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Getting the Facts Straight: Texas & the Minimum Wage

What is the Minimum Wage Law in Texas?

Until September 2001, the Texas minimum wage was \$3.35 per hour. At that time, the 77th Legislature effectively raised the state minimum by eliminating a statutory dollar figure and adopting the federal minimum wage level (\$5.15 per hour) by reference. The federal minimum wage is decided by Congress and the President and was last raised in 1997 to \$5.15 per hour, its current level.

The federal minimum wage—a provision of the 1938 Fair Labor Standards Act (FLSA)—was originally set at 25 cents per hour and has risen 17 times since 1950. FLSA covers:

- Employees of companies with revenues of at least \$500,000 a year
- Employees of smaller firms if employees are engaged in interstate commerce or in production of goods for commerce
- Employees of federal, state, or local government agencies, hospitals, and schools
- Most domestic workers¹

Workers not covered by the federal minimum wage are covered by state minimum wage laws, unless exemptions are made by the states. Provisions of the Texas Minimum Wage Act are in Chapter 62 of the Texas Labor Code. The state minimum wage does **not** apply to:

- domestics
- family members
- certain youths and students
- inmates
- dairying and production of livestock
- certain employees of religious, educational, charitable, or nonprofit organizations
- professionals, salespersons, or public officials²

In other states, some cities have set minimum wages that are higher than the state or federal minimum wage. This practice is outlawed in Texas. The 78th Legislature (2003) prohibited municipalities from adopting local minimum wage laws.

¹ U.S. Department of Labor, 2005.

² Texas Workforce Commission, 2005. In addition, the state minimum wage does not apply to: amusement and recreational establishments; non-agricultural employers not liable for state unemployment contributions; sheltered workshops. The Commissioner of Agriculture is authorized to establish piece rates for agricultural commodities commercially produced in substantial quantities in Texas. The piece rates are supposed to guarantee at least minimum wage for most harvesters. The Act provides a procedure for contesting an established piece rate.

Who Works for Minimum Wage in Texas?

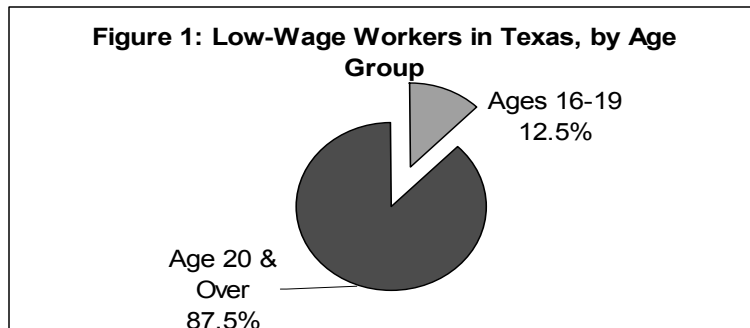
Texas' *minimum wage workforce* accounts for 7.2% of the national minimum wage population, with 235,000 hourly workers earning at or below \$5.15/hour.³

Texas' *near-minimum wage or low-wage workforce* includes approximately 1.4 million covered workers—nearly 16% of the statewide workforce—earning up to \$7.50/hour. Nearly half (686,000) of these workers earn less than \$6.50 per hour. These workers are engaged in the following trades and occupations (partial list):

- Home health and child care
- Food preparation and housekeeping
- Retail sales and apparel workers
- Security guards and parking lot attendants⁴

Females make up 52.7% of the low-wage workforce in Texas, while Hispanics comprise 53.4% of this workforce.

The majority of Texas' low-wage workers are 20 years of age and older:

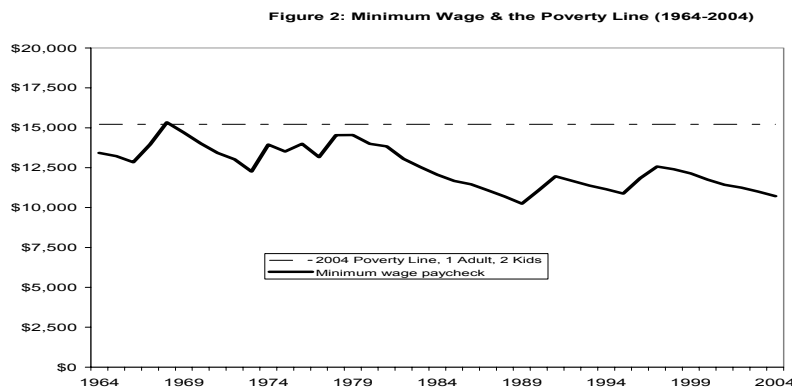


Source: Economic Policy Institute analysis of Current Population Survey (2004).

Nearly 70% of Texas' low-wage employees work full-time (35 or more hours per week); almost 40% of low-wage workers are the sole breadwinners for their families.⁵

Can Minimum Wage Work Make Ends Meet?

In 1968, a full-time minimum wage worker could support a family of three at 17% above the federal poverty threshold. Today, that same worker would have to increase earned income by 50% to reach the poverty line.⁶



Source: Economic Policy Institute, 2005.

³ Department of Labor, Bureau of Labor Statistics—*Characteristics of Minimum Wage Workers*, 2003.

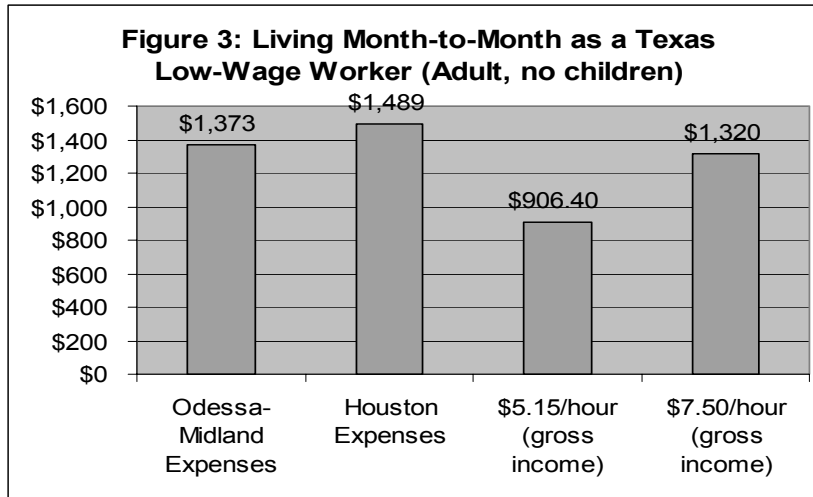
⁴ Economic Policy Institute analysis, 2005.

⁵ Economic Policy Institute, 2004. A “low-wage worker” is covered by FLSA and earns up to \$7.50/hour.

⁶ Before taxes, a full-time minimum wage worker earns \$10,712 per year, an amount that is: \$2,118 below poverty line (family of 2); \$5,378 below poverty line (family of 3); \$8,638 below poverty line (family of 4); 2005 HHS Poverty Guidelines.

- The minimum wage is 33% of the average hourly wage for all American workers, its lowest level since 1949⁷.
- The purchasing power of the federal minimum wage has slipped since 1968. At \$1.60 per hour, its current purchasing power would be worth over \$7 per hour in today's dollars.

Minimum wage earnings fall short of meeting minimal expenses:



Sources: Center for Public Policy Priorities, *Texas Family Security Index*, 2001; Internal Revenue Service (<http://www.irs.gov/pub/irs-pdf/p17.pdf>). Basic expenses include: housing; food; medical; transportation; other necessities; federal taxes (personal income tax, Social Security, and Medicare contributions).

How Does Texas' Minimum Wage & Low-Wage Economy Compare?

Texas has one of the largest minimum wage and low-wage populations in the nation.

- Texas ranks 1st with more than 900,000 workers—or 10% of workforce—that would be affected by minimum wage increase to \$7/hour. Florida ranks 2nd with 430,000 such workers.
- Texas has the 3rd highest percentage of workers (4.5%) earning at or below the minimum wage (behind New Mexico and Oklahoma).

In 2004, four states took action to raise the minimum wage:

State	Hourly Minimum Wage	Comments	% of Jobs Paying Below Poverty Line
Illinois	\$6.50	Effective Jan. 2004	17.8%
Florida	\$6.15	Ballot measure passed Nov. '04; Effective May 2005 (indexed to inflation)	29.9%
New York	\$6.00	Rose to \$6/hr in Jan. 2005; increases to \$6.75 (Jan. 2006) and to \$7.15 (Jan. 2007)—indexed to inflation	17.1%
Nevada	\$6.15	Pending 2 nd voter approval in 2006, takes effect in 2007	18.6%
Texas	\$5.15	Min. wage law adopts federal law by reference	28.6%

Sources: U.S. Department of Labor Employment Standards Administration Wage and Hour Division, 2005 (<http://www.dol.gov/esa/minwage/america.htm>); Working Poor Families Project, *Working Hard, Falling Short*, 2004.

In Texas, legislation (HB 334, HB 816) has been introduced this session to increase the minimum wage. At least nine other states (Arizona, Maryland Michigan, Montana, Nebraska, New Hampshire, New Jersey, Pennsylvania, and Wisconsin) are considering similar legislation.

⁷ Economic Policy Institute, 2004.