

# MINIMUM WAGE

## Higher State Minimum Wages Promote Fair Pay for Women

February 2014 | Julie Vogtman and Katherine Gallagher Robbins

Women working full time, year round typically make only 77 percent of what their male counterparts make – leaving a wage gap of 23 cents on the dollar.<sup>1</sup> One reason for this gap is that women are concentrated in low-wage jobs: two-thirds of minimum wage workers and workers in tipped occupations are women, disproportionately women of color.<sup>2</sup> Raising the minimum wage would help close this gap by increasing wages for workers at the bottom of the spectrum.<sup>3</sup> **Raising the minimum wage and the tipped minimum wage are important steps towards fair pay for women – especially women of color.**

### The Federal Minimum Wage & Tipped Minimum Wage

- The federal minimum wage is \$7.25 per hour and the federal minimum cash wage for tipped workers is just \$2.13 per hour.
- Neither minimum wage is indexed for inflation, which means they lose value over time. Congress has raised the minimum wage only three times in 30 years. The tipped minimum wage has been frozen for over 20 years.<sup>4</sup>
- A full-time, year-round minimum wage worker earns just \$14,500 – more than \$4,000 below the poverty line for a mother and two children.<sup>5</sup>

### States with higher-than-federal minimum wages also have smaller wage gaps.

- The average wage gap in states with a minimum wage at or above \$8.00 (18.1 cents) is 22 percent smaller than the average wage gap in states with a \$7.25 minimum wage (23.3 cents).<sup>6</sup>
- Seven of the ten states with the narrowest wage gaps in 2012 had minimum wages above the federal level of \$7.25 per hour. Among the ten states with the widest wage gaps, only two had minimum wages above \$7.25.<sup>7</sup>

#### States with the 10 smallest wage gaps

State	Women's Earnings/ Men's Earnings	Wage Gap	Minimum Wage
District of Columbia	90.1%	9.9%	\$8.25
Maryland	85.3%	14.7%	\$7.25
Nevada	85.3%	14.7%	\$8.25
Vermont	84.9%	15.1%	\$8.60
New York*	83.9%	16.1%	\$7.25
California*	83.7%	16.3%	\$8.00
Florida	83.6%	16.4%	\$7.79
Hawaii	83.2%	16.8%	\$7.25
Maine	82.9%	17.1%	\$7.50
Arizona	82.5%	17.5%	\$7.80

#### States with the 10 widest wage gaps

State	Women's Earnings/ Men's Earnings	Wage Gap	Minimum Wage
Wyoming	63.8%	36.2%	\$7.25
Louisiana	66.9%	33.1%	\$7.25
West Virginia	69.9%	30.1%	\$7.25
Utah	70.2%	29.8%	\$7.25
Alabama	71.1%	28.9%	\$7.25
Indiana	73.3%	26.7%	\$7.25
Michigan	73.7%	26.3%	\$7.40
North Dakota	73.8%	26.2%	\$7.25
Alaska	74.2%	25.8%	\$7.75
Idaho	75.1%	24.9%	\$7.25

Notes: NWLC calculations are based on the 2012 American Community Survey. U.S. Department of Labor, [Minimum Wage Laws in the States](#).

\* Under recently enacted legislation, New York's minimum wage is set to rise to \$9.00 per hour in three steps between Dec. 31, 2013 and Dec. 31, 2015 and California's minimum wage is set to increase to \$10.00 per hour in two steps between July 1, 2014 and Jan. 1, 2016.

## Minimum wage workers are disproportionately women, particularly women of color.

- Women made up about two-thirds of all workers who were paid minimum wage or less in 2012, and 61 percent of full-time minimum wage workers.<sup>8</sup> Women were also nearly two-thirds of workers in tipped occupations in 2012,<sup>9</sup> and are an even larger share of some of the lowest-paid tipped occupations.<sup>10</sup>
  - Women of color are disproportionately represented among female minimum wage workers. Nearly four in ten female minimum wage workers are women of color, compared to just over one-third of working women overall.<sup>11</sup>
  - In every state, women are half or more of the workers making at or below the state's minimum wage. In 25 states, women represent more than six in ten of the workers making at or below the state minimum wage, including five states where women represent more than seven in ten of the workers making at or below the state minimum wage.<sup>12</sup>
- male counterparts. The wage gap was even larger for women of color: African-American women working full time, year round typically made only 64 cents, and Hispanic women only 54 cents, for every dollar paid to their white, non-Hispanic male counterparts.<sup>13</sup>
- By lifting wages for the lowest-paid workers while leaving wages unchanged for those at the top, raising the minimum wage would likely narrow the range of wages paid to workers across the economy – and because women are the majority of workers who would see their pay go up, the wage gap would narrow as well.<sup>14</sup>
  - Raising the minimum wage would be especially helpful for women of color, who experience wider wage gaps and are even more disproportionately represented among minimum wage earners than women overall.
  - It is critical to raise the tipped minimum wage along with the minimum wage. When tips fall short of the minimum wage, employers are supposed to make up the difference, but often fail to do so.<sup>15</sup> Raising the tipped minimum wage would ensure a more stable and adequate base for a low-paid and predominantly female workforce.

## Raising the minimum and tipped minimum wages would help close the wage gap.

- In 2012, women working full time, year round were typically paid 77 cents for every dollar paid to their

1 NWLC, The Wage Gap is Stagnant in the Last Decade (Sept. 2013) available at <http://www.nwlc.org/resource/wage-gap-stagnant-last-decade>.

2 NWLC, Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage (Jan. 2014) available at <http://www.nwlc.org/resource/fair-pay-women-requires-increasing-minimum-wage-and-tipped-minimum-wage>. "Minimum wage workers" refers to workers making the minimum wage or less.

3 A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, Institutional Changes and Rising Inequality, *Journal of Economic Perspectives*, Spring 1997, 75-96, at 78, available at <http://www.jstor.org/stable/2138237>. See also Francine D. Blau & Lawrence M. Kahn, Swimming Upstream, *Journal of Labor Economics*, Jan. 1997, 1-42, at 28, available at <http://www.jstor.org/stable/2535313>.

4 Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 2-3 (Feb. 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>.

5 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour. U.S. Census Bureau, Poverty Thresholds for 2013 <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited Feb. 4, 2014).

6 The average wage gap in all states with minimum wages above \$7.25 per hour (19.8 cents) is also smaller than the average wage gap in states with minimum wages of \$7.25. NWLC calculations of state wage gaps based on U.S. Census Bureau, 2012 American Community Survey, Tables R2001 and R2002, available at <http://www.census.gov/acs/www/>. U.S. Department of Labor, Wage and Hour Division, Minimum Wage Laws in the States – January 1, 2013, available at <http://www.dol.gov/whd/minwage/america.htm> (last visited May 23, 2013). D.C. is considered a state for this comparison.

7 Ibid.

8 NWLC, Fair Pay for Women, *supra* note 2. This "about two-thirds" figure is true for both those 16 and older (64 percent) and 25 and older (66 percent).

9 NWLC, Fair Pay for Women, *supra* note 2.

10 Restaurant Opportunities Centers (ROC) United, Tipped Over the Edge: Gender Inequity in the Restaurant Industry, available at [http://rocunited.org/wp-content/uploads/2012/02/ROC\\_GenderInequity\\_F1-1.pdf](http://rocunited.org/wp-content/uploads/2012/02/ROC_GenderInequity_F1-1.pdf).

11 NWLC, Fair Pay for Women, *supra* note 2.

12 NWLC calculations based on unpublished U.S. Department of Labor, Bureau of Labor Statistics data for all wage and salary workers. Figures are annual averages for 2012. Available data do not permit a precise calculation of the percentage of women making the state minimum wage in all states due to the increments by which wages are reported. Estimates are based on the share of workers who are women at or below the reported wage levels immediately above and below the relevant state's minimum wage. For more information see NWLC, Women and the Minimum Wage, State by State, <http://www.nwlc.org/resource/women-and-minimum-wage-state-state> (last visited Sept. 30, 2013).

13 NWLC, The Wage Gap is Stagnant in the Last Decade *supra*, note 1.

14 See sources cited, *supra* note 3.

15 ROC United, Tipped Over the Edge, *supra* note 10.