

For Immediate Release: December 19, 2012

Contact: Daniel Massey, [daniel@berlinrosen.com](mailto:daniel@berlinrosen.com), (646) 200-5323Emma Stieglitz, [emmaS@berlinrosen.com](mailto:emmaS@berlinrosen.com), (646) 200-5307

## 10 States to Increase Minimum Wage on New Year's Day

*Raises will benefit nearly 1 million workers, boost consumer spending & accelerate economic recovery*

Washington, DC – The minimum wage will increase in ten states on Jan. 1, modestly boosting the incomes of nearly one million low-paid workers in Arizona, Colorado, Florida, Missouri, Montana, Ohio, Oregon, Rhode Island, Vermont, and Washington. The state minimum wage rates will rise between 10 and 35 cents per hour, resulting in an extra \$190 to \$510 per year for the average directly-affected worker. Rhode Island's minimum wage will rise as a result of a law signed by Gov. Lincoln Chafee in June; the remaining nine states will raise their minimum wages in accordance with state laws requiring automatic annual adjustments to keep pace with the rising cost of living.

The increased consumer spending generated by these minimum wage increases will boost GDP by over \$183 million, according to an [analysis](#) by the Economic Policy Institute. While weak consumer demand continues to hold back business expansion, raising the minimum wage puts more money in the pockets of low-wage workers who often have no choice but to immediately spend their increased earnings on basic expenses.

"We need policies that make sure workers earn wages that will at the very least support their basic needs," said **Christine Owens, executive director of the National Employment Law Project**. "But earning an income that meets basic needs shouldn't depend on the state where a working family lives. We need to raise and index the federal minimum wage to help all of America's workers. "

The 10 minimum wage increases scheduled for Jan. 1 will benefit a total of 995,000 low-paid workers: approximately 855,000 workers will be directly affected as the new minimum wage rates will exceed their current hourly pay, while another 140,000 workers will receive an indirect raise as pay scales are adjusted upward to reflect the new minimum wage, according to an analysis by the Economic Policy Institute. Seventy-one percent of these low-wage workers are adults over the age of 20, and 69 percent work 20 hours per week or more. [See [chart](#) for complete demographic breakdown.]

As of Jan. 1, 2013, 19 states plus the District of Columbia will have minimum wage rates above the federal level of \$7.25 per hour, which translates to just over \$15,000 per year for a full-time minimum wage earner. Ten states also adjust their minimum wages annually to keep pace with the rising cost of living – a key policy reform known as "indexing" – to ensure that real wages for the lowest-paid workers do not fall even further behind: these states include Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont, and Washington. Nevada has not scheduled a cost of living adjustment to take effect this year.

Because the federal minimum wage is not indexed to rise automatically with inflation, its real value erodes every year unless Congress approves an increase. Without further action from Congress, the current federal minimum wage of \$7.25 per hour will lose nearly 20 percent of its real value over the next 10 years and have the purchasing power of only \$5.99 in today's dollars, according to a new [data brief](#) by the National Employment Law Project. The report includes projections for the eroding purchasing power of minimum wages in each state over the next ten years. The federal minimum wage would be \$10.58 today if it had kept pace with the rising cost of living since its purchasing power peaked in 1968.

The [Fair Minimum Wage Act of 2012](#), introduced in July by U.S. Senator Tom Harkin and Representative George Miller, would help recover much of this lost value by raising the federal minimum wage to \$9.80 by 2014 and adjusting it annually to keep pace with the cost of living in subsequent years. The Fair Minimum Wage Act would also raise the minimum wage for tipped workers from its current rate of just \$2.13 per hour, where it has been frozen since 1991, to \$6.85 over five years. Thereafter, it would be fixed at 70 percent of the full minimum wage.

A large body of research shows that raising the minimum wage is an effective way to boost the incomes of low-paid workers without reducing employment. A groundbreaking 1994 [study](#) by David Card and Alan Krueger, current chair of the White House Council of Economic Advisers, found that an increase in New Jersey's minimum wage did not reduce employment among fast-food restaurants. These findings have been confirmed by 15 years of economic research, including a 2010 [study](#) published in the *Review of Economics and Statistics* that analyzed data from more than 500 counties and found that minimum wage increases did not cost jobs. Another recent [study](#) published in April 2011 in the journal *Industrial Relations* found that even during times of high unemployment, minimum wage increases did not lead to job loss.

A recent [report](#) by the National Employment Law Project found that 66 percent of low-wage employees work for large companies, not small businesses, and that more than 70 percent of the biggest low-wage employers have fully recovered from the recession and are enjoying strong profits. An August NELP [study](#) showed that while the majority of jobs lost during the recession were in middle-wage occupations, 58 percent of those created in the post-recession recovery have been low-wage occupations. That shift towards low-wage jobs is a 30-year trend that is only accelerating, according to a recent [report](#) by the Center for Economic and Policy Research.

*The following table lists the states with increases; amount of increase; the new wage on January 1, 2013; the total workers directly and indirectly affected, the increase in annual earnings for the average affected workers, and the GDP impact of each minimum wage increase:*

States with Minimum Wage Increase	Amount of Wage Increase	New Wage on Jan. 1, 2013	Total Affected Workers	Average Annual Increase for Directly Affected Worker	GDP Impact
Arizona	\$0.15	\$7.80	72,000	\$320	\$13,188,000
Colorado	\$0.14	\$7.78	66,000	\$300	\$11,170,000
Florida	\$0.12	\$7.79	210,000	\$370	\$46,428,000
Missouri	\$0.10	\$7.35	79,000	\$190	\$8,618,000
Montana	\$0.15	\$7.80	22,000	\$310	\$3,960,000
Ohio	\$0.15	\$7.85	215,000	\$340	\$43,443,000
Oregon	\$0.15	\$8.95	127,000	\$410	\$22,681,000
Rhode Island	\$0.35	\$7.75	29,000	\$510	\$3,938,000
Vermont	\$0.14	\$8.60	11,000	\$240	\$1,461,000
Washington	\$0.15	\$9.19	164,000	\$310	\$29,009,000
<b>Total</b>			<b>995,000</b>		<b>\$183,896,000</b>

*The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more about NELP, visit [www.nelp.org](http://www.nelp.org) or [www.raisetheminimumwage.org](http://www.raisetheminimumwage.org). Additional information on minimum wage and NELP's other priorities for the first 100 Days of President Obama's second term can be found at: [www.nelp.org/100days](http://www.nelp.org/100days).*

###