

# Why America Needs a \$15 Minimum Wage

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The federal minimum wage is just \$7.25 and has not increased since 2009. The Raise the Wage Act of 2017 would gradually raise the federal minimum wage to \$15 an hour by 2024. Here is how it would work:

- Raise the federal minimum wage to \$9.25 this year and increase it over the next seven years until it reaches \$15 an hour in 2024.
- After 2024, adjust the minimum wage each year to keep pace with growth in the typical worker's wages.
- Phase out the outdated subminimum wage for tipped workers, which has been frozen at a meager \$2.13 since 1991.<sup>1</sup>
- Sunset the much-criticized subminimum wages for workers with disabilities employed in sheltered workshops and for workers under age 20.

## The Raise the Wage Act follows the lead of the growing number of states and cities that have adopted significant minimum wage increases in recent years

- Since the Fight for \$15 was launched by striking fast-food workers in 2012, **three states representing approximately 18 percent of the U.S. workforce**—California, New York, and the District of Columbia—**have approved raising their minimum wages to \$15 an hour.**<sup>2</sup>

- Additional states—including Washington, Oregon, Colorado, Arizona, and Maine—have approved **minimum wages ranging from \$12 to \$14.75 an hour.**<sup>3</sup>

## The benefits of gradually phasing in a \$15 minimum wage by 2024 would be far-reaching, lifting pay for tens of millions of workers and reversing decades of growing pay inequality

- Gradually raising the federal minimum wage to \$15 by 2024 would lift pay for **41 million workers—nearly 30 percent of the U.S. workforce.**
- Affected workers who work year round would receive a raise on the order of **\$3,500 a year**—enough to make **a tremendous difference in the life of a preschool teacher, bank teller, or fast-food worker** who today struggles to get by on around \$20,000 a year.
- A \$15 minimum wage would **begin to reverse decades of growing pay inequality** between the lowest-paid workers and the middle class. For example, failure to adequately increase the minimum wage accounts for 48 percent of the increase in inequality between women at the middle and bottom of the wage distribution since 1979.<sup>4</sup>
- A \$15 minimum wage by 2024 would **generate \$144 billion in higher wages** for workers and would also benefit their communities. Because lower-paid workers spend much of their extra earnings, this injection of wages will **help stimulate the economy and spur greater business activity and job growth.**<sup>5</sup>

## The typical worker who would benefit from a \$15 minimum wage is a 36-year-old woman with some college-level coursework who works full time

- **Fewer than 10 percent are teenagers, and more than half are prime-age adults between the ages of 25 and 54.**
- **More than half (56 percent) are women.**
- **Nearly two-thirds work full time.**
- **Nearly half (47 percent) have some college experience.**
- **28 percent have children.**
- The average worker with a spouse or child who would benefit from a \$15 minimum wage provides **64 percent of his or her family's total income.**

## Raising the minimum wage to \$15 will be particularly significant for workers of color

- **Two-fifths (40 percent) of Africans Americans and one-third (34 percent) of Latinos** would get a raise if the federal minimum wage were increased to \$15.<sup>6</sup>

## Not just on the coasts, but all across the country, workers will soon need at least \$15 an hour

- **By 2024, in areas all across the United States, a single adult without children will need at least \$31,200—what a full-time worker making \$15 an hour earns annually—to achieve a modest but adequate standard of living.** Workers in costlier areas and those with children will need even more, according to projections based on the Economic Policy Institute’s [Family Budget Calculator](#).<sup>7</sup>
- **For example, in rural Missouri, a single adult without children will need \$32,502 (\$15.63 per hour for a full-time worker) by 2024** to cover typical rent, food, transportation, and other basic living costs.
- **In larger metro areas of the South and Southwest—where the majority of the Southern population lives—a single adult without children will need even more than \$15 an hour by 2024** to get by: \$16.65 in Fort Worth, \$16.54 in Phoenix, and \$18.40 in Miami.
- **In more expensive regions of the country, a single adult without children will need far more than \$15 an hour by 2024** to cover the basics: \$25.53 in New York City, \$20.47 in Los Angeles, and \$24.71 in Washington, D.C.

## Workers in many skilled jobs—widely considered to be middle-class jobs—struggle to get by on less than \$15 an hour today and would benefit from a \$15 minimum wage

- **Nearly one-fourth (23 percent) of workers in manufacturing industries would see their pay increase.**
- **About one-fifth (21 percent) of workers in the construction industry would get a raise.**
- **One-fifth of educators and one-fourth of health care workers would get a raise—not surprising given that the median pay for many jobs in those fields is well under \$15 an hour: preschool teachers (\$13.84), substitute teachers (\$13.47), nursing assistants (\$12.78), and home health aides (\$10.87).**<sup>8</sup>
- **All together, more than 12 million workers in construction, manufacturing, education, and health care would see a raise—almost one-third (30 percent) of the**

workers who would see a raise.

- The \$15 minimum wage would also boost pay for **workers in other jobs** where median pay is under \$15 an hour, ranging from **child care workers** (\$10.18) to **bank tellers** (\$13.11).<sup>9</sup>

## Growing numbers of business owners and organizations have backed a \$15 minimum wage

- In states that have already approved \$15 minimum wages, **business organizations representing tens of thousands of small businesses have endorsed a \$15 minimum wage.**
- Business groups that have endorsed a \$15 minimum wage include **Business for a Fair Minimum Wage**, the **American Sustainable Business Council**, the **Main Street Alliance**, the **Patriotic Millionaires**, the **Greater New York Chamber of Commerce**, the **Brooklyn Chamber of Commerce**, the **Restaurant Association of Metropolitan Washington**, the **Northeast Organic Farming Association—New York Chapter**, the **Long Island African American Chamber of Commerce**, and others.
- Growing numbers of employers have raised their starting pay scales to \$15 or higher. These include insurers and banks such as **Allstate**, **Aetna**, **Nationwide**, **USAA**, **First Green Bank**, and **Amalgamated Bank**; tech leaders such as **Facebook**; and major health care and nursing home employers in at least six states including the **University of Pittsburgh Medical Center**, **Johns Hopkins Hospital** in Baltimore, Minnesota's **Allina Health**, and Florida locations of **Consulate Health Care**.

## Our economy can afford a \$15 minimum wage

- Today's low-wage workers **earn less per hour than their counterparts did 50 years ago.**
- We can afford to pay the lowest-paid worker in America today substantially more than what her counterpart was paid half a century ago.
- The economy has grown dramatically over the past 50 years, and workers are producing more from each hour of work, with **productivity nearly doubling since the late 1960s**. If the minimum wage had been raised at the same pace as productivity growth since the late 1960s, **it would be nearly \$19 an hour today.**

## The benefits of raising the minimum wage to \$15 by 2024 far outweigh the costs

- **The potential benefits of a \$15 minimum wage—\$144 billion in higher wages for 41 million U.S. workers—far exceed the potential costs.**

- Opponents of a \$15 minimum wage are likely to rely on a **Congressional Budget Office analysis** of the likely impact of President Obama’s proposed \$10.10 minimum wage. Serious analysis has called CBO’s assumptions into question.<sup>10</sup> But even CBO’s methodology **implies that the benefits of a gradually phased-in \$15 minimum wage vastly outweigh its costs.**
- If job growth does slow, some **workers who work less can still come out even.** There is significant churn in the low-wage labor market; as many as 10 percent of the lowest-wage workers leave or start jobs every month. So some of any decrease in the number of new jobs created will mean that there are workers who will take more time finding a new job, or have to work fewer hours, but who will not see a drop in their annual earnings because of their wage increase.
- **High-quality academic research confirms that modest increases in the minimum wage have not led to detectable job losses.<sup>11</sup> It is time to support a bolder increase.**

## Employers that pay low wages force their workers to turn to safety-net programs for support, at significant cost to taxpayers

- Safety-net benefits for low-wage workers and their families make up **more than half of spending** on Medicaid, welfare (TANF), food stamps (SNAP), and the earned income tax credit, and **cost federal and state taxpayers more than \$150 billion a year.**<sup>12</sup>

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## Notes and sources

Unless otherwise indicated, the figures presented in this fact sheet come from David Cooper, *Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Wages for 41 Million Workers*, Economic Policy Institute, April 26, 2017, including text; Figures A, E–F, H–I, K; and Appendix Table 3.

The section on business owners and groups that have backed a \$15 minimum wage draws from the following sources: “[Business Owners Testify in Support of \\$15 at D.C. Council Hearing on Minimum Wage Hike](#),” Business for a Fair Minimum Wage, May 26, 2016; [New York Businesses Voice Support of \\$15 Minimum Wage Passing Today](#), Business for a Fair Minimum Wage, April 1, 2016; “[California Business Owners Speak Out in Support of Just-Passed Historic Minimum Wage Bill](#),” Business for a Fair Minimum Wage, March 31, 2016; “[Taking the Fight for \\$15 to Annapolis](#),” Patriotic Millionaires, March 9, 2017; Office of the Governor of New York, “[Governor Cuomo, Joined by Vice President Biden, Announces Push to Raise New York’s Minimum Wage to \\$15 an Hour](#),” September 10, 2015; Paula Katinas, “[Chamber Brings Brooklyn Business Concerns to Albany](#),” *Brooklyn Daily Eagle*, March 16, 2016; Martin Austerhuhle, “[D.C. Takes First Step Toward \\$15 Minimum Wage](#),” WAMU 88.5, June 7, 2016; Elizabeth Henderson, “[\\$15 Minimum: Good for Farmers](#),” Morning AgClips, March 22, 2016; Phil Andrews, “[A \\$15 Minimum Wage is Good for Long Island Businesses](#),” *The Huffington Post*, March 24, 2016; [Fight for \\$15 Impact Report: Raises for 17 Million Workers, 10 Million Going to \\$15](#), National Employment Law Project, April 2016, Table 3; “[USAA Sets \\$16 Minimum Wage, Expands Parental Leave Benefits](#),” *San Antonio Express-News*, April 11, 2017; “[Nursing Home Workers in Florida Win Minimum Wage Increase and Put Thousands on a Path to \\$15](#),” 1199SEIU United Healthcare Workers East, May 18, 2016.

1. Sylvia Allegretto and David Cooper, *Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage*, Economic Policy Institute, July 10, 2014.
2. With workforces of 17.7 million, 8.6 million, and 360,000 respectively, California, New York, and the District of Columbia account for 18 percent of the U.S. workforce, which totals 142 million. David Cooper, *Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Wages for 41 Million Workers*, Economic Policy Institute, April 26, 2017.
3. *Minimum Wage a Big Winner on Election Day*, National Employment Law Project, November 6, 2016.
4. David Autor, Alan Manning, and Christopher L. Smith, "The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment," *American Economic Journal: Applied Economics* vol. 8, no. 1, January 2016.
5. Over the full eight-year phase-in period, affected workers would receive over \$144 billion in additional annual wages, assuming no change in the number of work hours for these workers. See Cooper, *Raising the Federal Minimum Wage*.
6. Cooper, *Raising the Federal Minimum Wage*, Appendix Table 3. See also Laura Huizar and Tsedeye Gebreselassie, *What a \$15 Minimum Wage Means for Women of Color*, National Employment Law Project, December 13, 2016.
7. CBO projections for the consumer price index were applied to the Economic Policy Institute's *Family Budget Calculator*, which measures the income a family needs to attain a secure yet modest standard of living in 618 areas across the country.
8. Cooper, *Raising the Federal Minimum Wage*, Appendix Table 3; and Bureau of Labor Statistics, *Occupational Employment Statistics*, May 2016.
9. Bureau of Labor Statistics, *Occupational Employment Statistics*, May 2016.
10. John Schmitt, "CBO and the Minimum Wage, PT 2," *CEPR Blog*, Center for Economic and Policy Research, February 20, 2014; Michael Reich, "The Troubling Fine Print in the Claim that Raising the Minimum Wage Will Cost Jobs," *ThinkProgress*, Center for American Progress, February 19, 2014.
11. Paul J. Wolfson and Dale Belman, "15 Years of Research on U.S. Employment and the Minimum Wage," Tuck School of Business Working Paper No. 2705499, 2016.
12. Ken Jacobs, Ian Perry, and Jenifer MacGillvary, *The High Public Cost of Low Wages*, University of California Berkeley, Labor Center, April 2015.