

## The Federal Minimum Wage

### The Fight Continues to Raise the Wage for Latino Workers and the Economy

In early 2014, majority leadership in the Senate plans to advance and vote on legislation that will significantly increase the minimum wage for millions of workers. Similar to the “Fair Minimum Wage Act of 2013” (S. 460/H.R. 1010), legislation introduced in November 2013 titled the “Minimum Wage Fairness Act” (S. 1737) would accomplish three goals that are critical to the economic security of millions of Latino workers and their families:

- **Raise the federal minimum wage to \$10.10 by 2015.** It would increase by 95 cents each year.
- **Adjust the minimum wage each year to keep pace with the rising cost of living, starting in 2016.** This policy reform is known as “indexing,” and 11 states are already using it to prevent the minimum wage from falling in value each year.
- **Raise the minimum wage for tipped workers to 70% of the minimum wage.** This wage has been frozen at a meager \$2.13 per hour for more than 20 years.

Raising the minimum wage would ensure that more people who work in low-wage jobs can afford the basics and help the economy grow. Nearly one-quarter of workers who would be directly affected by the minimum wage increase are Latino.

### Latino Employment Statistics for December 2013

The [latest report](#) from the U.S. Department of Labor shows that U.S. employment increased by 74,000 workers in December 2013, the smallest increase in three years. The national unemployment rate dropped from 7.0% to 6.7%, the lowest level since October 2008, but the drop occurred mostly because more Americans stopped looking for jobs. Similarly, the Latino unemployment rate declined 0.4 points, from 8.7% to 8.3%. However, the Latino labor force participation rate dropped and the total Latino workforce shrank by 261,000.

Table 1. The Employment Situation for Latino Workers in December 2013

Indicators	Latinos, December 2013
<b>Employed</b> —Working people over the age of 16, including those temporarily absent from their jobs	<b>22.8 million</b>
<b>Unemployed</b> —Those who are available to work, make an effort to find a job, or expect to be called back from a layoff but are not working	<b>2.1 million</b>
<b>Civilian Labor Force</b> —The sum of employed and unemployed people	<b>24.9 million</b>
<b>Not in the Labor Force</b> —People over the age of 16 classified as neither employed nor unemployed	<b>13.1 million</b>

<b>Unemployment Rate</b> — <i>Share of the labor force that is unemployed</i>	<b>6.7%</b>
<b>Labor Force Participation Rate</b> — <i>Share of the population over the age of 16 that is in the labor force</i>	<b>65.5%</b>
<b>Employment-Population Ratio</b> — <i>Share of the population over the age of 16 that is working</i>	<b>60.1%</b>

Source: U.S. Bureau of Labor Statistics, “Employment Status of the Hispanic or Latino Population by Sex and Age,” *Current Population Survey*, <http://www.bls.gov/webapps/legacy/cpsatab3.htm> (accessed January 10, 2014), Table A-3.

### Latinos Are Overrepresented in High-Growth Low-Wage Jobs

As documented in [our 2012 year-end report](#), several occupations with significant recent employment growth also employ a large share of the Hispanic workforce. While Latinos are overrepresented in several high-growth occupations, however, those occupations also tend to pay below-median wages, as Table 2 illustrates. In fact, [low-wage jobs](#) account for the majority of the job growth since the end of the Great Recession, leaving jobseekers with few employment prospects that offer basic economic security.

Table 2. Wages and Hispanic Share of Occupations with Greatest Projected Job Growth

Occupations	Projected Change, 2012–2022 (Thousands)	Median Annual Wage, 2012	Percent Hispanic, 2012
<b>Total, All Occupations</b>	<b>15,628.0</b>	<b>\$34,750</b>	<b>15.4</b>
● Personal Care Aides	580.8	19,910	21.2
Registered Nurses	526.8	65,470	6.2
Retail Salespersons	434.7	21,110	15.3
● Combined Food Preparation and Serving Workers, Including Fast Food	421.9	18,260	23.8
Postsecondary Teachers	303.5	62,390	6.2
● Customer Service Representatives	298.7	30,580	18.0
● Janitors and Cleaners, Except Maids and Housekeeping Cleaners	280.0	22,320	30.9
● Construction Laborers	259.8	29,990	41.2
● Laborers and Freight, Stock, and Material Movers, Hand	241.9	23,890	23.0

Bookkeeping, Accounting, and Auditing Clerks	204.6	35,170	9.0
● Office Clerks, General	184.1	27,470	16.9
● Childcare Workers	184.1	19,510	20.3
● Cooks	150.1	22,030	31.7
● Receptionists and Information Clerks	135.9	25,990	17.9
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	132.0	54,230	9.4

● Indicates occupations with higher Latino share and lower median wages compared to all occupations  
Source: U.S. Bureau of Labor Statistics, "Occupations with the most job growth, 2012 and projected 2022," *Employment Projections Project*, [http://www.bls.gov/emp/ep\\_table\\_104.htm](http://www.bls.gov/emp/ep_table_104.htm) (accessed January 6, 2014), Table 1.4 and U.S. Bureau of Labor Statistics, *Current Population Survey, 2012 Annual Averages*, <http://www.bls.gov/cps/cpsaat11.htm> (accessed January 6, 2014).

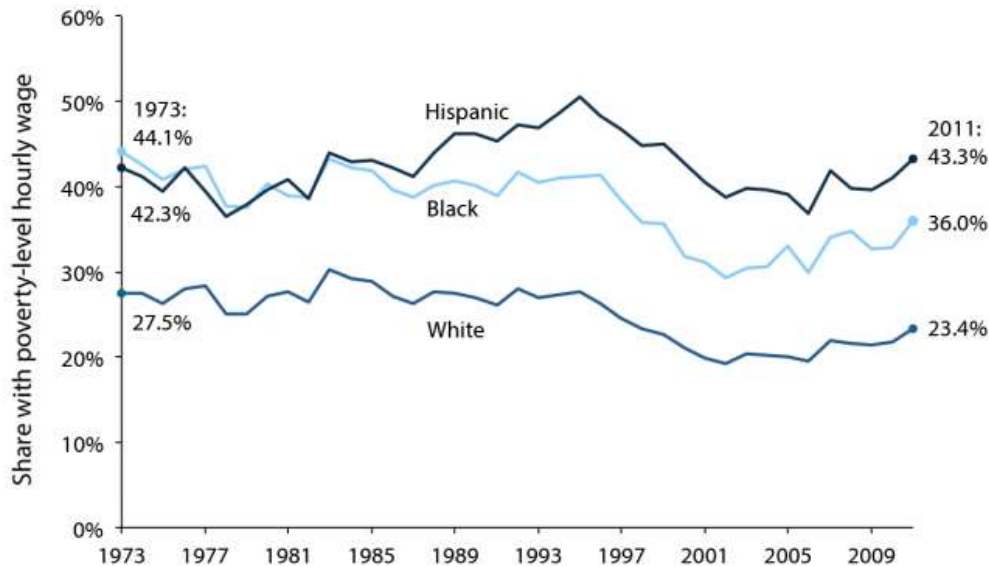
Even before the recession, wages for American workers were on a multidecade decline. What Yale political scientist [Jacob Hacker](#) describes as "the breaking of the historical connection between growing economic output on the one hand and middle-class wages and income on the other" has resulted in widening income inequality.<sup>1</sup>

Workers at the bottom of the wage scale are especially vulnerable because [their wages have stagnated](#) more than average workers' wages. The federal minimum wage, which sets the floor on wages nationwide, has lost significant "real" value since it was first set in 1938. Despite inflation, Congress has only raised the minimum wage three times in the past 30 years, most recently in 2007. The federal minimum wage is currently \$7.25 per hour, but as of January 21, 2014, 21 states and the District of Columbia have higher minimum wages. In fact, 2014 began with 13 states [implementing minimum wage increases](#) that are estimated to boost the incomes of 2.5 million low-wage workers. If the minimum wage had kept pace with inflation, it would be [\\$10.74 per hour](#).

The current minimum wage is not enough to keep a single parent with one child out of poverty. A [recent study](#) by University of Massachusetts Amherst economist Arindrajit Dube shows that raising the federal minimum wage to \$10.10 per hour would bring nearly five million people out of poverty and reduce the nation's poor by 6.8 million. Over the past few decades, Latinos have been more likely than Whites and Blacks to earn poverty-level wages (see Figure 1). The failure of wages to cover basic needs is one of the major factors contributing to rising Latino child poverty and income inequality.

<sup>1</sup> Jacob Hacker and Nate Loewentheil, *Prosperity Economics, Building an Economy for All* (Creative Commons, 2012), <http://isps.yale.edu/sites/default/files/publication/2013/01/2012-prosperity-for-all.pdf> (accessed April 3, 2013).

Figure 1. Share of Workers Earning Poverty-Level Wages by Race and Ethnicity, 1973–2011



Source: Economic Policy Institute, *The State of Working America*, “Share of workers earning poverty-level wages, by race and ethnicity, 1973–2011,” <http://stateofworkingamerica.org/chart/swa-wages-figure-4f-share-workers-earning> (accessed April 3, 2013).

### Raising the Federal Minimum Wage Would Lift Latino Workers and the Economy

Latinos would benefit disproportionately from an increase in the federal minimum wage because of their overrepresentation in low-wage occupations. Approximately 24% of the 27.8 million workers who would be directly affected by the “Fair Minimum Wage Act” are Latino. Contrary to stereotypes of minimum wage workers, the majority (54%) of workers who would benefit are non-Hispanic Whites. Additionally, 54% work full time, 27% are parents, and 34% are married.

Raising the federal minimum wage is also a boon to the overall economy. Local communities and businesses benefit as more workers can afford necessities such as food, clothing, and rent. In fact, the resulting increase in consumer spending from this bill would create approximately 85,000 net new jobs, [a critical boost](#) to the sluggish economic recovery.<sup>2</sup>

### Tipped Workers, Mostly Women, Must Be Included in the Raise

An essential piece of effective minimum wage legislation is to restore the value of the tipped minimum wage, also known as the tip credit, to at least 70% of the minimum wage. Workers who receive a portion of their income from tips are subject to a different minimum wage under federal law.

Currently, the federal tipped minimum wage is only \$2.13 per hour. Although the expectation is

<sup>2</sup> David Cooper, “Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost” (Washington, DC: Economic Policy Institute, 2013), <http://www.epi.org/publication/raising-federal-minimum-wage-to-1010> (accessed January 6, 2014).

that tips will make up the remainder of a worker's income, income can fluctuate widely depending on the pace of business and customers' generosity. Furthermore, while the law requires employers to "make up the difference" if workers' tips total less than the federal minimum wage, [this requirement is frequently violated in practice](#), as highlighted in Julio's story below.

The majority (61.2%) of tipped workers are waiters and waitresses; other tipped occupations include barbers, parking attendants, and nail salon workers. [Latinos represent 19.6% of waiters and waitresses](#) nationwide, compared to 15% of workers in all occupations. [Women are also overrepresented in the tipped workforce](#), composing 66% of tipped restaurant workers. The subminimum wages for women in tipped occupations exacerbates the existing wage gap that women face in the workplace. Raising the tipped minimum wage would significantly raise the wage standard in Latino- and women-dominant occupations that form the backbone of restaurant work and other high-growth service sectors.

### **A Latino Worker's Voice: "It's Time That Congress Preserves the Dignity of Workers by Raising the Minimum Wage"**

Julio is an immigrant who has been living in Louisiana's Orleans Parish for approximately three years. He is a valet attendant who earns the tipped minimum wage. Similar to many other tipped workers, he has limited economic security because his wages often fluctuate:

*"Depending on the season, I earn below the minimum wage because my company does not compensate me after tips to ensure I'm earning at least the minimum wage. Oftentimes it seems like my company is not aware if I'm not making enough money."*



Although Julio understands the pressure that companies face to raise wages, he also believes all workers should earn a living that allows them to cover their basic expenses:

*"The government should regulate and audit companies that pay the tipped minimum wage to ensure they are paying their workers fairly. Otherwise they won't feel forced to pay at least the minimum wage."*

Julio believes "it's time that Congress preserves the dignity of workers by raising the minimum wage."

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