

MINIMUM WAGE

Fair Pay for Women Requires a Fair Minimum Wage

April 2015 | Julie Vogtman and Katherine Gallagher Robbins

Millions of workers—mostly women—struggle to make ends meet on minimum wage earnings. The Raise the Wage Act would increase the federal minimum wage from \$7.25 to \$12.00 per hour by 2020, then index it to keep pace with wages overall. The bill would also eliminate the federal minimum cash wage for tipped workers—which has been frozen at just \$2.13 per hour for nearly 25 years—by gradually raising it until it is equal to the regular minimum wage. **Establishing one fair minimum wage is a key step toward fair pay for women.**

Who Are Minimum Wage Workers?

- **Women—especially women of color.** Women are nearly two-thirds of minimum wage workers¹ and two-thirds of tipped workers.² Women of color are 23 percent of minimum wage workers,³ compared to 16 percent of all workers.⁴ *Nearly one-third of working women—and nearly 40 percent of working women of color—would get a raise if the minimum wage increased to \$12.00 per hour by 2020.*⁵
- **Adults.** Over half of women earning the minimum wage are 25 or older,⁶ and most do not have a spouse's income to rely on.⁷ *Two-thirds of all workers who would get a raise under the Raise the Wage Act are at least 25 years old.*⁸
- **Parents.** Of the workers who would benefit from raising the minimum wage to \$12.00 per hour, more than a quarter have children. *Nearly 30 percent of working mothers—and more than 40 percent of working single mothers—would get a raise under the Raise the Wage Act.*⁹

- The federal minimum cash wage for tipped workers is \$2.13 per hour, unchanged since 1991.¹³ Tipped workers—two-thirds of whom are women—experience poverty at nearly double the rate of the workforce as a whole.¹⁴

Increasing the minimum wage would boost wages for millions of working women, especially women of color.

- The Economic Policy Institute estimates that if the minimum wage were increased to \$12.00 per hour by 2020, more than 37.7 million workers would get a raise—including nearly 6.7 million workers earning between \$12.00 and \$13.00 per hour, who would see their pay increase due to the higher floor set by the new minimum wage. Of the total affected workers, more than 21.1 million (56.0 percent) are women.¹⁵
- Women of color would especially benefit from this increase. Just over a quarter (27.6 percent) of white, non-Hispanic working women would see a raise, compared to 39.1 percent of Black working women and 46.3 percent of Hispanic working women. Nearly half of working single moms of color (47.5 percent) would get a raise.¹⁶

Increasing the minimum wage would help parents provide for their children.

Low-wage working women deserve a raise.

- The minimum wage reached its peak level in 1968. Since then, Congress has raised the minimum wage only five times, and its value has dramatically eroded: at \$7.25 per hour, the minimum wage is worth 24 percent less today than it was in 1968.¹⁰ A woman working full time at minimum wage earns just \$14,500 annually,¹¹ more than \$4,500 below the poverty line for a mother with two children.¹²
- Of the more than 37.7 million workers who would get a raise under the Raise the Wage Act, more than 10.4 million are parents, including over 6.8 million working mothers—representing 29 percent of all working mothers with children under 18. Nearly a third of affected parents are the sole providers for their families.¹⁷
- Nearly one-quarter of all children—18.8 million—live with a parent who would get a raise.¹⁸

Raising the minimum wage would help close the wage gap.

- Since women are the majority of minimum wage workers, increasing the minimum wage could help close the wage gap.¹⁹ In 2013, women working full time, year round were paid only 78 cents for every dollar paid to their male counterparts. The wage gap was even larger for women of color: Black women working full time, year round made only 64 cents, and Hispanic women only 56 cents, for every dollar paid to their white, non-Hispanic male counterparts.²⁰
- The average wage gap in states with a minimum wage at or above \$8.00 is 22 percent smaller than the average wage gap in states with a \$7.25 minimum wage.²¹ In states where employers have to pay tipped workers the regular minimum wage before tips, the average wage gap is 14 percent smaller than the average wage gap in states with a \$2.13 tipped minimum cash wage.²²

Raising the minimum wage would reduce poverty and strengthen the economy.

- If the federal minimum wage and tipped minimum wage were to rise to \$12.00 an hour, annual earnings for a full-time minimum wage worker would increase by \$9,500—and base annual earnings for a full-time tipped worker currently earning \$2.13 per hour would increase by \$19,740—to \$24,000, enough to lift a family of three out of poverty.²³
- Raising the minimum wage does not cause job loss, even during periods of recession.²⁴ In fact, minimum wage increases can spur economic growth as low-wage workers spend their higher earnings, benefiting businesses in their communities. Research indicates that following a \$1 increase to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.²⁵ Higher wages can also benefit employers by reducing turnover and increasing worker effort.²⁶

1 NWLC calculations based on Bureau of Labor Statistics (BLS), Characteristics of Minimum Wage Workers, 2014, available at

<http://www.bls.gov/opub/reports/cps/characteristics-of-minimum-wage-workers-2014.pdf> [hereinafter BLS Min. Wage Characteristics] (Table 1). This is true for both those 16 and older (63 percent) and 25 and older (65 percent). The term “minimum wage workers” refers to workers making the federal minimum wage or less.

2 Sylvia A. Allegretto & David Cooper, Econ. Policy Inst. (EPI) & Ctr. on Wage & Employment Dynamics, Univ. of Ca., Berkeley, Twenty-Three Years and Still Waiting for Change, at 3 (July 2014), available at <http://s2.epi.org/files/2014/EPI-CWED-BP379.pdf>.

3 NWLC calculations based on BLS Min. Wage Characteristics, *supra* note 1 (Table 1). This figure assumes 17.0 percent of white women are Hispanic, based on NWLC calculations using U.S. Census Bureau CPS Table Creator, <http://www.census.gov/cps/data/cpstablecreator.html> (last visited Apr. 27, 2015) (2014 ASEC data).

4 NWLC calculations based on U.S. Census Bureau, CPS, 2014 ASEC, Table PINC-05, available at http://www.census.gov/hhes/www/cpstables/032014/perinc/pinc05_000.htm (last visited Apr. 27, 2015).

5 Econ. Policy Inst. (EPI), It’s Time to Raise the Minimum Wage, (Apr. 2015), available at <http://www.epi.org/publication/its-time-to-raise-the-minimum-wage/> (Table 2A).

6 NWLC calculations based on BLS Min. Wage Characteristics, *supra* note 1 (Table 7). Fifty-four percent of female minimum wage workers are 25 or older.

7 More than three-quarters of women 16 and older and 60 percent of women over 25 earning the minimum wage or less do not have household income from a spouse.

NWLC calculations based on BLS Min. Wage Characteristics, *supra* note 1 (Table 8).

8 EPI, *supra* note 5 (Table 2A).

9 *Id.*

10 EPI, *supra* note 5. Figure compares the federal minimum wage in 1968 and 2014.

11 Throughout this analysis NWLC calculations regarding full-time earnings assume 40 hours per week, 50 weeks per year.

12 U.S. Census Bureau, Poverty Thresholds for 2014, <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited Apr. 23, 2015).

The poverty line in 2014 for a mother and two children is \$19,073.

13 Allegretto & Cooper, *supra* note 2, at 1.

14 *Id.* at 13, 23.

15 EPI, *supra* note 5 (Table 2A).

16 *Id.* (Tables 2B-2F). By comparison, 35.8 percent of white, non-Hispanic working single mothers would get a raise.

17 *Id.* (Table 2A).

18 *Id.*

19 A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. See Nicole M. Fortin & Thomas Lemieux, *Institutional Changes and Rising Inequality*, 11 J. Econ. Perspectives 75, 78 (1997), available at https://www.aeaweb.org/atypon.php?return_to=/doi/pdfplus/10.1257/jep.11.2.75.

See also Francine D. Blau & Lawrence M. Kahn, Gender Differences in Pay, 14 J. Econ. Perspectives 75, 93 (2000), available at http://econ2.econ.iastate.edu/classes/econ321/orazem/blau_wages.pdf.

20 Joan Entmacher et al., NWLC, Insecure and Unequal: Poverty Among Women & Families 2000-2013 (2014), available at http://www.nwlc.org/sites/default/files/pdfs/final_2014_nwlc_poverty_report.pdf.

21 Julie Vogtman & Katherine Gallagher Robbins, NWLC, Higher State Minimum Wages Promote Fair Pay for Women (Oct. 2014), available at http://www.nwlc.org/sites/default/files/pdfs/higher_state_minimum_wages_promote_fair_pay_for_women_october_2014.pdf. Figures are for 2013.

22 Katherine Gallagher Robbins et al., NWLC, States with Equal Minimum Wages for Tipped Workers Have Smaller Wage Gaps for Women Overall and Lower Poverty Rates for Tipped Workers (Nov. 2014), available at http://www.nwlc.org/sites/default/files/pdfs/tipped_minimum_wage_worker_wage_gap_nov_2014.pdf. Figures are for 2013.

23 *Supra* notes 11 & 12. Twenty-four thousand dollars is above both today’s poverty line for a family of three (\$19,073) as well as the estimated poverty line for 2020, which NWLC calculates to be less than \$22,000 based on the Congressional Budget Office’s predictions regarding the CPI-U (the inflation measure used to increase the Census Bureau’s poverty thresholds annually) for 2015 through 2020.

24 See, e.g., John Schmitt, Ctr. for Econ. & Policy Research, Why Does the Minimum Wage Have No Discernible Effect on Employment? (Feb. 2013), available at <http://www.cepr.net/publications/reports/why-does-the-minimum-wage-have-no-discernible-effect-on-employment>.

25 Daniel Aaronson, Sumit Agarwal & Eric French, Fed. Reserve Bank of Chicago, The Spending and Debt Responses to Minimum Wage Increases, at 10 (Rev. Feb. 2011), available at http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf.

26 See, e.g., T. William Lester, David Madland & Jackie Odum, Ctr. for Amer. Progress, Raising the Minimum Wage Would Help, Not Hurt, Our Economy (Dec. 2013), available at <https://www.americanprogressaction.org/issues/labor/news/2013/12/03/80222/raising-the-minimum-wage-would-help-not-hurt-our-economy/>.