



Washington State's Minimum Wage: The Facts

Who makes the minimum wage? Aren't most minimum wage workers teenagers and part-time workers?

According to 2002 Census Bureau data 75% of workers affected by the minimum wage in Washington are over age 20. Nearly 60% of workers are female, and nearly half work full time. Using national data, a 2001 study by the Economic Policy Institute identified minimum wage workers as contributing 49% of their family's total weekly earnings, on average. Not surprisingly, low-income families relied even more heavily on minimum wage workers; families with incomes of less than \$25,000 relied on minimum wage workers for 76% of their total weekly earnings, on average.¹

Don't people making the minimum wage quickly advance up the wage ladder?

A 1999 study completed by the Urban Institute found that the hourly wages of working women who had been off of welfare for some time are no higher than the wages of women who recently left welfare for work. Similarly, a recent study from the U.S. Bureau of Labor Statistics found that more than 8% of workers spend at least half of the first 10 years after school working in jobs paying near the minimum wage.²

Washington has had one of the highest minimum wages in the nation. Does that relate to its high unemployment rate?

No. When we look at all the evidence, it becomes clear that Washington's current unemployment rate is due to the national economic recession, not to increases in the minimum wage. The current recession is hitting the Pacific Northwest hard because of the region's reliance on the aerospace and high tech industries.

The years 1999 and 2000 saw the largest increases in the minimum wage. During these years, employment increased in the industries that employ the largest number of minimum-wage workers (eating and drinking places and retail trade), at rates similar to overall job growth in the economy. Current job losses in these industries are the result of unemployment in other sectors. For example, as people lose their high-paying jobs in the aerospace and high tech industries, they have less disposable income to spend on shopping and restaurants.

Doesn't the increasing minimum wage threaten the future of Washington agriculture?

A host of economic conditions impact the profitability of agriculture. These include rapid consolidation in the food retailing and food production industries as well as U.S. foreign trade agreements. Still, the value of agriculture products in Washington has increased steadily since 1998. If the minimum wage had had a significant effect on agricultural production costs, it would have been reflected in agricultural wage trends. However, wage growth in agriculture is trailing far behind increases in the minimum wage. Overall

agricultural wages increased by 13.4% between 1998 and 2001, which is on par with overall wage growth in the economy, while the minimum wage increased by 30% over the same period. In 1999 and 2000 the average hourly wage for tree fruit workers in Washington state increased by 5.5% and 5.1% respectively. In comparison, the state minimum wage increased by 10.7% in 1999 and 14% in 2000.

Should the minimum wage be indexed to inflation?

Until recently, the purchasing power of minimum wage workers has fallen further and further behind the cost of living. With the passage of Initiative 688 in 1998, the minimum wage has been adjusted annually since 2001 by the rate of inflation. Just like Social Security, minimum wage increases should keep pace with the cost of living. It is not equitable for the most poorly paid workers to fall even further behind because inflation eats up their wages. Indexing is intended take the politics out of the minimum wage issue and put fairness back in. Having the same debate over and over about whether it's time to raise the minimum wage is inefficient, unnecessary, and, caused considerable hardship during the long periods between adjustments.

Isn't using a "Seattle-based COLA" unfair for rural Washington?

Washington's minimum wage is linked to the *national* Consumer Price Index for Urban and Clerical Workers. This is a national measure that uses data from over 80 urban areas, some with populations as small as 50,000. This measure therefore reflects prices in cities such as Yakima or Kennewick, where people from surrounding rural areas shop. Furthermore, poverty rates in rural Washington are 4.3% higher on average than in urban Washington, so rural Washingtonians should at least be eligible for the same COLAs as urban Washingtonians.

If employers are forced to pay a higher minimum wage to workers, won't they reduce other benefits such as health insurance?

Low-paid workers are already the least likely workers to be offered health benefits. Only 55% of low-wage workers (\$7 per hour or less) have access to job-based coverage through their own job or are covered by a family member's employer, compared to 96% of higher-wage workers (above \$15 per hour).³ If anything, a higher minimum wage will help low-wage workers afford to purchase their own health insurance plan.

Don't increases in the minimum wage cause higher prices for consumers? Won't that hurt those on fixed incomes, like senior citizens?

There is no evidence suggesting Washington's minimum wage has led to significantly higher prices in Washington. Between 1999 and 2002 the rate of growth in general inflation in the Seattle area was identical with other western cities. Between 1999 and 2002, restaurant prices increased in the Seattle area at a slightly higher rate than in other western cities; however, this is not necessarily related to Washington's increasing minimum wage. Labor, after all, typically averages 30 percent of a restaurant's operating costs.⁴ To better illustrate the minor difference, a meal that cost \$20.00 in Seattle in 1999 increased to \$21.88 in 2002 compared to \$21.74 in all other western cities, a 14-cent difference.

Big businesses can absorb minimum wage increases, but aren't small businesses particularly vulnerable to these annual wage hikes?

For businesses of any size, the ability to plan ahead is very helpful. The very modest increases in the minimum wage as a result of the COLAs (11 cents in 2003) are much easier for small businesses to absorb than the occasional and unpredictable increases that used to occur.

Increasing the minimum wage sends a signal that Washington encourages businesses that pay their workers a decent wage. A sound business climate needs an educated workforce, high consumption patterns, and low levels of poverty, especially for those businesses that rely directly on out-of-pocket consumption expenditures for their sales. Increasing the minimum wage creates a platform for all these elements of business prosperity.

Won't freezing the minimum wage create a better business climate and therefore more jobs?

Freezing the state minimum wage will only allow low-wage workers to fall further behind in their ability to purchase basic family necessities. Modest increases in the minimum wage do not result in decreased employment opportunities. Employment levels in Washington's restaurant industry, which employs a substantial number of workers affected by the minimum wage, grew in 1999, 2000 and 2001, despite increases in the minimum wage. Keys to a better business climate include an educated and highly trained workforce and a modern transportation infrastructure, not a sub poverty minimum wage.

¹ <http://www.epinet.org/Issuebriefs/ib180.html>

² <http://newfederalism.urban.org/html/discussion99-02.html>

<http://www.bls.gov/opub/mlr/2001/05/art2abs.htm>

³ Source: Kaiser Family Foundation 1999

⁴ National Restaurant Association – 1998 Operations Report