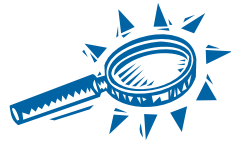




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Blueprint Brief



A closer look at the research in
**Blueprint for Opportunity:
Issues that matter • Ideas that work**

Blueprint Brief No. 5

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Give minimum wage workers their first raise in a decade

By Rich Jones

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Congress first established a national minimum wage of 25 cents an hour in 1938. Over the years, Congress raised the wage 20 times, most recently in 1997 to \$5.15 per hour. States can set their own minimum wage at a higher rate, but Colorado's minimum wage is the same as the federal rate of \$5.15.

The minimum wage applies to most but not all Colorado workers. The minimum wage for Colorado workers who receive tips in addition to wages, such as waiters and waitresses, is set at the federal minimum of \$2.13 per hour. Certain farm workers, part-time babysitters and some seasonal and recreational employees are exempted from the minimum wage law.¹

The current minimum wage, eroded by inflation, has less purchasing power today than at any time in more than 50 years. When compared to average wages in the overall economy, the minimum wage is at its lowest level in 56 years. If it had just kept pace with the growth in Colorado wages since 1997, the minimum wage would be \$7.16 today.

The unwillingness of Congress to raise the minimum wage in recent years prompted 23 states and the District of Columbia to increase their minimum wage above the federal rate. Colorado voters may have an opportunity to do the same when they vote in November on a proposed constitutional amendment to increase the state's minimum wage to \$6.85 per hour and adjust it annually for inflation. It will also increase the minimum wage for tipped workers to \$3.83 per hour and adjust it for inflation by the same amount as the minimum wage for other workers.²

Who benefits by increasing the minimum wage?

Increasing the minimum wage to \$6.85 per hour will increase earnings for 138,000 Colorado workers, or 7 percent of the state's workforce. There are 73,000 workers currently working at jobs that pay less than \$6.85 an hour who would get a raise immediately. They represent 53 percent of all affected workers.

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Another 65,000 workers, 47 percent of those affected, earn slightly more than \$6.85 an hour. They will likely get a raise down the road as employers raise wages for those workers making less than \$6.85 an hour in order to maintain existing differences in wage rates among jobs.³

Most affected workers are adults and many work full-time. Of the 138,000 affected workers, 97,000 are 20 or older, and 60,000 work full-time. Almost half of families with minimum wage workers rely on these wages for all of their family's weekly earnings. There are 57,000 Colorado children who live with parents who wages would be affected by an increase in the minimum wage to \$6.85.⁴

Effects on job growth and business

Critics often charge that increasing the minimum wage will hurt businesses, which will respond by raising prices or hiring fewer workers. But most economic studies, as well as evidence from the 23 states that have already raised their minimum wage, show that modest increases, like the one proposed for Colorado, substantially benefit low-income workers without causing job loss or harming business.

A 1998 study by the Economic Policy Institute found that the federal minimum wage increases in 1996 and 1997, from \$4.25 to \$5.15 an hour, resulted in no systematic or significant job losses.⁶ Other studies that looked at the effects of recent minimum wage boosts in California, Florida, New Jersey and Oregon showed they resulted in little to no job losses.^{7, 8, 9, 10}

✓ Give minimum wage workers their first raise in a decade.

Colorado should raise the minimum wage from \$5.15 to at least \$6.85 an hour, and we should adjust the minimum wage to inflation every year thereafter. This will increase the incomes of the lowest-paid workers by \$1.70 an hour, or \$3,500 per year, and help them keep up with the rising costs of necessities such as food, health care, gas and housing.



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End Notes

¹ [Colorado Minimum Wage amendment, 1st Draft](#), Colorado Legislative Council Staff, July 12, 2006.

² [Colorado Ballot Proposal 104](#), Legislative Council Website, July 2006.

³ Economic Policy Institute analysis of U. S. Census Bureau 2005 Current Population Survey data.

⁴ Ibid.

⁵ [Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase](#), Jared Bernstein and John Schmitt, Economic Policy Institute.

⁶ [Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform](#), Jeff Thompson and Charles Sheketoff, Oregon Center for Public Policy, March 12, 2001.

⁷ [California's Recent Minimum Wage Increases: Real Wage Gains with No Loss of Jobs Minimum Wage Remains Inadequate to Meet California's Cost of Living](#), California Budget Project, June 2000.

⁸ [The Florida Minimum Wage After One Year](#), H. Luke Shaefer, and Bruce Nissen, Florida ACORN and Research Institute on Social and Economic Policy, Florida International University, 2006.

⁹ [A Re-Analysis of the Effect of the New Jersey Minimum Wage Increase on the Fast Food Industry with Representative Payroll Data](#), Princeton University, Industrial Relations Section, Working Paper No. 393, revised January 1999.