



POLICY BRIEF

Center for Public Policy Priorities

900 Lydia Street Austin, Texas 78702 PH: 512.320.0222/FAX: 512.320.0227 www.cppp.org

October 11, 2006

For More Information: Don Baylor, baylor@cppp.org

Why a Minimum Wage Increase Would be Good for Texas

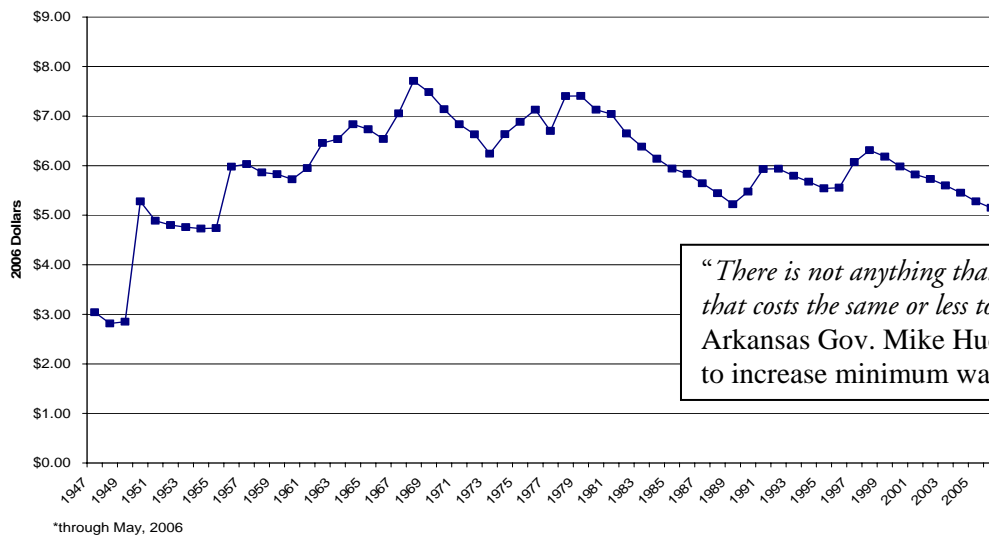
Hundreds of thousands of Texas workers earn the minimum wage (\$5.15 an hour) or just slightly above. The minimum wage is a poverty wage. Someone working full time on the minimum wage and supporting just himself would only earn a pre-tax income of \$10,712 a year. A minimum-wage worker trying to support his family would need to work multiple jobs and rely on significant public assistance, and even then probably wouldn't make ends meet.

Texas aligns its minimum wage with the federal minimum wage. At \$5.15, the minimum wage has not been raised in nearly 10 years and has lost purchasing power due to inflation. Texas can—and should—raise its state minimum wage to at least \$6.15 an hour.

The minimum wage has lost significant ground to inflation:

The purchasing power of the current minimum wage is plummeting . . . to its lowest level since 1955.

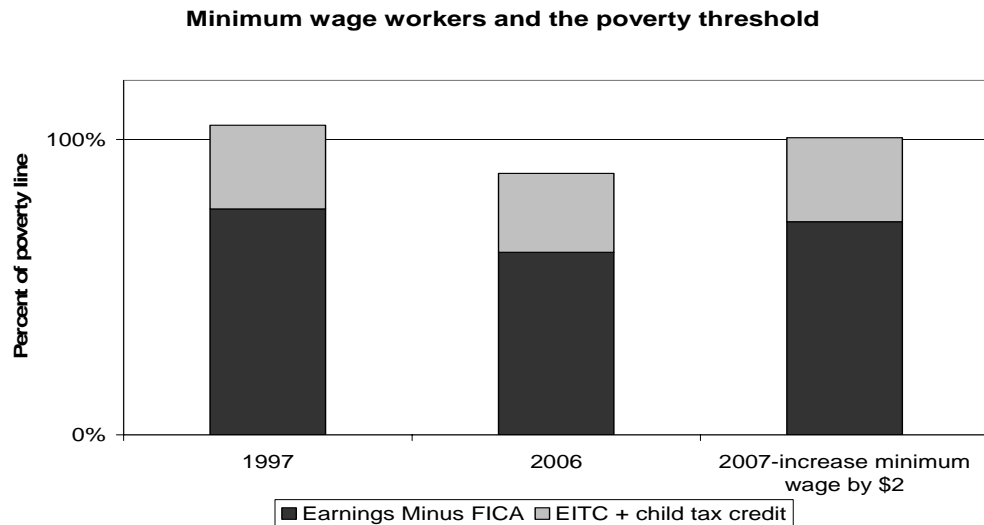
Figure 1: Real Value of the Minimum Wage, 1947-2006*



“There is not anything that any of us purchase that costs the same or less today than it did in 1997.”
Arkansas Gov. Mike Huckabee, upon signing bill to increase minimum wage

Source: Economic Policy Institute, 2006.

Even with such work supports as the Earned Income Tax Credit (EITC), minimum wage earnings fall short of the poverty line.



Source: Economic Policy Institute, 2006. The poverty level is based upon a three-person household.

The public wants the minimum wage raised:

- Twenty-two states (plus Washington, D.C.) pay their workers a minimum wage of more than the federal minimum of \$5.15 an hour. Six other states have minimum wage ballot initiatives set for November 2006;
- Nearly 60% of the U.S. workforce is covered by a state minimum wage higher than the federal standard; and
- According to an April 2006 Pew Charitable Trust national poll, 83% of the American public favors raising the minimum wage to \$7.15 an hour, including 72% of Republicans and 91% of Democrats.

A fair minimum wage benefits business and the economy:

- Since 1998, states with higher minimum wages have seen more growth in employment and small business growth than \$5.15 states. Minimum wage increases have not produced increased unemployment or employer hardship;
- Low-wage workers spend most of the increased earnings within the local economy, and would use additional purchasing power to stimulate revenues of local businesses; and
- A higher minimum wage has been proven to boost productivity while minimizing employee turnover and absenteeism.

Effect of Proposed Increase to \$6.15:

In Texas, 523,000 workers—about 5% of total workforce—would be directly affected by an increase and would earn an average pay raise of \$0.46 an hour. These workers currently earn less than \$6.15 an hour.

As the minimum wage floor is raised, another 543,000 workers currently earning above \$6.15 an hour would be indirectly affected. The new floor would push their wages up an additional \$0.23 an hour on average.

Demographics of Affected Low-Wage Workers in Texas

Most low-wage workers are adult, female, and work full time:

- 82% of low-wage workers are age 20 and over;
- 62% of low-wage workers are female; and
- 56% of low-wage workers are employed full time.

Most low-wage workers live in households heavily dependent on their earnings:

- 36% of (affected) low-wage workers are married;
- 34% of (affected) low-wage workers are parents;
- Low-wage workers contribute 63% of total household earnings; and
- More than 750,000 children live in households that would be affected by a minimum wage increase to \$6.15 an hour.

To make a donation, sign up for free E-Mail Updates, or access the rest of our work, visit www.cppp.org.