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FALLING WAGES CURB CONSUMER SPENDING, ECONOMIC RECOVERY

Real Pay for Full-Time Minimum Wage Earners Down \$800 This Year; Purchasing Power of Low-Wage Earners Has Fallen Since Congress Last Raised Minimum Wage, Two Years Ago This Sunday

On Sunday, July 24th, two years will have passed since Congress last raised the federal minimum wage to \$7.25 per hour. The increase gave a modest bump in pay to approximately 4.5 million workers, of whom more than three-quarters were adults, nearly two-thirds were women, and nearly half a million were single parents with children under 18. Since then, the value of the wage has fallen: minimum wage earners would take home an extra \$800 this year if the wage kept pace with rising inflation.

As [President Obama noted](#) earlier this month, CEO compensation grew 23 percent last year, while wages for the average American worker grew only half a percent, and actually [fell slightly after inflation](#). Minimum wage workers have fared even worse: since the 2009 increase, the real value of the minimum wage has fallen 5 percent. An increase in the federal minimum wage now would provide a critical boost to consumer demand and promote hiring and job growth, the National Employment Law Project said today.

“Since the end of the recession, we have seen profits recover and CEO compensation skyrocket, but corporations are sitting on nearly \$2 trillion in cash and refusing to hire because the rest of America has little cash of their own to spend on goods and services. It’s time to raise the minimum wage so Main Street can help power and participate in a robust economic recovery,” said **Christine Owens, executive director of the National Employment Law Project**.

The Economic Policy Institute estimates that raising the minimum wage to \$9.50, as [President Obama proposed](#) during the 2008 presidential campaign, would create more than \$60 billion in new consumer spending.

“It’s a tall order for thousands of the country’s workers – like health aides, child care workers, restaurants employees and more – to raise kids and make ends meet on a full-time minimum wage salary of just \$15,000 per year. It also makes it hard for Main Street to recover when thousands of America’s workers lack the money to spend on goods and services. Raising the minimum wage would put more money in the pockets of the lowest earners, at no cost to the government, and that money would go right back into local communities, businesses and the economy,” said Owens.

[Public opinion findings](#) show that raising the minimum wage has significant bipartisan support across the country. Recent polling by Lake Research Partners shows that, even in the current economy,

voters support raising the minimum wage by a three-to-one margin. Polls in states like Illinois and Maryland also show that voters believe raising the minimum wage will help the economy rather than hurt it. This year legislators in Illinois, Maryland, California, Maine, and Massachusetts all introduced bills to raise their state's wage floor.

The incremental increase in the minimum wage that Congress enacted over 2007-2009 was one of just three times in the last three decades that it raised the minimum wage. The real value of the minimum wage has declined dramatically over the past 40 years, as prices for goods and services have risen much faster than the wage floor. If the minimum wage had kept up with inflation since the late 1960s, it would be \$10.38 today. Yet, roughly a quarter of the nation's work force is now earning less than that.

Eighteen states and Washington D.C. have raised their minimum wages higher than the federal level of \$7.25 per hour (or \$15,000 a year for a full-time worker). Ten states have enacted measures to annually adjust their minimum wage to keep pace with the rising cost of living.

Two decades of rigorous academic research have found that increases in the minimum wage have raised wages without costing jobs or slowing rehiring, even during times of high unemployment. NELP has short summaries of the studies [here](#) and [here](#). A recent policy briefing on the economic and public support for raising the minimum wage, conducted by the National Employment Law Project, the Center for American Progress, the Economic Policy Institute and Lake Research Partners, can be viewed [here](#).

For more information from NELP on the minimum wage, visit RaiseTheMinimumWage.com.

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