

On The Minimum Wage

Answer THE COL!

- ✓ Believe that we need plans that get Americans back to work while lifting up the lowest paid workers to a living wage
- ✓ Establish a federal minimum wage based on poverty guidelines plus a state or metropolitan “add on” based on cost of living
- ✓ Set the “fair share” minimum wage at \$11.82 an hour which is twice the poverty guideline and over twice government dole payments
- ✓ Allow a “special” minimum wage of \$11.23 per hour for “back to work” individuals and full time high school students
- ✓ Also set a maximum “fair share” total yearly hours at 1,897, allowing workers 10 federal holidays, 2 weeks of vacation, and 3 personal days, all paid after one year of continuous employment with the same employer
- ✓ Update minimum wage every two years to reflect the new poverty guidelines
- ✓ Require overtime for more than 8 hours a day, 40 hours a week, or 1,897 hours a year
- ✓ Lower the IRS definition of a full time employee from 30 hours a week to 20 or 130 hours a month to 86 to encourage business to create more 40 hour a week full time jobs¹
- ✓ NOT increase unemployment or inflation

Why Raise Minimum Wage?

A Little Background

A minimum wage prevents business from under paying workers who lack the bargaining power to receive fair pay for a fair day’s work. Yet the federal minimum wage has not been raised in over 10 years. In March 2018, the Bureau of Labor Statistics reported that about 2.3 percent of workers received minimum wage or less.² When comparing average annual earnings at minimum wage (\$14,087) to government dole payments (\$13,980), little incentive exists to work. Economists call this comparison the “labor-leisure trade-off” which explains why many income assistance recipients remain on the dole, never seek employment, and never return to the workforce. See *Table 1. COL Minimum Wage Calculations Based on Poverty Threshold* for how THE COL calculate the minimum wage.

What does THE COL Propose?

THE COL believe that the national government must increase the minimum wage, making the lowest earners significantly better off than those who receive income assistance. Incentives matter. We need to get Americans back to work.

THE COL propose two minimum wages.

The first is called the “fair share” minimum wage (\$11.82 an hour) which applies to the typical worker. The wage is based on the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services (HHS) under the authority of 42 U.S.C. 9902(2). In addition, HHS shall set poverty guidelines for each state or metropolitan area every year.³ The fair share minimum wage will be set to the lowest poverty number, and the “add on” will reflect the percentage

difference for each state or metropolitan area. The federal minimum wage shall be adjusted every two years.

The second is called the “special” minimum wage (\$11.23 an hour) for full-time high school students⁴ or those working and receiving income assistance or employed in their first year of work following assistance.

THE COL also set a “fair share” work year, allowing ALL workers PAID vacation, personal, and holiday hours. See *Table 2. COL "Fair Share" hours in a work year* for details.

How much will the Low Income Worker Earn?

How much an individual might earn, of course, depends upon how many hours worked. Let’s assume a full-time worker is working a second year for the same employer. This individual would earn \$24,668.34 dollars in the state of Mississippi.⁵ A full time worker in the first year of employment in Mississippi would earn \$21,819.89 dollars. These same two individuals working in California would earn \$33,120.69 and \$29,689.04 in the same year.⁶ See *Table 4. COL Minimum Wage by State* for individual state special and fair share minimum wages. States, of course, could set higher rates.⁷

Why Shouldn’t the Progressive Plan of \$15 Dollars an Hour Be Adopted?

A \$15 dollar an hour plan is simply a campaign slogan, selected for how it sounds and is not based on sound economic principles. Such a number is too low for California and Hawaii and far too high for much of the nation. A variable rate would encourage business investment in Mississippi and Nebraska without drawing existing jobs from New York and Massachusetts. A variable state rate would still lift millions up with higher pay. In addition, a federal \$15 dollar an hour mandate would cause the loss of jobs in the most impoverished states and also increase the national inflation rate as well as state and federal payments for unemployment and welfare programs.

Will Raising the Minimum Wage Increase Unemployment and Inflation?

No! The matter of minimum wage and unemployment has been studied extensively. In a 2014 comprehensive meta-study of dozens of studies and hundreds of estimates the following conclusion was reached:

“[I]t appears that if negative effects on employment are present, they are too small to be statistically detectable. Such effects would be too modest to have meaningful consequences in the dynamically changing labor markets of the United States.”⁸

Even the Congressional Budget Office in 2014, which produced a flawed study on the minimum wage⁹, estimated that a minimum wage of \$10.10 would raise approximately 1 million people from poverty and benefit millions of more Americans without adverse impacts.¹⁰

A modest increase in the minimum wage matched to the cost of living would not adversely impact unemployment and simultaneously provide the essential incentive to work, encouraging those on income assistance to return to work as well as benefiting millions of American workers.¹¹

Inflation is linked to unemployment. If the unemployment rate does not change, then the inflation rate will not change either.

Minimum Wage Data Tables

Table 1. COL Minimum Wage Calculations Based on Poverty Threshold

Year	Description	Percent	Yearly	Monthly	Weekly	Hourly
2020	Poverty threshold (HHS) for single individual		\$12,760	\$1,063	\$245	\$6.57
2020	Adjusted for Cost of Living Index		\$10,986			
2020	Current minimum wage income working full-time		\$14,087	\$1,174	\$271	\$7.25
2022	Projected three year inflation rate	4.52%	\$11,483	\$957	\$221	\$5.91
2022	COL Fair Share minimum wage (2x poverty rate)	100%	\$22,966	\$1,914	\$442	\$11.82
2022	COL special minimum wage (90% of Fair Share)	90%	\$21,818	\$1,818	\$420	\$11.23

Table 2. COL "Fair Share" hours in a work year

Description	Yearly
Average work hours in a year	2,087
Number of federal holiday hours	80
Personal days	24
Vacation day hours	40
COL Fair Share work year hours	1,943

Table 3. COL Economic and Plan Assumptions

Budgeting Assumptions	Number
Program Start Year	2022
2020 Projected Inflation Rate	0.62%
2021 Projected Inflation Rate	2.3%
2022 Projected Inflation Rate	1.6%
COL Out of Poverty Increase	100%

Table 4. COL Minimum Wage by State¹²

State	Cost of Living Index	Cost of Living Adjusted Poverty Line		Special Add On	Fair Share Add On	Special Minimum Wage	Fair Share Minimum Wage	Full Time Wage Year 1 ¹³	Full Time Wage Year 2	Effective Fair Share Minimum Wage
		2020	2022							
Alabama	89.3	11,395	11,910	0.20	0.22	11.43	12.04	22,208.49	25,085.74	12.91
Alaska	129.9	16,575	17,324	2.71	3.01	13.94	14.83	27,085.42	30,324.11	15.61
Arizona	97.0	12,377	12,937	0.67	0.75	11.90	12.57	23,121.70	26,066.63	13.42
Arkansas	86.9	11,088	11,590	0.05	0.06	11.28	11.88	21,917.04	24,772.69	12.75
California	151.7	19,357	20,232	4.05	4.50	15.28	16.32	29,689.04	33,120.69	17.05
Colorado	105.6	13,475	14,084	1.20	1.34	12.43	13.16	24,151.49	27,172.74	13.98
Connecticut	127.7	16,295	17,031	2.57	2.86	13.80	14.68	26,813.40	30,031.93	15.46
Delaware	108.1	13,794	14,417	1.36	1.51	12.59	13.33	24,462.37	27,506.66	14.16
Florida	97.9	12,492	13,057	0.73	0.81	11.96	12.63	23,238.28	26,191.85	13.48
Georgia	89.2	11,382	11,896	0.19	0.21	11.42	12.03	22,189.06	25,064.87	12.90
Hawaii	192.9	24,614	25,727	6.60	7.33	17.83	19.15	34,643.69	38,442.54	19.79
Idaho	92.3	11,777	12,310	0.38	0.43	11.61	12.25	22,558.23	25,461.40	13.10
Illinois	94.5	12,058	12,603	0.52	0.58	11.75	12.40	22,830.25	25,753.58	13.25
Indiana	90.0	11,484	12,003	0.24	0.27	11.47	12.09	22,286.21	25,169.22	12.95
Iowa	90.1	11,497	12,016	0.25	0.27	11.48	12.09	22,305.64	25,190.09	12.96
Kansas	89.0	11,356	11,870	0.18	0.20	11.41	12.02	22,169.63	25,044.00	12.89
Kentucky	90.9	11,599	12,123	0.30	0.33	11.53	12.15	22,402.79	25,294.44	13.02
Louisiana	93.9	11,982	12,523	0.48	0.54	11.71	12.36	22,752.53	25,670.10	13.21
Maine	117.5	14,993	15,671	1.94	2.16	13.17	13.98	25,589.31	28,717.12	14.78
Maryland	129.7	16,550	17,298	2.69	2.99	13.92	14.81	27,046.56	30,282.37	15.59
Massachusetts	131.6	16,792	17,551	2.81	3.12	14.04	14.94	27,279.72	30,532.81	15.71
Michigan	88.9	11,344	11,856	0.17	0.19	11.40	12.01	22,150.20	25,023.13	12.88
Minnesota	101.6	12,964	13,550	0.96	1.06	12.19	12.88	23,685.17	26,671.86	13.73
Mississippi	86.1	10,986	11,483	0.00	0.00	11.23	11.82	21,819.89	24,668.34	12.70
Missouri	87.1	11,114	11,616	0.06	0.07	11.29	11.89	21,936.47	24,793.56	12.76
Montana	106.9	13,640	14,257	1.28	1.43	12.51	13.25	24,306.93	27,339.70	14.07
Nebraska	90.8	11,586	12,110	0.29	0.32	11.52	12.14	22,383.36	25,273.57	13.01

State	Cost of Living Index	Cost of Living Adjusted Poverty Line		Special Add On	Fair Share Add On	Special Minimum Wage	Fair Share Minimum Wage	Full Time Wage Year 1	Full Time Wage Year 2 ¹⁴	Effective Fair Share Minimum Wage
		2020	2022							
Nevada	108.5	13,845	14,470	1.38	1.54	12.61	13.36	24,501.23	27,548.40	14.18
New Hampshire	109.7	13,998	14,630	1.46	1.62	12.69	13.44	24,656.67	27,715.36	14.26
New Jersey	125.1	15,963	16,684	2.41	2.68	13.64	14.50	26,502.52	29,698.01	15.28
New Mexico	87.5	11,165	11,670	0.09	0.10	11.32	11.92	21,994.76	24,856.17	12.79
New York	139.1	17,749	18,551	3.27	3.64	14.50	15.46	28,173.50	31,492.83	16.21
North Carolina	94.9	12,109	12,657	0.54	0.60	11.77	12.42	22,869.11	25,795.32	13.28
North Dakota	98.8	12,607	13,177	0.78	0.87	12.01	12.69	23,335.43	26,296.20	13.53
Ohio	90.8	11,586	12,110	0.29	0.32	11.52	12.14	22,383.36	25,273.57	13.01
Oklahoma	87.0	11,101	11,603	0.06	0.06	11.29	11.88	21,936.47	24,793.56	12.76
Oregon	134.2	17,124	17,898	2.97	3.30	14.20	15.12	27,590.60	30,866.73	15.89
Pennsylvania	101.7	12,977	13,563	0.96	1.07	12.19	12.89	23,685.17	26,671.86	13.73
Rhode Island	119.4	15,235	15,924	2.06	2.29	13.29	14.11	25,822.47	28,967.56	14.91
South Carolina	95.9	12,237	12,790	0.61	0.67	11.84	12.49	23,005.12	25,941.41	13.35
South Dakota	99.8	12,734	13,310	0.85	0.94	12.08	12.76	23,471.44	26,442.29	13.61
Tennessee	88.7	11,318	11,830	0.16	0.18	11.39	12.00	22,130.77	25,002.26	12.87
Texas	91.5	11,675	12,203	0.33	0.37	11.56	12.19	22,461.08	25,357.05	13.05
Utah	98.4	12,556	13,123	0.76	0.84	11.99	12.66	23,296.57	26,254.46	13.51
Vermont	114.5	14,610	15,271	1.75	1.95	12.98	13.77	25,220.14	28,320.59	14.58
Virginia	100.7	12,849	13,430	0.90	1.00	12.13	12.82	23,568.59	26,546.64	13.66
Washington	110.7	14,125	14,764	1.52	1.69	12.75	13.51	24,773.25	27,840.58	14.33
West Virginia	91.1	11,624	12,150	0.31	0.34	11.54	12.16	22,422.22	25,315.31	13.03
Wisconsin	97.3	12,415	12,977	0.69	0.77	11.92	12.59	23,160.56	26,108.37	13.44
Wyoming	89.3	11,395	11,910	0.20	0.22	11.43	12.04	22,208.49	25,085.74	12.91

Endnotes

¹ THE COL hope to decrease the number of individuals who must work multiple jobs to make ends meet. The total number of part time jobs might decrease, but the effect should largely impact teenagers or individuals whose income is not used directly to support the family standard of living. On the other hand, the number of full time jobs will increase, and more adults will receive employer benefits essential to long term economic growth.

² Of the 1.8 million people, a staggering 1.3 million were BELOW the minimum wage.

³ HHS currently produces only one number for the lower 48 contiguous states as well as numbers for Alaska and Hawaii.

⁴ To discourage students from dropping out of high school, persons under the age of 18 would NOT be eligible for the fair share minimum wage.

⁵ Why Mississippi? The state has the lowest cost of living.

⁶ California has one of the highest cost of living, some 62% higher than Mississippi.

⁷ Table 4 does not include metropolitan data. The Census Bureau does collect the data and define regions and Health and Human Services certainly could calculate a cost of living index for those areas. For example, THE COL suspect that the necessary minimum wage for Atlanta would be higher than the rest of Georgia.

⁸ Dale Belman and Paul Wolfson, *The New Minimum Wage Research*, The Upjohn Institute for Employment Research, *Employment Research Newsletter*, Volume 21, Number, 2, 2014.

⁹ *Ibid.*

¹⁰ Congressional Budget Office, *The Effects of a Minimum-Wage Increase on Employment and Family Income*, February 14, 2014.

¹¹ A national minimum wage based on poverty that creates a living wage for employees will impact markets where tipping is a part of the worker's pay. Tipping gained popularity after the Civil War in the hospitality industry as a means to avoid paying formerly enslaved individuals. In essence, tipping drives wages down. As a result, those who receive tips do NOT typically declare the income and do not pay income tax trying to offset the lower wage. Consequently, as a whole, hospitality workers should experience an increase in pay from the minimum wage, not a decrease, as a result of losing tips.

¹² "States With Lowest Cost Of Living 2021." World Population Review, worldpopulationreview.com/state-rankings/states-with-lowest-cost-of-living. Accessed 9 Feb. 2021.

¹³ Assuming full time work of 1,943 hours a year without paid leave.

¹⁴ Assuming full time work of 1,943 hours a year plus paid leave time of an additional 144 hours.