



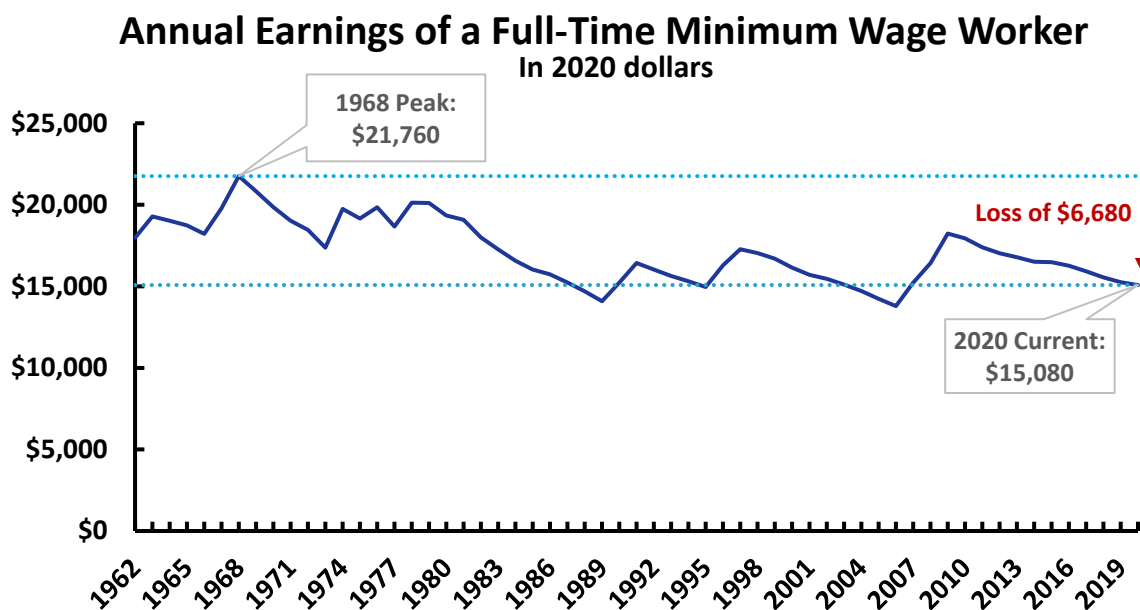
The Shrinking Value of the Federal Minimum Wage

The U.S. federal minimum wage is \$7.25 per hour. Its nominal value has increased over time, but inflation has been eroding its real value gradually for more than 50 years. In 1968, a full-time worker earning the minimum wage could make enough to sustain a small family; in 2021, they live in poverty. The failure of the U.S. government to increase the federal minimum wage to keep pace with or exceed inflation has left many American families without a path to the middle class.

The minimum wage has lost nearly one-third of its real value

The federal minimum wage in 1968 was \$1.60 per hour – the equivalent of just over **\$10 per hour** today. A full-time worker earning this hourly rate would bring home approximately \$3,300 per year, which amounts to more than **\$21,000 annually** in today's dollars.

Despite small increases over the years, today's minimum wage has lost more than 30% of its real value since the 1968 peak. A full-time, year-round worker earning the minimum wage in 2021 brings home only about **\$15,000 annually** – a drop of more than **\$6,600** when compared to more than 50 years ago.



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

Working full-time at the minimum wage isn't enough for most families to escape poverty

The current federal minimum wage leaves full-time, year-round minimum wage workers and their families far below the poverty line. A single full-time worker at the minimum wage **earns almost \$7,000 less per year** than the poverty threshold for a family of three (\$21,960).¹

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A family of four with two parents working full-time at the minimum wage would only earn about \$3,500 above the poverty threshold for a family of its size. However, the family likely would incur steep costs for child care, as care for an infant ranges from nearly one-quarter (23%) to more than three-quarters (77%) of the median U.S. family income depending on the state.²

The minimum wage would be over \$21 per hour if increases had kept pace with productivity

The U.S. economy has grown dramatically over the last 50 years. Productivity has nearly doubled since the late 1960s.³ While the top 1% of wage earners have seen their average annual wages grow by more than 160% in the past 40 years, the wages of the bottom 90% have only grown by about 26%.⁴

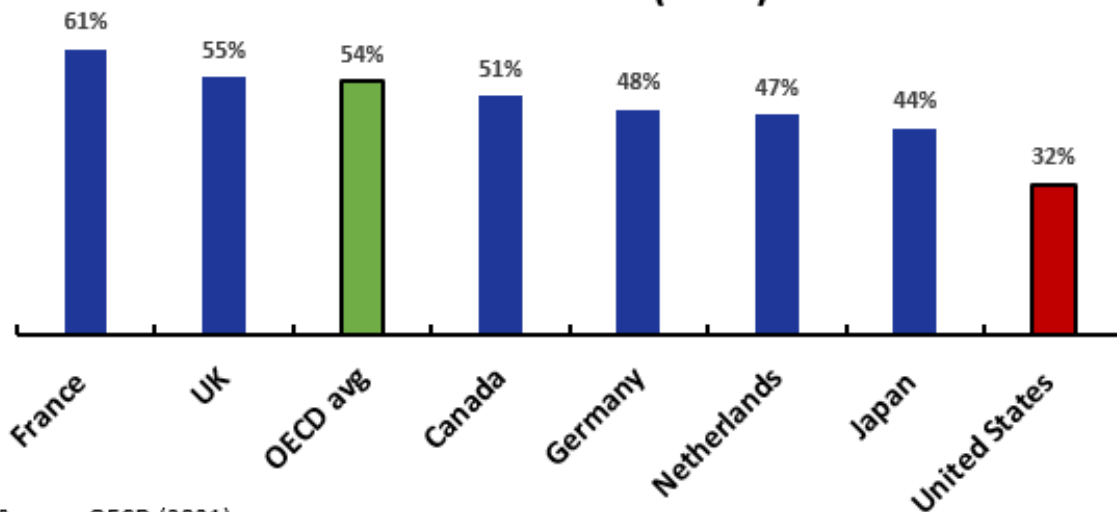
Some economists argue that increases in productivity should be shared more equitably. If the minimum wage had kept pace with productivity growth, as it did between 1938 and 1968, it would be over \$21 per hour today – about \$44,000 annually.⁵

The minimum wage is low by historical and international standards

In 1968, the U.S. federal minimum wage was slightly above **one-half** the median wage of all full-time workers.⁶ Today, it stands at about **one-third** of the median wage. Minimum wage workers fare much better in other advanced countries in the Organization for Economic Co-operation and Development (OECD), in which the average national minimum wage is **more than half** the median wage.

The relative earning of minimum wage workers in other OECD countries today is similar to that of American minimum wage workers in 1968. American minimum wage workers today have fallen far behind those in the U.S. a half century ago.

Minimum Wage as a Share of Median Wage in OECD Countries (2019)



Source: OECD (2021)

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¹ U.S. Department of Health and Human Services. HHS Poverty Guidelines for 2021 – January 2021.

<https://aspe.hhs.gov/poverty-guidelines>.

² U.S. Congress Joint Economic Committee. “We Need to Save Child Care Before It’s Too Late.” September 2020.

https://www.jec.senate.gov/public/_cache/files/4fefb596-1095-4c9b-8239-6a6c71563948/child-care-final-9.23.2020.pdf.

³ Bivens, Josh, Gould, Elise, Mishel, Lawrence and Shierholz, Heidi. “Raising America’s Pay.” June 2014. *Economic Policy Institute*. <https://www.epi.org/publication/raising-americas-pay/>.

⁴ Mishel, Lawrence and Kandra, Jori. “Wages for the top 1% skyrocketed 160% since 1979 while the share of wages for the bottom 90% shrunk.” December 2020. *Economic Policy Institute*. <https://www.epi.org/blog/wages-for-the-top-1-skyrocketed-160-since-1979-while-the-share-of-wages-for-the-bottom-90-shrunk-time-to-remake-wage-pattern-with-economic-policies-that-generate-robust-wage-growth-for-vast-majority/>.

⁵ Cooper, David. “Raising the federal minimum wage to \$15 by 2024 would lift pay for nearly 40 million workers.” February 2019. *Economic Policy Institute*. <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>.

⁶ Cooper, David. “Raising the federal minimum wage to \$15 by 2024 would lift pay for nearly 40 million workers.” February 2019. *Economic Policy Institute*. <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>.