

Testimony before the
U.S. House of Representatives
Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations
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Chairman Phillips, Ranking Member Van Duyne, and members of the subcommittee, thank you for the opportunity to testify today on the importance and necessity of increasing the minimum wage to \$15 per hour. My name is Heidi Shierholz and I am a senior economist and the director of policy at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals. I was also the Chief Economist at the U.S. Department of Labor from mid-2014 to early 2017. I have particular expertise in the minimum wage and low-wage labor markets.

My testimony establishes that:

- Gradually raising the federal minimum wage to \$15 by 2025 would lift pay for nearly 32 million workers—21% of the U.S. workforce.
 - Affected workers who work year-round would earn an extra \$3,300 a year—enough to make a tremendous difference in the life of a supermarket clerk, home health aide, or fast-food worker who today struggles to get by on less than \$25,000 a year.
 - A majority (59%) of workers whose total family income is below the poverty line would receive a pay increase if the minimum wage were raised to \$15 by 2025.
 - Essential and front-line workers make up a majority (60%) of those who would benefit from a \$15 minimum wage.
 - A \$15 minimum wage by 2025 would generate \$107 billion in higher wages for workers and would also benefit communities across the country. Because underpaid workers spend much of their extra earnings, this injection of wages will help stimulate the economy and spur greater business activity and job growth.
- Minimum wage workers, and low-wage workers generally, are mostly adults and are also disproportionately women and Black and Hispanic men. Due to the impacts of structural racism and sexism, women and Black and Hispanic men are concentrated in low-wage jobs and would see disproportionate gains from this increase in the minimum wage. A \$15 minimum wage will reduce gender and racial pay gaps.
- A \$15 minimum wage would begin to reverse decades of growing pay inequality between the most underpaid workers and workers receiving close to the median wage, particularly along gender and racial lines. For example, minimum wage increases in the late 1960s explained 20% of the decrease in the Black–white earnings gap in the years that followed, whereas failures to adequately increase the

minimum wage after 1979 account for almost half of the increase in inequality between women at the middle and bottom of the wage distribution.¹

- Workers in every county of the U.S., not just in places with a relatively high cost-of-living, need \$15 per hour to maintain a modest but adequate standard of living.
- The weight of the economic research on the minimum wage, as well as the best scholarship, establishes that increases in the minimum wage have raised the pay of the low-wage workforce without causing meaningful job loss.

We can afford to gradually increase the minimum wage to \$15 in 2025

Raising the federal minimum wage is long overdue. Workers today who are paid the federal minimum wage of \$7.25 an hour are, after adjusting for inflation, paid more than 30% less per hour than their counterparts were paid 50 years ago. This is despite the fact that the economy’s capacity to deliver higher wages has more than doubled in the last 50 years, as measured by labor productivity, or the amount of output produced by workers. *Businesses can afford to pay the most underpaid worker in the U.S. today substantially more than what her counterpart was paid half a century ago.* As **Figure A** shows, had the minimum wage kept pace with labor productivity growth since 1968, the minimum wage would have been \$21.69 in 2020, and give projected productivity growth, would \$23.53 in 2025.

FIGURE A

The economy can afford a much higher national minimum wage

Real and nominal values of the federal minimum wage, and its real value if it had risen with total economy productivity, 1938–2020, and projected values under the Raise the Wage Act of 2021, 2021–2025



Chart Data

Notes: Inflation measured using the CPI-U-RS. Productivity is measured as total economy productivity net depreciation.

Sources: EPI analysis of the Fair Labor Standards Act and amendments and the Raise the Wage Act of 2021. Total economy productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the Bureau of Labor Statistics Current Employment Statistics.

¹ Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1 (February 2021); David Autor, Alan Manning, and Christopher L. Smith, “[The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment](#),” *American Economic Journal: Applied Economics* 8, no. 1 (January 2016).

Increasing the national minimum wage to \$15 by 2025, as proposed in the *Raise the Wage Act of 2021 (H.R. 603)*, is an important corrective to our failure to raise the minimum wage. A \$15 minimum wage by 2025 would ensure that a portion of the country's labor productivity gains are translated into higher living standards for low-wage workers. At the same time, the proposal does not raise the minimum wage to \$15 immediately, but instead gradually phases in, in five steps, so that employers can adjust to the new standard.

Raising the minimum wage to \$15 by 2025 would lift the pay of about 32 million workers, or 21 percent of the U.S. workforce. Affected workers who work year-round would receive a raise on the order of \$3,300 a year.² This is enough to make a tremendous difference in the life of a supermarket clerk, home health aide, or fast food worker. Were it enacted, for the first time the lowest-wage workers would make more in real terms than they did in 1968, the last high point of the minimum wage. While this would be a bold step, the resulting pay increase would be relatively modest compared with the economy's capacity to deliver improvements in living standards. A \$15 minimum wage in 2025 would have 29% more purchasing power than the minimum wage did at its 1968 high point, but over that time period, the economy's potential for higher living standards, as reflected in labor productivity, will have grown by 122%. Moreover, because of the gradual phase-in, a \$15 minimum wage in 2025 is not the same as \$15 per hour today, but equivalent to about \$13.62 per hour in 2021 dollars, after adjusting for projected inflation.

The proposed legislation also indexes the minimum wage to median wages so that low-wage workers will share a common trajectory of wage growth with the broader labor market. By establishing regular, predictable increases to the minimum wage that are linked to overall wage growth, the proposed legislation improves the ability of the minimum wage to reduce inequality. A rise to \$15 an hour would reverse decades of growing pay inequality between the lowest-paid workers and the middle class, and indexing future increases would prevent any future growth in that gap.

The proposed legislation also gradually phases out the outdated subminimum wage for tipped workers, which Congress has frozen at a meager \$2.13 per hour since 1991, *thirty years ago*. Establishing a single wage for tipped and nontipped workers alike is long overdue and will help raise the total take-home pay for workers in tipped occupations. Having a lower minimum wage for tipped jobs results in dramatically higher poverty rates for tipped workers. In states that use the federal \$2.13 tipped minimum wage, the poverty rate among servers and bartenders is 13.3%—5.6 percentage points higher than the 7.7% poverty rate among servers and bartenders in states that have eliminated their lower tipped minimum wage. Further, eliminating the lower tipped minimum wage has not harmed growth in the restaurant industry or tipped jobs. From 2011 to 2019, states with no subminimum wage for tipped workers had stronger restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service restaurants (17.5% versus 11.1%) and in full-service restaurant employment (23.8% versus 18.7%).³ Further, because under current policy they are not paid an adequate regular wage, tipped workers' economic security is precarious given that they are especially vulnerable to wage theft. Additionally, the current, separate subminimum wage for tipped workers is likely to increase their income volatility and also perpetuate racial discrimination.⁴

² [Why the U.W. needs a \\$15 minimum wage](#), Economic Policy Institute, January 2021

³ [Why the U.W. needs a \\$15 minimum wage](#), Economic Policy Institute, January 2021

⁴ Sylvia Allegretto and David Cooper, [Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage](#), Economic Policy Institute, July 2014

Economic research justifies bold minimum wage increases

Minimum wages are one of the most well-studied topics in economics. Although there sometimes appears to be much controversy about size of the employment effects of the minimum wage, the weight of evidence shows that minimum wage increases have worked exactly as intended, by raising wages without substantial negative consequences on employment. High-quality academic scholarship confirms that modest increases in the minimum wage have not led to detectable job losses. In a review of the research of the employment effects on low-wage employment, Arindrajit Dube found that the median employment effect for a given wage increase was essentially zero across studies.⁵ Sylvia Allegretto and coauthors found that studies using the most high-quality, credible research designs also found little to no employment effects.⁶ Taken together, this research suggests that both the typical study as well as the highest-quality research show that there has been little downside to raising minimum wages.

Further, scholarship by Ellora Derenoncourt and Claire Montialoux found that the highest minimum wages the United States has ever experienced—the minimum wages of the late 1960s—significantly raised wages without reducing the employment of low-wage workers.⁷ And, multiple studies conclude that total annual incomes of families at the bottom of the income distribution rise significantly after a minimum wage increase.⁸ Workers in low-wage jobs and their families benefit the most from these income increases, reducing poverty and income inequality. Finally, by providing families with higher incomes, minimum wage increases have improved infant health and also reduced child abuse and teenage pregnancy.⁹

Because the evidence shows there has been little downside both to minimum wages in general and to minimum wages at their highest points in U.S. history, larger increases are economically justified. Modest and infrequent increases to the minimum wage leave money on the table that otherwise could have been earned by low-wage workers. In other words, by failing to enact bold increases in the minimum wage, we will have deprived low-wage workers of wage increases they could have had without costing them much in terms of reduced employment.¹⁰

⁵ Arindrajit Dube, "[Impacts of minimum wages: review of the international evidence](#)," November 2019.

⁶ Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, "[Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas, and Wascher](#)," *ILR Review* 70, no. 3 (May 2017): 559–592, <https://doi.org/10.1177/0019793917692788>.

⁷ Ellora Derenoncourt and Claire Montialoux, "[Minimum Wages and Racial Inequality](#)," *Quarterly Journal of Economics* 136, no. 1 (February 2021).

⁸ Arindrajit Dube, "[Minimum Wages and the Distribution of Family Incomes](#)," *American Economic Journal: Applied Economics* 11, no. 4 (October 2019); Kevin Rinz and John Voorheis, "[The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data](#)." U.S. Census Bureau Center for Administrative Records Research and Applications Working Paper 2018-02, 2018.

⁹ George L. Wehby, Dhaval M. Dave, and Robert Kaestner, "Effects of the Minimum Wage on Infant Health," *Journal of Policy Analysis and Management* 39, no. 2 (Spring 2020); Kerri M. Raissian and Lindsey Rose Bullinger, "Money Matters: Does the Minimum Wage Affect Child Maltreatment Rates?" *Children and Youth Services Review* 72 (January 2017); Lindsey Rose Bullinger, "The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis," *American Journal of Public Health*, March 2017.

¹⁰ For a broader version of this argument, see David Cooper, Lawrence Mishel, and Ben Zipperer, "[Bold Increases in the Minimum Wage Should Be Evaluated for the Benefits of Raising Low-Wage Workers' Total Earnings: Critics Who Cite Claims of Job Loss Are Using a Distorted Frame](#)," Economic Policy Institute, April 2018.

By 2025, workers in every region of the country will need at least \$15 an hour to makes ends meet

By 2025, in every single county across the United States, even a single adult with no children will need to be earning more than \$15 per hour on a full-time, full-year basis in order to achieve a modest but adequate standard of living.¹¹ Those with children need even more.

For example, in rural Missouri, a single adult without children will need \$39,800 (more than \$19 per hour for a full-time worker) by 2025 to cover typical rent, food, transportation, and other basic living costs. In larger metro areas of the South and Southwest—where the majority of the Southern population live—a single adult without children will also need more than \$15 an hour by 2025 to get by: \$20.03 in Fort Worth, \$21.12 in Phoenix, and \$20.95 in Miami. In more expensive regions of the country, a single adult without children will need far more than \$15 an hour by 2025 to cover the basics: \$28.70 in New York City, \$24.06 in Los Angeles, and \$23.94 in Washington, D.C.

While the Family Budget Calculator identifies what we call “adequate standard of living,” it’s worth noting that the budgets are very conservative. In particular, they do not include any amount for entertainment of any kind, nor any amount for saving for retirement or buying a home, or even for emergencies. They simply describe the minimum amount of money a family needs in wage income in order to pay for a limited number of necessities on a month-to-month basis. The Fair Labor Standards Act was enacted in 1938 “to protect this Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life.”¹² *Anything less than a \$15 minimum wage by 2025, all across this country, will not adequately carry out this purpose.*

Most low-wage workers are adults, and they are disproportionately women and Black and Hispanic men

While minimum wage workers are frequently characterized as mostly teenagers working after school jobs for extra spending money, this stereotype is profoundly wrong. More than half (51%) of workers who would benefit from increasing the minimum wage to \$15 by 2025 are “prime working age” adults, between the ages of 25 and 54; only one in 10 is a teenager. More than half (54%) work full time, and more than a quarter (28%) have children.¹³ The typical worker in a family who will benefit from increasing the minimum wage increase earns about half of their family’s total income.¹⁴

Low-wage workers are much more likely to be a woman or a Black or Hispanic male than the average worker. Due to occupational segregation, discrimination, and other factors related to structural racism and sexism, women and Black and Hispanic men are concentrated in low-wage jobs and would see disproportionate gains from this increase in the minimum wage. A \$15 minimum wage in 2025 will reduce gender and racial pay gaps.

Nearly six in 10 (59%) of those who would benefit from a \$15 minimum wage in 2025 are women. Our failure to maintain higher minimum wages has greatly worsened hourly wage inequality among women. In an important study, David Autor, Alan Manning, and Christopher Smith found that the failure to adequately increase the

¹¹ Economic Policy Institute, [Family Budget Calculator](#), March 2018

¹² S. Rep. No. 75-884, at 4 (1937)

¹³ [Why the U.W. needs a \\$15 minimum wage](#), Economic Policy Institute, January 2021

¹⁴ <https://www.epi.org/publication/minimum-wage-testimony-feb-2019/>

minimum wage has accounted for 48 percent of the increase in inequality between women at the middle and bottom of the wage distribution since 1979.¹⁵

Nearly one-third (31%) of black workers would receive a wage increase, as would about one-quarter (26%) of Hispanic workers. Just as the minimum wage can be an important tool for reducing inequality among women, increases in the minimum wage have led to large reductions in earnings inequality between Black and white workers. Derenoncourt and Montialoux find that the increases and coverage expansions of the late 1960s were responsible for more than 20 percent of the fall in the black–white income gap during the Civil Rights Era.¹⁶

Workers in essential jobs would benefit from a \$15 minimum wage

Essential and front-line workers make up a majority (60%) of those who would benefit from a \$15 minimum wage. The median pay is well under \$15 an hour for many essential and front-line jobs; examples include substitute teachers (\$13.84), nursing assistants (\$14.26), and home health aides (\$12.15).¹⁷ More than one-third (35%) of those working in residential or nursing care facilities would see their pay increase, in addition to home health aides and other health care support workers. One in three retail-sector workers (36%) would get a raise, including 42% of workers in grocery stores. More than four in 10 (43% of) janitors, housekeepers, and other cleaning workers would benefit. Nearly two-thirds (64%) of servers, cooks, and other food preparation workers would see their earnings rise by \$5,800 on a year-round basis. Ten million workers in health care, education, construction, and manufacturing would see a raise.

Conclusion

The failure to adequately raise the federal minimum wage has denied American workers significant improvements in their standard of living and a fair share of productivity gains. As a result, the lowest-wage workers today earn significantly less than what their counterparts did five decades ago, after adjusting for inflation.

By raising the federal minimum wage to \$15 by 2025, we will finally deliver a much-needed boost in wage income and increase the value of the minimum wage to a level that ensures the lowest wages we pay workers are not poverty wages. In addition, by automatically indexing future minimum wage increases to median wage growth, low-wage workers will share a common trajectory of wage growth with the broader labor market. Finally, gradually phasing out the separate lower wage for tipped workers will help to eliminate disparities in labor protections between tipped workers and the rest of the labor force.

¹⁵ David H. Autor, Alan Manning, and Christopher L. Smith, “The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment,” *American Economic Journal: Applied Economics* 8, no. 1: 58–99, <https://doi.org/10.1257/app.20140073>.

¹⁶ Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1 (February 2021).

¹⁷ [Why the U.W. needs a \\$15 minimum wage](#), Economic Policy Institute, January 2021