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Minimum Wage Frequently Asked Questions

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Why raise the minimum wage?

Because working families in Washington need it. The primary impetus to increase the minimum wage is to enable people who work full time to earn their way out of poverty. Current minimum wage workers are forced to live in poverty. A full-time worker who makes \$5.15 an hour earns barely over \$10,000 annually, 30% below the federal poverty threshold for a family of four and 15% below for a family of three. In Washington state, we don't have a minimum wage, we have a miniature wage. At \$4.90 an hour, Washington state has the lowest minimum wage on the West Coast.

In spite of a successful economy, the state's lowest paid workers have fallen beyond by virtually every measure.

- **Inflation.** The buying power of WA state minimum wage workers has fallen 36 percent since 1968.
- **Income.** The per capita income of WA minimum wage workers has steadily decreased in recent years (workers currently earn 38 percent of WA's per capita income level, down from 46% in 1993).
- **Poverty level.** At \$4.90 an hour, a full-time workers earns 30% below the federal poverty threshold for a family of three.
- **Wage Floor.** The 96-97 federal minimum wage increase only brought the wage floor to 82% of its 1979 value.

Who makes minimum wages? Aren't they mostly teenagers and part-timers?

Raising the minimum wage to \$6.50 would restore two-thirds of the loss in the wage's buying power since 1976. The Employment Security Department estimates that approximately 289,495 employees in Washington, or 13 percent of the state's workforce, would directly benefit from the hike to \$6.50 an hour.^[1]

- **Age** Seventy percent of minimum wage workers in Washington are adults.^[2]
- **Employment Status** Forty-three percent of all minimum wage workers work full time, and 40 percent work between 20 and 35 hours a week.
- **Share of Income** 35 percent are the only wage earners in their families. The average minimum wage worker provides 54% of his or her family's weekly earnings. Of the youth who are minimum wage earners, 60 percent are in families with below average incomes.
- **Gender** Nearly three of every four minimum wage earners are women (72 percent).

- **Benefits** Only 20 percent of Washington's minimum wage workers receive health care benefits, only seven percent receive retirement benefits, and 73 percent don't even get paid for legal holidays.
- **Impact of Previous Minimum Wage Increases** Almost 60% of the total wage gains from the 1996-97 increase in the federal minimum wage went to workers in the lower two-fifths of American households, while 73% of the total wage gains went to workers in the bottom three-fifths. Those households below the median income disproportionately benefited from the minimum wage increase.

Won't this hurt businesses and cost jobs?

Raising the minimum wage to \$6.50 per hour will enable a full-time minimum wage worker to earn \$13,520 a year and pull a three-person family above the threshold for poverty. ***Increasing the minimum wage is an effective tool for raising the earnings of low-wage workers without lowering their employment opportunities or harming the overall economy.*** No statistically significant job loss resulted from the 1996-97 federal minimum wage increase. New economic models incorporating "human capital" considerations are beginning to replicate the reality of wage increases accompanied by ***no lost jobs***.^[3] Further, every state that has increased the minimum wage during the past five years has seen a rise in employment.

These tired arguments approached when our state first established a minimum wage in 1937, and have been regurgitated with every proposal increase since. The predictions of job loss, inflation and bankruptcy of small businesses have never come true with previous increases, and won't with the passage of I-688. Opponents of recent federal increases dreamed up remarkably dire consequences of a higher minimum wage. But what we got was the lowest U.S. employment rate in 24 years, and interest rates and inflation so low that some economists this year are warning of deflation. In the first 4 months after the increase, employment in food and beverage industries grew at a rate four times faster than the previous year. Washington state is not going to lose jobs to neighboring states that already have a higher minimum wage.

Why now?

The most recent increase in the federal minimum wage translated to a negligible bump from \$4.90 to \$5.15 in Washington state. And not all workers even got that. Tipped restaurant employees and people whose jobs do not involve interstate commerce, like employees of a Mom-and-Pop grocery store, did not get that raise. However, even at \$5.15, it is not near enough. With the welfare-to-work movement in full screen, there is little motivation to enter the workforce at a minimum wage that keeps in poverty although you work full-time. You will still need public assistance, whether in the form of food stamps and welfare, or tax-subsidized housing and health care. Already, food banks and homeless shelters in Washington state have noted an alarming increase in the number of employed people seeking assistance. Why should businesses be allowed to take advantage of a wage so low that taxpayers and charities are forced to pick up their slack?

Why should the minimum wage be indexed to the rate of inflation?

The minimum wage has fallen further and further behind the cost of living. With passage of Initiative 688, the minimum wage will be adjusted each year by increasing the previous year's minimum wage by the rate of inflation. Just like Social Security, minimum wage increases should keep pace with the cost of living. It is not equitable for the most poorly paid workers to fall even further behind because inflation eats up their wages. Indexing will take the politics out of the minimum wage issue, and put the fairness back in. Further, this inflation adjustment is a catch-up mechanism, not a wage push. Key Bank Corporation's Oregon Chief Economist Jeff Thredgold called the minimum wage impact on business "irrelevant" and urged Oregon to tie the wage to inflation and thus depoliticize the issue in the future.^[4]

Having the same debate over and over about whether it's time to raise the minimum wage is

inefficient, unnecessary, and has allowed the minimum wage to gradually slop further and further beyond the rising cost of living. This is how we've ended up with a minimum wage that's supposed to maintain the "standard of living necessary for health, efficiency, and general well-being of workers," but is below poverty standards.

How will the increase help welfare reform ?

A higher minimum wage is the next step for welfare reform. As people move off of welfare into work, their new jobs must enable them to become self-sufficient. They must be able to climb a wage ladder out of poverty. However, if they work full time and still live below the poverty line, they will most likely fall back onto welfare.

The minimum wage increase approved by the voters in Oregon boosted the earnings of welfare recipients who found jobs overall by an average of 76 cents per hour.^[5] Seventy-six cents per hour totals well over \$1,500 a year for a full-time worker. This increase in the minimum wage enabled people coming off of welfare to work their way out of poverty. ***We can provide the same incentives in our state by approving the proposed minimum wage increase.***

What about the Employment Policies study of a 7,500 job loss ?

- The Employment Policies Institute is largely funded by employer groups like the National Federation of Independent Businesses and the National Restaurant Association...
- The estimate of 7,500 lost jobs is wrong. The estimate is based on survey data and all surveys have a margin of error. The EPI claims that employment will fall by three-tenths of 1%, but the margin of error in the survey is almost 1 percent! Thus, what the EPI study actually says is that it is just as likely that employment will rise by 7,500 jobs.

Endnotes

^[1] Employment Security data is 1995 from "Analysis of Exemptions to the Federal Minimum Wage," 1997, by Robert Baker.

^[2] Data on characteristics comes from The Economic Policy Institute, Washington, D.C., 1997; James McIntire, "Minimum Wage Study," University of Washington, 1991.

^[3] Economic Policy Institute, "Making Work Pay, The Impact of the 1996-97 Minimum Wage Increase," May 6, 1998.

^[4] Center on Budget and Policy Priorities, "Raising Families with a Full-Time Worker out of Poverty: The Role of An Increase in the Minimum Wage," June 18, 1996, <http://www.cbpp.org>.

^[5] Center on Budget and Policy Priorities, "New Findings from Oregon Suggest Minimum Wage Increases Can Boost Wages for Welfare Recipients Moving to Work," May 29, 1998, <http://www.cbpp.org/529ormw.htm>.

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