



The Federal Minimum Wage

The federal minimum wage is **\$7.25/hour**. A full-time worker earning the minimum wage, working year-round without any vacation, earns only about \$1,250 per month – **\$15,000 a year**. The last time the federal minimum wage was increased was in 2009.

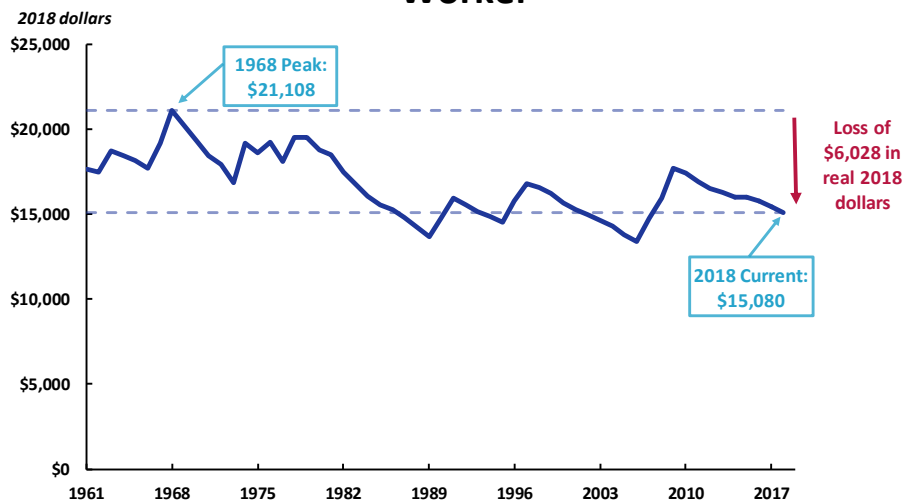
The current minimum wage is the lowest it has been in the last 10 years in real (inflation-adjusted) terms. In 1968, the minimum wage was \$1.60 per hour – equivalent to **\$10.15** in today’s dollars. Since then, it has dropped precipitously, losing **29 percent** of its value.

If the minimum wage had kept up with inflation, it would be \$10.15 today – nearly **three dollars per hour** more than it is currently. A full-time worker earning that higher wage would bring home about **\$21,000 annually** – **\$6,000 a year** more than what workers receive at the \$7.25 minimum wage. And if the wages of that worker had kept up with the pace of productivity growth, the minimum wage would be **\$19.33** – over **\$40,000 per year**.

A full-time, year-round minimum wage worker earning \$15,000 subsists far below the federal poverty level, which stands at **\$21,330** for a family of three and only rises with family size. Their annual income is even further below that of a typical worker, who earns about \$47,000 – **3 times more** than a person working full time on the minimum wage.¹

Only about **20 percent** of workers earning at or below minimum wage are between the ages of 16 and 19, while nearly 53 percent are above the age of 25.² Additionally, older workers, above the age of 55, make up about **10 percent** of all workers earning minimum wage or less, and **3 percent** of workers earning minimum wage or less are older than 65.³

Annual Earnings of a Full-Time Minimum Wage Worker



Sources: JEC Democratic staff calculations using data from the U.S. Department of Labor and the U.S. Census Bureau

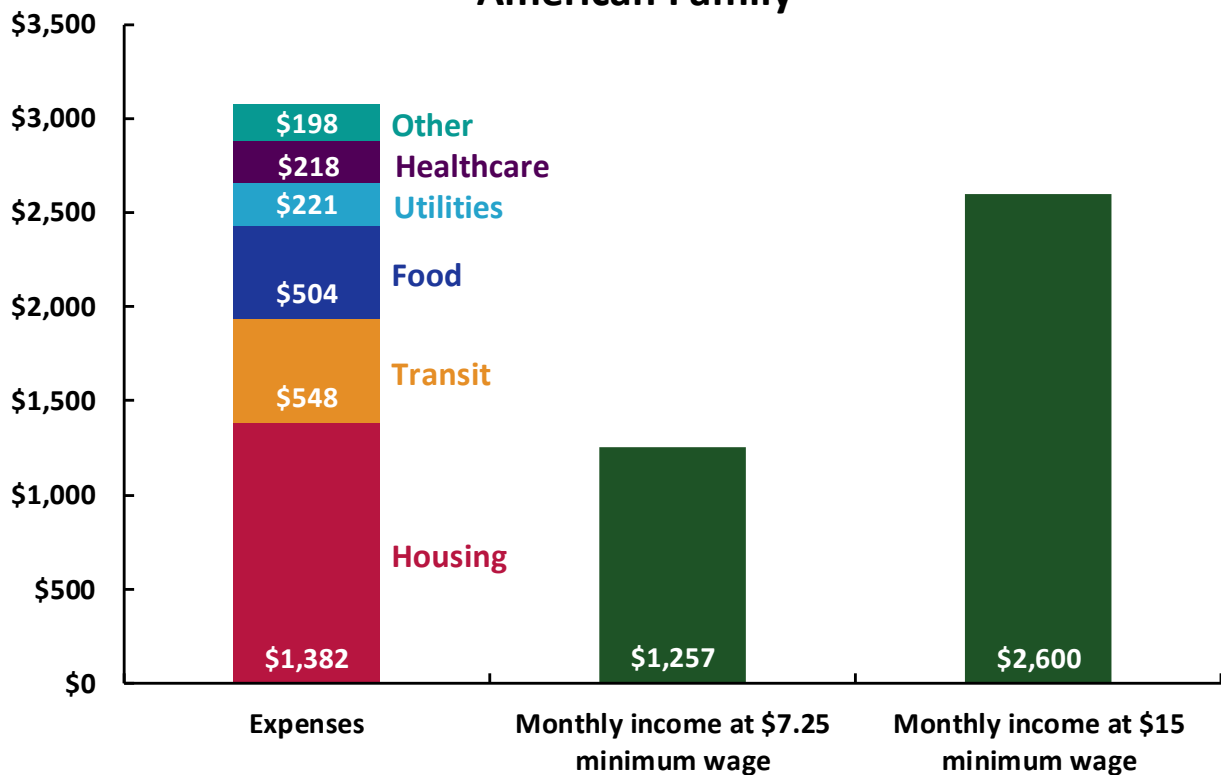
Notes: Real minimum wage is expressed in 2018 dollars using the CPI-U-RS; assumes a full-time worker is subject to the federal minimum wage and works 40 hours per week for 52 weeks a year

Minimum Wage vs Living Expenses

The current federal minimum wage does not provide enough income for families to meet their expenses.

- The average family has monthly expenses of about \$3,000. A worker earning the federal minimum wage of \$7.25/hour makes **only \$1,250 a month**, which leaves a monthly **shortfall of about \$1,800**. Even earning \$15/hour, a worker would still face a monthly shortfall of about \$400.
- The average cost of monthly rental housing alone in the United States is nearly **\$1,400**.
- Even a family with two minimum wage earners working full time would earn only about **\$2,500** a month.

Minimum Wage Earnings vs Monthly Expenses for a Typical American Family



Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 2017Q3-2018Q2 and JEC Democratic Staff Calculations

Invisible Costs of a Low Minimum Wage

- When the minimum wage is not a living wage, families with minimum wage earners must forego basic necessities, go into debt or get support from charities or federal government programs like housing assistance, SNAP, Medicaid and others.
- Taxpayers end up picking up much of the cost of the shortfall between the minimum wage and a living wage with tax dollars going toward these government assistance programs. They effectively are subsidizing businesses that do not pay their workers enough to support themselves or their families.
- There is evidence that when the minimum wage goes up, public assistance expenditures go down.⁴

Effects of a Minimum Wage Increase

Increasing the minimum wage would boost the earnings of millions of workers.

- The *Raise the Wage Act (H.R. 582)*,⁵ introduced by Congressman Bobby Scott, Chairman of the Committee on Education and Labor, would boost the federal minimum wage to **\$15 an hour by 2024** and index increases after that to median wage growth.
- Studies have shown that increasing the minimum wage to \$15/hour would **give 40 million workers a raise**.⁶ A more conservative estimate from the Congressional Budget Office (CBO) this month found that this legislation would **increase the wages of 17 million minimum-wage workers** as well as increase the wages of **another 10 million workers**.⁷ It would also **lift 1.3 million people above the poverty line**.⁸
- The CBO study of the \$15 proposal found that it is possible that 1.3 million workers could lose their jobs, though it also found that no job loss is a potential scenario and that any job losses could be temporary.⁹ The CBO based its calculation on 11 studies on the minimum wage, giving equal weight to them all.¹⁰ The studies on small localities often showed job loss, but the studies that looked at multiple states and jurisdictions – a situation that more closely matches an increase in the federal minimum wage – largely did not find job loss. Thus, giving all studies equal weight may not be the best way to estimate the nation-wide effect of a minimum wage increase.
- However, most of the economics literature has found that **there will be little or no job loss as a result of minimum wage increases**. For example, a seminal study in 1994 by Card and Krueger found that New Jersey's minimum wage increase resulted in no job loss for fast food workers and indeed increased employment compared to fast-food restaurants in Pennsylvania.¹¹ Building on this work, a 2010 study by Dube and colleagues has also compared contiguous counties and also found no job loss as a result of increasing the minimum wage.¹²
- Recent studies by Cengiz and colleagues use sophisticated statistical techniques and find that minimum wage increases do not lead to the loss of low-wage jobs, and other evidence suggests that in six cities where the minimum wage increased no job loss occurred.¹³ Additionally, though opponents of increasing the minimum wage sometimes cite a 2017 study that claims to have found that raising the minimum wage in Seattle to \$15/hour created a reduction in worker hours, other researchers have found credible results contradicting these findings.¹⁴ Furthermore, the original authors of the Seattle study have since released another study showing that some workers increased their hours or kept them constant.¹⁵

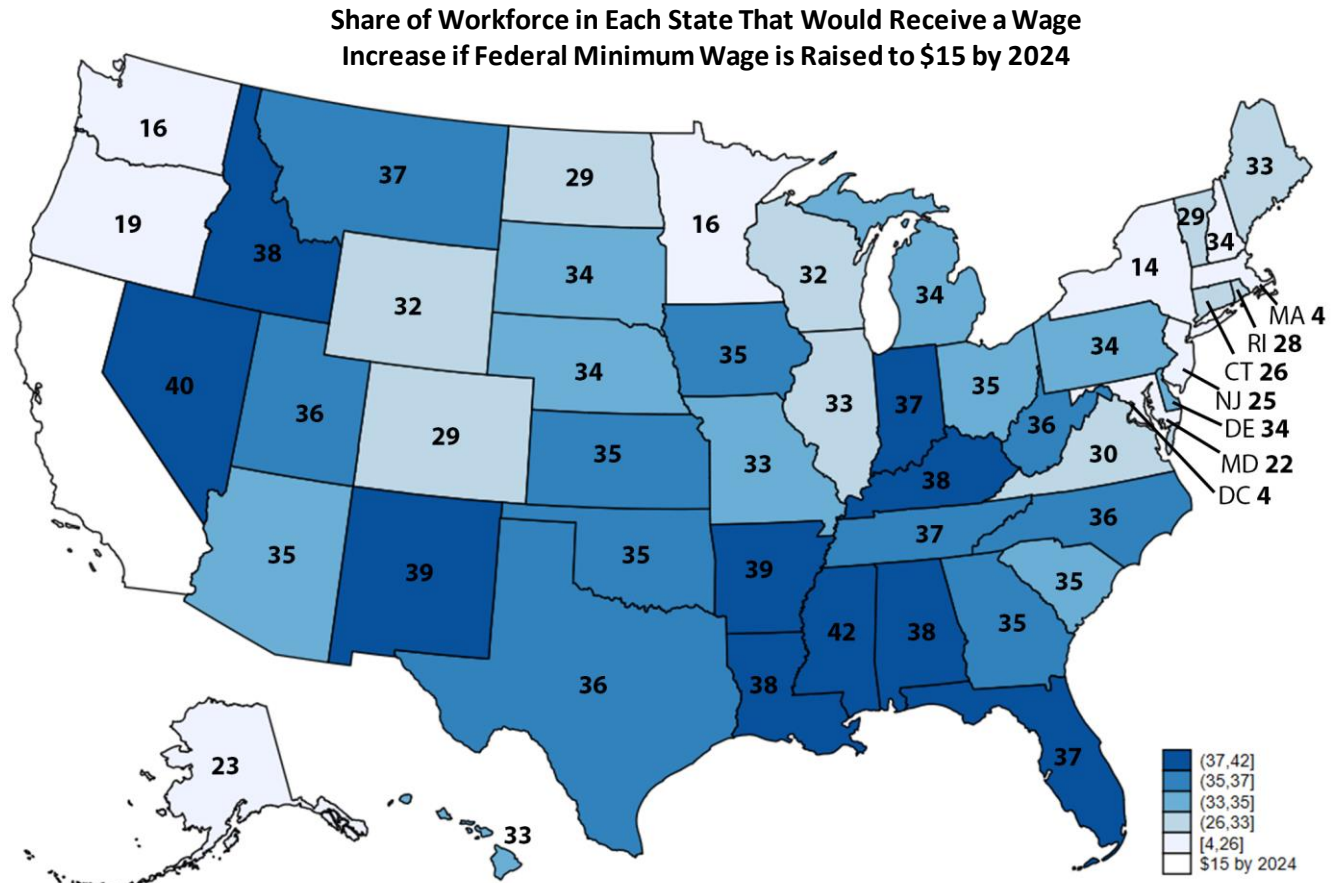
Other Benefits to Increasing the Minimum Wage

Increasing the minimum wage has benefits beyond wage growth alone.

- Studies have found that increasing the minimum wage can:
 - **Boost the economy**, since lower wage workers spend a higher share of their earnings.¹⁶
 - **Benefit 19 million children** whose parents will get a raise.¹⁷
 - **Increase worker productivity** by incentivizing people to work harder.¹⁸
 - **Reduce the gender wage gap**, as women make up a disproportionate share of minimum wage workers.¹⁹
 - **Reduce the rate at which renters default on their leases** by giving families more money to spend on their household budgets.²⁰
 - **Reduce suicide rates**, especially for those without a college or high school education.²¹
 - **Reduce prison recidivism rates** by bringing some released prisoners into legal work.²²

State-Level Effects of a Minimum Wage Increase

- **Twenty-nine states and the District of Columbia have already increased their minimum wage** above the federal minimum of \$7.25/hour, and about 60 percent of Americans live in these states.²³
- Estimates show that some states would have as many as **40 percent of all workers experience an increase** in their paychecks as a result of increasing the minimum wage to \$15/hour.



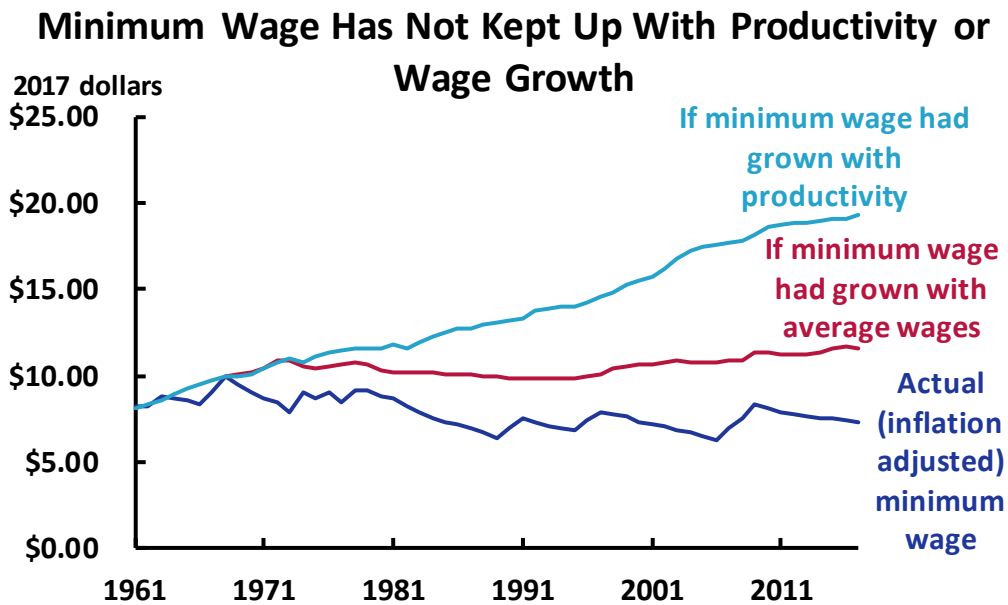
Note: The California Minimum Wage will be raised to \$15 by 2023, thus California is not included in these calculations.

Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office.

Data showing the share of the workforce in each Congressional district that would receive a wage increase were the federal minimum wage increased to \$15 by 2024 is available on this [interactive map](#) by the Economic Policy Institute.

The Minimum Wage Has Not Kept Up With Economic Growth

- If the federal minimum wage had kept up with productivity growth in the economy, it would have been **\$19.33** in 2017. If it had kept up with the growth of average wages in the economy, it would have been **\$11.62 in 2017**.
- Instead, there is a gap between the declining value of minimum wage and the growth of the overall economy, which makes it increasingly burdensome for minimum wage workers to keep up. Average wages have grown while minimum wage workers haven't seen a raise in 10 years.²⁴



Sources

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- ⁷ Congressional Budget Office [“The Effects on Employment and Family Income of Increasing the Federal Minimum Wage”](#) (July 2019)
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- ¹⁷ Ibid.
- ¹⁸ Coviello, Decio, Erika Deserranno & Nicola Persico. [“Minimum Wage and Individual Worker Productivity: Evidence from a Large US Retailer.”](#) (February 2019)
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- ²⁴ Cooper, David. [“Congress has never let the federal minimum wage erode for this long.”](#) Economic Policy Institute (June 2019)