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POLICY BRIEF

# VALUE WORKING PEOPLE: RAISE THE WAGE AND NARROW THE WAGE GAP



## THE PROBLEM

All working people should be able to support themselves and their families. But far too often, employers do not provide the wages, hours, or benefits that people need to achieve economic security and stability. Even before the COVID-19 pandemic, millions of workers—**mostly women, and disproportionately women of color**—were struggling to support themselves and their families on poverty-level wages. **LGBTQI+ workers** and **people with disabilities**, are especially likely to hold jobs in which their hard work is rewarded with inadequate pay.

Congress has not raised the federal minimum wage in well over a decade—the longest period without an increase since the federal minimum wage was established in 1938. In real terms, the federal wage is at its lowest level since 1956. **Thirty states and the District of Columbia currently have minimum wages above the federal level of \$7.25 per hour**—but in far too many states, the minimum wage still leaves a full-time worker with two children near or below the poverty level. And wages are even lower for many **tipped workers**, predominantly women, disproportionately women of color. In all but seven states,<sup>1</sup> employers can count a portion of tips toward wages (known as a “tip credit”) and pay their tipped employees a minimum cash wage that is lower than the regular minimum wage. This tipped minimum cash wage has been just \$2.13 an hour at the federal level for more than 30 years, and in most states, **employers can still pay tipped workers less than \$5 per hour**, forcing the many women and **LGBTQI+ people** in these jobs to rely on variable tips for virtually all of their income—and putting them at a particularly high risk of both economic insecurity and **sex harassment**.

Women’s overrepresentation in low-paid and tipped jobs is one factor driving the persistent gender wage gap: overall, **women working full time, year-round typically are paid just 83 cents for every dollar paid to their male counterparts**. This gap varies by race and is wider for many women of color compared to white, non-Hispanic men.

A real economic recovery—especially for women, including trans and cisgender women, as well as gender-nonconforming and nonbinary people—will not be possible without higher wages for the millions of workers in low-paid jobs facing economic instability. While the tight labor market that has followed the pandemic-induced recession has put some upward pressure on wages, because **inflation has risen at a faster rate than wages**, many low-paid workers have seen higher costs erode the value of any wage gains.

## THE SOLUTION

Raising the minimum wage is one important way that policymakers can **shift power to working people** and **value** those who care for our children, provide health care for our loved ones, and perform other vital services. And by ensuring that a higher minimum wage applies not only to tipped workers but also people with disabilities, young workers, domestic workers, agricultural workers, and anyone else who has been excluded from this basic labor protection, states can work to diminish, rather than entrench, inequities.

A \$15 minimum wage will make a meaningful difference for many people struggling to make ends meet, but it is still a modest wage relative to the expenses that working families face every day, no matter where they live in the United States—especially in light of recent inflation. According to the Economic Policy Institute, even today, [a single worker without children needs at least full-time earnings at \\$15 an hour to meet basic needs](#), and workers in costlier areas and those supporting families need more. States should view \$15 per hour as a starting point, but in a number of states, a higher level will be an appropriate goal.

## BASIC ELEMENTS OF THE SOLUTION

- Gradually raise the state minimum wage to at least \$15 per hour, phased in over several years.
- Raise the minimum cash wage for tipped workers until it matches the regular minimum wage so that all working people are paid at least this regular minimum wage before tips.
- Include all other working people who are currently excluded from the regular minimum wage (e.g., people with disabilities, young workers, farm workers, domestic workers, etc.).
- Index the minimum wage to rise annually based on increases in median wages or the cost of living.

## TALKING POINTS ON THE SOLUTION

- In 2022 polling, most Americans (72%)—across races, genders, regions, income levels, and political affiliations—[support raising the minimum wage to \\$15 per hour](#) and indexing it to keep up with rising wages overall. A similarly large share (74%) support requiring employers to pay tipped workers the same minimum wage as anyone else, before tips. And support for these policies is even higher among women, particularly women of color.
- Legislatures in 10 states—California, Connecticut, Delaware, Illinois, Maryland, Massachusetts, New Jersey, New York, Rhode Island, Virginia—and the District of Columbia have all [enacted \\$15 minimum wage laws](#) that will be fully phased in by the year 2026. Under a law enacted in 2022, Hawaii’s minimum wage will rise to \$18 per hour by 2028.
- In November 2020, [Florida voters overwhelmingly approved a ballot measure to increase their state’s minimum wage to \\$15 by 2026](#), with 61% support.
- Raising the minimum wage is an important tool to narrow race and gender wage gaps. Because women—[particularly Black women and Latinas](#)—often are concentrated in undervalued, low-paying jobs, they [benefit the most when the minimum wage goes up](#).

- In One Fair Wage states—where employers are required to pay tipped workers the regular minimum wage before tips—the [poverty rate for women tipped workers is 30% lower](#) than in states with a \$2.13 tipped minimum cash wage. For Black women in tipped jobs, the poverty rate is 34% lower in One Fair Wage states than in \$2.13 states.
- [Wage growth has not driven recent inflation](#)—and inflation has outpaced wage gains for many low-paid workers, making a higher minimum wage all the more important.
- Across the country, [more than 1,300 businesses have publicly expressed support for a \\$15 minimum wage](#) raising the minimum wage makes good business sense, since it can not only boost consumer demand but also [reduce employee turnover, increase productivity, and improve customer service](#).
- Decades of research studying the impact of state and local minimum wage increases shows that these measures consistently [boost incomes](#) for workers and their families [without costing jobs—even during economic downturns](#).
- [Increased public investments](#) can ensure that low-paid [child care workers](#) and [direct care workers](#) such as home health aides and nursing assistants in nursing homes—who are overwhelmingly women, disproportionately Black women and Latinas—fully benefit from minimum wage increases, without increasing costs for the families they serve.

1 The seven “One Fair Wage” states in which no tip credit is permitted under state law are Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. See Wage & Hour Div., *Minimum Wages for Tipped Employees*, <https://www.dol.gov/whd/state/tipped.htm>, U.S. Dep’t of Labor (Jan. 1, 2022).