

MINIMUM WAGE

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

April 2012

Millions of workers – mostly women – struggle to make ends meet on minimum wage earnings. The Rebuild America Act, S. 2252, would gradually raise the federal minimum wage from \$7.25 to \$9.80 per hour, increase the tipped minimum cash wage from \$2.13 per hour to 70 percent of the minimum wage, and index the minimum wage 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.
- A woman working full time, year round at the federal minimum wage of \$7.25 per hour earns just \$14,500 – more than \$3,000 below the poverty line for a family of three.
- The federal minimum cash wage for tipped workers is just \$2.13 per hour, and women represent nearly two-thirds of workers in tipped occupations.
- Raising the minimum wage to \$9.80 per hour would boost earnings for more than 28 million workers, nearly 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 2011, and 61 percent of full-time minimum wage workers.¹ Women were nearly two-thirds of workers in tipped occupations in 2011.²

- Nearly 2.4 million women 16 and older were paid minimum wage or less in 2011.³ They provided care for children and frail elders, cleaned homes and offices, and waited tables.
- Women of color are disproportionately represented among female minimum wage workers. Black and Hispanic women were each just over 12 percent of all employed women in 2011,⁴ but nearly 15 percent of women who made minimum wage were black and more than 16 percent were Hispanic.⁵
- Most women making minimum wage do not have a spouse's income to rely on, including more than three-quarters of women 16 and older and 61 percent of women over 25 earning the minimum wage.⁶

It's time to give low-wage working women 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 now be nearly \$10.50 per hour.⁷
- The federal minimum cash wage for employees working in tipped occupations is \$2.13 per hour, unchanged in 20 years and less than one-third of the current federal minimum wage.⁸ 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.⁹



- A woman working full time, year round at the current minimum wage will earn just \$14,500 annually.¹⁰ That's more than \$3,000 below the federal poverty line for a mother with two children.¹¹

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

- Increasing the minimum wage to \$9.80 per hour would boost annual earnings to \$19,600, an increase of \$5,100 per year, enough to pull a family of three out of poverty.¹²
- The Economic Policy Institute (EPI) estimates that if the minimum wage were increased to \$9.80 in three steps of 85 cents over the next three years, in the third year more than 28 million workers would get a raise, nearly 55 percent of them women.¹³
- Since women are the majority of minimum wage workers, increasing the minimum wage would help close the wage gap.¹⁴ In 2010, 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 62 cents, and Hispanic women only 54 cents, for every dollar paid to their white, non-Hispanic male counterparts.¹⁵

Raising the minimum wage would strengthen the economy.

- Increasing the wages paid to low-wage workers results in lower turnover, boosts worker efforts, and encourages employers to invest in their workers.¹⁶
- Raising the minimum wage does not cause job loss, even during periods of recession.¹⁷
- 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.¹⁸
- EPI estimates that by the third year of its implementation, the minimum wage increase in the Rebuild America Act would generate about \$25 billion in additional economic activity and around 100,000 jobs.¹⁹

1 NWLC calculations based on Bureau of Labor Statistics, Characteristics of Minimum Wage Workers, 2011, available at <http://www.bls.gov/cps/minwage2011tbls.htm> [hereinafter BLS Min. Wage Characteristics] (Table 1). This is true for both those 16 and older (63 percent) and 25 and older (67 percent). The term "minimum wage workers" refers to workers making the minimum wage or less.

2 NWLC calculations based on Bureau of Labor Statistics, Current Population Survey (CPS), Table 11 <http://www.bls.gov/cps/cpsaat11.pdf> (last visited March 5, 2011). Includes: waiters & waitresses; bartenders; counter attendants, cafeteria, food, & coffee shop; dining room & cafeteria attendants & bartender helpers; food servers, non-restaurant; taxi drivers & chauffeurs; parking lot attendants; hairdressers, hairstylists, & cosmetologists; barbers; personal appearance workers; porters, bellhops, & concierges; & gaming services workers.

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

4 NWLC calculations based on Bureau of Labor Statistics, CPS. Figure for black women from Table 3, <http://www.bls.gov/cps/cpsaat03.htm> (last visited March 5, 2012). Figure for Hispanic women from Table 4, <http://www.bls.gov/cps/cpsaat04.htm> (last visited March 5, 2012).

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

6 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 Douglas 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/) would be \$10.47 in 2012 according to the Bureau of Labor Statistics inflation calculator, http://www.bls.gov/data/inflation_calculator.htm (last visited Apr. 3, 2012).

8 Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 2-3 (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, CPS, 2011 Annual Social & Economic Supplement, Table POV35, http://www.census.gov/hhes/www/cpstable/032011/pov/new35_000.htm (last visited March 14, 2012).

12 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$9.80 per hour. Under the Rebuild America Act, the federal minimum wage would increase over three years to \$9.80 per hour before being indexed to inflation. The federal minimum wage would equal \$8.10 in the first year, \$8.95 in the second year, and \$9.80 in the third year. Beginning in the fourth year after enactment, the minimum wage would be indexed annually to the CPI-W measure of inflation.

13 Unpublished EPI estimates. The more than 28 million workers include 19.5 million workers with wages below the new minimum wage of \$9.80 who would be directly affected, and 8.9 million workers with wages above \$9.80 whose pay would also increase due to the higher floor set by the new minimum wage.

14 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.econ.ucdavis.edu/faculty/mepage/econ151b/Fortin%20and%20Lemieux.pdf>. 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.

15 NWLC, Poverty Among Women & Families 2000-2010 (2011), available at <http://www.nwlc.org/sites/default/files/povertyamongwomenandfamilies2010final.pdf>.

16 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.

17 Mary Gable & Douglas Hall, EPI, The Benefits of Raising Illinois' Minimum Wage, at 2-3 (2012), available at <http://www.epi.org/files/2012/ib321.pdf>.

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

19 Unpublished EPI estimates.