

# RAISING WISCONSIN'S MINIMUM WAGE

July 23, 2009

## WISCONSIN'S MINIMUM WAGE TO INCREASE TO \$7.25

On July 24, 2009, the federal minimum wage will increase to \$7.25 from its current level of \$6.55. Wisconsin's minimum wage, currently at \$6.50, will also increase to \$7.25 on this date. Increasing the minimum wage will 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 196,000 workers in Wisconsin will gain from such an increase: directly for some 100,000 workers with wages below \$7.25, and indirectly for some 96,000 workers with wages just above \$7.25 who are also expected to experience wage increases. Wisconsin women—who are more likely to be low-wage earners—especially stand to gain from the increase.

## MOVING BEYOND THE FEDERAL MINIMUM

The increase in the minimum wage to \$7.25 is an important step towards a more equitable economy for all Wisconsinites. Even so, at the federal minimum, a full-time worker earns just over \$15,000 per year, barely enough to get by, let alone support a family. And each year, inflation erodes the purchasing power of the minimum wage—the buying power of the \$7.25 minimum wage today is still nine percent lower than that of the 1979 minimum wage.

Currently, state leaders are considering increasing Wisconsin's minimum wage to \$7.60 per hour and indexing it annually to keep pace with inflation. These steps would help strengthen the state's wage floor and bring higher wages to some 316,000 workers in the state. A stronger wage floor helps strengthen the labor market.

Low-wage workers spend most of what they earn. As a result, increasing the minimum wage boosts the aggregated demand for goods and services in the economy. The "stimulus effect" of the increase in the minimum wage under consideration by the legislature could be significant. Taking into account directly affected workers alone, the extra money they would make and spend with the higher minimum wage amounts to almost 108 million dollars.

The legislature is also considering indexing Wisconsin's minimum wage to keep pace with inflation, providing a predictable minimum rather than the roller coaster of decline and sudden increase that the wage floor now follows. This helps income keep pace with prices for low-wage workers and also reduces employers' uncertainty regarding future labor costs.

## THE NATIONAL CONTEXT

Currently, 26 states and the District of Columbia have established minimum wages above the federal level. When the federal rate increases this month, the minimum wage of 13 states will remain above the federal minimum (see Table on back page). Among states exceeding the federal standard, wage rates range up to \$8.55. Further, ten states already index their minimum wage to keep pace with inflation.

### Fast Facts

- *Federal minimum wage: \$6.55, increasing to \$7.25 on July 24, 2009*
- *Number of Wisconsin workers who will benefit from raising the minimum wage to \$7.25: 196,000*
- *Number of Wisconsin workers who would benefit from raising the minimum wage to \$7.60: 316,000*
- *Number of states with a minimum wage higher than the July 2009 federal minimum wage of \$7.25: 13*
- *Number of states that index their minimum wage to inflation: 10 (Wisconsin does not.)*

## A STRONGER WAGE FLOOR

Increasing the minimum wage and indexing it to inflation are important steps in extending economic opportunity to low-wage workers in the state. Wisconsin has been among the leaders on the increase in the minimum wage in the past, and it can continue to build a strong floor under wages by pursuing these strategies.

*Table 1*  
**STATES WITH MINIMUM WAGES ABOVE THE FEDERAL LEVEL,  
 BEFORE CHANGE TO \$7.25 ON JULY 24, 2009**

<i>State</i>	<i>Minimum Wage</i>	<i>Future Increases</i>
Washington	\$8.55*	Inflation-based
Oregon	\$8.40*	Inflation-based
Vermont	\$8.06*	Inflation-based
California	\$8.00*	
Connecticut	\$8.00*	\$8.25 in 2010
Massachusetts	\$8.00*	
Illinois	\$8.00*	\$8.25 in 2010
DC	\$7.55*	\$8.25 on 7/24/09
Nevada	\$7.55*	Inflation-based
New Mexico	\$7.50*	
Michigan	\$7.40*	
Rhode Island	\$7.40*	
Ohio	\$7.30*	Inflation-based
Colorado	\$7.28*	Inflation-based
Arizona	\$7.25	Inflation-based
Hawaii	\$7.25	
Iowa	\$7.25	
Maine	\$7.25	
New Hampshire	\$7.25	
Florida	\$7.21	Inflation-based
Alaska	\$7.15	
Delaware	\$7.15	
New Jersey	\$7.15	
New York	\$7.15	
Pennsylvania	\$7.15	
Missouri	\$7.05	Inflation-based
Montana	\$6.90	Inflation-based

States with Minimum Wages Above the Federal Minimum of \$6.55 Per Hour (as of 7/1/09)

\*States whose minimum wage will remain above federal minimum after rise to \$7.25 on July 24, 2009

Sources: U.S. Department of Labor 2009, Progressive States Network 2009