

# MINIMUM WAGE

## Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage

February 2014 | Julie Vogtman and Katherine Gallagher Robbins

*Millions of workers – mostly women – struggle to make ends meet on minimum wage earnings. The Fair Minimum Wage Act (H.R. 1010/S. 460) and the Minimum Wage Fairness Act (S. 1737) would gradually raise the federal minimum wage from \$7.25 to \$10.10 per hour, increase the tipped minimum cash wage from \$2.13 per hour to 70 percent of the minimum wage, and index these wages to keep pace with inflation. **Increasing the minimum wage and tipped minimum wage are key steps toward fair pay for women.***

### KEY FACTS

- Women represent nearly two-thirds of minimum wage workers. Nearly four in ten female minimum wage workers are women of color.
- A woman working full time, year round at the federal minimum wage of \$7.25 per hour earns just \$14,500 – more than \$4,000 below the poverty line for a family of three.
- The federal minimum cash wage for tipped workers is \$2.13 per hour. Women are nearly two-thirds of workers in tipped occupations.
- Raising the minimum wage to \$10.10 per hour would boost earnings for nearly 28 million workers, 55 percent of them women, and help close the wage gap.

### Women are a large majority of minimum wage earners.

- 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>1</sup> Women were also nearly two-thirds of workers in tipped occupations in 2012.<sup>2</sup> These workers provide care for children and frail elders, clean homes and offices, and wait tables.
- Women of color are disproportionately represented among female minimum wage workers. Nearly four in ten female minimum wage workers are women of color,<sup>3</sup> compared to just over one-third of working women overall.<sup>4</sup>

- More than three-quarters of women earning the minimum wage are age 20 or older,<sup>5</sup> and most do not have a spouse's income to rely on.<sup>6</sup>

### Low-wage working women deserve a raise.

- Congress has raised the minimum wage only three times in 30 years, and it is now just \$7.25 per hour. If the minimum wage had kept pace with inflation since 1968, it would be over \$10.70 per hour today.<sup>7</sup>
- The federal minimum cash wage for employees in tipped occupations is \$2.13 per hour, unchanged in over 20 years and less than one-third of the federal minimum wage.<sup>8</sup> Restaurant servers, the largest group of tipped employees, experience poverty at nearly three times the rate of the workforce as a whole – and about 70 percent of servers are women.<sup>9</sup>
- A woman working full time, year round at minimum wage will earn \$14,500 annually<sup>10</sup> – more than \$4,000 below the poverty line for a mother with two children.<sup>11</sup>

### Increasing the minimum wage would boost wages for millions of working women and help close the wage gap.

- Increasing the minimum wage to \$10.10 per hour would boost annual earnings by \$5,700 to \$20,200, enough to pull a family of three out of poverty.<sup>12</sup>
- The Economic Policy Institute (EPI) estimates that if the minimum wage were gradually increased to \$10.10 per hour by 2016, about 27.8 million workers would get a raise – including 11.1 million workers earning between \$10.10 and \$11.05 per hour, who would see their pay increase due to the higher

floor set by the new minimum wage. Women are 15.3 million (55 percent) of all affected workers.<sup>13</sup>

- Of the nearly 28 million workers who would get a raise, about 7.4 million are parents,<sup>14</sup> including almost 4.8 million working mothers – representing 22 percent of all working mothers with children under 18.<sup>15</sup> Nearly a quarter of affected parents are the sole providers for their families.<sup>16</sup>
- Since women are the majority of minimum wage workers, increasing the minimum wage would help close the wage gap.<sup>17</sup> In 2012, women working full time, year round were paid only 77 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 54 cents, for every dollar paid to their white, non-Hispanic male counterparts.<sup>18</sup>
- 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>19</sup>

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

- Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers.<sup>20</sup>
- Most minimum wage workers need this income to make ends meet and spend it quickly, boosting the economy. Research indicates that for every \$1 added to the minimum wage, low-wage worker households spent an additional \$2,800 the following year.<sup>21</sup>
- Raising the minimum wage does not cause job loss, even during periods of recession.<sup>22</sup> In fact, EPI estimates that raising the federal minimum wage to \$10.10 per hour would generate more than \$22 billion in additional economic activity and around 85,000 jobs.<sup>23</sup>
- If the Fair Minimum Wage Act were implemented, an estimated 4.6 million non-elderly Americans (workers and their family members) would see their incomes rise above the poverty line, including 2.8 million women and girls.<sup>24</sup>

- 1 NWLC calculations based on Bureau of Labor Statistics (BLS), Characteristics of Minimum Wage Workers, 2012, available at <http://www.bls.gov/cps/minwage2012tbls.htm> [hereinafter BLS Min. Wage Characteristics] (Table 1). This is true for both those 16 and older (64 percent) and 25 and older (66 percent). The term “minimum wage workers” refers to workers making the minimum wage or less.
- 2 NWLC calculations based on BLS, Current Population Survey (CPS), Table 11, <http://www.bls.gov/cps/cpsaat11.pdf> (last visited Mar. 1, 2013).
- 3 Women of color are 38.7 percent of all female minimum wage workers. NWLC calculations based on BLS Min. Wage Characteristics (Table 1), *supra* note 1. This figure assumes 88.2 percent of Hispanics are white. See U.S. Census Bureau, 2012 Population Estimates, Annual Estimates of the Resident Population by Sex, Single Year of Age, Race, and Hispanic Origin for the United States: April 1 2010 to July 1, 2012 (for people of Hispanic origin in July 2012), [http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP\\_2012\\_PEPALL6N&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2012_PEPALL6N&prodType=table) (last visited Dec. 19, 2013).
- 4 Women of color are 33.8 percent of all working women. NWLC calculations based on U.S. Census Bureau, CPS, 2013 Annual Social and Economic Supplement, Table PINC-05, [http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc05\\_000.htm](http://www.census.gov/hhes/www/cpstables/032013/perinc/pinc05_000.htm) (last visited Dec. 19, 2013).
- 5 NWLC calculations based on BLS Min. Wage Characteristics (Table 7), *supra* note 1.
- 6 More than three-quarters of women 16 and older and 59 percent of women over 25 earning the minimum wage do not have household income from a spouse. NWLC calculations based on BLS Min. Wage Characteristics (Table 8), *supra* note 1.
- 7 The high-water mark for the federal minimum wage of \$1.60 in 1968 (see Doug Hall, EPI, Increasing the Minimum Wage Is Smart for Families and the Economy (2011), available at [http://www.epi.org/publication/increasing\\_the\\_minimum\\_wage\\_is\\_smart\\_for\\_families\\_and\\_the\\_economy/](http://www.epi.org/publication/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/)) would be \$10.72 in 2013 according to the BLS inflation calculator, (last visited Jan. 6, 2014).
- 8 Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 2-3 (Feb. 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>.
- 9 Restaurant Opportunities Ctr. United, Tipped Over the Edge, at 1 (Feb. 2012), available at <http://rocunited.org/tipped-over-the-edge-gender-inequity-in-the-restaurant-industry/>.
- 10 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour.
- 11 U.S. Census Bureau, Poverty Thresholds for 2013, <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited Feb. 4, 2014).
- 12 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.10 per hour.
- 13 David Cooper, EPI, Supplementary Data: State-by-State Characteristics of Workers Who Would Be Affected by Increasing the Federal Minimum Wage to \$10.10 by July 2016, at 2 (Dec. 2013), available at <http://s2.epi.org/files/2013/minimum-wage-state-tables.pdf>.
- 14 Id.
- 15 Unpublished EPI estimates.
- 16 Cooper, *supra* note 13.
- 17 Under most circumstances a higher minimum wage 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://aysps.gsu.edu/isp/files/ISP\\_SUMMER\\_SCHOOL\\_2008\\_CURRIE\\_Swimming\\_Upstream.pdf](http://aysps.gsu.edu/isp/files/ISP_SUMMER_SCHOOL_2008_CURRIE_Swimming_Upstream.pdf).
- 18 NWLC, Insecure and Unequal: Poverty Among Women & Families 2000-2012 (Sept. 2013), available at [http://www.nwlc.org/sites/default/files/pdfs/final\\_2013\\_nwlc\\_povertyreport.pdf](http://www.nwlc.org/sites/default/files/pdfs/final_2013_nwlc_povertyreport.pdf).
- 19 NWLC, Higher State Minimum Wages Promote Fair Pay for Women (Feb. 2014), available at [http://www.nwlc.org/sites/default/files/pdfs/minimumwageandwagegapfebruary\\_2014\\_update.pdf](http://www.nwlc.org/sites/default/files/pdfs/minimumwageandwagegapfebruary_2014_update.pdf).
- 20 T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, An Increased Minimum Wage is Good Policy Even During Hard Times (2011), available at [http://www.americanprogressaction.org/issues/2011/06/higher\\_minimum\\_wage.html](http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html).
- 21 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](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf).
- 22 Mary Gable & Douglas Hall, EPI, The Benefits of Raising Illinois' Minimum Wage, at 2-3 (Jan. 2012), available at <http://www.epi.org/files/2012/ib321.pdf>.
- 23 David Cooper, EPI, Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost, at 11-13 (Dec. 2013), available at <http://s2.epi.org/files/2013/RAISING-THE-FEDERAL-MINIMUM-WAGE-TO-1010-WOULD-LIFT-WAGES-FOR-MILLIONS-AND-PROVIDE-MODEST-ECONOMIC-BOOST.pdf>.
- 24 Arindrajit Dube, Minimum Wages and the Distribution of Family Income, at 34 (Dec. 2013), available at [https://dl.dropboxusercontent.com/u/15038936/Dube\\_MinimumWages-FamilyIncomes.pdf](https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWages-FamilyIncomes.pdf). Female share of affected individuals is an unpublished estimate.