



JOBS NOW Coalition

Minimum Wage Facts 2013

It's time to raise Minnesota's minimum wage. The federal minimum wage of \$7.25 an hour, or \$15,080 a year for a full-time worker, is not enough to meet basic needs—not for an individual or a family. At the current minimum wage of \$7.25 an hour, a couple with two children would have to work 155 hours a week to meet basic needs. At normal full-time hours, each parent would need to earn \$14.03 an hour to meet basic needs. An individual with no children would need to earn \$11.82 an hour.¹

Today \$7.25 is the minimum wage the vast majority of Minnesota businesses must pay. That's because for any business, large or small, that takes credit cards or even uses out-of-state supplies, the higher minimum wage—federal or state—prevails. When the state minimum is lower, like Minnesota's current \$6.15 an hour for large employers, it's essentially like not having any state law at all.

Far from being a national leader, Minnesota is one of only five states or territories whose minimum wage is below the federal. The other four are Wyoming, Arkansas, Georgia, and Puerto Rico.²

Historically costs rise over time, and a dollar today buys less than a dollar a year ago, ten years ago, or forty years ago. If the federal minimum wage had kept pace with inflation and maintained its purchasing power since 1968, it would today be over \$10.55 an hour, or \$21,944 a year for a full-time worker.³

When wages drop below living costs, families can't buy what they need, and local businesses can't find enough customers. A higher minimum wage will help Minnesota families meet basic needs and help the economy maintain robust consumer spending and economic activity.

In Minnesota, raising the minimum wage to about \$10.00 an hour would mean better wages for half a million workers. Some 78 percent of those workers are age 20 or older, and 35 percent are married or are parents.⁴

What about preserving jobs? A growing number of economic studies show that increasing the minimum wage preserves jobs and may even stimulate small net increases in jobs. A nationwide study shows no job loss resulting from minimum wage increases from 1990 to 2006, even where a county on one side of a state border has a higher minimum wage than a county on the other side.⁵

In Minnesota, teens make up less than a quarter of workers who would be affected by a minimum wage increase to close to \$10.00 an hour.⁴ Economists find that minimum wage increases over the past two decades have not contributed to teen unemployment.⁶

Why does a higher wage preserve jobs? Because the majority of low-wage workers nationwide, including minimum wage workers, are employed by profitable large corporations. Among the nation's fifty largest employers of low-wage workers as of 2011, 92 percent were profitable for the past year and 75 percent had higher revenues than before the recession.⁷

For Minnesota's 116,200 small businesses with 1 to 500 employees, better wages for workers means higher sales, because working people receiving the increase are apt to spend it immediately and locally, boosting sales at retail and service outlets and creating new jobs.⁸

According to the US Small Business Administration, 362,700 of Minnesota's small businesses, or 76 percent, are owner-operated with no employees. For these businesses, minimum wage is a non-issue.⁹

What about consumer prices? The retail price effects of minimum wage increases are minimal, with economists estimating that a wage increase of \$1.85 would mean an increase of half a percent or less in living costs for low-income households.¹⁰

Minnesota is a national leader in opposing the tip credit (actually a "tip penalty"). The tip penalty would allow employers of tipped workers to pay a lower minimum wage, reducing the benefits to working families and to the state economy.

1. See the Family Wage and Budget Calculator, JOBS NOW Coalition, at www.jobsnowcoalition.org/calculator/calculator.html.
2. See "Minimum Wage Laws in the States", US Department of Labor, at www.dol.gov/whd/minwage/america.htm#.UOcFCbZpfq0.
3. See CPI Inflation Calculator, US Bureau of Labor Statistics, at www.bls.gov/data/inflation_calculator.htm.
4. See "How Raising the Federal Minimum Wage Would Help Working Families and Give the Economy a Boost", Doug Hall and David Cooper, Economic Policy Institute, 2012.
5. See "Minimum Wage Effects Across State Borders", Arindrajit Dube, T. William Lester, and Michael Reich, Review of Economics and Statistics, November 2010.
6. See "Do Minimum Wages Really Reduce Teen Employment", Industrial Relations, April 2011.
7. See "Big Business, Corporate Profits, and the Minimum Wage", National Employment Law Project, 2012.
8. See "Spending and Debt Response to Minimum Wage Hikes", Daniel Aaronson, Sumit Agarwal, and Eric French, Federal Reserve Bank of Chicago, 2011
9. See "Small Business Profile, Minnesota", US Small Business Administration, Office of Advocacy, 2012.
10. See "Case for a Substantial Minimum Wage Hike for Minnesota", Ann Markusen, Jennifer Ebert, and Martina Cameron, Humphrey Institute of Public Affairs, University of Minnesota, 2004.