



The Federal Minimum Wage

July 24, 2016 marks seven years since the federal minimum wage was last increased. During that time, its real (inflation-adjusted) value has fallen by 9 percent – a loss of \$1,580 for a full-time, year-round worker. This continues the decades-long decline in its purchasing power; since 1968, the minimum wage has lost fully one-third of its value.

Legislation to raise the federal minimum wage has been stalled. However, minimum wage [passed by states and cities](#) have provided more evidence of the benefits of raising the pay of low-wage workers. An expanding body of research [suggests](#) that a higher minimum wage increases the pay of low-wage workers and reduces poverty, *without significant job losses*. Evidence also shows that [businesses benefit](#) from lower turnover costs, increased worker productivity and reduced absenteeism.

Value of the Federal Minimum Wage

Current federal minimum wage: **\$7.25/hour**

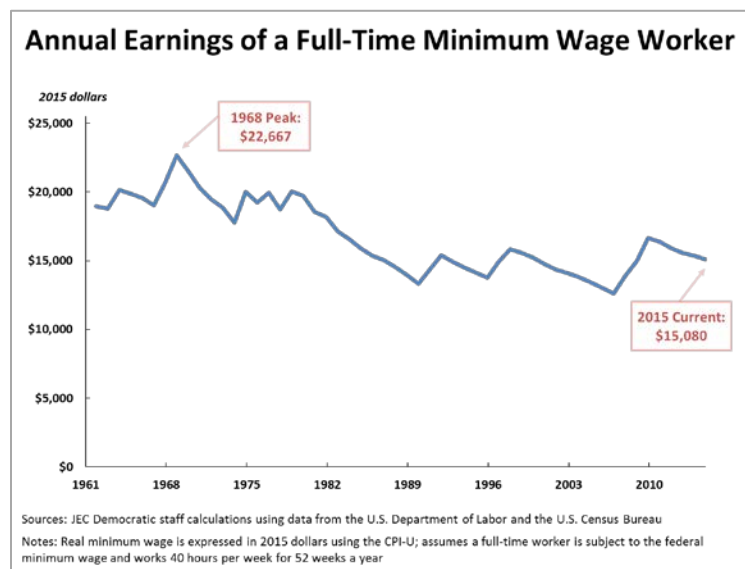
Last time the federal minimum wage was increased: **2009**

Annual earnings of a full-time minimum wage worker in 2015¹: **\$15,080**

Official poverty threshold in 2015 for a single-parent family with two children²: **\$19,096**

Official poverty threshold in 2015 for a two-parent family with two children³: **\$24,036**

Annual earnings of a full-time minimum wage worker in 1968 in 2015 dollars⁴: **\$22,667**



What the minimum wage would need to be today to have the same purchasing power as in 1968: **\$10.90**

Minimum wage as a percentage of the average hourly earnings of private-sector workers in 1968⁵: **52%**

Minimum wage as a percentage of the average hourly earnings of private-sector workers today⁶: **34%**

Characteristics of Minimum Wage Workers

Number of hourly workers who were paid the federal minimum wage or less in 2015⁷: **2.6 million**

Percentage of minimum wage workers who were between the ages of 16 and 19⁸: **19%**

Percentage of minimum wage workers who were 25 years or older⁹: **55%**

Percentage of minimum wage workers who were 35 years or older¹⁰: **32%**

Percentage of minimum wage workers who were 55 years or older¹¹: **9%**

Number of full-time workers who earned the federal minimum wage or less in 2015¹²: **1.1 million**

Share of workers earning the federal minimum wage or less in 2015 who worked full time¹³: **42%**

Percentage of hourly workers in 2015 who were female¹⁴: **50.5%**

Percentage of hourly workers making the minimum wage or less in 2015 who were female¹⁵: **62.6%**

Percentage of hourly workers making the minimum wage or less in 2015 who were black or African American¹⁶: **18.8%**

Percentage of hourly workers making the minimum wage or less in 2015 who were Hispanic or Latino¹⁷: **17.9%**

Raising the Federal Minimum Wage

Number of states plus DC with a minimum wage higher than the federal minimum wage¹⁸: **30**

Highest future state minimum wage passed in to law¹⁹: **\$15.00/hour**

Proposed federal minimum wage in 2020 in the *Raise the Wage Act*²⁰: **\$12.00/hour**

Estimated number of workers who would benefit from increasing the federal minimum wage to \$12.00/hour in 2020²¹: **35.0 million**

Number of working parents who would benefit from increasing the federal minimum wage to \$12.00/hour²²: **9.7 million**

Average share of family income earned by parents who would benefit from a \$12.00/hour minimum wage²³: **63.1%**

Share of families with annual income less than \$20,000 who would benefit from a \$12.00/hour minimum wage²⁴: **54.8%**

Federal Tipped Minimum Wage

Current federal minimum wage for workers who receive tips²⁵: **\$2.13/hour**

Last time the federal tipped minimum wage was increased²⁶: **1991**

Tipped minimum wage as a percentage of the full minimum wage in 1991²⁷: **50%**

Tipped minimum wage as a percentage of the full minimum wage in 2015: **29%**

Number of states where tipped workers must be paid the full state minimum wage before tips²⁸: **8**

Change in employment in the accommodation and food services industry over the past year in those states²⁹: **+3.2%**

Number of states where tipped workers are paid \$2.13/hour before tips³⁰: **18**

Change in employment in the accommodation and food services industry over the past year in those states³¹: **+2.5%**

Sources

- ¹ JEC Democratic staff calculations using data from the U.S. Department of Labor and the U.S. Census Bureau. Annual earnings are based on a \$7.25/hour federal minimum wage and assumes a full-time worker works 40 hours per week for 52 weeks a year.
- ² U.S. Census Bureau “[Poverty Thresholds, 2015](#)” (accessed July 22, 2016).
- ³ Ibid.
- ⁴ JEC Democratic staff calculations using data from the U.S. Department of Labor and the U.S. Census Bureau. Based on a \$10.90/hour federal minimum wage.
- ⁵ JEC Democratic staff calculation based on data from the Bureau of Labor Statistics. Data are for private-sector production and nonsupervisory workers.
- ⁶ Ibid.
- ⁷ Bureau of Labor Statistics “[Characteristics of minimum wage workers, 2015](#)” (April 2016). See Table 1.
- ⁸ Ibid. See Table 7.
- ⁹ Ibid. See Table 7.
- ¹⁰ Ibid. See Table 7.
- ¹¹ Ibid. See Table 7.
- ¹² Ibid. See Table 1.
- ¹³ Ibid. See Table 1.
- ¹⁴ Ibid. See Table 1.
- ¹⁵ Ibid. See Table 1.
- ¹⁶ Ibid. See Table 1.
- ¹⁷ Ibid. See Table 1.
- ¹⁸ National Conference of State Legislatures “[State Minimum Wages: 2016 Minimum Wage by State](#)” (July 19, 2016).
- ¹⁹ Ibid. California, New York and the District of Columbia have passed laws to raise the statewide minimum wage to \$15.00/hour in the coming years. Several other states have state minimum wages that are indexed to inflation which may push the minimum wage over \$15.00 in the future.
- ²⁰ Legislative Information System (LIS) [Text of H.R. 2150](#) (accessed July 22, 2016). The Senate companion bill is S. 1150.
- ²¹ David Cooper, “[Raising the Minimum Wage to \\$12 by 2020 Would Lift Wages for 35 Million American Workers](#)” Economic Policy Institute (July 14, 2015). Note: this includes workers who would be both “directly” and “indirectly” affected by the increase.
- ²² Ibid. See Appendix Table 2A. Note: this includes workers who would be both “directly” and “indirectly” affected by the increase.
- ²³ Ibid. See Appendix Table 2A. Note: this includes workers who would be both “directly” and “indirectly” affected by the increase.
- ²⁴ Ibid. See Appendix Table 2A. Note: this includes workers who would be both “directly” and “indirectly” affected by the increase.
- ²⁵ U.S. Department of Labor, Wage and Hour Division (WHD), “[Minimum Wages for Tipped Employees](#)” (July 1, 2016).
- ²⁶ U.S. Department of Labor, “[Minimum Wage Mythbusters](#)” (accessed July 22, 2016).
- ²⁷ U.S. Department of Labor, “[Minimum Wage – U.S. Department of Labor – Chart 1](#)” (accessed July 22, 2016).
- ²⁸ Economic Policy Institute, “[Minimum Wage Tracker](#)” (July 19, 2016).
- ²⁹ JEC Democratic staff calculations based on data from the Bureau of Labor Statistics. Change in monthly employment in “Accommodations and Food Services,” seasonally adjusted by state. States with no tipped minimum wage are: Alaska, California, Hawaii, Minnesota, Montana, Nevada, Oregon and Washington.
- ³⁰ Economic Policy Institute, “[Minimum Wage Tracker](#)” (July 19, 2016).
- ³¹ JEC Democratic staff calculations based on data from the Bureau of Labor Statistics. Change in monthly employment in “Accommodations and Food Services,” seasonally adjusted by state. States with the federal tipped minimum wage are: Alabama, Georgia, Indiana, Kansas, Kentucky, Louisiana, Missouri, North Carolina, Nebraska, New Jersey, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia and Wyoming. This calculation excludes New Mexico because BLS no longer publishes seasonally adjusted monthly data on employment in accommodations and food services in New Mexico.