Three reasons to raise the federal minimum wage

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Leading economists, including Lisa M. Lynch, dean of the Heller School for Social Policy and Management, sent a joint letter this week to President Obama and congressional leaders in support of the Fair Minimum Wage Act. The proposed legislation would incrementally raise the federal minimum hourly wage from $7.25 to $10.10 by 2016.

Lynch, the Maurice B. Hexter Professor of Economic and Social Policy at the Heller School, is an internationally recognized scholar on labor and employment issues. She was the chief economist in the U.S. Department of Labor in the Clinton administration, former chair of the board of directors of the Federal Reserve Bank of Boston, and is a frequent media commentator on labor issues. Lynch spoke to BrandeisNOW about the impact of raising the minimum wage.

Why raise the minimum wage and why now?

The last increase in the national minimum wage took place in 2009 when it was raised from $6.55 to $7.25 per hour. Over time, inflation reduces the real spending value of the minimum wage so increasing it now will help address this problem. In 1968, the minimum wage was $1.60 per hour. If it had been indexed to inflation, as we do for social security payments, it would be $10.72 today. Current proposals include one that would raise the national minimum wage to $8.20 this year, $9.15 in 2015 and to $10.10 in 2016. There are also proposals to automatically index the minimum wage to inflation and to increase the minimum wage for tipped workers (e.g. staff in restaurants, nail salons, car washes, airport baggage services) from its current hourly rate of $2.13. The national minimum wage for tipped workers has not increased since 1991.

Who will benefit from these increases?

Many people think teenagers in part-time employment are the only minimum wage earners. The reality is that the average age of minimum-wage workers is 35, the majority of impacted employees work full time, and almost 90 percent are over the age of 20. More than a quarter of minimum wage workers have children and 55 percent are women, even though women make up less than 50 percent of the workforce. The Economic Policy Institute in Washington D.C. estimates that a phased-in increase in the national minimum wage to $10.10 in 2016 would directly or indirectly raise the wages of almost 28 million workers. This would also be sufficient to raise a family of three, with a full-time minimum wage worker, out of poverty.

Will raising the minimum wage eliminate jobs or cut hours?

While economists rarely agree on anything, there has been considerable research over the past two decades indicating that modest increases in the minimum wage will have little or no negative impact on jobs. At a time when many of the jobs being added to the economy are found in restaurants, hotels and the retail sector—where minimum wage workers are disproportionately employed—this legislation will provide a positive stimulus for the economy.

Provided by Brandeis University