

July 15, 2019

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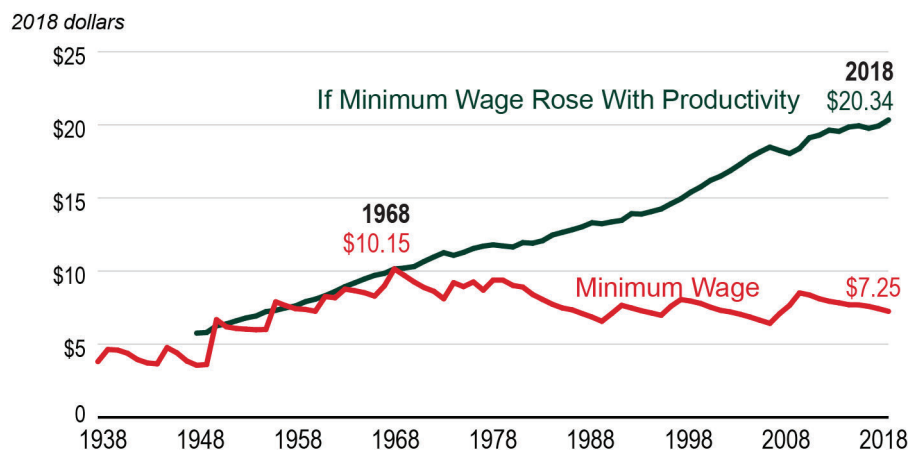
It's time to Raise the Wage

Everyone in Virginia working a full-time job should be paid enough to provide for their family. However, for many this is not the case. State lawmakers have failed to raise Virginia's minimum wage above the federal requirement, and July 24 will mark 10 years since the last increase in the federal minimum wage. In the next week or so, the U.S. House of Representatives is expected to vote on increasing the minimum wage to \$15 an hour by 2024. Raising the federal minimum wage would reverse the erosion of the current minimum wage's purchasing power and help make sure that people can better provide for their families.

Raising the wage is particularly important in Virginia. Virginia is a high income state, yet too many families are struggling to make ends meet. Almost two-thirds of Virginia families with incomes below the federal poverty threshold – \$21,330 for a family of three – have at least one member of the household working. Virginia's minimum wage is set at the federal baseline of \$7.25 an hour, which is a major cause of wage inequality in the state. Virginia is below the national average when it comes to the typical wage for the lowest-paid 20% of workers. Since high- and median wage-workers in the state have relatively high typical wages, this means the pay gap in Virginia is the third worst in the nation.

This is partly because the value of the minimum wage has been allowed to deteriorate over recent decades. While the federal government used to raise the minimum wage to account for the rising cost of living and increases in productivity, this has not happened in recent years. As a result, when adjusted for inflation, the value of the minimum wage has decreased nearly 29% since its peak in 1968.

U.S. Workers are Far More Productive Than in 1968, Yet the Value of the Minimum Wage has Eroded



Sources: Economic Policy Institute analysis of the Fair Labor Standards Act and amendments. Total economy productivity data from the Bureau of Labor Statistics (BLS) Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the BLS Current Employment Statistics. Inflation measured using the CPI-U-RS. Productivity is measured as total economy productivity net depreciation.



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Raising the minimum wage would help to resolve this, but so far legislators in Virginia have rejected attempts to do so. SB 1200, introduced in 2019, would have raised the minimum wage in Virginia to \$15 an hour by 2021. However, the bill was defeated on the floor of the Virginia Senate. Other attempts to raise the minimum wage in Virginia have also failed over the years.

While state legislators have failed to pass an increase so far, there is hope at the federal level. The Raise the Wage Act, introduced by Rep. Bobby Scott of Virginia's 3rd Congressional District, would dramatically improve wage policy in Virginia and across the country. The bill is most notable for gradually raising the minimum wage in the United States to \$15 an hour by 2024. The bill also eliminates provisions that allow for paying subminimum wages to tipped employees, teenagers, and individuals with disabilities. In addition, after reaching \$15 an hour, the minimum wage would be indexed based on changes in the median wage. This would mean that more workers could share in the benefits of an improved economy. It would also help prevent future erosion of wages for lower-wage workers compared to typical wages.

The bill would have major benefits for working people with lower incomes in Virginia and across the nation. Nationally, it is estimated that the bill would bring around 1.3 million people above the poverty threshold. In Virginia, nearly 900,000 people would see an increase in their incomes as a direct result of the increase. And almost 300,000 people would see an indirect boost due to ripple effects, according to an analysis of the proposal by the Economic Policy Institute. Among those that would benefit, almost 46% have some college education, and over 91% are 20 or older.

Raising the minimum wage to \$15 an hour would also help to address racial inequity. Initial minimum wage laws excluded protections for sectors which had relatively high percentages of Black workers. When some of those exclusions were removed in the 1960s, there was a significant reduction in the earnings gap between Black and white workers. Raising the minimum wage to \$15 an hour over the next five years could have a similar effect. While 23.5% of white workers in Virginia would be impacted either directly or indirectly by this shift, 45.6% of Latinx workers and 41.1% of Black workers would. That's because Virginia is one of a number of states (half of which are in the southeast) with a large population of Black workers that either do not have a minimum wage or have a minimum wage at or below the current federal minimum of \$7.25 an hour.

Raising the minimum wage would improve many lives across the commonwealth as many families would have greater confidence in being able to afford basic necessities.

This is an issue where urgency is needed. Each year that passes without action results in a less and less valuable minimum wage. While the Raise the Wage Act faces obstacles from the Senate and White House to becoming law, it contains worthwhile policy. Whether through this bill, other federal action, or state action during the 2020 General Assembly session, it is past time to raise the minimum wage.



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