

Gradually Raising the Minimum Wage to \$15: Good for Workers, Good for Businesses, and Good for the Economy

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Chairman Scott, Ranking Member Foxx and members of the committee, thank you for the opportunity to testify today on the importance and necessity of increasing the minimum wage to \$15 per hour.

My name is Ben Zipperer and I am an economist at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank that believes every working person deserves a good job with fair pay, affordable health care, and retirement security. To achieve this goal, EPI conducts research and analysis on the economic status of working America.

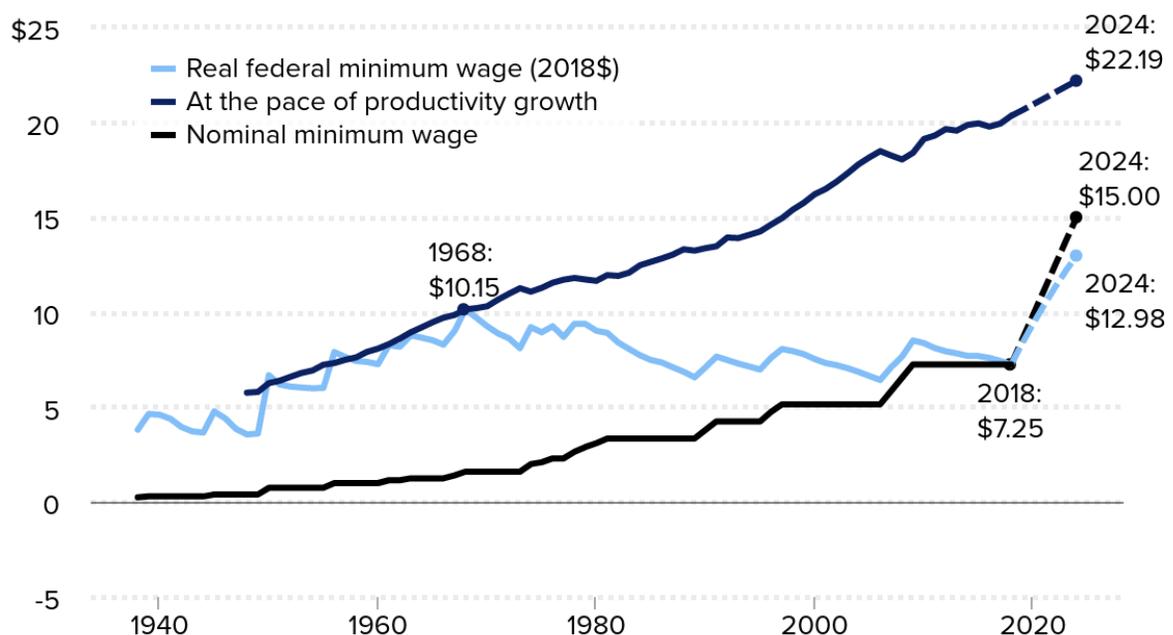
I am an economist, with particular expertise in the minimum wage and low-wage labor markets. My testimony establishes that

- A national \$15 minimum wage by 2024 is an important corrective to ensure that low-wage workers share the benefits of economic growth.
- The bulk of recent economic research on the minimum wage, as well as the best scholarship, establishes that prior increases have had little-to-no negative consequences and instead have meaningfully raised the pay of the low-wage workforce.
- Minimum wage workers and low-wage workers generally are mostly adults, and are also disproportionately women and people of color.
- Workers in every region of the country will soon need \$15 per hour to maintain a modest but adequate standard of living.

We can afford to pay the lowest paid workers more than they were paid 50 years ago

Raising the national minimum wage is well overdue. Workers today paid the federal minimum wage of \$7.25 an hour are, after adjusting for inflation, paid 29 percent less than their counterparts fifty years ago. This is despite the fact, the economy’s capacity to deliver higher wages has doubled in the last 50 years, as measured by labor productivity, or the amount of output produced by workers. As Figure 1 shows, had the minimum wage kept pace with labor productivity growth since 1968, this year it would be more than \$20 per hour. Today, however, a single parent earning the current federal minimum wage does not earn enough through full-time work to be above the federal poverty line.¹

Figure 1 - Historical real and nominal value of the federal minimum wage, projected values under the Raise the Wage Act of 2019, and real value if the minimum rose with total economy productivity, 1938-2024



Source: The productivity series is total economy productivity net depreciation, indexed to the 1968 real value of the minimum wage. Real minimum wage values are in 2018 dollars deflated by the CPI-U-RS (1978-2017), chained to the CPI-U-X1 (1967-1977) and CPI-U (1938-1966). Projections for productivity growth and

¹ With an hourly wage of \$7.25 per hour working 40 hours of work every week, a single parent would earn \$15,080 annually, less than the 2017 nonelderly poverty threshold of \$16,895 (see Current Population Survey Time-Series Tables, Historical Poverty Thresholds, “[Poverty Thresholds for 2017 by Size of Family and Number of Related Children Under 18 Years](#)” (online Excel file), Nov. 2018).

inflation use Congressional Budget Office, *An Update to the Economic Outlook: 2018 to 2028*, “10-Year Economic Projections,” August 2018.

Increasing the national minimum wage to a \$15 minimum wage by 2024, as proposed in the *Raise the Wage Act of 2019 (H.R. 582)*, is an important corrective to our failure to raise the minimum wage. A \$15 minimum wage by 2024 would ensure that a portion of the country’s labor productivity gains are translated into higher living standards for low-wage workers. At the same time, the proposal does not raise the minimum wage to \$15 immediately, but instead gradually phases in the increase over a period of six years so that employers can adjust to the new standard.

My colleague David Cooper has estimated that raising the minimum wage to \$15 by 2024 would lift the pay of about 40 million workers, or 27 percent of the eligible workforce. Affected workers who work year-round would receive a raise on the order of \$3,000 a year. This is enough to make a tremendous difference in the life of a preschool teacher, bank teller, or fast-food worker—more than half of those working in each of these occupations earns less than \$15 per hour today. More broadly, low-wage workers today constitute a large portion of the workforce. About about 25 percent of all workers earned \$13 or less per hour in 2018 and the vast majority of them would benefit from a minimum wage increase to \$15 by 2024.²

Were it enacted, for the first time the lowest-wage workers would make more than they did in 1968, the last high point of the minimum wage. While this would be a bold step, the resulting pay increase would be relatively modest compared with the economy’s capacity to deliver improvements in living standards. A \$15 minimum wage in 2024 would have 28 percent more purchasing power than the minimum wage did at its 1968 high point, but over that time period, the economy’s potential for higher living standards, as reflected in labor productivity, will have grown by 119 percent. Moreover, because of the gradual phase-in, a \$15 minimum wage in 2024 is not the same as \$15 per hour today, but equivalent to about \$13 per hour in 2018 dollars, after adjusting for projected inflation.³

² David Cooper, *Raising the Minimum Wage to \$15 by 2024 Would Lift Wages for 40 Million American Workers*, Economic Policy Institute, Forthcoming, February 2019. [May 2017 National Occupational Employment and Wage Estimates](#) from the Bureau of Labor Statistics report median annual salaries and median hourly wages of preschool teachers (\$28,990 annually; \$13.94/hour); tellers (\$28,110 annually; \$13.52/hour), and fast-food and counter workers (\$20,240 annually; \$9.73/hour). According to the author’s analysis of CPS-ORG data, 25 percent of the employed earned less than \$13.00 per hour in 2018.

³ Projected inflation is from the CPI-U series published by the Congressional Budget Office. See Congressional Budget Office, *An Update to the Economic Outlook: 2018 to 2028*, “[10-Year Economic Projections](#)” (Excel file supplement), August 2018.

The proposed legislation also indexes the minimum wage to median wages so that low-wage workers will share a common trajectory of wage growth with the broader labor market. By establishing regular, predictable increases to the minimum wage that are linked to overall wage growth, the proposed legislation improves the ability of the minimum wage to reduce inequality. A rise to \$15 an hour would reverse decades of growing pay inequality between the lowest-paid workers and the middle class, and indexing future increases prevents any future growth in that gap.

The proposed legislation also gradually phases out the outdated subminimum wage for tipped workers, which Congress has frozen at a meager \$2.13 per hour since 1991. Establishing a single wage for tipped and nontipped workers alike is long overdue and will help raise the total take-home pay for workers in tipped occupations. Indeed, Sylvia Allegretto and David Cooper have found that in states where tipped workers receive the full regular minimum wage, tipped workers earn a higher median wage, inclusive of tips. As a result, poverty rates are lower for tipped workers in states with a single, equal minimum wage. Because under current policy they are not paid an adequate regular wage, tipped workers' economic security is precarious given that they are especially vulnerable to wage theft. Additionally, the current, separate subminimum wage for tipped workers is likely to increase their income volatility and also perpetuate racial discrimination.⁴

Economic research justifies bold minimum wage increases

Minimum wages are one of the most well-studied topics in economics. Although there sometimes appears to be much controversy about size of the employment effects of the minimum wage, the weight of recent evidence shows that minimum wages have worked exactly as intended, by raising wages without substantial negative consequences on employment. Paul Wolfson and Dale Belman reviewed 15 years of research published since 2001—which comprised 37 studies and 739 estimates—and found that the average estimated employment effect was very small.⁵ In addition, Wolfson and Belman, as well

⁴ Allegretto, Sylvia 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 2014..

⁵ Wolfson and Belman's sample of employment elasticities with respect to the minimum wage had mean and median estimates of -0.06 and -0.03, respectively. See Paul J. Wolfson and Dale T. Belman, "[15 Years](#)

as Isaiah Andrews and Maximilian Kasy in a new review, found statistical evidence that there is a bias toward publishing findings showing a statistically significant negative employment effect.⁶ Finally, Sylvia Allegretto, Arindrajit Dube, Michael Reich, and I found that studies using the most high-quality, credible research designs also found small-to-no employment effects.⁷ These findings taken together suggest that both the *average* study as well as the *best* research show that there has been little downside to raising minimum wages.

While much of this research concentrates on the effects of the average or typical minimum wage increase in the United States, current research also suggests that even higher minimum wages have helped raise wages without reductions in employment. In co-authored research with Doruk Cengiz, Arindrajit Dube, and Attila Lindner, we studied all major state-level minimum wage increases between 1979 and 2016 and found they significantly raised wages without reducing the employment of low-wage workers. Notably, we also found the same positive outcomes for even the highest minimum wages in our study.⁸ Separately, important new scholarship by Ellora Derenoncourt and Claire Montialoux found that the highest minimum wages the United States has ever experienced—the minimum wages of the late 1960s—significantly raised wages without reducing the employment of low-wage workers.⁹

Because the evidence shows there has been little downside both to minimum wages in general and also to even minimum wages at their highest points in U.S. history, larger increases are economically justified. Modest and infrequent increases to the minimum wage leave money on the table that otherwise could have been earned by low-wage workers. In other words, by failing to enact bold increases in the minimum wage, we will

[of Research on U.S. Employment and the Minimum Wage](#),” Tuck School of Business Working Paper No. 2705499, December 2016.

⁶ Isaiah Andrews and Maximilian Kasy, [Identification Of and Correction For Publication Bias](#), Mimeograph, October 10, 2018.

⁷ Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer. “[Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas, and Wascher](#).” *ILR Review* 70, no. 3 (May 2017): 559–592. <https://doi.org/10.1177/0019793917692788>.

⁸ Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer. “[The Effect of Minimum Wages on Low-wage Jobs: Evidence from the United States Using a Bunching Estimator](#).” NBER Working Paper No. 25434, January, 2019.

⁹ Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” Mimeograph, November 30, 2018.

have deprived low-wage workers of wage increases they could have had without costing them much in terms of reduced employment.¹⁰

The benefits of a \$15 minimum wage in 2024 for workers, their families, and their communities will far outweigh any potential costs of the policy. To gain a sense of the large improvements a \$15 minimum wage by 2024 will make in the lives of low-income communities, we can turn to research by Arindrajit Dube on how minimum wages raise incomes for the poorest families. In a new article soon to be published in the *American Economic Journal: Applied Economics*, Dube demonstrates that the income-raising effects of the minimum wage significantly reduce the number of Americans in families below the poverty line.¹¹ In particular, if the U.S. had a \$12 national minimum wage in place last year, there would be 6.2 million fewer individuals living in poverty. The resulting income gains and poverty reductions would be especially large for Black and Hispanic families, and for single mothers. We should expect similarly sized poverty-reducing effects of a \$15 minimum wage in 2024, given that such a policy is equivalent to about \$13 per hour in 2018 dollars, after adjusting for projected inflation.

Workers in every region of the country will soon need at least \$15 an hour

By 2024, in areas all across the United States, even a single adult with no children will need to be earning more than \$15 per hour on a full-time, full-year basis in order to achieve a modest but adequate standard of living. My colleagues at EPI have developed the Family Budget Calculator to delineate how much a family will need to earn every year in order to pay for housing, food, transportation, child care, health care, taxes, and other necessities.¹²

Earning at least \$15 per hour will be a necessity for parents who wish to raise families. Two adults working 40 hours a week at \$15 per hour will earn \$62,400 per year. If these two adults have two children to care for, by 2024 there will be no area in the country

¹⁰ For a broader version of this argument, see David Cooper, Lawrence Mishel, and Ben Zipperer, [Bold increases in the minimum wage should be evaluated for the benefits of raising low-wage workers' total earnings](#), Economic Policy Institute, April 2018.

¹¹ Arindrajit Dube, "[Minimum Wages and the Distribution of Family Incomes](#)," National Bureau of Economic Research, working paper no. 25240, November 2018 (to be published in the *American Economic Journal – Applied Economics*).

¹² Economic Policy Institute, [Family Budget Calculator](#), March, 2018.

where they can live and meet the basic requirements of their family budget with wage income alone.¹³

While the Family Budget identifies what we call “adequate standard of living,” I should note that the budgets are very conservative. In particular, they do not include any amount for saving for retirement or buying a home, or even for emergencies. They simply describe the minimum amount of money a family needs in wage income in order to pay for a limited number of necessities.

As an economist, it is striking to me that we, as a country, tolerate a federal minimum wage as low as \$7.25 per hour, given the needs documented in EPI’s Family Budget Calculator. The Fair Labor Standards Act was enacted in 1938 “to protect this Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life.”¹⁴ Anything less than a \$15 minimum wage by 2024 will not adequately carry out this purpose.

Most low-wage workers are adults, and they are disproportionately women and people of color

While minimum wage workers are frequently characterized as mostly teenagers or younger workers, this stereotype is false. Among workers who would benefit from a minimum wage increase to \$15 in 2024, the average age is 35 years old. Most low-wage workers are not very young primarily because so few teenagers work at all to begin with.¹⁵ For a minimum wage increase to \$15 by 2024, about 91 percent of the workers receiving wage increases would be age 20 and older, and 68 percent would be at least the age of 25. The typical worker in a family who will benefit from this minimum wage increase is actually the family breadwinner, earning on average about 52 percent of their family’s total income.

¹³ Areas here refer to all counties and metro areas. Family budgets here are projected using projected inflation from the CPI-U series published by the Congressional Budget Office. See Congressional Budget Office, *An Update to the Economic Outlook: 2018 to 2028*, “[10-Year Economic Projections](#)” (Excel file supplement), August 2018.

¹⁴ S. Rep. No. 75-884, at 4 (1937).

¹⁵ In November 2018, the employed share of the teenage population was 31.1 percent (see Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey Series LNS12300012, “[Employment–Population Ratio, 16–19 Yrs.](#)”) and only 50.5 percent of all 16 to 24 year-olds were employed (see Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey Series [LNS12324887](#), “[Employment–Population Ratio, 16–24 Yrs.](#)”)

In addition to being older, low-wage workers are much more likely to be female and people of color than the average worker. As a result, our current national minimum wage of \$7.25 hurts women as well as black and Hispanic workers the most.

Nearly 56 percent of those who would benefit from a \$15 minimum wage in 2024 are women, despite women only making up 48 percent of the total U.S. workforce. Furthermore, because our economy pays women disproportionately low wages, our failure to maintain higher minimum wages has greatly worsened hourly wage inequality between women. In an important study, David Autor, Alan Manning, and Christopher Smith found that the failure to adequately increase the minimum wage has accounted for 48 percent of the increase in inequality between women at the middle and bottom of the wage distribution since 1979.¹⁶

About 40 percent of all black workers would receive a wage increase, as would about 34 percent of Hispanic workers. Just as the minimum wage can be an important tool for reducing inequality among women, increases in the minimum wage have led to large reductions in earnings inequality between black and white workers. The same research cited earlier by Derenoncourt and Montialoux found that the increases and coverage expansions of the late 1960s were responsible for more than 20 percent of the fall in the black-white income gap during the Civil Rights Era.

Conclusion

Minimum wages have long been an effective tool for maintaining adequate pay, but the failure to adequately raise the federal minimum wage has denied American workers significant improvements in their standard of living. As a result, the lowest-wage workers today earn significantly less than what their counterparts did five decades ago, after adjusting for inflation.

By raising the federal minimum wage to \$15 by 2024, we will finally deliver a much-needed boost in wage income and increase the value of the minimum wage to a level that ensures the lowest wages we pay workers are not poverty wages. In addition, by automatically indexing future minimum wage increases to median wage growth, low-wage workers will share a common trajectory of wage growth with the broader labor

¹⁶ David H. Autor, Alan Manning, and Christopher L. Smith, “The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment,” *American Economic Journal: Applied Economics*, vol. 8, no. 1, 58–99, <https://doi.org/10.1257/app.20140073>.

market. Finally, gradually phasing out the separate lower wage for tipped workers will help to eliminate disparities in labor protections between tipped workers and the rest of the labor force.