EXECUTIVE SUMMARY

A raise in the minimum wage would affect 27.8 million individuals, nationally, and about 2.9 million in Texas, which is approximately 1 in 3 Texas workers. If Texas were to increase the minimum wage at the state level, it would set a powerful precedent for the rest of the nation since it has the largest share of hourly paid workers. In President Obama’s 2014 State of the Union Address he highlighted the need to increase the minimum wage, stating “no one working full time should have to raise a family in poverty.” The minimum wage has remained stagnant since 2009, but the price of food, housing and transportation has not. As a result, purchasing power among low-wage families has decreased and the gap between the poor and the middle class has widened. It has also increased dependence on government services such as Supplemental Nutrition Assistance Program (SNAP) and Medicaid. Low-wage families are those families where earned hourly wage rates are so low that annual earnings fall below the poverty line for a family of three or four even while they work full time (U.S. Department of Labor, 1999). The stagnant minimum wage has kept millions of families trapped in a cycle of poverty while Fortune 500 companies across the United States have shown record profits. The exploitation of the low-wage worker has led to widening income inequality and has effectively rendered the American Dream just that—a dream.
INTRODUCTION

A government-mandated increase in the minimum wage would move toward a more equalized employer/employee relationship and help lift people out of poverty. The current minimum wage binds many families to a life of poverty and dependency on government services.

The earliest form of wage policy was slavery (Levin-Waldman, 2011). In its most extreme form, wage policy involved chattel slavery, which formed the basis of the South’s plantation economy. In its less extreme form, slavery existed as a form of indentured servitude, which included contracts between employees, usually between those who could not afford passage and employers who agreed to pay their passage in exchange for labor (2011). This precursor to the wage labor system, similar to today’s system, relied on the government for enforcement. A common denominator throughout the history of wage policy has been that labor agreements (contracts) favor those who owned property, in other words, employers. Even today those individuals who hold power—decision makers with power to set wages—continue to exploit low-wage workers through creating environments that reinforce dependency on the government when workers are earning less than the wages necessary to pull themselves and their families out of poverty. While those in low-wage jobs are now compensated for their work, the compensation continues to place them in substandard living situations.

Federal and state governments are in debate about raising the current federal minimum wage. At the federal level, The Fair Minimum Wage Act of 2013, a bill introduced by Sen. Tom Harkin (D-Iowa) and Rep. George Miller (D-Calif.) would raise the minimum wage from $7.25 to $10.10 for all workers in three $0.95 increments and tie the minimum wage to inflation thereafter. The proposal would also raise the minimum wage for tipped workers in incremental increases over the next six years until it equals 70 percent of the full minimum wage. It is unknown whether the Harkin-Miller (H.R. 1010) proposal will be adopted, but it was referred to a House Committee on Education and the Workforce subcommittee, Workforce Protections, on March 6, 2013. Pundits and politicians on both sides of the issue do not anticipate the bill coming out of committee or reaching either chambers’ floor.

Recognizing Washington’s reluctance and unwillingness to address the minimum wage issue, several states have already raised it and more states are following suit. For example, states such as Washington ($9.32), Oregon ($9.10), Ohio ($7.95), and Vermont ($8.73) raised their minimum wages years ago, and more recently, Connecticut ($8.70), Rhode Island ($8.00), and New Jersey
($8.25) have voted in favor of raising it. As more data are analyzed, it has become clear that raising the minimum wage has improved these states’ economic conditions, and the minimum wage issue may be best addressed at the state level. This brief discusses how a raise in Texas’ minimum wage would improve the lives of women and strengthen Texas’ economy, while debunking several myths about raising the minimum wage.

THE CHANGING CULTURE OF WAGES: RACE AND GENDER

Women now make up nearly half of the workforce (47 percent), and women of color will make up 53 percent of the female population by 2050 (Ahmad & Iverson, 2013). Rather than denoting a simple change in workforce dynamics, this social transformation affects the economic well-being of families and communities (Center for American Progress, 2014).

In 2011, more than 25 percent of all households with children had single mothers as the primary provider, while married women were the sole providers in an additional 15 percent of all households with children (Wang, Parker, & Taylor, 2013). In total, more than 40 percent of all households with children rely on women to be the primary providers—this represents a nearly 30 percent increase from 1960 when the rate was just 11 percent. However, “married mothers who out-earn their husbands are slightly older, disproportionally white, and college educated. Single mothers, by contrast, are younger, more likely to be black or Hispanic, and less likely to have a college degree” (2013, p. 1).

The number of female minimum wage workers has increased dramatically over the last few decades. This is noteworthy as the number of female workers at or below minimum wage nearly doubled (i.e., increased by 93 percent) from 2007 to 2012—1,183,000 to 2,287,000 respectively. While the number of low-wage women workers increased for all races and ethnicities, the increases have not been equitable. For instance, during this five-year span the number of white women working at or below minimum wage increased 87 percent while African American, Asian, and Latina women increased 124, 111, and 220 percent respectively. Low-wage women workers, and especially low-wage women of color workers, have received little attention, and need to be considered as an integral component of the current and future workforce.
THE CASE OF TEXAS: DEMOGRAPHICS OF LOW-WAGE WORKERS

Texas has a disproportionately higher number of hourly paid workers who make minimum wage or less. Out of the working population of nearly 11 million (Cooper, 2013), 7.5 percent are working at or below the minimum wage (Bureau of Labor Statistics, 2013). This means approximately 825,000 Texas low-wage workers would see an immediate wage increase from raising the minimum wage. Nationally, individuals earning minimum wage or less accounted for 4.7 percent of the hourly-paid workforce. Further, an Economic Policy Institute report (Cooper, 2013) claims that an eventual raise to $10.10 would impact, both directly and indirectly, more than 2.9 million Texas workers or more than a quarter of the entire Texas workforce. Indirect effects are associated with the "ripple effect", which claims employers would adjust (i.e., increase) their overall pay ladders to reflect the minimum wage increase (Shierholz, 2009).

Understanding characteristics of Texas low-wage workers is important when evaluating the potential impact of raising the minimum wage. The following graphs and tables illustrate the characteristics of Texas’s hourly-wage workers who would be affected by increasing the federal minimum wage to $10.10 by July 2016. Both nationally and in Texas, an increase of the minimum wage would affect more women than men (See Figures 1 and 2).¹

Figure 1: Percentage of total affected by increasing the federal minimum wage to $10.10 by July 2016 in the United States: Gender

- Female: 45.0%
- Male: 55.0%
Currently, there are 5 million Texas women in the workforce and raising the minimum wage would directly and indirectly affect more than 1.5 million women who work hourly-wage jobs. This translates to 30.5 percent of working Texas women who would be affected or almost one in three women would get an increase in their pay if the federal minimum wage would increase (See Figure 3).

Figure 2: Percentage of total affected by increasing the federal minimum wage to $10.10 by July 2016 in Texas: Gender

Figure 3: Share of Texas workers who would be affected by increasing the federal minimum wage to $10.10 by July 2016: Gender
Currently, a single wage earner who earns at or below the federal minimum wage of $7.25 (which is Texas’s minimum wage) will earn $14,500 a year, assuming a 40-hour work week and 50 weeks of work. The federal threshold for poverty, a measure that tells us how many Americans are living in poverty, for three people (e.g., mother plus 2 children) is $18,242. Under the current minimum wage, a single mother who is trying to support two children and working full-time for minimum wage will never surpass the poverty threshold—ensuring perpetual poverty. Under a new minimum wage of $10.10, one in three Texas women would get a pay raise and increase their yearly income to $20,200—which is nearly $2,000 above the poverty threshold.

As Figure 4 illustrates, 55.8 percent of Texas’s total workers that would be affected are Hispanic, 10.7 percent are Blacks, and 4.9 percent are Asians. In total, 72 percent of the workers to be affected are workers of color. Comparatively, in the United States as a whole, 46 percent of the workers affected are of color. This story is unique to Texas in that the workforce is almost equal in the total number of individuals who are Hispanic and White, non-Hispanic. According to an Economic Policy Institute (EPI) analysis, Texas has 4.3 million Hispanic workers and 4.8 million White, non-Hispanic workers (Cooper, 2013).

Figure 4: Percentage of total affected by increasing the federal minimum wage to $10.10 by July 2016 in Texas: Race

- 55.8% Hispanic
- 28.6% White, non-Hispanic
- 10.7% Black
- 4.9% Asian or other race
Figure 5: Percentage of total affected by increasing the federal minimum wage to $10.10 by July 2016 in the United States: Race

Figure 6 illustrates that of Texas’s total Hispanic workforce 37.4 percent would be affected by a raise in minimum wage, while of the total Black workforce, 25.1 percent or 1 in every 4 Black low-wage worker would get a pay raise. For non-Hispanic Whites 17 percent of the total non-Hispanic, White workforce would be affected. This stark reality illustrates that the most disadvantaged or those that are getting paid the least are workers of color—both men and women.

Figure 6: Share of Texas workers who would be affected by increasing the federal minimum wage to $10.10 by July 2016: Race
According to the EPI data (Cooper, 2013), Texas has roughly 2.5 million workers in both the age categories of 20 to 29 years and 30 to 39 years, while there are about 3.5 million workers aged 40 to 54 years. Of these total workers, the age category of 20 to 29 years is the greatest affected by a raise in minimum wage. Surprisingly, a raise in the minimum wage will also affect one in five Texas workers aged 40 to 54. Neither of these categories include teenage workers—in fact they are the least affected by the raise in minimum wage due to sheer lack of total numbers.

Figure 7: Percentage of total affected by increasing the federal minimum wage to $10.10 by July 2016 in Texas: Age
When looking at marital status, almost half of the workers affected by an increase in minimum wage are unmarried with no kids (See Figure 8). However, of all the Texas workers who are single parents, 36 percent of them would be affected. An increase in wages would help more than a third of every single parent worker in Texas (See Figure 9).

Figure 8: Percentage of total affected by increasing the federal minimum wage to $10.10 by July 2016 in Texas: Martial Status

Figure 9: Share of Texas workers who would be affected by increasing the federal minimum wage to $10.10 by July 2016: Martial Status
DECONSTRUCTED MYTHS

Those opposed to raising the wage for low-wage workers offer a number of arguments that suggest any raise in the minimum wage would be detrimental to the economy. Unfortunately, when scrutinized these arguments fall apart. The following are the most stated arguments against raising the minimum wage.

Increase In Unemployment

For the past several decades, research has focused on job loss as a consequence of raising the minimum wage. Pollin, Brenner, Wicks-Lim, and Luce (2008) in their book titled, *A Measure of Fairness: the Economics of Living Wages and Minimum Wages in the United States*, dismantles this argument. This argument is based in the theoretical premise that when price increases, demand will go down. This simple supply-demand construct essentially says that if the price of low-wage workers increases, then the demand for low-wage workers will decrease. Pollin et al. state that this supply-demand premise only holds true when the critical condition of *ceteris paribus* or all else equal is met. Considering the country’s ever changing economy and the changes increasing the minimum wage would inspire, the critical condition of *all else equal* is not maintained—essentially invalidating the increase in unemployment argument.

A recently published Congressional Budget Office report (2014) predicts the possibility of an initial loss of approximately 500,000 jobs if the minimum wage is increased to $10.10. This translates to 0.3 percent of total workers. This number is a prediction and could be less than or slightly more than the 500,000. However the report’s overall conclusion is that an increase in minimum wage will have significantly more positive impacts than negative ones.
**Not Targeted at Low-Income Families**

Opponents often state that raising the minimum wage would actually harm the people (i.e., low-wage workers) it is intended to help. However, the previously mentioned CBO report (2014) states that for families living below the poverty threshold a raise in minimum wage to $10.10 would increase real income, on net, by $5 billion and pull about 900,000 families above the poverty threshold. For families living at one to three times the poverty threshold ($18,242 to $54,000 annual income for a family of three) real income on net would increase by $12 billion dollars. While for families living between three and six times the poverty threshold ($54,000 to $109,000 annual income for a family of three), real income would increase by 2 billion dollars.

In real income, a raise in minimum wage would greatly benefit those families making anywhere from $18,300 to $54,000 for a family of three. These families do not live below the poverty threshold; they are right on the cusp of upper low income and the middle class. The Pew Center (2012) defines the middle class as those families making $50,000 to about $100,000 annually. According to Robert Reich, former U.S. Secretary of Labor, historically the United States was the most prosperous when the middle class was prosperous. He supports a growing middle class because U.S. history has shown that the U.S. economy was growing the fastest when the middle class was prospering. With a raise in minimum wage not only are families living below the poverty threshold moving up, but there is also a potential to grow the middle class. Also, as the middle class grows, true trickle-down effects can actually occur. Several years ago, the economic and political ideology was to give more money to the wealthy and the United States would prosper due to the trickle-down effect—i.e., money would trickled down to America’s lower economic classes. Reich rejects this line of thinking, stating that giving money to the wealthy or top 5% failed because when income grew for this population segment the additional money was saved and/or invested—not reinvested in the economy or local community. When families are middle class and receive additional income, additional income goes into the economy more frequently. Therefore the trickle-down effect occurs. In general when additional income is given to low-wage families and the middle class, the immediate economy or local economy benefits. Strengthen the middle class and America prospers (Reich, 2014).

The CBO report makes two additional points. The first is that 16.5 million low-wage Americans would see an increase in their earnings and the second is that over the past 30 years, an average of roughly 5.3 percent of workers earned between the old and new minimum wages when Congress legislated a change, this time 10.1 percent of workers do (Goldfarb, 2014). This illustrates how far the minimum wage has fallen in real terms and how the increase would significantly impact millions and millions of workers.
**Businesses Lose Out**

Raising the minimum wage would impose cost increases on businesses and in turn the businesses will respond to the new economics of this policy. Opponents of raising wages often state that the only way to offset the wage increase is to lay off workers or relocate. In a study examining increased minimum wages in New Orleans, LA and Santa Fe, NM researchers found businesses had a very slight cost increase averaging anywhere from 0.9 percent to about 3 percent (Pollin, Brenner, Wicks-Lim, & Luce, 2008). The authors found that businesses absorbing the costs by other means such as slightly raising prices slightly, initially accepting small profit reductions, or improving productivity were less costly and more effective (2008). This extensive study also found that the primary beneficiaries of increased wages were small businesses, such as retail and grocery stores in poor neighborhoods. Low-wage workers and their families tend to spend most of their discretionary income in the neighborhoods in which they live. Increase in sales for a business can be compounded to the degree that this additional income also increases credit-worthiness of a business and of the local and larger community in general (2008).

Another argument against raising the minimum wage is that businesses will have lower profit margins and will need to compensate through higher prices per product or service or lay off workers.

Dube, Lester, and Reich (2010) compared the experiences of businesses in nearby counties in different states and found less turnover in states that had raised the minimum wage. According to a Center for Economic and Policy Research report (Schmitt, 2013) when wages are raised, workers are less likely to leave on their own and managers are more likely to retain the workers they have to avoid the cost of recruiting and training. Several companies already pay their employees higher than the mandated floor of the minimum wage. For example, Costco pays their employees $11.50 an hour for an entry-level job. Patrick Callans, a Costco senior vice president, said that Costco’s higher pay and benefits “allows us to attract and retain great employees” (Business and the Minimum Wage, 2014). In a pro-active move, Gap, the retail brand, stated they would raise their wages to $9 in 2014 and $10 in 2015. This would raise the minimum pay, which will benefit 65,000 of its 90,000 workers. The company’s chairman and chief executive, Glenn Murphy, said the move would “directly support our business, and is one that we expect to deliver a return many times over.”
CONCLUSION AND DISCUSSION

A strong wage policy, defined as a set of institutions designed to bolster the wages of workers, especially for those who lack bargaining power, results in a more progressive economy (Levin-Waldman, 2011). Increased wages means that the gap between the top and bottom earners will narrow, resulting in less income inequality. With fewer people at the top and bottom and a greater concentration of people in the middle, raising the minimum wage essentially becomes about strengthening the middle class. As mentioned above, a strong middle class translates to a prosperous economy. In addition, less income inequality leads to increased self-sufficiency. In other words, as workers see their wages rise, rather than eroding through stagnation, they experience increased morale, are more productive, and feel a sense of increased personal autonomy (Levin-Waldman, 2011). Personal autonomy leads to a strong democratic society, which sustains economic growth.

Texas needs to raise its minimum wage to $10.10 an hour and set a strong precedent. If Texas with the highest number of hourly-wage workers were to increase its minimum wage, about 3 million workers would be affected, not to mention the millions of children that would be affected. Texas’ low wage families would see an aggregate increase of anywhere from $5.9 to $8 million in additional income. This additional millions of dollars would go straight into the local and states economy. Once a raise in the minimum wage occurs, the wage needs to be indexed to inflation to maintain its value and assure that the wage will not drop below poverty levels. A policy change such as this would enable economic growth at the local and state levels.

ENDNOTE

1 The data source for all figures (Figures 1-9) was David Cooper’s (2013) Raising the federal minimum wage to $10.10 would lift wages for millions and provide a modest economic boost.

2 Our analysis is based on the assumption that while Texas follows the federal minimum wage of $7.25/hour, Texas businesses claim they pay slightly above minimum wage. We conducted the analysis using $7.25/hour and a conservative analysis of $8.00/hour wage to predict the stated range.
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Vision
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