



## A Georgia Minimum Wage Increase Would Benefit Hundreds of Thousands of Workers and Children

### ***At a Glance: Who Benefits from a Minimum Wage Increase?***

An increase in the Georgia minimum wage from \$5.15 to \$7.25 per hour would help an estimated **672,000** workers. Of these affected workers,

- 564,000 (84 percent) are 20 years of age and over.
- 442,000 are full-time employees (35 or more hours).
- 35 percent are married.
- 228,000 are parents. Of those 228,000 parents, 87,000 are single parents.

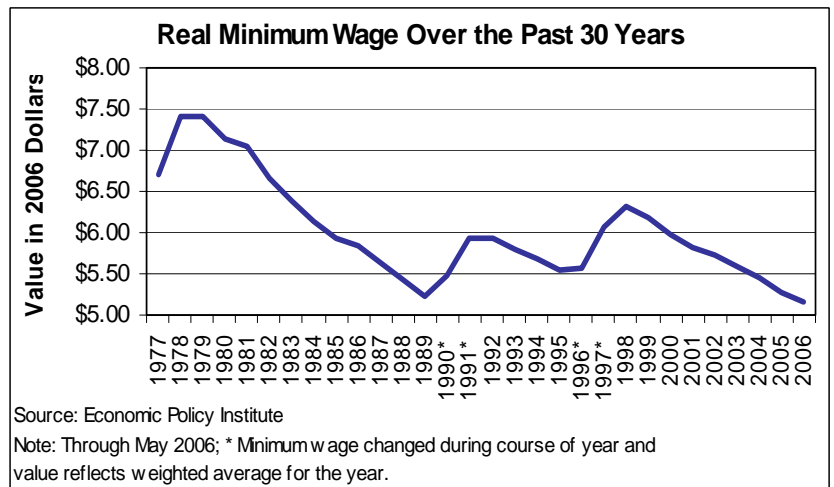
In addition, **413,000** Georgia children would benefit from this minimum wage increase.

*Source: Economic Policy Institute*

### **Where Are We Now**

**Georgia's current minimum wage and the federal minimum wage are \$5.15 per hour.** The federal minimum wage is \$5.15 per hour for covered, nonexempt workers. Certain exceptions to the minimum wage exist for groups of workers, such as teenagers in their first 90 consecutive days of employment. Likewise, tipped employees, such as waiters and waitresses, have a minimum wage of \$2.13 if their tips bring their hourly pay up to \$5.15. Georgia law sets the state minimum wage at \$5.15 for workers in firms with six or more employees.

**The current federal minimum wage of \$5.15 per hour is at its lowest value in fifty years.** Each year, the cost of living increases. We measure this increase by the rising costs of goods and services (i.e. inflation). Since the federal minimum wage is not annually adjusted for inflation, the real value of the minimum wage slips every year compared to the value of what that wage can buy. The price of a carton of milk goes up, but the minimum wage remains the same. As the figure on the right shows, the real value of the minimum wage has dropped drastically over the last 30 years. Over the past decade, in fact, the minimum wage has lost 20 percent of its value.



**Earning the minimum wage means earning a poverty wage.** Working 40 hours per week, 52 weeks per year in a minimum wage job produces an annual income of \$10,712. In 2006, that income is 9 percent above the poverty line for a single person and 19 percent below the poverty line for a parent and child.<sup>1</sup>

**Georgia has a disproportionate share of workers making at or below minimum wage.** In 2005, Georgia held 2.7 percent of the nation's employed workforce.<sup>2</sup> However, Georgia claimed 3.5 percent of all workers earning at or below the minimum wage in the U.S. Georgia has a disproportionate share of minimum wage workers when compared to its share of the nation's workforce.

## **Economics of Raising the Minimum Wage**

**A majority of states have a minimum wage higher than the federal minimum wage.** Georgia will not be alone in either raising the minimum wage or indexing to inflation. With the 2006 elections, six more states joined in the growing movement to raise the state minimum wage, bringing the total to 28 states that will have a state minimum wage higher than the federal level in 2007. (Employees receive whichever wage is higher, the state or federal minimum wage.) In addition, 10 states index or plan to index their wage level to inflation, giving workers a minimum wage that rises with the cost of living each year.

**A recent economic analysis of states with a higher minimum wage found it to be “a policy that works.”** In a study of teenagers, young adults, and adults with limited education, statistician Paul Wolfson found that employment was not lower than it normally would have been in states with a higher minimum wage.<sup>3</sup> While the research on the minimum wage is substantial and the results are varied, the growing consensus appears to be that any effects the minimum wage has on employment are marginal. Another claim made by some researchers is that the costs of a minimum wage increase are offset by price increases passed on to consumers. Even using the most conservative assumption that 100 percent of the costs will be passed on to consumers in higher prices produces a very small price increase, even in the most heavily affected sectors. For example, if the most heavily affected sector, leisure and hospitality, fully passes on the cost of the minimum wage increase to their customers, prices would increase less than one percent (0.57 percent).<sup>4</sup> Some researchers now believe that minimum wage increases do not hamper employment or cause price increases because some of the additional cost to employers is offset by decreased absenteeism, increased productivity, decreased training costs, and higher morale.<sup>5</sup>

**Leading economists agree that the federal and state minimum wage should be raised.** A statement signed by over 650 economists, including 6 past presidents of the American Economic Association and 5 Nobel Prize winners, encouraged increasing the minimum wage:

“We believe that a modest increase in the minimum wage would improve the well-being of low-wage workers and would not have the adverse effects that critics have claimed. While controversy about the precise employment effects of the minimum wage continues, research has shown that most of the beneficiaries are adults, most are female, and the vast majority are members of low-income working families...As with the federal increase, modest increases in state minimum wages in the range of \$1.00 to \$2.50 and indexing to protect against inflation can significantly improve the lives of low-income workers and their families, without the adverse effects that critics have claimed.”<sup>6</sup>

## Effects of Raising the Minimum Wage in Georgia

### **Raising the minimum wage to \$7.25 per hour would help an estimated 672,000 workers.**

Georgia currently has a \$5.15 minimum wage for all employers of 6 or more employees, with some exceptions. If Georgia raised the minimum wage to \$7.25, for example, an estimated 672,000 workers would benefit.<sup>7</sup> Those directly affected by the minimum wage increase are workers projected to earn between \$5.15 and \$7.25 in 2007. That accounts for 210,000 of affected workers. In addition, another 461,000 workers would receive a raise as a consequence of the minimum wage increase, even though they do not fall into that \$5.15 to \$7.25 wage range. These are the indirect beneficiaries of the minimum wage increase who have wages close to \$7.25 and would receive a pay boost as some employers attempt to maintain existing wage structures within the firm. The 672,000 workers, those both directly and indirectly affected, would receive an average raise of 54 cents.

**An increase in the minimum wage would impact workers of all ages, race, gender and family composition.** A common myth about the minimum wage is that only teenagers work in minimum wage jobs. On the contrary, thousands of Georgians of varying ages work at or near the minimum wage. An estimated 84 percent of workers affected by an increase from \$5.15 to \$7.25 are 20 years of age or older. That's 564,000 workers age 20 and over impacted by an increase in the minimum wage. In addition, an estimated 66 percent of affected workers are full-time employees (442,000); 35 percent are married (236,000); 58 percent are women; 46 percent are white; and 40 percent are African-American. Of affected workers, 228,000 are parents; and of those parents, 87,000 are single parents.

**An increase to \$7.25 per hour would help 413,000 Georgia children.** The number of workers affected by a minimum wage increase does not cover all the beneficiaries. Children of those workers also benefit from the increased pay of their parents and must be counted among the beneficiaries of a minimum wage increase. Estimates by the Economic Policy Institute indicate 413,000 children in Georgia would benefit from an increase in the minimum wage from \$5.15 to \$7.25.

**As TANF recipients move from welfare to work, a higher minimum wage can be a complement to other work supports.** Between January 2002 and July 2006, the number of Georgians receiving Temporary Assistance for Needy Families (TANF) decreased from 135,346 to 53,360 – a 61 percent drop. Among working age TANF recipients, the rolls dropped by 83 percent from 32,352 to 5,437.<sup>8</sup> One of the main tenets of welfare reform and the creation of TANF was the emphasis on work and work supports, such as childcare and job training. As more and more Georgians move from TANF to work, a decent wage is essential to their success. A higher minimum wage can be a part of Georgia's efforts to ensure these working adults have a successful transition into the workplace.

*The Georgia Budget and Policy Institute (GBPI) is an independent, nonprofit, non-partisan organization engaged in research and education on the fiscal and economic health of the state of Georgia. The GBPI provides reliable, accessible and timely analyses to promote greater state government fiscal accountability as a way to improve services to Georgians in need and to promote quality of life for all Georgians.*

<sup>1</sup> US Department of Health and Human Services. *Federal Poverty Guidelines*. <http://aspe.hhs.gov/poverty/06poverty.shtml>.

<sup>2</sup> Bureau of Labor Statistics, [www.bls.gov/cps/minwage2005tbls.htm#3](http://www.bls.gov/cps/minwage2005tbls.htm#3). (Workforce defined as “employed wage and salary workers paid hourly rates.”)

<sup>3</sup> Wolfson, Paul. *State Minimum Wages: A Policy That Works*. Nov 27, 2006. Economic Policy Institute Briefing Paper 176.

<sup>4</sup> Estimates of the impact of a \$7.25/hr minimum wage provided by the Economic Policy Institute. December 2006.

<sup>5</sup> Economic Policy Institute. *Facts at a Glance*. Nov 2006. [www.epi.org/content.cfm/issueguides\\_minwage\\_minwagefacts](http://www.epi.org/content.cfm/issueguides_minwage_minwagefacts).

<sup>6</sup> Economic Policy Institute. <http://www.epi.org/content.cfm/minwagestmt2006>.

<sup>7</sup> Estimates of the impact of a \$7.25/hr minimum wage provided by the Economic Policy Institute. December 2006.

<sup>8</sup> Welsh, Robert. From a forthcoming report on Georgia TANF. Georgia Budget and Policy Institute. Data obtained from Georgia Department of Human Resources.