



Colorado Minimum Wage Facts

Low-wage workers are falling farther behind. Working full time at minimum wage is not enough to support the basic cost of living in most communities in Colorado.

Raising the minimum wage to \$12 by 2020 is smart and fair – it will help hardworking families make ends meet and spur economic growth across the state.

The minimum wage has not kept pace with the cost of living.

- The minimum wage was created to help keep working families out of poverty, but the current wage of \$8.31 hasn't kept up with the cost of living. In fact, the actual cost of living in Colorado has been rising faster than what is indicated by the Consumer Price Index, the official measure of inflation.¹
- Full-time minimum wage workers only make about \$17,000 a year. **That's less than \$300 per week after taxes.** That is not enough for a person, let alone a family, to pay rent, bills and put food on the table.
- In most parts of the state, even a single adult working a minimum wage job would fall short of the income needed to meet their basic needs, according to the Self-Sufficiency Standard for Colorado.² Colorado's minimum wage falls so short of the actual cost of living that many fulltime workers have to rely on government assistance.

Minimum wage workers are primarily adult women working fulltime; many have children.

- By 2020, an estimated 420,000 workers—or about 19 percent of the labor force³—would likely see their wages rise directly as a result of the minimum wage increase.
- The vast majority (86 percent) are over the age of 20; about one-third are at least 40; just over half work full-time and 45 percent have attended some college or have a college degree.
- Although raising the minimum wage would benefit both men and women, it would primarily affect women. Women account for 48 percent of the labor force in Colorado, yet are 55 percent of workers whose incomes would rise by increasing the minimum wage.
- Nearly 30 percent of all workers—or 123,000 Coloradans—who would directly benefit from the increase have children. An estimated 200,000 children in the state have at least one parent who would be impacted by the wage increase.

Increasing the minimum wage results in little to no job loss.

- Research consistently shows that raising the minimum wage as currently proposed has little to no negative effect on jobs, even in the sectors most likely to hire minimum wage workers.⁴
- One large study compared the effects on jobs in 288 pairs of neighboring counties, where one county had a higher minimum wage between 1990 and 2006. It found that having a higher minimum wage did not result in a loss of jobs. This type of comparison is the gold standard in research methodology.⁵
- Another report by economists at the Center for Economic Policy Research reviewed studies examining the impact of minimum wage increases since 2000 and determined that there is little or no evidence of significant job loss from modest increases in the minimum wage.⁶

Minimum wage increases actually boost job retention.

- Raising wages reduces costly employee turnover and increases productivity. Research has documented how, especially in low-wage industries, higher wages means workers stay at their jobs longer.

- Two Qdoba restaurants in Greeley experimented with raising wages to see how it would impact business. Wages were bumped up to \$11/hour. Management was so pleased with the outcomes, including less employee turnover and absenteeism, improved customer surveys and sales, that they expanded the wage increase to all 17 Qdoba restaurants.⁷
- Employers see significant savings from reduced recruitment, re-training and re-staffing costs. The cost of replacing a low-wage worker is approximately 16 percent of the employee's annual salary.⁸

No evidence that raising the minimum wage leads to notable price increases.

- Several studies show minimum wage hikes have minimal to no effect on prices. On average, a 10 percent increase in the minimum wage, which is slightly larger than the proposed increase, results in a less than 1 percent increase in restaurant prices (think \$4.24 vs. \$4.49 for a burger).⁹ In most other low-wage industries, price increases are not detectable.¹⁰
- After San Francisco, raised its minimum wage by 31 percent, the cost of a \$50 meal at a table-service restaurant was \$1.40 higher and the cost of a \$2.00 fast food hamburger was \$.12 higher than in neighboring Alameda County which did not raise its minimum wage.¹¹
- These small increases did not decrease product demand.¹² Overall, businesses in areas that adopt higher minimum wages are at no disadvantage relative to competitors with regard to prices.¹³

Increasing wages for low-wage workers provides a boost to local economies.

- A 2011 study by the Chicago Federal Reserve Bank finds that minimum wage increases raise incomes and increase consumer spending.¹⁴ The authors concluded that for every dollar increase for a minimum wage worker results in \$2,800 in new consumer spending by his or her household over the following year.
- Low and middle-income workers are more likely to spend pay increases.¹⁵ They also tend to spend their money in the local community. The additional spending would have an overall positive effect on the economy stimulating increased consumer demand and job growth.

Small businesses grew faster in states with a higher minimum wage and owners support raising it.

- The number of small businesses and people working in small businesses increased more in states with higher minimum wages than in those states with wages set at the lower federal minimum.¹⁶
- A recent survey shows that a majority of small business owners support higher minimum wages for workers. And three-quarters of these businesses report they already pay above the minimum wage.¹⁷
- Another recent poll found that 60 percent of small business owners nationwide support gradually raising the minimum wage to \$12 per hour by 2020 and indexing it annually to keep pace with the cost of living, including 56 percent of small businesses in the retail and restaurant industries.¹⁸
- This survey also found that half (49%) of the small businesses currently pay their lowest wage workers more than \$12 per hour.¹⁹

NOTES

¹ Since 2006, the minimum wage in Colorado has been adjusted annually for inflation using the Consumer Price Index (CPI). The CPI, however, underestimates the actual increase in basic needs costs. The Self-Sufficiency Standard for Colorado found that the statewide average increase in cost of living between 2001-2015 was 53 percent compared to the 32 percent CPI estimate. See Diana Pearce (2015) The Self-Sufficiency Standard for Colorado. Denver, CO: Colorado Center on Law and Policy.

² Diana Pearce (2015) The Self-Sufficiency Standard for Colorado. Denver, CO: Colorado Center on Law and Policy.

³ Total estimated wage-earning workforce (2.5 million) is estimated from the Current Population Survey respondents who were 16 years old or older, employed, but not self-employed and for whom either a valid hourly wage is reported or one can be imputed from weekly earnings and average weekly hours. Consequently, this estimate represents the identifiable wage-earning workforce and tends to understate the size of the full workforce.

⁴ John Schmitt (2013) "Why Does the Minimum Wage Have No Discernible Effect on Employment?" (Washington, DC: Center for Economic Policy Research, 2013). Available at <http://www.cepr.net/index.php/publications/reports/why-does-the-minimum-wage-have-no-discernible-effect-on-employment> *Center for Economic and Policy Research*.

⁵ Dube, A., Lester, W. and Reich, M. (2010) Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. *The Review of Economics and Statistics*, Vol. 92, No. 4, Pages 945-964. Available at <http://www.irl.berkeley.edu/workingpapers/157-07.pdf>

⁶ John Schmitt (2013) "Why Does the Minimum Wage Have No Discernible Effect on Employment?" Washington, DC: Center for Economic Policy Research, 2013. Available at <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

⁷ Sharon Dunn, "Greeley Qdoba management experiment nets pay raises for all," *The Washington Times*, January 30, 2016. Available at <http://www.washingtontimes.com/news/2016/jan/30/greeley-qdoba-management-experiment-nets-pay-raise/?page=all>.

⁸ Heather Boushey and Sarah Jane Glynn (2012) "There are Significant Business Costs to Replacement Employees," Washington, DC: Center for American Progress. Available at <http://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>.

⁹ Daniel Aaronson (2001) "Price Pass-Through and the Minimum Wage," *The Review of Economics and Statistics* 83(1):158-169. Available at http://www.mitpressjournals.org/doi/abs/10.1162/003465301750160126#.VLNvZWTF_e0

¹⁰ Michael Reich, Ken Jacobs and Annette Bernhardt (2014) "Local Minimum Wage Laws: Impacts on Workers, Families and Businesses," Report prepared for the Seattle Income Inequality Advisory Committee. Available at <https://escholarship.org/uc/item/9pf1225f>

¹¹ Dube, Arindrajit, Suresh Naidu, Michael Reich, "The Economic Effects of a Citywide Minimum Wage," *Industrial and Labor Relations Review*, Volume 60, Issue 4, 522-543, 2007, http://www.irl.berkeley.edu/cwed/wp/economicimpacts_07.pdf

¹² Ibid.

¹³ Reich, Jacobs and Barnhardt, "Local Minimum Wage Laws: Impacts on Workers, Families and Businesses," 1-32.

¹⁴ Daniel Aaronson, Sumit Agarwal, and Eric French (2011) "The Spending and Debt Responses to Minimum Wage Increases," *Federal Reserve Bank of Chicago*. Available at <https://www.chicagofed.org/publications/working-papers/2007/wp-23>

¹⁵ Lester, T. William, "Labor Standards and Local Economic Development— Do Living Wage Provisions Harm Economic Growth?", working paper, <http://planning.unc.edu/people/faculty/williamlester/LaborStandardsandEconomicGrowthWorkingPaperVersion.pdf>

¹⁶ John Burton and Amy Hanauer (2006) "Good for Business: Small Business Growth and State Minimum Wages", Center for American Progress and Policy Matters Ohio. Available at <https://www.americanprogress.org/issues/regulation/report/2006/05/10/1960/good-for-business/>

¹⁷ Kitty McConnell, "Small Business Owners in Favor of Raising Minimum Wage", *Manta*, April 7, 2016. Available at <http://www.manta.com/resources/small-business-trends/small-business-owners-in-favor-of-raising-minimum-wage/>

¹⁸ "Small Businesses Support Raising the Minimum Wage to \$12," *Small Business Majority*, July 29, 2015, <http://www.smallbusinessmajority.com/small-business-research/minimum-wage/support-for-12-dollar-min-wage.php>

¹⁹ Ibid.