



Federal minimum wage: \$5.15 per hour

Wisconsin minimum wage: \$6.50 per hour

Number of states with a minimum wage higher than Wisconsin's: 19

Number of states that index their minimum wage to inflation: 10 (Wisconsin does not.)

Number of Wisconsin workers who would benefit from increasing the minimum wage to \$7.25: 255,000

Net number of jobs added to the Wisconsin economy in the 11 months following the June 2005 minimum wage hike to from \$5.15 to \$5.70: 30,000

# Minimum Wage



## Increase, Index, and Enforce Wisconsin's Minimum Wage

In 2006, Wisconsin's minimum wage rose to \$6.50 an hour, the second of a two-part increase that began a year earlier, when the state minimum wage was increased from \$5.15 (the federal minimum wage) to \$5.70 an hour. The increases were an important step toward boosting earnings for the lowest-paid workers in the state. However, Wisconsin can do more. By raising the minimum wage and adjusting it annually to keep pace with inflation we can build a wage floor that rises along with prices. Further, Wisconsin should strengthen resources devoted to enforcing it. A stronger floor under wages makes a stronger labor market for the state.

### Increase the Minimum Wage

The federal minimum wage has stagnated \$5.15 an hour since 1997. In buying power, the federal minimum is 30 percent lower than it was in 1979, and inflation erodes its value each year. At the federal minimum, a full-time worker earns just over \$10,000 per year, barely enough to get by let alone support a family. Since January 2007, the federal government has turned its attention to the minimum wage with both the Senate and the House passing bills to increase the minimum wage to \$7.25. At this writing, significant differences between the bills must be settled before Congress can send a bill to the president for his signature.

### Who Benefits From an Increase in the Minimum Wage?

Increasing the minimum wage to \$7.25 would put money in the pockets of thousands of low-wage working adults in Wisconsin. Working with the Economic Policy Institute, a national research organization, we estimate that some 255,000 workers in Wisconsin – 10 percent of the workforce – would gain from such an increase.

More particularly:

- 255,000 workers would experience some increase including 75,000 workers with wages below \$7.25, and 180,000 workers with wages just above \$7.25 who would see increases from a "ripple effect."
- Affected workers would enjoy a 4 percent raise, on average.
- 92,000 children in the state have parents who would benefit from an increase.
- 70 percent of the workers who stand to gain are adults.
- Women workers are more likely than men benefit from the increase.

**Table 1. States with Minimum Wages Above the Federal Minimum of \$5.15 Per Hour**

STATE	MINIMUM WAGE	FUTURE INCREASES
Washington	\$7.93	Inflation-based
Oregon	\$7.80	Inflation-based
Connecticut	\$7.65	
Vermont	\$7.53	Inflation-based
California	\$7.50	\$8.00 in 2008
Massachusetts	\$7.50	\$8.00 in 2008
Rhode Island	\$7.40	
Hawaii	\$7.25	
Alaska	\$7.15	
New Jersey	\$7.15	
New York	\$7.15	
Michigan	\$6.95	\$7.15 in July, \$7.40 in 2008
Colorado	\$6.85	Inflation-based
Ohio	\$6.85	Inflation-based
Arizona	\$6.75	Inflation based
Maine	\$6.75	\$7.00 in October
Florida	\$6.67	Inflation-based
Delaware	\$6.65	\$7.15 in 2008
Illinois	\$6.50	
Missouri	\$6.50	Inflation-based
Wisconsin	\$6.50	
Arkansas	\$6.25	
Pennsylvania	\$6.25	\$7.15 in July
Maryland	\$6.15	
Minnesota	\$6.15	
Montana	\$6.15	Inflation-based
Nevada	\$6.15	Inflation-based
North Carolina	\$6.15	
New Mexico		\$6.75 in 2008, \$7.50 in 2009

Source: Economic Policy Institute 2007

Given the overdue federal action, Wisconsin and 27 other states have set their own minimum wages above the federal minimum. Ten of the states index their minimum wage to inflation (see Table 1).

At \$6.50, Wisconsin's minimum wage trails that of 18 other states. Among states exceeding the federal standard, wage rates range up to almost \$8. Wisconsin's minimum will continue to lose value to inflation, while many other states have programmed future increases either with specific wage rates or by indexing to inflation. Raising Wisconsin's minimum and then adjusting annually for inflation can provide a stronger wage floor for the state

### Industry Not Adversely Affected

While some argue that minimum wage increases are "job killers," there is little evidence, nationally or at the state level, to support that view. Recent data from Wisconsin demonstrate that the state's economy has continued to grow after minimum wage increases went into effect in 2005 and 2006. Table 2 shows that employment grew after the 2005 increase, with much stronger than average job growth posted by the eating and drinking industry, which is most affected by the wage increases.

**Table 2. Wisconsin Jobs, Before and After the June 2005 Minimum Wage Increase**

	June 2004-April 2005	June 2005-April 2006	Increase
Average nonfarm jobs	2,820,555	2,851,482	1.10%
Average eating and drinking jobs	187,036	192,809	3.10%

Source: Bureau of Labor Statistics, Current Employment Statistics

## **Indexing the Minimum Wage to Inflation**

Raising the minimum wage is a step in the right direction, but it is not enough. Each year, inflation diminishes the purchasing power of the minimum wage, and our lowest-wage workers lose ground. Ten states have taken the important step of indexing their minimum wage to keep pace with inflation. Wisconsin can join them, providing a predictable minimum, rather than the political roller coaster that the wage now rides. Rather than letting the value of the minimum wage erode over several years, and then trying to re-generate political momentum to raise it again, it makes good economic sense to simply index the wage for inflation, as Social Security benefits are.

## **Stronger Enforcement of the Minimum Wage**

Finally, Wisconsin should increase resources devoted to enforcing wage and hour standards across the state. The overwhelming majority of businesses complies with and exceeds these basic standards. But some bad actors consistently ignore them. When basic labor standards like the minimum wage are overlooked or violated for any workers, labor standards are weakened for many workers. To ensure that our wage standards are met, prosecutors need funding and support to go after employers who are breaking the law. State law requires district attorneys to prosecute violators, but too often limited resources and other priorities keep these cases on the back burner.

Further, information on minimum wage violators should be made public, so that workers can make informed choices in the labor market, and so that customers can make informed choices about providers of goods and services. Just as public health inspections of restaurants provide critical data for diners and encourage high standards among restaurants, so could better information on wage violations encourage and reward better behavior in the low-wage labor market.

## **Building a Stronger Wage Floor**

Increasing the minimum wage and ensuring that it is broadly enforced is an important step in extending economic opportunity to low-wage workers in the state. Wisconsin has been among the leaders on the increase in the minimum wage and can continue to build a strong floor under wages by pursuing these strategies.

# C O W S

## center on wisconsin strategy

The Center on Wisconsin Strategy (COWS) is a non-profit, nonpartisan “think-and-do tank” dedicated to improving economic performance and living standards in the state of Wisconsin and nationally. Based at the University of Wisconsin-Madison, COWS works to promote “high road” strategies that support living wages, environmental sustainability, strong communities, and public accountability.

For more information visit:

[www.cows.org](http://www.cows.org)

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