

# — RAISING — **MINIMUM WAGE**

FREQUENTLY ASKED QUESTIONS:



1. **Q: WHO WOULD BENEFIT FROM RAISING THE MINIMUM WAGE IN WASHINGTON STATE?**

**A:** Over 730,000 workers in Washington State would benefit from raising the minimum wage to \$13.50 an hour. Currently, over half of workers (53 percent) earning less than \$13.50 an hour are over the age of 30, with a greater share of workers over age 55 (13 percent) earning less than \$13.50 an hour compared to teens (9 percent). The majority are working full time (59 percent), and have family incomes below \$60,000/year (66 percent). Women are more likely than men to earn under \$13.50 an hour, as are people of color – over 40 percent of Latino and Black workers earn less than \$13.50 an hour.<sup>1</sup>

2. **Q: WILL RAISING THE MINIMUM WAGE REDUCE INCOME INEQUALITY AND POVERTY?**

**A:** Yes. The current minimum wage (\$9.47) is less than a poverty wage for a family of three (\$9.65).<sup>2</sup> Research suggests that raising the minimum wage would substantially increase the earnings of lower-wage workers and reduce wage inequality,<sup>3</sup> which is one component of income inequality. In Washington state, raising the minimum wage to \$13.50 an hour would boost the incomes of one in four low-wage workers.

3. **Q: CAN WORKERS EARNING THE CURRENT MINIMUM WAGE MEET BASIC NEEDS?**

**A:** In most places in Washington state, neither individuals nor families – regardless of size – can meet basic needs working full-time at the current minimum wage of \$9.47. The ability to meet basic needs (food, housing, transportation, child care, medical care) factors in how much a worker earns, and what expenses they have depending on where they live, the size of their family, and how many people in the family are working. In Seattle, for example, a single parent of two children would have to earn \$28.73 to meet basic needs; in Clark County the same family would need \$25.34, and in Yakima County they would need \$19.10.<sup>5</sup>

4. **Q: HOW WILL RAISING THE MINIMUM WAGE IMPACT EMPLOYMENT LEVELS?**

**A:** The impact of raising the minimum wage on employment has been evaluated extensively in the research literature. The weight of the evidence overwhelmingly shows that, on net, raising the minimum wage does not have a discernible impact on employment.

For example, a study released in 2009 mapped the findings from 64 studies conducted from 1972 to 2007 and found the weight of the evidence showing no changes in employment following minimum wage increases.<sup>6</sup> A 2010 meta-study analyzing all the state and county borders in the country with different minimum wages showed no employment changes following an increase.<sup>7</sup> These analyses have been bolstered by a meta-analysis of the most recent wave of minimum wage research, which also shows that moderate increases in the minimum wage do not have a noticeable impact on employment.<sup>8</sup>

5. **Q: HOW CAN EMPLOYERS AFFORD WAGE INCREASES WITHOUT LETTING PEOPLE GO?**

**A:** A 2013 meta-analysis evaluated the research literature to better understand why raising the minimum wage does not impact employment. The evidence showed that employers have multiple ways in which they can absorb a minimum wage increase – the strongest of which was that businesses accrue savings from reductions in labor turnover and more productive employees following a minimum wage increase. The research also showed that employers do increase prices by a very small amount.<sup>9</sup> A meta-analysis of findings from 30 studies found that a 10 percent increase in the minimum wage resulted in an overall price increase of 0.4 percent.<sup>10</sup>

6. **Q: WHAT INDUSTRIES ARE MOST AFFECTED BY RAISING THE MINIMUM WAGE?**

**A:** The largest share of minimum wage workers (21 percent) are in the service industry,<sup>11</sup> which includes occupations such as food servers, bartenders, baristas, hair stylists, concierges, and bellhops.<sup>12</sup>

7. **Q: WOULD A TRAINING WAGE HELP REDUCE UNEMPLOYMENT AMONG TEENS?**

**A:** No. The most recent research shows that high rates of teen unemployment are not affected by the minimum wage.<sup>13</sup> While it is true that teens in Washington state have experienced declining levels of employment for nearly 15 years, a major reason is that more youth attend school than in the past. For example, in 1990, 77 percent of 16- to 19-year-olds were in school, compared to 85 percent in 2010. Attendance in summer school has especially increased, nearly threefold over the last 20 years.<sup>14</sup> In addition to more teens being in school, current rates of teen unemployment are related to post-recession employment patterns - namely, that there are far more unemployed people looking for work than there are jobs available. In other words, the problem is not wages - it is a shortage of jobs overall. Given that teens have less experience than the older workers they are competing with, they are at a disadvantage in a labor market characterized by high unemployment for all workers.<sup>15</sup>

8. **Q: WHAT WOULD THE MINIMUM WAGE BE IF IT HAD KEPT PACE WITH INFLATION? WHAT ABOUT IF IT HAD KEPT PACE WITH LABOR PRODUCTIVITY?**

**A:** In Washington state, the purchasing power of the minimum wage was at its highest in 1968. Using that as the base year, minimum wage would have been \$10.64 by 2014. If minimum wage had kept pace with changes in productivity, it would be at least \$16 an hour today.<sup>16</sup>

9. **Q: WHY IS 1968 THE BASE YEAR USED FOR ADJUSTING MINIMUM WAGE FOR INFLATION?**

**A:** Many economists choose 1968 as the base year because that particular year was a high-water mark for the middle class and economy – in Washington state and the United States. The purchasing power of minimum wage was at its highest that year, and other economic conditions were very favorable. For example, national unemployment was below four percent, median household income was on the rise, and income inequality was relatively low, with just 9 percent of all income held by the richest 1 percent (today the richest 1 percent hold 23 percent of all income). Given that our economy is vastly richer today than in 1968, and workers more productive, using it as a baseline serves as the absolute minimum of what we should expect for workers today.

10. **Q: WHY NOT RAISE THE MINIMUM WAGE HIGHER THAN \$13.50?**

**A:** A minimum wage above \$13.50 would be reasonable based on the historical relationship between wages and labor productivity. During the height of middle class prosperity between 1947 and 1979, for example, wages kept pace with productivity and rose as the economy grew. Had workers continued to receive a wage commensurate with their productivity, the minimum wage would be at least \$16 per hour.<sup>17</sup>

11. **Q: NOW THAT OUR ECONOMY IS RECOVERING, WON'T ECONOMIC GROWTH RAISE WAGES FOR EVERYONE?**

**A:** No. Wages have been stagnant for 35 years for low- and middle-income workers, in spite of considerable economic growth over that time period. Wage stagnation is directly related to rising income inequality.

**SOURCES:**

1. Budget & Policy Center and Economic Policy Institute analysis of Current Population Survey, Outgoing Rotation Group Public Use Microdata from 2012Q4 through 2013Q3
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3. Dale Belman and Paul J. Wolfson (2014) What Does the Minimum Wage Do? Kalamazoo, MI: W.E. Upjohn Institute for Employment Research
4. Economic Policy Institute analysis of 2013 CPS-ORG data
5. Workforce Development Council - Seattle/King County (2014) The Self-Sufficiency Standard for Washington State (<http://www.selfsufficiencystandard.org/docs/Washington2014.pdf>)
6. Hristos Doucouliagos and T. D. Stanley (2009) Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis. British Journal of Industrial Relations; 47(2); 406-428; data summarized and visualized by John Schmitt and published by Economic Policy Institute (<http://www.epi.org/blog/raising-federal-minimum-wage-will-not-lead-to-job-loss/>)
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10. Sara Lemos (2008) A Survey of the Effects of the Minimum Wage on Prices. Journal of Economic Surveys, 22 (1); 187-212.
11. Budget & Policy Center and Economic Policy Institute analysis of Current Population Survey, Outgoing Rotation Group Public Use Microdata from 2012Q4 through 2013Q3
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13. Sylvia Allegretto, Arindajit Dube, and Michael Reich. (2011). "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data. IRLE Working Paper No 166-08 <http://irle.berkeley.edu/workingpapers/166-08.pdf>
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15. Anna Thompson (2011) What Is Causing Record-High Teen Unemployment? Range of Economic Factors Drives High Teen Unemployment, But Minimum Wage Not One of Them. National Employment Law Project: New York, NY
16. Estimated minimum wage based on productivity is calculated using the cumulative percent increase in productivity since 1979 (the earliest available year) and multiplying inflation-adjusted minimum wage in 1968 by that number. The reason we say "at least" is because the increase in productivity would be higher going back to 1968, but without data a precise estimate cannot be calculated.
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