



**ABUNDANT LIFE  
FOR ALL**  
A LIVING WAGE SERIES

ISSUE 3 February 2020

# Workers Need a Wage They Can Live With: Frequently Asked Questions About Raising the Minimum Wage #1

By David Cooper, Julia Wolfe and Jaimie Worker,  
Economic Policy Institute

“

**The federal minimum wage is only \$7.25 and has not been raised since 2007. Today, the federal minimum wage is worth less than a third of the wages of a typical U.S. worker.”**

## Why now?

Pay for low-wage workers today is only just above what it was in 1979. The federal minimum wage is only \$7.25 and has not been raised since 2007. Today, the federal minimum wage is worth less than a third of the wages of a typical U.S. worker.

## Why is the federal minimum wage important to workers and their families?

The federal minimum wage was created in the 1930s in recognition that without setting a floor on wages, workers were at risk of being paid next to nothing when the economy was weak. Raising the minimum wage now, when the economy is strong, is smart preventative maintenance. It is important even for those workers who are just starting out in the workforce. Young workers who begin work at the current minimum wage are starting out much farther from the middle class than their counterparts a generation ago. Regularly raising the minimum wage is critical for ensuring that the middle class is not out of reach for each successive group of workers. Even when employers increase wages due to a strong economy, as we have today, legislative action to raise minimum wages is an effective way to play catch-up for the long period of depressed wages (30 years!). The minimum wage acts as a backstop, preventing employers from exploiting workers who may have fewer job options during economic downturns.

## Won't raising the minimum wage raise prices?

Studies have found that in cities and states where the minimum wage was raised, for every 10 percent increase in the minimum wage, prices rose an average of between 0.36 and 0.67 percent.<sup>1</sup> This is the equivalent of the cost of a \$10 restaurant meal rising by between 4 and 7 cents.

## Won't it cost jobs?

The consensus among most economists today is that moderate increases in minimum wages have little, if any, impact on jobs. In a 2019 paper, researchers analyzed data on 138 minimum wage increases in the United States between 1979 and 2016.<sup>2</sup> They found that “the overall number of low-wage jobs remained essentially unchanged over the five years following the [minimum wage] increase.” There are 29 states in the United States that have already set



**ABUNDANT LIFE  
FOR ALL**  
A LIVING WAGE SERIES

their own minimum wage higher than the federal minimum and there is no evidence that job growth has been significantly different in those states than in the ones still using the federal \$7.25 minimum wage. In fact, in a paper published by the National Bureau of Economic Research, economists found that raising the minimum wage boosted consumer spending, which encourages business activity and job growth.

### **Won't teenagers, women and people of color be hurt?**

Raising pay for low-wage workers has had little to no impact on employment. This means raising the minimum wage has had no effect on the employment of teens, workers with less education, women and workers of color. Workers earning exactly the minimum wage are disproportionately young people, but the vast majority of workers earning just above the minimum wage are prime-age workers, many of whom are supporting families. In fact, of the roughly 33 million U.S. workers who would get a raise if the federal minimum wage were lifted to \$15 an hour, 90 percent are age 20 or older and two-thirds of those are age 25 or older.

### **What can United Methodist Women members do?**

- United Methodist Women members can advocate for raising the minimum wage in their state and nationally through the Living Wage for All Campaign [[unitedmethodistwomen.org/living-wages](https://unitedmethodistwomen.org/living-wages)].
- Find out the minimum wage in your state [[unitedmethodistwomen.org/living-wage-map](https://unitedmethodistwomen.org/living-wage-map)].
- In 2019, the U.S. House of Representatives passed the Raise the Wage Act (RTWA), which will increase the federal minimum wage to \$15 an hour by 2025 and eliminate subminimum wages for tipped and youth workers and workers with disabilities. Urge your Senators to support it.

### **About the Economic Policy Institute:**

The Economic Policy Institute (EPI) is a nonprofit, nonpartisan think tank created in 1986 to address the needs of low- and middle-income workers in economic policy considerations.

---

1. Sylvia Allegretto and Michael Reich, "Are Local Minimum Wages Absorbed by Price Increases? Estimates from Internet-Based Restaurant Menus," *ILR Review* 71, no. 1 (January 2018): 35–63.

Daniel MacDonald and Eric Nilsson, "The Effects of Increasing the Minimum Wage on Prices: Analyzing the Incidence of Policy Design and Context," Upjohn Institute Working Paper (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2016), 16–260.

2. Doruk Cengiz, Arindrajit Dube, Attila Lindner, Ben Zipperer, "The Effect of Minimum Wages on Low-Wage Jobs," *The Quarterly Journal of Economics*, Volume 134, Issue 3, August 2019, 1405–1454.

*Abundant Life for All* is a series addressing aspects of the United Methodist Women Living Wage for All Campaign for use by members in programs for education and action. Edited by Elmira Nazombe.



[unitedmethodistwomen.org/living-wages](https://unitedmethodistwomen.org/living-wages)