

MINIMUM WAGE

Higher State Minimum Wages Promote Fair Pay for Women

October 2014 | Julie Vogtman and Katherine Gallagher Robbins

Women working full time, year round typically make only 78 percent of what their male counterparts make—leaving a wage gap of 22 cents on the dollar.¹ One reason for this wage gap is that women are concentrated in low-wage jobs: two-thirds of minimum wage workers as well as two-thirds of workers in tipped occupations are women.²

Raising the minimum wage would help close this gap by increasing wages for workers at the bottom of the spectrum. **Raising the minimum wage and the tipped minimum wage are important steps towards fair pay for women—especially women of color.**

The Federal Minimum Wage & Tipped Minimum Wage

- The federal minimum wage is \$7.25 per hour and the federal minimum cash wage for tipped workers is just \$2.13 per hour.
- Neither minimum wage is indexed for inflation, which means they lose value over time. Congress has raised the minimum wage only three times in 30 years. The tipped minimum wage has been frozen for over 20 years.³
- A full-time, year-round minimum wage worker earns just \$14,500—more than \$4,000 below the poverty line for a mother and two children.⁴

States with higher-than-federal minimum wages also have smaller wage gaps.

- The average wage gap in states with a minimum wage at or above \$8.00 (17.7 cents) is 22 percent smaller than the average wage gap in states with a \$7.25 minimum wage (22.7 cents).⁵
- In 2013, six of the ten states with the narrowest wage gaps had minimum wages above the federal level of \$7.25 per hour. Among the ten states with the widest wage gaps, only one had a minimum wage above \$7.25.⁶

States with the 10 smallest wage gaps, 2013

State	Women's Earnings/ Men's Earnings	Wage Gap	Minimum Wage
District of Columbia	91.3%	8.7%	\$8.25
New York	85.8%	14.2%	\$7.25
Maryland	85.5%	14.5%	\$7.25
Florida	84.3%	15.7%	\$7.79
California	83.9%	16.1%	\$8.00
Arizona	83.6%	16.4%	\$7.80
Hawaii	83.3%	16.7%	\$7.25
Nevada*	83.3%	16.7%	\$8.25
Vermont	83.0%	17.0%	\$8.60
North Carolina	82.8%	17.2%	\$7.25

States with the 10 widest wage gaps, 2013

State	Women's Earnings/ Men's Earnings	Wage Gap	Minimum Wage
Louisiana	65.9%	34.1%	\$7.25
Wyoming	69.3%	30.7%	\$7.25
West Virginia	69.4%	30.6%	\$7.25
Utah	69.9%	30.1%	\$7.25
North Dakota	70.2%	29.8%	\$7.25
Montana*	73.5%	26.5%	\$7.80
Indiana	73.8%	26.2%	\$7.25
Nebraska	74.1%	25.9%	\$7.25
Oklahoma	74.9%	25.1%	\$7.25
South Dakota	75.1%	24.9%	\$7.25

Notes: Earnings ratios and wage gaps are NWLC calculations are based on the [2013 American Community Survey, the most recent data available](#). For comparability 2013 minimum wages are listed (see U.S. Department of Labor, Wage and Hour Division, Minimum Wage Laws in the States [Changes in Basic Minimum Wages, 1968 to 2013](#)). Since 2013 a number of states have enacted legislation to raise the minimum wage (see NWLC's resource Women and the Minimum Wage, State by State for the current status of each state, [available at http://www.nwlc.org/resource/women-and-minimum-wage-state-state](http://www.nwlc.org/resource/women-and-minimum-wage-state-state)).

*Nevada's minimum wage in 2013 was \$7.25 if the employer provided health insurance. In Montana, the minimum wage for businesses with gross annual sales of \$110,000 or less was \$7.25 per hour.

Minimum wage workers are disproportionately women, particularly women of color.

- Women made up about two-thirds of all workers who were paid minimum wage or less in 2013, and 60 percent of full-time minimum wage workers.⁷ Women were also two-thirds of workers in tipped occupations in 2013.⁸
- Women of color are disproportionately represented among minimum wage workers. Twenty-two percent of minimum wage workers are women of color, compared to less than 16 percent of workers overall.⁹
- In every state, women are about half or more of the workers making at or below the state's minimum wage. In 25 states, women represent more than six in ten of the workers making at or below the state minimum wage, including four states where women represent more than seven in ten of the workers making at or below the state minimum wage.¹⁰

Raising the minimum and tipped minimum wages would help close the wage gap.

- In 2013, women working full time, year round were typically paid 78 cents for every dollar paid to their male counterparts. The wage gap was even larger for

women of color: African American women working full time, year round typically made only 64 cents, and Hispanic women only 56 cents, for every dollar paid to their white, non-Hispanic male counterparts.¹¹

- By lifting wages for the lowest-paid workers while leaving wages unchanged for those at the top, raising the minimum wage would likely narrow the range of wages paid to workers across the economy—and because women are the majority of workers who would see their pay go up, the wage gap would narrow as well.¹²
- The White House Council of Economic Advisers projects that raising the minimum wage to \$10.10 and indexing it to inflation could close the wage gap by five percent.¹³
- Raising the minimum wage would be especially helpful for women of color, who experience wider wage gaps and are disproportionately represented among minimum wage earners.
- It is critical to raise the tipped minimum wage along with the minimum wage. When tips fall short of the minimum wage, employers are supposed to make up the difference, but often fail to do so.¹⁴ Raising the tipped minimum wage would ensure a more stable and adequate base for a low-paid and predominantly female workforce.

1 NWLC, *The Wage Gap is Stagnant For Nearly A Decade* (Sept. 2014), available at <http://www.nwlc.org/resource/wage-gap-stagnant-nearly-decade>.

2 NWLC, *Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage* (Sept. 2014) available at <http://www.nwlc.org/resource/fair-pay-women-requires-increasing-minimum-wage-and-tipped-minimum-wage>. "Minimum wage workers" refers to workers making the minimum wage or less.

3 Sylvia A. Allegretto & David Cooper, *Econ. Policy Inst. & Ctr. on Wage & Employment Dynamics, Univ. of Ca., Berkeley, Twenty-Three Years and Still Waiting for Change*, at 3 (July 2014), available at <http://s2.epi.org/files/2014/EPI-CWED-BP379.pdf>.

4 NWLC calculation assuming 40 hours per week, 50 weeks per year at \$7.25 per hour. U.S. Census Bureau, *Poverty Thresholds for 2013* <https://www.census.gov/hhes/www/poverty/data/threshld/index.html> (last visited Sept. 24, 2014).

5 This average wage gap in all states with minimum wages above \$7.25 per hour (19.3 cents) is also smaller than the average wage gap in states with minimum wages of \$7.25. NWLC calculations of state wage gaps based on U.S. Census Bureau, 2013 American Community Survey, Tables R2001 and R2002, available at <http://www.census.gov/acs/www/>. U.S. Department of Labor, Wage and Hour Division, *Changes in Basic Minimum Wages in Non-Farm Employment Under State Law: Selected years 1968 to 2014*, available at <http://www.dol.gov/whd/state/stateMinWageHis.htm> (last visited Sept. 27, 2014). D.C. is considered a state for the purposes of this comparison.

6 *Id.*

7 NWLC, *Fair Pay for Women*, *supra* note 2. This is true for both those 16 and older (62 percent) and 25 and older (64 percent).

8 *Id.*

9 *Id.*

10 NWLC calculations based on unpublished U.S. Department of Labor, Bureau of Labor Statistics data for all wage and salary workers. Figures are annual averages for 2013. Available data do not permit a precise calculation of the percentage of women making the state minimum wage in all states due to the increments by which wages are reported. Estimates are based on the share of workers who are women at or below the reported wage levels immediately above and below the relevant state's minimum wage. For more information see NWLC, *Women and the Minimum Wage, State by State*, <http://www.nwlc.org/resource/women-and-minimum-wage-state-state> (last visited Sept. 26, 2014).

11 NWLC, *The Wage Gap is Stagnant For Nearly A Decade*, *supra* note 1.

12 A higher minimum wage generally would narrow the wage distribution, effectively narrowing the wage gap. Nicole M. Fortin & Thomas Lemieux, *Institutional Changes and Rising Inequality*, *Journal of Economic Perspectives*, Spring 1997, 75-96, at 78, available at <http://www.jstor.org/stable/2138237>. See also Francine D. Blau & Lawrence M. Kahn, *Swimming Upstream*, *Journal of Labor Economics*, Jan. 1997, 1-42, at 28, available at <http://www.jstor.org/stable/2535313>.

13 The White House, *The Impact of Raising the Minimum Wage on Women*, at 2 (Mar. 2014), available at <http://www.whitehouse.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf>.

14 *Id.*