

# RAISE *the* WAGE

## GOOD FOR WORKERS, GOOD FOR THE ECONOMY

### Frequently Asked Questions

#### **Why a \$15 minimum wage? Where did it come from?**

By 2025, \$15 an hour (the equivalent of approximately \$12.70 in today's dollars) is the minimum amount a single adult with no kids working full time will need [to earn to cover basic living expenses](#). Even earning \$15 an hour in 2025 in the lowest cost of living area (Beckley, West Virginia), a two-parent household with both parents working full time and two kids will still be almost \$600 short covering their monthly bills.

Additionally, had the minimum wage kept pace with worker productivity, as it once did, it would be more than \$20 per hour today. Had it simply grown at the rate of average wages from its historical high point in 1968, it would be approximately \$12 per hour today.

#### **Does the *Raise the Wage Act* double the minimum wage overnight?**

No. After more than a decade without an increase in the federal minimum wage – the longest stretch in U.S. history – the *Raise the Wage Act* would gradually increase the federal minimum wage to \$15 over six years. This gradually restores the value of the minimum wage through increases well within the ranges of past increases.

Congress has legislated increases nine times during the 80 years since the FLSA's inception, effectuating 22 increases in the federal minimum wage. Past one-year increases have been as high as 47 percent but have averaged 14 percent. For the seven times in the last 80 years where more than five years passed between minimum wage increases, the average one-year increase was 17 percent. The largest one-year percentage increase under H.R. 582 would be 13.7 percent in 2019.

#### **Does the Congressional Budget Office's recent report show that the *Raise the Wage Act* is bad for the economy or bad for workers?**

Analyzing a similar proposal, the [CBO report](#) demonstrates that the benefits of gradually raising the minimum wage to \$15 far outweigh any potential costs. Even using the most cautious projections of the benefits of minimum wage increases, the CBO finds that up to 95 percent of low-wage workers would benefit from the *Raise the Wage Act*.

The CBO's analysis finds that gradually raising the minimum wage to \$15 over five years starting in 2020 would:

- Increase the wages of 17 million workers who would otherwise earn less than \$15 and could increase wages for as many as 10 million workers whose wages would be slightly above the new federal minimum wage.
- Disproportionately raise the incomes of the lowest-income families, reducing income inequality.
- Lift 1.3 million Americans out of poverty, including 600,000 children.

### **How does the *Raise the Wage Act* impact poverty?**

Increasing the minimum wage has a significant impact on poverty in America. If the U.S. had a \$12 national minimum wage in place in 2017, there would be [6.2 million fewer individuals living in poverty](#). Even CBO's cautious estimate agrees that a \$15 minimum wage would substantially reduce the number of workers and children living in poverty.

### **How does the *Raise the Wage Act* impact children and families?**

Workers with families who benefit from a \$15 minimum wage are typically the primary breadwinner for their family. Independent analysis of a similar proposal to raise the wage to \$15 over five years showed affected workers earn an average of 51.9 percent of their family's total income. The same analysis showed a federal minimum wage of \$15 would also raise wages for the parents of 14.4 million children across the United States, nearly one-fifth (19.6 percent) of all U.S. children.

### **How does the *Raise the Wage Act* impact women workers?**

The *Raise the Wage Act* will disproportionately benefit women. Roughly six in ten workers earning the current federal minimum wage are women. Women, though not quite a majority of the overall workforce, represent 58.3 percent of workers affected by the *Raise the Wage Act*. The *Raise the Wage Act* will give 19.5 million women a raise, which is 26.7 percent of working women in the United States. This includes 19.5 percent of women of color.

The *Raise the Wage Act* will also help narrow the gender pay gap. Evidence shows that raising the minimum wage is a step toward pay equity. In states where the minimum wage is at or above \$8.25 an hour, the gender wage gap is 41 percent smaller than states where the minimum wage is lower.

Guaranteeing that tipped workers are paid the full federal minimum wage under the *Raise the Wage Act*, will also disproportionately benefit women. About two-thirds of tipped workers are women; almost 70 percent of restaurant tipped workers are women. States with no tipped credit have a 33 percent smaller gender wage gap in tipped occupations.

### **How does the *Raise the Wage Act* impact workers of color?**

The *Raise the Wage Act* would have a particularly strong impact on workers of color. Nearly 20 percent of working women of color would be impacted by a \$15 minimum wage in 2025, including African American and Latina women, who are overrepresented in low-paying jobs and are most likely to be paid the lowest wages.

### **How can small businesses afford a \$15 minimum wage?**

The gradual increases in the *Raise the Wage Act* are designed to give small businesses time to adapt. At the same time, increased consumer demand, increases in worker productivity, and decreases in turnover help small businesses offset increased labor costs from minimum wage increases.

Raising the minimum wage increases consumer spending, [helping small businesses grow](#). Researchers have found that when the minimum wage increases, households with minimum wage workers increased their spending by [roughly \\$700 per quarter](#).

Employee turnover is a considerable cost to small businesses--as much as [20 percent of that employee's salary](#). Reducing high turnover rates in low-wage jobs, particularly in the food services and hospitality industries, [saves businesses money](#) and ensures they can absorb increases in the minimum wage.

Small businesses will not be forced to cut jobs. In the [most definitive peer-reviewed study to date](#), economists looked the local effects of 138 minimum-wage increases across the country since 1979 and found no evidence of disemployment in service industries.

*Businesses across the country – large and small – are supporting the Raise the Wage Act because they recognize that workers are also consumers. [Over 900 businesses](#) across the country have signed a petition calling on Congress to gradually raise the minimum wage to \$15.*

### **Is \$15 too high for some parts of the country?**

By 2025, a single adult working full time in anywhere in the United States – regardless of which county, metro area, or region they work in – will need at least \$15 per hour to cover basic living expenses. The *Raise the Wage Act* creates a federal standard that ensures workers in every state can earn a decent wage.

Importantly, the *Raise the Wage Act* does not eliminate regional differences in the minimum wage. (The effective minimum wage in New York, California, and several other states will remain higher than the federal minimum wage).

Setting a lower federal minimum wage for some regions would leave millions of low-wage workers and their communities behind. The federal minimum wage has the greatest benefit in regions where wages are low and workers have little bargaining power. Regional minimum wage proposals leave these regions and workers behind, and the consequences will fall hardest on women and people of color.

### **Will the *Raise the Wage Act* hurt the economy?**

No. Increasing the minimum wage is not only good for workers, it is good for the economy. The *Raise the Wage Act* directly benefits low-wage and middle-class workers who are the engines of sustainable economic growth. A \$15 by 2025 minimum wage will increase wages for up to 33 million working people (22.2 percent of the workforce) and produce [\\$92.4 billion in additional wages](#) through 2025. The recent CBO study confirms that when we put money in the pockets of low-wage workers, they spend that money in local businesses and stimulate their local economies.

### **What are the current rules for how tipped workers can be paid? Why do these rules need to be changed? How does the *Raise the Wage Act* change the rules for paying tipped workers?**

Currently under the Fair Labor Standards Act (FLSA), an employer may pay a tipped employee a subminimum wage of no less than \$2.13 per hour and use the employee's tips to meet the employer's obligation to pay the federal minimum wage of \$7.25 per hour.

But too often, employers, through error or outright wage theft, fail to ensure their workers are making the full minimum wage—and increased enforcement is not enough to address this fundamentally flawed system.

The \$2.13 subminimum wage for tipped workers – which applies to many employees in restaurants, hotels, and other service industries – consistently results in lower pay and greater uncertainty about whether they will make enough money to make rent and cover basic expenses. Tipped workers experience poverty at [more than twice the rate of non-tipped workers](#).

The *Raise the Wage Act* gradually phases out the subminimum wage over eight steps, ensuring tipped workers also make the full federal minimum wage by 2027. An overwhelming number of Americans support one fair wage. According to a [2019 poll](#), 81% of respondents support (48% strongly) making sure “people who get tips, like servers, are paid at least the same minimum wage as other workers.” This includes 92% of Democrats, 79% of Independents, and 70% of Republicans.

**Does the *Raise the Wage Act* eliminate tipping? Will customers stop tipping?**

No. The *Raise the Wage Act* simply ensures tipped workers are paid the full federal minimum wage that other workers are paid. Customers in states that have eliminated the tipped subminimum wage continue to tip. In fact, a [higher percentage of customers tip](#) in Washington State (a state with no tipped subminimum wage) than in New York (a state with a tipped subminimum wage). Customers in Alaska (a state with no tipped subminimum wage) [leave the highest average tip](#) among all 50 states.

**Will the *Raise the Wage Act* actually leave tipped workers worse off?**

No. We know that tipped workers are better off in the seven states (Minnesota, Montana, Nevada, California, Alaska, Washington and Oregon) where tipped workers make the full minimum wage, or “one fair wage.”

In the seven one fair wage states, [tipped workers make 15 percent more per hour, including tips](#), than workers receiving \$2.13 as a base wage. Poverty rates for tipped workers in one fair wage states are also lower than those for tipped workers in states with a \$2.13 tipped minimum wage. In tipped occupations, states with no tipped credit have a [33 percent smaller gender wage gap](#). Ensuring tipped workers make the full minimum wage will help raise wages and stabilize incomes for tipped workers, the majority of whom are women.

**Will getting rid of the tipped subminimum wage force restaurants to raise prices, eliminate positions, or close altogether?**

No. In fact, the full-service restaurant industry has [grown faster](#) in states that pay the full minimum wage – both in number of establishments and number of employees – compared to states with a separate, lower minimum wage for tipped workers.

In response to increased labor costs, restaurants may choose to increase prices slightly. A 2016 study of 884 restaurants following a 25 percent minimum wage increase from \$8 to \$10 an hour found that restaurants absorbed higher labor costs by slightly increasing menu prices—[1.45 percent on average](#)—and through cost savings from lower employee turnover.

But research also shows demand for restaurants will increase as low-wage workers go out and spend more money at restaurants. According to a [private poll conducted by the National Restaurant Association](#), the overwhelming majority of customers are willing to pay a little more to support a “fair wage.”

### **Will the *Raise the Wage Act* cost teenagers their jobs?**

No. Research shows that minimum wage increases [do not reduce employment among teenagers](#). In fact, research suggests a higher minimum wage may be especially beneficial [for teenaged workers of color who often have higher barriers to employment](#) and may be unable to afford the supports and services they need, such as transportation, to seek and maintain employment.

The *Raise the Wage Act* eliminates the rarely used subminimum wage for youth workers, which allows employers to pay employees under 20 years of age an hourly wage of \$4.25 for the first 90 calendar days of their employment. The law should not force young workers to make significantly less than their older peers while doing exactly the same job.

Scare tactics regarding teen job losses are really about using low wages for youth to push down all wages. [A leaked memo](#) written by infamous corporate lobbyist Richard Berman advises clients to use the youth minimum wage – and its supposed impact on young workers – as a tool to paint young workers as “victims” of minimum wage increases. In the memo, he argues that proposing a special low youth minimum wage would sidetrack the debate and, as an added benefit, would have a “ripple effect” that would *depress wages across the board*.

### **How does the *Raise the Wage Act* change how some individuals with disabilities are paid?**

Section 14(c) of the FLSA allows employers and organizations to apply to the Labor Department for special certificates to pay individuals with disabilities at wages less than the minimum wage and less than the prevailing wage. There is no minimum wage requirement for employers hiring an individual with a disability under 14(c) certificates. According to a 2019 CBO report, there were 125,000 workers with disabilities that were paid subminimum wages under 14(c) certificates.

The *Raise the Wage Act* phases out 14(c) certificates over six steps, allowing workers with disabilities to earn the same wage and not face discrimination on the basis of their disability by 2025.

### **Will eliminating 14(c) certificates remove job opportunities for individuals with disabilities?**

States that have phased out 14(c) have found that individuals with disabilities continue to work and contribute to their local economies. For example, Vermont reports that [62 percent of individuals with disabilities](#) in the state find work in the community within one year of receiving state employment supports. Since 2005, Vermont has seen individuals with disabilities pay \$11.9 million in payroll taxes and reduced Social Security and other social services by over \$5.5 million.

Additionally, the [Transformation to Competitive Employment Act](#), H.R. 873, provides states, services providers, subminimum wage certificate holders, and other agencies with the resources they need to create competitive integrated employment service delivery models and the inclusive wraparound services that some individuals with disabilities will need.

### **How does the *Raise the Wage Act* impact the federal budget?**

The *Raise the Wage Act* would help ensure that workers have enough money to cover their basic needs; this can result in a reduction in public expenditures.

A 2014 report looking at the impacts of raising the minimum wage to \$10.10 an hour on the [Supplemental Nutrition Assistance Program \(SNAP\) found programmatic cost savings](#). The report estimated that raising the federal minimum wage to \$10.10 per hour would lead to an annual decrease in program expenditures by nearly \$4.6 billion (or about 6 percent of the SNAP program), leading to program savings of \$46 billion over 10 years, and an increase to \$12 per hour would save [\\$53 billion](#) over 10 years.

### **How does the *Raise the Wage Act* impact seasonal workers?**

The Fair Labor Standards Act provides [an exemption](#) from the minimum wage and overtime provisions for employees working at certain seasonal amusement and recreational establishments. H.R. 582 does not alter the Fair Labor Standards Act's seasonal exemptions.

### **What does the *Raise the Wage Act* mean for agriculture employers and farmworkers?**

Currently, the Fair Labor Standards Act (FLSA) exempts from minimum wage (1) employees on small farms, (2) immediate family members of agricultural employers, (3) certain local hand harvesters, (4) non-local minor hand harvesters, and (5) range production livestock workers. The *Raise the Wage Act* does not amend any of these current exemptions.

### **How does H.R. 582 impact U.S. territories?**

While the FLSA sets the floor for minimum wages, the U.S. Virgin Islands (\$10.50) and Guam (\$8.25) have set their minimum wages that are above the federal minimum. The Commonwealth Northern Mariana Islands (CNMI), Puerto Rico and American Samoa are also governed by the FLSA's minimum wage requirements. Generally, these territories would be subject to H.R. 582's increase to \$15 by 2025. However, American Samoa is on a separate schedule to raise its minimum wage to \$7.25 by 2036. The *Raise the Wage Act* would lengthen the time that American Samoa's minimum wage would equal the federal minimum wage.

Consistent with how Congress has addressed the minimum wages in the CNMI in recent years, H.R. 582 requires Government Accountability Office (GAO) to review the economic conditions in CNMI and submit a report to Congress one year after H.R. 582's enactment. The minimum wage increases would become effective in the CNMI 18 months after the general effective date.

In 2016, the FLSA was amended to allow employers in Puerto Rico to pay employees under the age of 25 a subminimum wage of \$4.25 per hour for the first 90 consecutive calendar days of employment. Under the FLSA, the current cut off for the youth subminimum wage is 20 years of age for the first 90 calendar days. H.R. 582 eliminates the youth subminimum wage, including for Puerto Rico.