

MINIMUM WAGE

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

March 2013

*Millions of workers – mostly women – struggle to make ends meet on minimum wage earnings. The Fair Minimum Wage Act of 2013 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.**
- **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 more than 30 million workers, 56 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.¹ Women were also nearly two-thirds of workers in tipped occupations in 2012.² 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. Black women were just under 13 percent and Hispanic women were just under 14 percent of all employed women in 2012,³ but more than 15 percent of women who made minimum wage were black and more than 16 percent were Hispanic.⁴
- 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 59 percent of women over 25 earning the minimum wage.⁵

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 now be almost \$10.60 per hour.⁶
- 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.⁷ 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.⁸
- A woman working full time, year round at minimum wage will earn \$14,500 annually⁹ – nearly \$4,000 below the poverty line for a mother with two children.¹⁰

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.¹¹
- The Economic Policy Institute (EPI) estimates that if the minimum wage were increased to \$10.10 in three steps of 95 cents over the next three years, in the third year more than 30 million workers would get a raise, 56 percent of them women.¹²
- Of the more than 30 million workers who would get a raise, 28 percent are parents, and over 17 million children have a parent who would benefit from a minimum wage increase. Nearly a quarter of affected parents are the sole providers for their families.¹³
- Since women are the majority of minimum wage workers, increasing the minimum wage would help close the wage gap.¹⁴ In 2011, 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 55 cents, for every dollar paid to their white, non-Hispanic male counterparts.¹⁵

- Seven of the ten states with the narrowest wage gaps in 2011 had minimum wages above the federal level of \$7.25 per hour. Among the quarter of states with the widest wage gaps, only two had minimum wages above \$7.25.¹⁶

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.¹⁷
- Raising the minimum wage does not cause job loss, even during periods of recession.¹⁸
- 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.¹⁹
- EPI estimates that by the third year of its implementation, the minimum wage increase in the Fair Minimum Wage Act of 2013 would generate nearly \$33 billion in additional economic activity and around 140,000 jobs.²⁰

- 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.
- NWLC calculations based on BLS, Current Population Survey (CPS), Table 11 <http://www.bls.gov/cps/cpsaat11.pdf> (last visited Mar. 1, 2013).
- NWLC calculations based on BLS, CPS, Figure for black women from Table 3. <http://www.bls.gov/cps/cpsaat03.htm> (last visited Mar. 1, 2013). Figure for Hispanic women from Table 4, <http://www.bls.gov/cps/cpsaat04.htm> (last visited March 1, 2013).
- NWLC calculations based on BLS Min. Wage Characteristics (Table 1), *supra* note 1.
- NWLC calculations based on BLS Min. Wage Characteristics (Table 8), *supra* note 1.
- 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 (May 2011), available at http://www.epi.org/publication/increasing_the_minimum_wage_is_smart_for_families_and_the_economy/) would be \$10.59 in 2013 according to the BLS inflation calculator, http://www.bls.gov/data/inflation_calculator.htm (last visited Mar. 1, 2013).
- Sylvia A. Allegretto & Kai Filion, EPI, Waiting for Change, at 2-3 (Feb. 2011), available at <http://www.epi.org/page/-/BriefingPaper297.pdf>.
- ROC United, Tipped Over the Edge, at 1 (Feb. 2012), available at <http://rocunited.org/tipped-over-the-edge-gender-inequity-in-the-restaurant-industry/>.
- NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour.
- U.S. Census Bureau, Poverty Thresholds for 2012, <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited Mar. 1, 2013).
- NWLC calculation assuming 40 hours per week, 50 weeks per year at \$10.10 per hour. Under the Fair Minimum Wage Act, the federal minimum wage would increase over three years to \$10.10 per hour before being indexed to inflation.
- Unpublished EPI estimates.
- Ibid.*
- 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.
- NWLC, Insecure and Unequal: Poverty Among Women & Families 2000-2011 (2012), available at http://www.nwlc.org/sites/default/files/pdfs/nwlc_2012_povertyreport.pdf.
- NWLC calculations based on U.S. Census Bureau, 2011 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, 2012, available at <http://www.dol.gov/whd/minwage/america.htm> (last visited Nov. 27, 2012). D.C. is considered a state for the purposes of this comparison.
- T. William Lester, David Madland & Nick Bunker, Ctr. for Amer. Progress, An Increased Minimum Wage is Good Policy Even During Hard Times (June 2011), available at http://www.americanprogressaction.org/issues/2011/06/higher_minimum_wage.html.
- 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>.
- 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.
- Unpublished EPI estimates.