The Half Sheet
The blog of The Commonwealth Institute

July 25, 2019

It's Time to Raise the Wage - Especially for Workers of Color

No one should have to worry about where their next meal will come from. Yet in Virginia, far too many working individuals and families have trouble staying afloat despite their efforts – nearly two-thirds of families below the federal poverty threshold have at least one adult who is working. The problem lies with low wages. With 10 years since the last minimum wage increase, the value of the minimum wage has decreased by 29% since its peak in 1968. This erosion has particularly disadvantaged communities of color – poverty rates for Black and Latinx families would be almost 20% lower had the minimum wage remained at its 1968 inflation-adjusted level. The minimum wage is a tool that state and federal lawmakers can use to combat inequity and help working people maintain an adequate standard of living. An increase in the minimum wage is necessary for every individual working to make ends meet and is particularly important for communities of color.

There are over 4 million working people in Virginia, and over 1 million are expected to benefit from an increase in the minimum wage to $15 by 2024. Specifically, the Raise the Wage Act would increase the federal minimum wage to $15 from the current level of $7.25 phased in over a few years and would directly or indirectly benefit 24% of white workers, 41% of Black workers, and 46% of Latinx workers in Virginia. (Some Virginians will indirectly benefit as employers provide raises to some employees making just above the new minimum wage in order to continue to reward seniority.)

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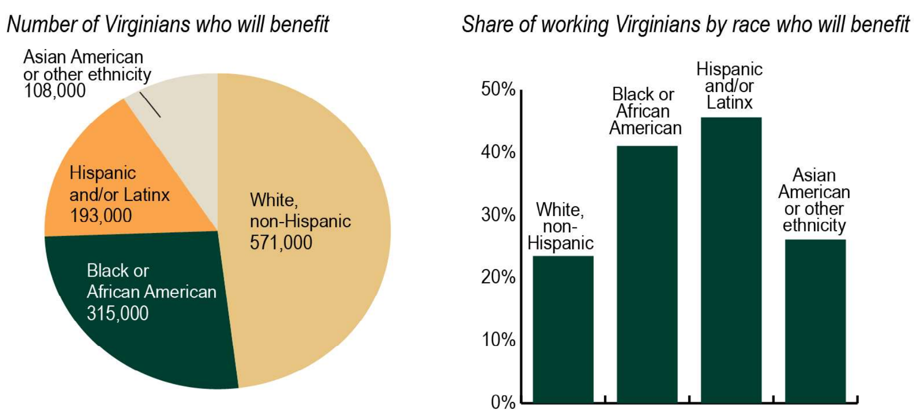
The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate-income persons.

Many Virginians Would Benefit From Raising the Wage

The federal Raise the Wage Act would benefit over 1 million people in Virginia, including 41% of Black workers and 46% of Latinx workers -- helping to raise wages for communities that are often underpaid.



Source: Economic Policy Institute Minimum Wage Simulation Model using data from the Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office.

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Those who would benefit from raising the minimum wage are largely communities of color because current wage inequity particularly disadvantages Black and Latinx workers in Virginia. Compared to 34% of white workers, over 50% of Black and Latinx workers in Virginia are paid low wages. A white worker typically made $23 an hour in 2018, which is $1.40 more per hour than white workers were paid in 2008, after adjusting for inflation. Black workers were paid only $0.95 more per hour in 2018 compared to 2008, and Latinx workers were actually paid less compared to 2008. Given the unequal share of workers of color in low-wage positions, an increase in the minimum wage would provide more equal opportunity to workers of color in Virginia.

Lower wages for workers of color is the result of economic, social, and racial discrimination both in the past and in the present day. For example, the deliberate exclusion of women of color from higher paying jobs until the 1970s has generational effects and is a root cause for the overrepresentation of women of color in low-wage positions in Virginia today. Policies of social and economic exclusion continue to limit opportunities for workers of color, particularly for women of color who will most benefit from the proposed increase in the minimum wage.

Nearly half – 48% – of all Black and Latinx women in the Virginia workforce are expected to benefit from an increase in the minimum wage to $15. This is significant given the large pay gap between women of color and white males – nationally, Black and Latinx women who worked full-time were paid just 61 and 53 cents, respectively, for every dollar that white males were paid in 2017.

One of the primary concerns of an increase in the minimum wage is whether it will lead to losses in employment. Economists have long expressed concern that employers will either lay off workers or reduce the hours of workers to offset their additional costs in wages. However, recent reports have concluded that increases in the minimum wage have little to no effect on employment levels, even for communities of color paid at or below the minimum wage. This is especially good news for Black and Latinx workers who have higher unemployment rates than white workers (particularly in Virginia) and are overrepresented in the population being paid low wages.

The 1967 extension of the Fair Labor and Standards Act (FLSA) provides further evidence that changes to the minimum wage can result in pay increases for people of color without reducing employment levels. The extension of the minimum wage to the agricultural, hotel, restaurant, and other sectors where Black workers represented over a third of the workforce resulted in a reduction of the pay gap between white and Black workers by 20% between the late 1960s and early 1970s. Additionally, this expansion did not have any negative effects on employment levels for Black workers or white workers.

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The 1967 FLSA extension has shown that wage policy can be an effective tool to reduce racial inequities. Recent state legislation to raise Virginia's minimum wage to $15 an hour was rejected. However, the Raise the Wage Act at the federal level is an opportunity to benefit over half a million workers of color in Virginia and prevent further declines in the minimum wage. For workers of color in Virginia, the decision to raise the wage is clear and the time is now.

– Michael Johnson, Research Intern, and Laura Goren, Research Director

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