

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. Millions of workers—**mostly women, and disproportionately women of color**—struggle 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**, who are predominantly women, and disproportionately women of color. In all but seven states,¹ 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 84 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. In the face of the loss of federal supports, rising costs, depleted savings, and ongoing caregiving challenges, the modest wage gains spurred by a tight labor market have **not been sufficient** for many people working in low-paying jobs to achieve economic security.

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 **\$17 an hour to meet basic needs**, and workers in costlier areas and those supporting families need more. Many states should view \$17 per hour as a starting point, and in other states, an even higher level will be an appropriate goal.

BASIC ELEMENTS OF THE SOLUTION

- Gradually raise the state minimum wage to at least \$15 per hour—ideally more—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 **2023 polling**, most voters (76%) support raising the minimum wage to \$17 per hour.
- In **2022 polling**, a large share of voters (74%)—across races, genders, regions, income levels, and political affiliations—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 11 states—California, Connecticut, Delaware, Hawaii, Illinois, Maryland, Massachusetts, New Jersey, New York, Rhode Island, Virginia—and the District of Columbia have all enacted laws to raise the minimum wage to \$15 per hour, or even higher; D.C.’s minimum wage is currently \$17 per hour, for example, and Hawaii’s will reach \$18 by 2026. The minimum wage in Washington is currently \$15.74 per hour due to automatic increases based on inflation, and in several additional states with similar indexing mechanisms (Arizona, Colorado, Maine, Oregon), the minimum wage is currently above \$13.50 per hour and will continue to rise.
- In 2022, voters in Nebraska approved a ballot initiative to increase the minimum wage to \$15 per hour.

- 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, **women in tipped jobs experience far lower poverty rates** than their counterparts in states with a \$2.13 tipped minimum cash wage. And One Fair Wage can benefit businesses, too: From January 2021 to May 2023, One Fair Wage states saw **53% growth** in the leisure and hospitality industry, compared with just 19% growth in states with lower wages for tipped workers.
- In 2022, voters in Washington, D.C. approved a One Fair Wage ballot initiative, raising the wage for tipped workers to the regular minimum wage before tips. In 2023, Chicago’s City Council also passed a One Fair Wage ordinance.
- Raising the minimum wage also benefits employers, 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).