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## Increasing the Minimum Wage: Initiative 688

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Initiative 688, the Paycheck Protection Act, is a ballot measure in Washington State that will increase the minimum wage to \$5.70 per hour on January 1, 1999 and to \$6.50 per hour on January 1, 2000. Thereafter, the minimum wage will be adjusted annually by the rate of inflation. An increase in the minimum wage will be a key step in bringing low income workers into the middle class.

### Why an Increase in the Minimum Wage is Needed

The primary impetus to increase the minimum wage is to enable people who work full time to earn their way out of poverty. The intent of Congress when initiating a federal minimum wage was to assure "the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" through the minimum wage. However, Washington has the lowest minimum wage on the West Coast and only 15 states have a lower wage nation-wide. California's minimum wage is \$5.75 and Oregon's is \$6.00, on its way to \$6.50 in 1999. These increases were passed overwhelmingly by citizen initiative.

The federal minimum wage of \$5.15 per hour covers most workers in Washington. However, Washington's state minimum wage of \$4.90 per hour applies to many restaurant employees and people whose jobs do not involve interstate commerce. Whether at \$4.90 or \$5.15 per hour Washington State workers are not assured an adequate standard of living. Instead, minimum wage workers are forced to live in poverty, barely making over \$10,000 annually. Despite the strong performance of Washington's economy over the past two years, the state's lowest paid workers have fallen behind by virtually every measure.

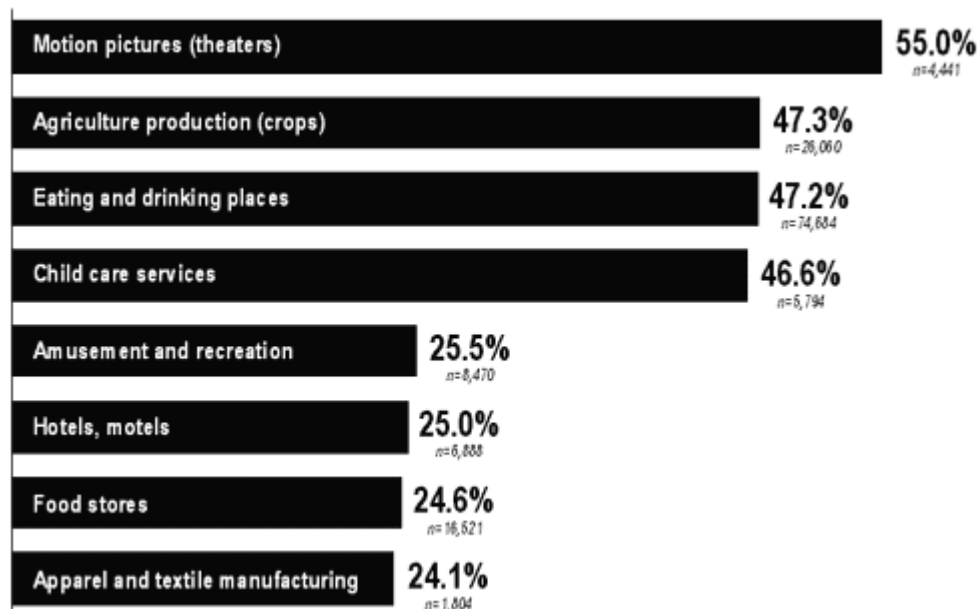
- **Inflation:** The buying power of Washington State's minimum wage has fallen 36 percent since 1968.
- **Per capita income:** The per capita income of Washington state's minimum wage workers has steadily decreased in recent years. Workers currently earn 38 percent of Washington's per capita income level, down from 46 percent in 1993.
- **Poverty level:** At \$4.90 an hour, a full-time worker earns 30% below the federal poverty threshold for a family of four and 15% below poverty for a family of three. Since 1973, the percentage of workers earning wages that pay below the poverty level has increased from 23 percent to 30 percent -- almost a third of the U.S. workforce.
- **Wage Floor:** The 1996-97 federal minimum wage increase only brought the wage floor to 82% of its 1979 value.

### Who benefits from an increase in the Minimum Wage?

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.

- **Age** Seventy percent of minimum wage workers in Washington are adults.
- **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 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.

### Percent of Workers Paid Below \$6.50 per hour by Industry



SOURCE: Washington State Employment Security Department, "Analysis of Exemptions to the Federal Minimum Wage," 1997

### The Overall Economic Benefits of Increasing the Minimum Wage

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 with **no lost jobs**.

## The Benefits of Adjusting Minimum Wage Increases to 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.

### Increasing the minimum wage complements 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. Seventy-six cents per hour totals well over \$1,500 a year for a full-time worker. An increase in the minimum wage enabled people to work their way out of poverty. We can provide the same incentives in our state by approving the proposed minimum wage increase.

### Related Information

Below is a minimum family budget for a family of three in Washington state estimated by the Fiscal Policy Center, University of Washington, 1997:

<b>Minimum Family Budget</b>	
<b>Housing</b>	\$ 589
<b>Food</b>	\$ 318
<b>Transportation</b>	\$ 314
<b>Taxes and Misc.</b>	\$ 299
<b>Child Care</b>	\$ 266
<b>Health Care</b>	\$ 145
<b>Apparel</b>	\$ 90
<b>Pension and Insurance</b>	\$ 84
<b>Total per Month</b>	\$ 2,105
<b>Total per Year</b>	\$25,260

To earn at least \$2,105 a month in a family with one wage earner, that person would have to receive \$12.14 an hour.

### Data Sources

- Fair Labor Standards Act of 1938
- Proposition 210 in California passed by 61.45% in November 1996. In Oregon, Measure 26 passed by 56.8% in November 1996.

- Governor Locke's Office, "Raising Washington's Minimum Wage," <http://www.governor.wa.gov/98leg/minwage.htm>
- Employment Security data is 1995 from "Analysis of Exemptions to the Federal Minimum Wage," 1997, by Robert Baker.
- Data on characteristics comes from The Economic Policy Institute, Washington, D.C., 1997; James McIntire, "Minimum Wage Study," University of Washington, 1991.
- Washington State Employment Security Department, "Analysis of Exemptions to the Federal Minimum Wage," 1997.
- Economic Policy Institute, "Making Work Pay, The Impact of the 1996-97 Minimum Wage Increase," May 6, 1998.
- 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>.
- 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>.

### Related Link(s)

- [EOI Economic Security Policy - Minimum Wage](#)

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