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Increasing the Minimum Wage

In 1938, Congress passed landmark legislation codifying worker protections in America. The Fair Labor Standards Act (FLSA) created the framework governing workplaces today, restricting child labor, establishing a standardized workday and providing for overtime pay. The legislation also established a federal minimum wage, creating a guaranteed wage floor, irrespective of geographic location. In addition to the federal rate, the FLSA outlines wages for tipped workers, workers with disabilities, and students. The FLSA has been [amended](#) many times in its 83-year history, most commonly for the purpose of raising wages, or expanding worker coverage. Today's FLSA covers an estimated 143 million workers.

The minimum wage has long been a source of intense debate. The federal minimum wage is \$7.25 an hour where it has stayed since 2009 after [Congress last approved](#) an incremental increase

in 2007. In 2012, over 100 New York City fast food workers walked off the job, protesting for higher wages, better working conditions and a union. This action gave rise to a series of demonstrations led by the Service Employee International Union (SEIU) and other grassroots efforts coalescing around raising the minimum wage to \$15 an hour; a campaign now known as the "[Fight for \\$15.](#)"

Proponents of raising the minimum wage argue that the current federal rate is too low and not commensurate with the rising cost of living, pointing to its peak purchasing power in 1968 at over [\\$12 when adjusted for inflation](#). Opponents, however, worry that an increase will place an undue burden on business owners, prompting layoffs and greater unemployment. Despite [prolonged inaction](#) at the federal level, efforts to raise the minimum wage remain popular, with states taking the lead in making such changes. In 2019, [roughly two-](#)

Did You Know?

- Approximately 47% of essential workers earn less than \$15 an hour.
- CBO analysis indicates that a \$15 an hour federal minimum wage by 2025 would benefit 27 million workers.
- Roughly eight in 10 Americans across all generations believe the federal minimum wage is too low.

thirds of American voters favored increasing the minimum wage to \$15 an hour. While support for a \$15 hourly minimum wage isn't consistent across party lines, recent research suggests that favorability towards raising the wage more generally has [increased](#) since the onset of the pandemic.

Many employers have taken proactive measures to increase wages. In 2018, one of the country's largest employers, Amazon, announced and implemented a starting wage of at least \$15 an hour nationwide. Since making the change, the company has actively lobbied for a [matching federal increase](#) and backed efforts to raise wages [to \\$15 an hour at the state level](#).

A growing number of businesses are following suit, including Costco, Target, and Starbucks. A recent Amazon/Ipsos study revealed that eight in 10 Americans believe employers should have a role in raising the minimum wage to \$15 an hour, with over half of the respondents saying large employers should play a strong role in increasing wages. Moreover, a growing number of small and medium size businesses are committing to incrementally raising wages to \$15 an hour, with over 600 business owners [signing on](#) to organized efforts by [Business for a Fair Minimum Wage](#).

State Action

The FLSA does not preclude states from enacting their own minimum wage rates. Currently, 29 states and D.C. have minimum wages [above](#) the federal minimum wage of \$7.25 per hour.

Five states do not have a state minimum wage: Alabama, Louisiana, Mississippi, South Carolina, and Tennessee. Two states, Georgia and Wyoming, have a minimum wage below \$7.25 per hour. In all seven of these states, the federal minimum wage of \$7.25 per hour applies.

Nineteen states began 2021 with higher minimum wages than in previous years. Nine states—Alaska, Arizona, Colorado, Maine Minnesota, Montana, Ohio, South Dakota, and Washington—automatically increased their rates based on the cost of living, while 10 states—Arkansas, California, Illinois, Maryland, Massachusetts, Missouri, New Jersey, New Mexico, New York, and Vermont—increased their rates due to previously approved legislation or ballot initiatives. At least 34 states are considering legislation to increase the minimum wage, with 29 states proposing an incremental increase to \$15 an hour or more. Delaware's Senate recently

passed \$15 an hour legislation in late March with additional action expected in the House in April.

To date, nine states and the District of Columbia have enacted legislation or passed ballot measures incrementally increasing the state minimum to \$15. Florida became the most recent addition in late 2020, after voters approved Amendment 2 with over 60% support. [Amendment 2](#) raises the state's minimum wage to \$15 an hour by 2026 and provides for automatic indexing—cost of living increases—starting Sept. 30, 2027. The amendment will raise the state's cash wage for tipped workers to \$11.98 per hour by 2026.

Virginia also approved significant changes to its minimum wage rates in 2020. [HB 395](#) increases the minimum wage to \$9.50 per hour effective May 1, 2021 and provides for incremental increases each year until reaching \$15 per hour in 2026; annual indexing will begin Jan. 1, 2027. The legislation stipulates that increases scheduled for 2025 and 2026 not take effect unless reenacted by the General Assembly prior to July 1, 2024. If such provisions are not reenacted, the minimum wage will instead index annually beginning Jan. 1, 2025, from a wage rate of \$12 per hour. The measure also creates a training wage at 75% of the minimum wage for employees in on-the-job training programs lasting less than 90 days and expands state coverage to those exempted from the FLSA, including domestic workers and people with disabilities.

Federal Action

Congress has raised the minimum wage nine times since its creation in 1938. In the years succeeding the last approved increase in 2007, Congress has considered iterations of the Raise the Wage Act. If enacted, the [Raise the Wage Act of 2021](#) would immediately lift the federal minimum wage to \$9.50 an hour and incrementally increase it to \$15 an hour over the course of five years, with annual indexing to median wage growth thereafter. For tipped workers, the bill would immediately more than double the cash wage to \$4.98 an hour while providing for incremental increases until reaching uniformity with the non-cash wage. Tipped workers would still be allowed to keep any tips received. Additionally, the act phases out [14\(c\) waivers](#), which allow employers to pay people with disabilities subminimum wages, and the [youth wage](#) paid to employees under 20 for their first 90 days on the job.

Additional Resources

- [State Minimum Wages](#), National Conference of State Legislatures
- [Minimum Wage Legislation Database](#), National Conference of State Legislatures
- [The Budgetary Effects of the Raise the Wage Act of 2021](#), Congressional Budget Office

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