

CAPITOL RESEARCH

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The State of the Minimum Wage

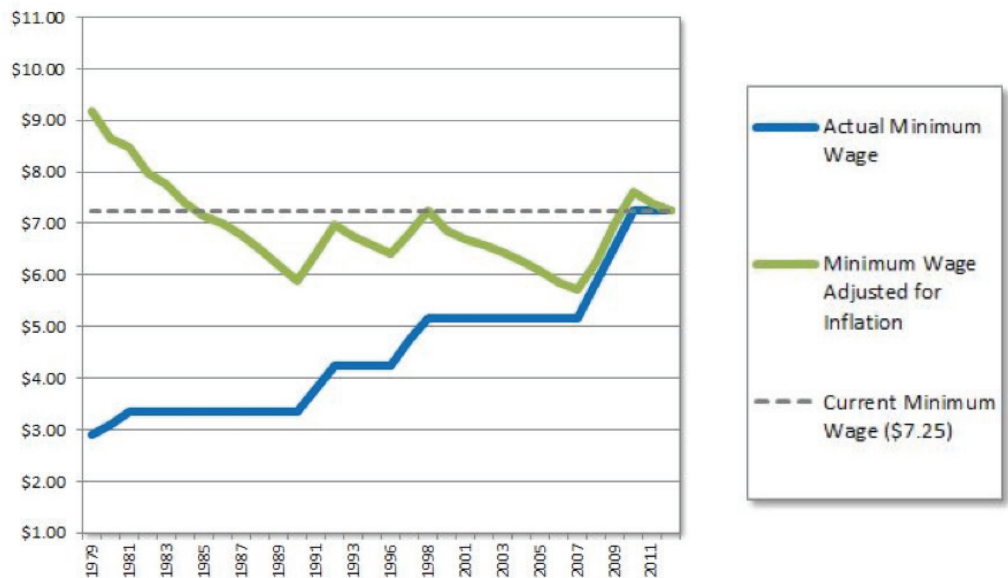
President Obama stressed economic equality and opportunity, focusing particularly on the financial woes of those earning the minimum wage, during his recent State of the Union address.

“Even with the tax relief we’ve put in place, a family with two kids that earns the minimum wage still lives below the poverty line. That’s wrong,” the president said. “Let’s declare that in the wealthiest nation on earth, no one who works full time should have to live in poverty.” He called on Congress to raise the federal minimum wage to \$9 an hour by the end of 2015 and tie it to inflation, a move the White House estimates would bump up the wages of about 15 million low-income workers.

The last time the federal minimum wage was raised was in 2009, when it went from \$6.55 to \$7.25 an hour. Since then, the upward creeping cost of living has eroded the value of that wage. If it had been adjusted for inflation, it would be around \$7.61 today. If the rate moves to \$9 an hour, it will be the highest—in inflation-adjusted terms—that it has been since 1979.



FEDERAL MINIMUM WAGE OVER TIME



Data Source: Author's calculations of data from the U.S. Department of Labor

POTENTIAL CHANGES TO EFFECTIVE STATE MINIMUM WAGE IF THE FEDERAL RATE INCREASES TO \$9.00 AN HOUR

INCREASES BY \$1.75

AK, AL, AR, DC, DE, GA, HI, IA, ID,
IN, KS, KY, LA, MD, MN, MS, NC,
ND, NE, NH, NJ, NY, OK, PA, SC, SD,
TN, TX, UT, VA, WI, WV, WY

INCREASES LESS THAN \$1.75

AZ (+1.20), CA (+1.00), CO (+1.22),
CT (+0.80), FL (+1.21), IL (+0.75),
MA (+1.10), ME (+1.50), MI (+1.60),
MO (+1.65), MT (+1.20), NM
(+1.50), NV (+0.75), OH (+1.15), OR
(+0.05), RI (+1.25), VT (+0.40)

NO CHANGE

WA

Data Source: Author's calculations of data from the U.S. Department of Labor

State Perspective: What would a jump in the federal minimum wage mean for my state?

Only one state—Washington—has a minimum wage set above the proposed new rate of \$9 an hour; the state's minimum wage was \$9.19 as of Jan. 1, 2013. Eighteen other states plus the District of Columbia have minimum wages above the current federal rate of \$7.25.

Although most states establish their own minimum wages legislatively, federal minimum wage law supersedes state law. Five states—Alabama, Louisiana, Mississippi, South Carolina and Tennessee—don't have an established minimum wage requirement. If the minimum wage established by the state is higher than the federal rate, the state rate applies. If the state's minimum rate is lower than the federal rate, the federal rate applies.

According to the Bureau of Labor Statistics, only four states—Arkansas, Georgia, Minnesota and Wyoming—have a minimum wage set below the federal rate. In those states, federal requirements supersede state requirements and the federal rate of \$7.25 per hour applies. In 10 states—Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington—minimum wages are linked to a consumer price index. For these states, the minimum wage is usually increased each year, generally around the first of the year.

If the federal rate shifted to \$9 an hour, the minimum wage in all states would at least be \$9 an hour. A few states, however, explicitly tie their rates to the federal rates. The District of Columbia, for example, automatically sets its rate at \$1 above the federal rate. So, D.C.'s new rate would be \$10 an hour—the highest in the country. In Connecticut, the minimum wage rate automatically increases to one-half of 1 percent above the federal rate set if the federal rate equals or becomes higher than the state minimum. Alaska keeps its rate at 50 cents above the federal rate. And in Massachusetts, the minimum wage automatically increases to 10 cents above the federal rate if the federal minimum wage equals or becomes higher than the state's rate.

That means if the federal rate went up to \$9 an hour, not considering additional potential state action or cost-of-living adjustments, the effective minimum wage would increase from today's rates by \$1.75 per hour for those 32 states that currently have the same minimum wage as the feds—a 24.1 percent increase. D.C.'s rate also would increase by \$1.75/hour—from \$8.25 to \$10. The only state that would not see any change would be Washington, as its rate is already above the proposed \$9 an hour minimum. The remaining 17 states would see effective increases at the low end of 5 cents in Oregon and 40 cents in Vermont and at the high end of \$1.65 in Missouri and \$1.60 in Michigan.



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Effective New Minimum Wage if Federal Rate Increases to \$9 an Hour

State	Current Minimum Wage ¹	Potential New Minimum Wage ²	Dollar Increase from 2013 Minimum Wage ³	Percent Increase from 2013 Minimum Wage ³	Total Number of Workers Paid	
					At or Below Minimum Wage (thousands) ⁴	Percent of Hourly Workers Paid At or Below Minimum Wage ⁴
Alabama	\$7.25	\$9.00	\$1.75	24%	74	6.5%
Alaska	\$7.75	\$9.50	\$1.75	23%	4	1.9%
Arizona	\$7.80	\$9.00	\$1.20	15%	85	5.6%
Arkansas	\$7.25	\$9.00	\$1.75	24%	49	6.6%
California	\$8.00	\$9.00	\$1.00	13%	139	1.6%
Colorado	\$7.78	\$9.00	\$1.22	16%	49	4.0%
Connecticut	\$8.25	\$9.05	\$0.80	10%	25	2.9%
District of Columbia	\$8.25	\$10.00	\$1.75	21%	4	4.3%
Delaware	\$7.25	\$9.00	\$1.75	24%	11	5.2%
Florida	\$7.79	\$9.00	\$1.21	16%	246	6.3%
Georgia	\$7.25	\$9.00	\$1.75	24%	196	9.6%
Hawaii	\$7.25	\$9.00	\$1.75	24%	15	4.7%
Idaho	\$7.25	\$9.00	\$1.75	24%	19	5.0%
Illinois	\$8.25	\$9.00	\$0.75	9%	109	3.5%
Indiana	\$7.25	\$9.00	\$1.75	24%	108	6.2%
Iowa	\$7.25	\$9.00	\$1.75	24%	53	5.6%
Kansas	\$7.25	\$9.00	\$1.75	24%	56	7.0%
Kentucky	\$7.25	\$9.00	\$1.75	24%	63	5.8%
Louisiana	\$7.25	\$9.00	\$1.75	24%	75	7.4%
Maine	\$7.50	\$9.00	\$1.50	20%	14	3.7%
Maryland	\$7.25	\$9.00	\$1.75	24%	65	5.1%
Massachusetts	\$8.00	\$9.10	\$1.10	14%	60	3.9%
Michigan	\$7.40	\$9.00	\$1.60	22%	117	4.6%
Minnesota	\$7.25	\$9.00	\$1.75	24%	78	5.1%
Mississippi	\$7.25	\$9.00	\$1.75	24%	58	8.5%
Missouri	\$7.35	\$9.00	\$1.65	22%	109	7.1%
Montana	\$7.80	\$9.00	\$1.20	15%	10	3.7%
Nebraska	\$7.25	\$9.00	\$1.75	24%	29	5.5%
Nevada	\$8.25	\$9.00	\$0.75	9%	22	3.3%
New Hampshire	\$7.25	\$9.00	\$1.75	24%	14	3.8%
New Jersey	\$7.25	\$9.00	\$1.75	24%	99	5.5%
New Mexico	\$7.50	\$9.00	\$1.50	20%	20	4.4%
New York	\$7.25	\$9.00	\$1.75	24%	199	5.1%
North Carolina	\$7.25	\$9.00	\$1.75	24%	140	6.8%
North Dakota	\$7.25	\$9.00	\$1.75	24%	11	5.3%
Ohio	\$7.85	\$9.00	\$1.15	15%	150	4.7%
Oklahoma	\$7.25	\$9.00	\$1.75	24%	56	6.8%
Oregon	\$8.95	\$9.00	\$0.05	1%	12	1.2%
Pennsylvania	\$7.25	\$9.00	\$1.75	24%	193	5.7%
Rhode Island	\$7.75	\$9.00	\$1.25	16%	11	3.8%
South Carolina	\$7.25	\$9.00	\$1.75	24%	79	7.3%
South Dakota	\$7.25	\$9.00	\$1.75	24%	13	5.1%
Tennessee	\$7.25	\$9.00	\$1.75	24%	101	6.9%
Texas	\$7.25	\$9.00	\$1.75	24%	473	8.0%
Utah	\$7.25	\$9.00	\$1.75	24%	35	4.6%
Vermont	\$8.60	\$9.00	\$0.40	5%	4	2.2%
Virginia	\$7.25	\$9.00	\$1.75	24%	121	7.1%
Washington	\$9.19	\$9.19	\$0.00	0%	31	1.8%
West Virginia	\$7.25	\$9.00	\$1.75	24%	34	7.4%
Wisconsin	\$7.25	\$9.00	\$1.75	24%	78	4.6%
Wyoming	\$7.25	\$9.00	\$1.75	24%	10	6.0%

Source: Author's calculations using data from the U.S. Department of Labor

¹Current effective minimum wage as of January 1, 2013

²Using current state law, assuming there are no cost of living adjustments or interventions by the state, what the effective state minimum wage would become if the federal minimum wage increased to \$9.00 an hour

³Difference in 2013 minimum wage rate and the minimum wage when adjusted for the potential federal rate increase

⁴Employed wage and salary workers age 16 and over