

Fact Sheet: “Fair Minimum Wage Act of 2007”

Review: On May 25th, 2007, President Bush signed into law House resolution 2206 which includes the Fair Minimum Wage Act of 2007. The Federal minimum wage will reach a total increase of \$2.10 within two years following a three step schedule as follows:
(Starting 60 days after the bill’s ratification date.)

- From \$5.15 / Hour to \$5.85 / Hour on July 24th, 2007.
- From \$5.85 / Hour to \$6.55 / Hour on July 24th, 2008.
- From \$6.55 / Hour to \$7.25 / Hour on July 24th, 2009.

The Federal Minimum Wage poster is expected to be available any time within the 60 day period before the first increase in July 24th, 2007. *An internet version may be released earlier than the printed version.*

Are all states in the country affected by the Federal Minimum Wage increase?

No. Currently there are 31 states in the country that have already increased their minimum wage above the federal wage, nine of these states will not be affected by the new federal wage because they have minimum wages that are equal to or above \$7.25. There are five states with no minimum wage law and one state with a minimum wage lower than the federal minimum wage. The remaining 13 states comply with the federal minimum wage. By July 24th, 2009, the date for the final increase in the federal minimum wage, only 11 states will have a higher minimum wage than the federal wage while several other states will be tied with the federal wage.

Pros/cons of having a Federal minimum Wage increase:

(PROS):

- **A vast number of Americans will benefit from the federal minimum wage increase.** Around 5.6 million workers will directly benefit, these are workers who are currently earning \$5.15 an hour and will experience a nearly 41% increase in pay. An additional 7.4 million workers will benefit indirectly, these are workers earning between \$5.15 and \$7.25, who will benefit in different proportions. In total, an approximated 13 million workers are expected to benefit after the minimum wage increase.
- **Most workers who will benefit are adults.** 79% of beneficiaries are adults, and 59% are women. Raising the minimum wage will not only benefit individuals but will also benefit families in which the household(s) is (are) a minimum wage earner(s). Women constitute more than 50% of minimum wage workers; thereof, an increase will help reduce the economic gender gap which is still strongly noticeable in America. Amongst these workers there are 1.2 million single parents of which the vast majority are also women.
- **A minimum wage increase is needed to restore its value.** The federal minimum wage is not adjusted for inflation therefore every time inflation goes up and the congress does not increase the minimum wage, its value decreases. Today, the federal minimum wage is 31% of the average hourly wage of American workers, the lowest level since 1947.
- **The minimum wage increase and its role assure that workers share in a growing economy.** For most minimum wage earners it is difficult to survive in a growing economy where new corporate businesses open every day and prices of goods and services go up. While most people are compensated for inflation, minimum wage earners have not experienced a rise in 10 years. Wages inequality increased because the real value of the minimum wage decreases as inflation

increases, and those who are compensated become richer while those who earn the minimum wage become poorer. An increase in minimum wage will help to reduce wage inequality between workers.

- **No proof for unemployment increase.**

A study from the Economic Policy Institute (EPI), failed to prove any significant unemployment following the federal minimum wage increase in 1996-1997. In fact, more recent studies demonstrated that the market performed even better from 1996-1997. When workers are paid higher wages they perform better increasing productivity and lowering recruiting and training costs. Therefore employers are able to absorb some of the costs of higher wages without having to downsize the workforce.

(CONS):

- **Higher wages cause higher unemployment.** Those who oppose a higher minimum wage argue that unemployment will go up because fewer employers will be able to pay a higher wage, and employers will also be forced to lay off employees to compensate for higher wages.

- **Increasing the minimum wage will jeopardize small businesses.**

Economists against increasing the minimum wage believe the free market should be setting wages, not the government. They say that higher minimum wages put small businesses in danger. These businesses would need to lay off employees to reduce the costs and some may be forced out of business.

- **The minimum wage is a starting wage.**

Another argument made by those against minimum wage is, that a minimum wage is a starting rate that is earned by students, not by single parents. In most cases people who start a job under minimum wage will promptly get a raise and will be able to support themselves and their families.

- **Inflation makes the effort worthless.**

Finally, many believe that the increase of minimum wage will make inflation go up. Businesses will increase prices and services to compensate for the increase in minimum wage. Therefore increasing minimum wages will increase inflation, and inflation requires higher wages; thus, creating an unsustainable cycle.

Sources

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