-Heron, CEO of the YWCA USA, said, "Many of the women who walk through our YWCA doors are at a crossroads in their life, they're often at their most vulnerable point, and they're in desperate need



of life-changing services...raising the minimum wage is so vitally important for these women because we know that employment that pays a fair and family-sustaining wage is an essential element to help these women leave their violent homes and rebuild a life after abuse."<sup>74</sup> Margot Dorfman, CEO of the U.S. Women's Chamber of Commerce, endorsed a minimum wage increase, arguing that "Raising the minimum wage boosts the economy from the bottom up, which is exactly what we need to repower our economy and create lasting jobs."<sup>75</sup>

With lesbian, gay, bisexual, and transgender (LGBT) individuals and families facing heightened risks of low pay and poverty,<sup>76</sup> a minimum wage increase may disproportionately benefit the LGBT community. A 2013 report by the Movement Advancement Project, Human Rights Campaign, and Center for American Progress found that, "Married or partnered LGBT individuals raising children are twice as likely to have household incomes near the poverty line compared to married or partnered non-LGBT parents. In addition, transgender people are nearly four times as likely to have a household income under \$10,000 per year than the population as a whole (15 percent vs. 4 percent)."77 According to a 2013 analysis by the Williams Institute at UCLA, the poverty rate among lesbian couples is 7.6 percent, compared to 5.7 percent among different-sex couples.78 While 6.5 percent of different-sex married couples receive SNAP (formerly food stamps). 7.7 percent of male same-sex and 14.1 percent of female same-sex couples receive food stamps.<sup>79</sup> Among African Americans, same-sex couple poverty rates are more than twice the rate of different-sex couples.80

Other communities that have historically faced and continue to face higher rates of social and economic disadvantage are likely to benefit significantly from a higher minimum wage. An Urban Institute analysis found that immigrants make up a disproportionate share of those working in low-paid jobs, including jobs paying less than the minimum wage.<sup>81</sup> Other research indicates that immigrant workers affected by a minimum wage increase are no less likely to benefit due to employer noncompliance and, if anything, employer compliance appears highest toward women workers in industries with high immigrant employee concentration.82 People with disabilities, too, might be especially likely to benefit from a higher minimum wage. A typical full-time, year-round worker with disabilities earns 14 percent less than one without disabilities, and working-age people with disabilities face more than double the poverty rate (28.4 percent) as those without disabilities (12.4 percent), while having household incomes that are barely three-fifths (61.6 percent) of their counterparts without disabilities.83

## The minimum wage has been a core civil rights issue for generations

An adequate and widely applicable minimum wage has

been core to the struggle for civil rights for generations. In fact, the call for a higher minimum wage was one of just ten demands agreed to by the diverse group of civil rights, labor, and faith-based organizations leading the 1963 March on Washington.<sup>84</sup> Civil rights leader Bayard Rustin voiced the demand at the march: "We demand that there be an increase in the minimum wage so that men may live in dignity."85 At the time, the minimum wage in place was higher in both inflation-adjusted terms and as a percent of average wages than it is today,<sup>86</sup> and the 1963 march called for an hourly minimum wage (\$2.00 in 1963) equivalent to over \$13.00 today.87 Speaking at the 1963 March as national chairman of the Student Nonviolent Coordinating Committee, John Lewis, now a congressman from Georgia, called for legislation that would "ensure the equality of a maid who earns \$5.00 a week in the home of a family whose total income is \$100,000 a year."88 Importantly, the 1963 march itself, as reflected in its demands, ultimately hoped to help ensure "complete equality in citizenship to the Negro minority of our population" and a higher and broader minimum wage was intended to advance that goal.<sup>89</sup> A few years later in March 1966—even as the minimum wage remained higher in inflation-adjusted dollars than it is today<sup>90</sup>—Dr. Martin Luther King, Jr. and other civil rights leaders went so far as to say, "We know of no more crucial civil rights issue facing Congress today than the need to increase the federal minimum wage and extend its coverage."91

Two decades later, in 1987, Coretta Scott King testified before Congress, calling for what would have been the first increase in six years to the then-\$3.35 an hour minimum wage.<sup>92</sup> King pointed out that the minimum wage—equivalent to almost \$6.75 today<sup>93</sup>—was "not adequate to take care of a family." She continued, "If people aren't paid adequately to work, society will pay in other ways...You will pay to mend broken lives or by incarceration."<sup>94</sup>

To this day, civil rights leaders have underscored the importance of raising the minimum wage. The civil rights community highlighted a higher minimum wage as a top priority and provided strong support for the most recent national minimum wage increases, ultimately enacted in 2007.<sup>95</sup> More recently, civil rights leader and National Urban League President and CEO Marc Morial endorsed a congressional proposal to raise the minimum wage to a little over \$10.00 an hour, noting that "It would result in 30 million people receiving a raise, nearly half of whom would be people of color."<sup>96</sup>

After a meeting between civil rights leaders and President Obama in February 2014, civil rights leader Rev. Al Sharpton described the need to raise the minimum wage as a "central concern in [the African-American] community."<sup>97</sup> As Sharpton continued to describe the concern,



he noted, "It's not just having a job, but having wages that are guaranteed to provide for our families."<sup>98</sup>

Latino leaders have been equally focused on the need for a higher minimum wage. For example, in April 2014, Janet Murguía, the president and CEO of the nation's largest Hispanic civil rights organization, National Council of La Raza, called for Congress to raise the minimum wage: "As the fastest-growing segment of the American workforce, Latinos understand the value of hard work. Unfortunately, there are far too many hardworking individuals in this country who struggle to provide basic necessities for their families because they aren't paid decent, livable wages."<sup>99</sup>

At the same time, women's groups have emphasized the importance of raising the minimum wage today. In January 2014, National Organization for Women President Terry O'Neill argued that to close the wage gap between men and women, "A top priority must be increasing the minimum wage."<sup>100</sup> The National Women's Law Center has argued that "Increasing the minimum wage and tipped minimum wage are key steps toward fair pay for women."<sup>101</sup> Donna P. Hall, president and CEO of the Women Donors Network, has argued that "Raising the minimum wage is the most important women's issue of 2014," noting that women of color are overrepresented in minimum wage and other low-wage jobs.<sup>102</sup>

## Raising the minimum wage advances additional civil rights goals

In addition to raising wages for low-wage workers, the impacts of raising the minimum wage include reducing poverty and income inequality, while furthering gender pay equity.

Between 900,000 and 4.6 million fewer people would experience poverty if a proposal to raise the minimum wage to \$10.10 by the second half of 2016 became law. The Congressional Budget Office estimates that the proposal would keep 900,000 people out of poverty,<sup>103</sup> while the White House estimates that it would lift 2 million people out of poverty.<sup>104</sup> Research by the University of Massachusetts, Amherst suggests that such an increase might lift 4.6 million people out of poverty.<sup>105</sup> Research also suggests that raising the minimum wage reduces child poverty among single-mother house-holds.<sup>106</sup>

Considering the central importance of countering income inequality to both earlier and contemporary civil rights movements,<sup>107</sup> it is noteworthy that minimum wage increases have been found to reduce income inequality, as well as the gender wage gap. A recent Upjohn Institute comprehensive review of minimum wage research notes that "Researchers are unanimous in finding that minimum wage increases reduce income inequality."<sup>108</sup>

A related impact from a higher minimum wage is its likelihood of reducing the gender wage gap, especially for women of color. Among full-time, year-round workers, women are paid just 77 cents for every dollar men are paid—a fact that remains unchanged over the past decade.<sup>109</sup> African-American women are paid just 64 cents and Hispanic women only 54 cents for each dollar paid to White, non-Hispanic male counterparts.<sup>110</sup> As noted previously, women represent about 55 percent of workers who would be affected by an increase in the minimum wage to just over \$10.00 and nearly three quarters of workers likely to be affected by a significant increase in the tipped minimum wage.<sup>111</sup> A Council of Economic Advisers analysis finds that such an increase in the minimum wage could reduce the gender wage gap by about five percent.<sup>112</sup> The National Women's Law Center compared states and found that higher state minimum wages are associated with smaller state-level gender wage gaps.<sup>113</sup> It is also worth pointing out that a higher minimum wage might similarly reduce the wage penalty for gay and bisexual men. A 2013 report by the Movement Advancement Project, Human Rights Campaign, and Center for American Progress noted that recent research found "that gay and bisexual men experience a wage penalty and earn between 10% and 32% less than heterosexual men, even when controlling for important factors like education, occupation, and region of the country."<sup>114</sup> And of course, lesbian women are affected by the gender wage gap, with the overall impact amplified for two-worker lesbian couples.115



### **Recent Progress**

In recent years—and especially in recent months—a number of states and localities have acted to raise their minimum wages. A Council of Economic Advisers analysis estimates that about 7 million workers will benefit from state minimum wage increases as of 2017.<sup>116</sup> The White House has issued an executive order raising the minimum wage for those employed under federal contracts (see Box 3 below), while also calling for Congress to act on an economy-wide minimum wage.

## Numerous states have raised their minimum wage above the federal floor

As of September 2014, 13 states and the District of Columbia had passed minimum wage increases since 2012—including California, D.C., New Jersey, and New York in 2013 and Connecticut, Delaware, Hawaii, Massachusetts, Maryland, Minnesota, Michigan, Rhode Island, Vermont, and West Virginia in 2014.<sup>117</sup> Notably, 23 states plus the District of Columbia have a minimum wage above the federal floor of \$7.25 an hour (see Figure 5). This group includes four states—Connecticut, Hawaii, Maryland, and Vermont—that have enacted laws that eventually would raise their state minimum wages to over \$10.00.

#### Box 3. The President's Executive Order on Federal Contracts

In February 2014, President Obama signed Executive Order 13658, raising to \$10.10 and indexing the minimum wage—and raising to \$4.90 the tipped minimum wage—paid by federal contractors to their employees under any new contracts as of January 2015.<sup>1</sup> The tipped minimum wage for contractors is scheduled to rise in \$0.95 increments until it equals 70 percent of the minimum wage for contractors, and it is scheduled to rise with inflation thereafter.<sup>2</sup>

This executive order likely comes with an important set of benefits for workers and the economy. Most directly, the White House estimates that nearly 200,000 workers will benefit from this executive order by 2019, with evidence suggesting that these workers will see higher "morale, productivity, and quality of work."<sup>3</sup> More broadly, the nonpartisan public policy group Demos argues that, by raising wages for some low-wage workers, the executive order likely will increase public tax revenues, reduce spending on public benefits, and provide a modest boost for the economy.<sup>4</sup>

The federal contractor minimum wage executive order is unequivocally an important step forward. However, the National Employment Law Project, which strongly supports the order, has noted its limited reach, cautious schedule for raising the tipped minimum wage, and benefits to stronger enforcement efforts than what have been proposed to date.<sup>5</sup>

Figure 5. Federal and State Hourly Minimum Wages and Tipped Minimum Wages as of January 1, 2014						
State	Regular minimum wage	Tip credit for employers⁺	Tipped minimum wage	Tipped minimum as a share of regular minimum wage		
United States	\$7.25	\$5.12	\$2.13	29.4%		
Alabama	7.25	5.12	2.13	29.4%		
Alaska	7.75	0.00	7.75	100.0%		
Arizona	7.90	3.00	4.90	62.0%		
Arkansas	7.25	4.62	2.63	36.3%		
California	8.00	0.00	8.00	100.0%		
Colorado	8.00	3.02	4.98	62.3%		
Connecticut*	8.70	3.01	5.69	65.4%		
Delaware	7.25	5.02	2.23	30.8%		
istrict of Columbia	9.50	6.73	2.77	29.2%		
lorida	7.93	3.02	4.91	61.9%		
eorgia	7.25	5.12	2.13	29.4%		
awaii	7.25	0.25	7.00	96.6%		
daho	7.25	3.90	3.35	46.2%		
linois	8.25	3.30	4.95	60.0%		
ndiana	7.25	5.12	2.13	29.4%		
owa	7.25	2.90	4.35	60.0%		
ansas	7.25	5.12	2.13	29.4%		
entucky	7.25	5.12	2.13	29.4%		
ouisiana	7.25	5.12	2.13	29.4%		
<i>l</i> laine	7.50	3.75	3.75	50.0%		
laryland	7.25	3.62	3.63	50.1%		
Aassachusetts	8.00	5.37	2.63	32.9%		
lichigan	7.40	4.75	2.65	35.8%		
linnesota	7.25	0.00	7.25	100.0%		
lississippi	7.25	5.12	2.13	29.4%		
issouri	7.50	3.75	3.75	50.0%		
ontana	7.90	0.00	7.90	100.0%		
ebraska	7.25	5.12	2.13	29.4%		
evada	8.25	0.00	8.25	100.0%		
ew Hampshire	7.25	3.99	3.26	45.0%		
ew Jersey	8.25	6.12	2.13	25.8%		
lew Mexico	7.50	5.37	2.13	28.4%		
ew York**	8.00	3.10	4.90	61.3%		
lorth Carolina	7.25	5.12	2.13	29.4%		
lorth Dakota	7.25	2.39	4.86	67.0%		

Chart continued on next page »



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Ohio	7.95	3.98	3.98	50.0%
Oklahoma	7.25	5.12	2.13	29.4%
Oregon	9.10	0.00	9.10	100.0%
Pennsylvania	7.25	4.42	2.83	39.0%
Rhode Island	8.00	5.11	2.89	36.1%
South Carolina	7.25	5.12	2.13	29.4%
South Dakota	7.25	5.12	2.13	29.4%
Tennessee	7.25	5.12	2.13	29.4%
Texas	7.25	5.12	2.13	29.4%
Utah	7.25	5.12	2.13	29.4%
Vermont	8.73	4.50	4.23	48.5%
Virginia	7.25	5.12	2.13	29.4%
Washington	9.32	0.00	9.32	100.0%
West Virginia	7.25	1.45	5.80	80.0%
Wisconsin	7.25	4.92	2.33	32.1%
Wyoming	7.25	5.12	2.13	29.4%

+ The amount of money under the minimum wage that an employer is not required to pay an employee.

\* Connecticut has a higher \$7.34 tipped minimum wage for bartenders only.

\*\* New York has a tipped minimum wage of \$5.00 for "food service workers" and \$5.65 for "service employees."

**Note:** States in bold have enacted increases since 2012. For states that do not have a state minimum wage or have a minimum wage that is less than the federal minimum, federal standards are reported because most workers in these states are legally required to be paid the federal rate.

**Source:** Adapted from Table A1 in Allegretto, Sylvia A. and Cooper, David. "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage." Economic Policy Institute. July 10, 2014. <u>http://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/</u>.

Two University of Delaware economists who examined state minimum wage increases between 2011 and 2014 found that "There is no evidence of negative employment effects due to the increases in state minimum wages."<sup>118</sup>

## Cities and counties across the nation have raised the minimum wage in recent years

A growing chorus of cities across the country have raised the minimum wage in recent years, with Seattle, Washington, recently enacting the highest minimum wage in the country, reaching \$15.00 an hour over the next three to seven years (varying based on employer size and non-wage benefits).<sup>119</sup> In addition to Seattle, Albuquerque, Las Cruces and Santa Fe, New Mexico; Berkeley, Richmond, San Diego, San Francisco, and San Jose, California; and Washington, D.C., have recently enacted minimum wage increases.<sup>120</sup> Montgomery County and Prince George's County in Maryland, both neighboring Washington, D.C., also raised their minimum wages. More cities are considering following suit, including New York City; Portland Maine; Chicago; and Los Angeles.<sup>121</sup> At the same time, fast food workers across the country are organizing for a \$15.00 an hour minimum wage within their industry.<sup>122</sup>

When researchers have analyzed local minimum wage increases, they have found no evidence of the employment declines predicted by opponents.<sup>123</sup> For example, University of California, Berkeley researchers looked at the impact on restaurants of San Francisco's minimum wage increase in the mid-2000s and found that it "increased pay significantly at affected restaurants," even as the researchers failed to "detect any increased rate of business closure or employment loss among [affected] restaurants."<sup>124</sup> A University of New Mexico study examined the 2004 Santa Fe living wage ordinance and found that employment levels had been "unaffected by the living wage ordinance."<sup>125</sup>



CENTER ON POVERTY and INEQUALITY GEORGETOWN LAW

### Waiting for Congress

The state, local, and federal progress (see Box 3 on the President's Executive Order) to raise the minimum wage is important and impactful in its own right, but it also highlights the increasing inadequacy of the current national minimum wage. Yet, even with higher minimum wages in many states, three-quarters of workers live in states with a minimum wage of \$8.00 an hour or less.<sup>126</sup>

Millions of low-paid workers live in states or localities that may be likely to increase their minimum wage in the coming years. It's notable that the five states without any state minimum wage in law-Alabama, Louisiana, Mississippi, South Carolina, and Tennessee-are all located in the South.127 While these and other lagging states can and should follow the lead of states that have minimum wages above the federal minimum wage, the experience of the last 75 years suggests that the most likely way to raise the minimum wage for workers in such states is by raising the national minimum wage. Congress and the president have been considering proposals to gradually and modestly raise the minimum wage. Over the past few years, leading national policymakers have proposed raising the minimum wage to \$9.00 an hour,<sup>128</sup> and now to over \$10.00 an hour,<sup>129</sup> though even that level falls significantly short of the minimum wage's historical peak. They have also proposed incrementally raising the tipped workers' subminimum wage and pegging it to a higher percentage of the minimum wage, though states have shown that tipped industries, including restaurants, can experience strong economic growth while eliminating separate minimum wages for tipped workers.130 Unfortunately, the only recent congressional vote on a minimum wage increase was a U.S. Senate vote where only 54 (out of 100) senators voted to end a filibuster against the bill, falling short of the 60 votes required to bring the bill to a proper Senate vote.131 The U.S. House of Representatives has to date

failed to bring up a clean minimum wage increase for a full vote. The president has made clear he will sign a bill raising the minimum wage to over \$10.00 an hour if Congress will send one to his desk.<sup>132</sup>



### **Conclusion and Recommendations**

In an April 2014 letter to Congress, the NAACP Legal Defense and Educational Fund, Inc. wrote that "Raising the minimum wage...is a vital civil rights issue," arguing that enacting a higher minimum wage will help achieve goals of the Civil Rights Act of 1964.<sup>133</sup> Indeed, while the substantial gains of a higher minimum wage are widespread, communities that have historically suffered and continue to suffer from discrimination in employment, housing, and beyond are particularly likely to benefit from a higher minimum wage.

States and localities across the country are deciding that the national minimum wage of \$7.25 an hour—and the significant earnings penalty under federal law for tipped workers—is harmful to workers and communities. Many jurisdictions have established markedly higher minimum wages, including for tipped workers, and some local governments have taken an important initial step of raising wages for their own employees and contractors.<sup>134</sup> States, counties, and cities who have not done so recently should consider establishing or raising existing minimum wages (including any separate minimum wages for tipped workers) above the current federal minimum wage.

Advocates believe it is time for Congress to pass—and for the president to sign—a reasonable minimum wage increase that includes a significant increase in the tipped minimum wage. Millions of low-paid workers live in states and localities that simply are unlikely to raise their minimum wage unless Congress does it for them. Advocates note that proposals in Congress move in the right direction by proposing increases that would help millions of workers, in part through long-overdue increases in the tipped minimum wage. However, even the most prominent proposals under consideration would fall short of ensuring a decent living standard for lowpaid working families or restoring the minimum wage to its peak levels in the late 1960s. Increased efforts to educate policymakers and the public about the need to raise the minimum wage may be key to helping realize this longstanding civil rights goal.



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#### Box 2

- "Questions and Answers About the Minimum Wage." U.S. Department of Labor. Accessed August 11, 2014. <u>http://www.dol.gov/whd/</u> <u>minwage/q-a.htm</u>.
- "Questions and Answers About the Minimum Wage." U.S. Department of Labor. Accessed August 11, 2014. <u>http://www.dol.gov/whd/ minwage/q-a.htm</u>.
- Author's calculations using U.S Department of Labor published FLSA coverage estimate, The Bureau of Labor Statistic's Current Employment Statistics payroll estimates, and the U.S. Census Bureau's Economic Census establishment estimates.



- 4. Fair Labor Standards Act: Advisor." U.S. Department of Labor. Accessed August 11, 2014. http://www.dol.gov/elaws/esa/flsa/screen75.asp.
- 5. "What is the minimum wage for workers who receive tips?" U.S. Department of Labor. Accessed August 9, 2014. <u>http://www.dol.gov/ elaws/faq/esa/flsa/002.htm</u>.
- "Questions and Answers About the Minimum Wage." U.S. Department of Labor. Accessed August 11, 2014. <u>http://www.dol.gov/whd/ minwage/q-a.htm</u>.
- "Fact Sheet #39: The Employment of Workers with Disabilities at Special Minimum Wage Rates." U.S Department of Labor. July 2008. <u>http://www.dol.gov/whd/regs/compliance/</u><u>whdfs39.pdf</u>.
- "Questions and Answers About the Minimum Wage." U.S. Department of Labor. Accessed August 11, 2014. <u>http://www.dol.gov/whd/</u> <u>minwage/q-a.htm</u>.
- "Questions and Answers About the Minimum Wage." U.S. Department of Labor. Accessed August 11, 2014. <u>http://www.dol.gov/whd/</u><u>minwage/q-a.htm</u>.

### Box 3

- 1. "Executive Order—Minimum Wage for Contractors." White House. February 12, 2014. <u>http://www.whitehosue.gov/the-press-office/2014/02/12/executive-order-minimum-wage-contractors</u>.
- 2. "Executive Order—Minimum Wage for Contractors." White House. February 12, 2014. <u>http://www.whitehosue.gov/the-press-office/2014/02/12/executive-order-minimum-wage-contractors</u>.
- "A Year of Action: Progress Report on Raising the Minimum Wage." Executive Office of the President. August 2014. <u>http://www.demos.org/</u> <u>publication/re-rin-1235-aa10-proposed-rule-</u> <u>%E2%80%93-establishing-minimum-wage-</u> <u>contractors.</u>
- 4. "RE: Proposed Rule, Establishing a Minimum Wage for Contractor (RIN 1235-AA10)." National Employment Law Project. July 2014.



## **Appendix: Additional Resources**

Below are additional resources on the minimum wage.

#### **Constituency Fact Sheets**

African Americans and the Minimum Wage (The Leadership Conference Education Fund/National Urban League)

Latinos and the Minimum Wage (en español) (The Leadership Conference Education Fund/League of United Latin American Citizens)

<u>LGBT workers and the Minimum Wage</u> (The Leadership Conference Education Fund/National Center for Transgender Equity/National Gay and Lesbian Task Force Action Fund)

Women of Color and the Minimum Wage (The Leadership Conference Education Fund/YWCA)

10 Reasons Raising the Minimum Wage to \$10.10 Is a Women's Issue (National Women's Law Center)

Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage (National Women's Law Center)

Raise The Minimum Wage: A Critical but Modest Step to Economic Security (Wider Opportunities for Women)

<u>The Impact of Raising the Subminimum Wage on Restaurant Sales and Employment and Who are Tipped Workers</u> (infographic) (Restaurant Opportunities Centers United)

#### State and Local Data

Concentration of low-wage workers (interactive map) (Oxfam America)

State Minimum Wages (National Conference of State Legislatures)



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