

Why the U.S. needs a \$15 minimum wage

How the Raise the Wage Act would benefit U.S.
workers and their families

Fact Sheet • January 26, 2021

This fact sheet was updated February 19 with a new section on tipped workers.

The federal minimum hourly wage is just \$7.25 and Congress has not increased it since 2009. Low wages hurt all workers and are particularly harmful to Black workers and other workers of color, especially women of color, who make up a disproportionate share of workers who are severely underpaid. This is the result of structural racism and sexism, with an economic system rooted in chattel slavery in which workers of color—and especially women of color—have been and continue to be shunted into the most underpaid jobs.¹

The Raise the Wage Act of 2021 would gradually raise the federal minimum wage to \$15 an hour by 2025 and narrow racial and gender pay gaps. Here is what the Act would do:

- Raise the federal minimum wage to \$9.50 this year and increase it in steps until it reaches \$15 an hour in 2025.²
- After 2025, adjust the minimum wage each year to keep pace with growth in the median wage, a measure of wages for typical workers.
- Phase out the egregious subminimum wage for tipped workers, which has been frozen at a meager \$2.13 since 1991.³

- Sunset unacceptable subminimum wages for workers with disabilities employed in sheltered workshops and for workers under age 20.

The benefits of gradually phasing in a \$15 minimum wage by 2025 would be far-reaching, lifting pay for tens of millions of workers and helping reverse decades of growing pay inequality.

The Raise the Wage Act would have the following benefits:⁴

- Gradually raising the federal minimum wage to \$15 by 2025 would lift pay for **32 million workers—21% of the U.S. workforce**.
- Affected workers who work year round would **earn an extra \$3,300 a year**—enough to make a **tremendous difference in the life of a cashier, home health aide, or fast-food worker** who today struggles to get by on less than \$25,000 a year.
- **A majority (59%) of workers whose total family income is below the poverty line would receive a pay increase** if the minimum wage were raised to \$15 by 2025.
- A \$15 minimum wage would **begin to reverse decades of growing pay inequality** between the most underpaid workers and workers receiving close to the median wage, particularly along gender and racial lines. For example, minimum wage increases in the late 1960s explained 20% of the decrease in the Black–white earnings gap in the years that followed, whereas failures to adequately increase the minimum wage after 1979 account for almost half of the increase in inequality between women at the middle and bottom of the wage distribution.⁵
- A \$15 minimum wage by 2025 would **generate \$107 billion in higher wages** for workers and would also benefit communities across the country. Because underpaid workers spend much of their extra earnings, this injection of wages will **help stimulate the economy and spur greater business activity and job growth**.

Raising the minimum wage to \$15 will be particularly significant for workers of color and would help narrow the racial pay gap.

- **Nearly one-third (31%) of African Americans** and **one-quarter (26%) of Latinos** would get a raise if the federal minimum wage were increased to \$15.⁶
- **Almost one in four (23%) of those who would benefit is a Black or Latina woman.**
- African Americans and Latinos are paid 10%–15% less than white workers with the same characteristics, so **The Raise the Wage Act will deliver the largest benefits to**

Black and Latino workers: about \$3,500 annually for a year-round worker.⁷

- Minimum wage increases in the 1960s Civil Rights Era significantly reduced Black–white earnings inequality and are responsible for more than 20% of the overall reduction in later years.⁸

The majority of workers who would benefit are adult women—many of whom have attended college and many of whom have children.

- More than half (51%) of workers who would benefit are adults between the ages of 25 and 54; only one in 10 is a teenager.
- Nearly six in 10 (59%) are women.
- More than half (54%) work full time.
- More than four in 10 (43%) have some college experience.
- More than a quarter (28%) have children.

The Raise the Wage Act follows the lead of the growing number of states and cities that have adopted significant minimum wage increases in recent years, thanks to the ‘Fight for \$15 and a union’ movement led by Black workers and workers of color.

- Since the Fight for \$15 was launched by striking fast-food workers in 2012,⁹ **states representing approximately 40% of the U.S. workforce**—California, Connecticut, Florida, Illinois, Maryland, Massachusetts, New Jersey, New York, Virginia, and the District of Columbia—**have approved raising their minimum wages to \$15 an hour.**¹⁰
- Additional states—including Washington, Oregon, Colorado, Arizona, New Mexico, Vermont, Missouri, Michigan, and Maine—have approved **minimum wages ranging from \$12 to \$14.75 an hour.**¹¹

Not just on the coasts, but all across the country, workers need at least \$15 an hour today.

- Today, in all areas across the United States, a single adult without children needs at least \$31,200—what a full-time worker making \$15 an hour earns annually—to achieve a modest but adequate standard of living.¹² By 2025, workers in these areas and those with children will need even more, according to projections based on

the Economic Policy Institute's [Family Budget Calculator](#).¹³

- **For example, in rural Missouri, a single adult without children will need \$39,800 (more than \$19 per hour for a full-time worker) by 2025** to cover typical rent, food, transportation, and other basic living costs.
- **In larger metro areas of the South and Southwest—where the majority of the Southern population live—a single adult without children will also need more than \$15 an hour by 2025** to get by: \$20.03 in Fort Worth, \$21.12 in Phoenix, and \$20.95 in Miami.
- **In more expensive regions of the country, a single adult without children will need far more than \$15 an hour by 2025** to cover the basics: \$28.70 in New York City, \$24.06 in Los Angeles, and \$23.94 in Washington, D.C.

Workers in many essential and front-line jobs struggle to get by on less than \$15 an hour today and would benefit from a \$15 minimum wage.

- **Essential and front-line workers make up a majority (60%) of those who would benefit from a \$15 minimum wage.**¹⁴ The median pay is well under \$15 an hour for many essential and front-line jobs; examples include **substitute teachers** (\$13.84), **nursing assistants** (\$14.26), and **home health aides** (\$12.15).¹⁵
- **More than one-third (35%) of those working in residential or nursing care facilities would see their pay increase**, in addition to home health aides and other health care support workers.
- One in three retail-sector workers (36%) would get a raise, including **42% of workers in grocery stores**.
- **More than four in 10 (43% of) janitors, housekeepers, and other cleaning workers would benefit.**
- **Nearly two-thirds (64%) of servers, cooks, and other food preparation workers** would see their earnings rise by \$5,800 on a year-round basis.
- **Ten million workers in health care, education, construction, and manufacturing would see a raise**—representing nearly one-third (31%) of the workers who would see a raise.

Phasing out the egregiously low \$2.13 minimum wage for tipped workers would lift pay, provide stable paychecks, and reduce poverty for millions of tipped workers.

- **There are 1.3 million tipped workers throughout the country who are paid as little as \$2.13 per hour** because Congress has not lifted the federal tipped wage in 30 years. Another 1.8 million tipped workers receive wages above \$2.13, but still less than their state’s regular minimum wage.¹⁶
- **Seven states (Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington) have already eliminated their lower tipped minimum wage.** In these “one-fair-wage” states, tipped workers in these states are paid the same minimum wage as everyone else before tips.¹⁷ For restaurant servers and bartenders, take-home pay in one-fair-wage states is 21% higher, on average, than in \$2.13 states.
- **Having a lower minimum wage for tipped jobs results in dramatically higher poverty rates for tipped workers.** In states that use the federal \$2.13 tipped minimum wage, the poverty rate among servers and bartenders is 13.3%—5.6 percentage points higher than the 7.7% poverty rate among servers and bartenders in one-fair-wage states.¹⁸
- **Eliminating the lower tipped minimum wage has not harmed growth in the restaurant industry or tipped jobs.** From 2011 to 2019, one-fair-wage states had stronger restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service restaurants (17.5% versus 11.1%) and in full-service restaurant employment (23.8% versus 18.7%).¹⁹

Growing numbers of business owners and organizations have backed a \$15 minimum wage.

- In states that have already approved \$15 minimum wages, **business organizations representing thousands of small businesses have endorsed a \$15 minimum wage.**
- Business groups that have endorsed a \$15 minimum wage include Business for a Fair Minimum Wage,²⁰ the American Sustainable Business Council,²¹ the Patriotic Millionaires,²² the Greater New York Chamber of Commerce,²³ the Long Island African American Chamber of Commerce,²⁴ and others.
- **Growing numbers of employers have responded to pressure from workers and raised their starting pay scales to \$15 or higher.** These include retail giants Amazon,²⁵ Whole Foods²⁶ (owned by Amazon), Target,²⁷ Walmart,²⁸ Wayfair,²⁹ Costco,³⁰ Hobby Lobby,³¹ and Best Buy,³² employers in the food service and producing industries, such as Chobani,³³ Starbucks,³⁴ Sanderson Farms (Mississippi),³⁵ and the Atlanta-area locations of Lidl grocery stores,³⁶ health care

employers including Michigan’s Henry Ford Health System³⁷ and Trinity Health System,³⁸ Ohio’s Akron Children’s Hospital³⁹ and Cincinnati Children’s Hospital Medical Center,⁴⁰ Iowa’s Mercy Medical Center and MercyCare Community Physicians,⁴¹ Missouri’s North Kansas City Hospital and Meritas Health,⁴² and Maryland’s LifeBridge Health;⁴³ insurers and banks such as Amalgamated Bank,⁴⁴ Allstate,⁴⁵ Wells Fargo,⁴⁶ and Franklin Savings Bank in New Hampshire⁴⁷; and tech and communications leaders such as Facebook⁴⁸ and Charter Communications.⁴⁹

Our economy can more than afford a \$15 minimum wage.

- Workers earning the current federal minimum wage **are paid less per hour in real dollars than their counterparts were paid 50 years ago.**⁵⁰
- Businesses can afford to pay the most underpaid worker in the U.S. today substantially more than what her counterpart was paid half a century ago.⁵¹
- The economy has grown dramatically over the past 50 years, and workers are producing more from each hour of work, with **productivity nearly doubling since the late 1960s.** If the minimum wage had been raised at the same pace as productivity growth since the late 1960s, **it would be over \$20 an hour today.**⁵²

Research confirms what workers know: Raising wages benefits us all.

- High-quality academic scholarship confirms that modest **increases in the minimum wage have not led to detectable job losses.**⁵³
- After the federal minimum wage was raised to its highest historical peak in 1968, wages grew and racial earnings gaps closed without constricting employment opportunities for underpaid workers overall.⁵⁴
- Comprehensive research on 138 state-level minimum wage increases shows that all underpaid workers benefit from minimum wage increases, not just teenagers or restaurant workers.⁵⁵
- Multiple studies conclude that total annual incomes of families at the bottom of the income distribution rise significantly after a minimum wage increase.⁵⁶ Workers in low-wage jobs and their families benefit the most from these income increases, reducing poverty and income inequality.
- By providing families with higher incomes, **minimum wage increases have improved infant health and also reduced child abuse and teenage pregnancy.**⁵⁷

An immediate increase in the minimum wage is necessary for the health of our economy.

- **Raising the minimum wage now will tilt the playing field back toward workers who have dangerous jobs and little bargaining power during the pandemic.**⁵⁸
- Providing underpaid workers with more money will directly counter the consumer demand shortfall during this recession.⁵⁹
- Even the Congressional Budget Office's 2019 study of the impact of raising the federal minimum wage to \$15 by 2025 clearly showed that the policy would raise incomes of underpaid workers overall and significantly reduce the number of families in poverty.⁶⁰

Low wages threaten the economic security of workers and their families, who then turn to social benefits programs to make ends meet.

- In states without laws to raise the minimum wage to \$15, nearly half (47%, or 10.5 million) of families of workers who would benefit from the Act rely on public supports programs in part because they do not earn enough at work.⁶¹
- These workers and their families account for nearly one-third of total enrollment in one or more public supports programs.⁶²
- In states without a \$15 minimum wage law, public supports programs for underpaid workers and their families make up **42% of total spending** on Medicaid and CHIP (the Children's Health Insurance Program), cash assistance (Temporary Assistance for Needy Families, or TANF), food stamps (Supplemental Nutrition Assistance Program, or SNAP), and the earned income tax credit (EITC), and **cost federal and state taxpayers more than \$107 billion a year.**⁶³

Notes and Sources

This fact sheet is an update of *Why America Needs a \$15 Minimum Wage*, published by EPI and the National Employment Law Project, February 2019.

Unless otherwise indicated, the figures presented in this fact sheet come from a forthcoming EPI analysis of the [2021 Raise the Wage Act](#).

1. Kate Bahn and Carmen Sanchez Cumming, “[Four Graphs on U.S. Occupational Segregation by Race, Ethnicity, and Gender](#),” Washington Center for Equitable Growth, July 1, 2020.
2. The analysis is based on the [2021 Raise the Wage Act](#).
3. Sylvia Allegretto and David Cooper, *[Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage](#)*, Economic Policy Institute, July 2014.
4. Estimated effects of the [2021 Raise the Wage Act](#) throughout this fact sheet are from a forthcoming Economic Policy Institute analysis of the legislation and include benefits for both directly affected workers (those who would otherwise earn less than \$15 per hour in 2025) and indirectly affected workers (those who would earn just slightly above \$15 in 2025).
5. Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1 (February 2021); David Autor, Alan Manning, and Christopher L. Smith, “[The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment](#),” *American Economic Journal: Applied Economics* 8, no. 1 (January 2016).
6. See also Laura Huizar and Tsedeye Gebreselassie, *[What a \\$15 Minimum Wage Means for Women and Workers of Color](#)*, National Employment Law Project, December 2016.
7. For racial/ethnic wage gaps, see Appendix Table 1 of Elise Gould, *[State of Working America Wages 2019](#)*, Economic Policy Institute, February 2020.
8. Ellora Derenoncourt and Claire Montialoux, “[Minimum Wages and Racial Inequality](#),” *Quarterly Journal of Economics* 136, no. 1 (February 2021).
9. Alina Selyukh, “[‘Gives Me Hope’: How Low-Paid Workers Rose up Against Stagnant Wages](#),” National Public Radio’s *All Things Considered*, February 26, 2020; Kimberly Freeman Brown and Marc Bayard, “[Editorial: The New Face of Labor, Civil Rights is Black & Female](#),” NBC News, September 7, 2015; Amy B. Dean, “[Is the Fight for \\$15 the Next Civil Rights Movement?](#)” *Al Jazeera America*, June 22, 2015.
10. Economic Policy Institute calculation using Current Employment Statistics data from the Bureau of Labor Statistics. Values calculated using the listed states’ share of total U.S. nonfarm employment in calendar year 2019 (prior to the COVID-19 pandemic). For recent minimum wage changes, see the Economic Policy Institute Minimum Wage Tracker, <https://www.epi.org/minimum-wage-tracker/>. We include the District of Columbia in this list even though it is not a state.
11. Yannet Lathrop, *[Impact of the Fight for \\$15: \\$68 Billion in Raises, 22 Million Workers](#)*, National Employment Law Project, November 2018.
12. Based on calculations from the Economic Policy Institute’s [Family Budget Calculator](#), which measures the income a family needs to attain a secure yet modest standard of living in all counties and metro areas across the country.
13. Congressional Budget Office projections for the consumer price index were applied to the Economic Policy Institute’s [Family Budget Calculator](#).

14. Economic Policy Institute analysis of the legislation, forthcoming.
15. Bureau of Labor Statistics, Occupational Employment Statistics, *May 2019 National Occupational Employment and Wage Estimates United States* (online database).
16. Economic Policy Institute analysis of Current Population Survey outgoing rotation group microdata, 2017–2019
17. Economic Policy Institute analysis of Current Population Survey outgoing rotation group microdata, 2017–2019
18. Economic Policy Institute analysis of Current Population Survey outgoing rotation group microdata, 2017–2019
19. Quarterly Census of Employment and Wages, 2011–2019.
20. Business for a Fair Minimum Wage, “[Federal Business for a Fair Minimum Wage—\\$15: Signatories List in Formation](#),” accessed January 22, 2021.
21. Business for a Fair Minimum Wage, “[Federal Business for a Fair Minimum Wage—\\$15: Signatories List in Formation](#),” accessed January 22, 2021.
22. Patriotic Millionaires, “[Endorsed Bill: The Raise the Wage Act](#),” accessed January 22, 2021.
23. Greater New York Chamber of Commerce, “[Celebrating Juneteenth](#),” June 18, 2020.
24. Kate King, “[New York Boosts Minimum Wage and Some Businesses Balk](#),” *Wall Street Journal*, January 4, 2021.
25. Arjun Panchadar, “[Amazon Raises Minimum Wage to \\$15, Urges Rivals to Follow](#),” *Reuters*, October 2, 2018.
26. Abha Bhattarai, “[Amazon Boosts Minimum Wage to \\$15 for All Workers Following Criticism](#),” *Washington Post*, October 2, 2018.
27. Melissa Repko, “[Target Raises Minimum Wage to \\$15 an Hour Months Before its Deadline](#),” *CNBC*, June 17, 2020.
28. Michael Grothaus, “[Walmart Is Giving 165,000 Employees a Pay Raise Between \\$15 and \\$30 per Hour](#),” *Fast Company*, September 18, 2020.
29. Lucia Maffei, “[Wayfair Sets \\$15 Minimum Wage for All U.S. Workers](#),” *MassLive*, January 8, 2021.
30. Sarah Nassauer and Micah Maidenberg, “[Costco Raises Minimum Wage to \\$15 an Hour](#),” *Wall Street Journal*, March 6, 2019.
31. Hobby Lobby, “[Hobby Lobby Raises Minimum Wage](#)” (press release), September 14, 2020.
32. Gillian Friedman, “[Best Buy to Join Retailers Paying a \\$15 Minimum Wage](#),” *New York Times*, July 22, 2020.
33. Chobani, “[Chobani Increases Employees’ Starting Wage to at Least \\$15/Hour](#),” (PR Newswire release), *Vending Marketwatch*, October 30, 2020.
34. Janine Puhak, “[Starbucks to Raise Minimum Wage to \\$15 for US Employees over Next Three Years](#),” *WDRB.com*, December 12, 2020.
35. Sanderson Farms, “[Sanderson Farms Increases Pay Rates for Hourly Employees](#)” (press release), June 3, 2019.

36. Kara McIntyre, “Lidl to Raise Atlanta-Area Starting Pay to \$15 An Hour,” *Patch* (Atlanta, Ga.), January 5, 2021.
37. Henry Ford Health System, “Henry Ford Among the First Michigan Health Systems to Raise Minimum Pay Rate to \$15 Per Hour” (press release), October 9, 2020.
38. Michael Kransz, “Michigan Health System with 8 Hospitals Increases Minimum Wage to \$15 an Hour,” *MLive.com*, October 19, 2020.
39. Betty Lin-Fisher, “Akron Children’s Hospital to Raise Its Minimum Wage to \$15,” *Akron Beacon Journal*, October 3, 2019.
40. Kelly Gooch, “Ohio Children’s Hospital to Boost Minimum Pay for 3,000 Employees,” *Becker’s Hospital Review*, October 3, 2019.
41. Michaela Ramm, “Mercy Announces Minimum Wage Increase, General Pay,” *The Gazette*, December 22, 2020.
42. North Kansas City Hospital, “North Kansas City Hospital and Meritas Health Raise Minimum Base Wage,” December 21, 2020.
43. LifeBridge Health, “Lifebridge Health Raises Minimum Living Wage for Hospital Team Members to \$15 an Hour” (press release), Greater Baltimore Committee, January 8, 2021.
44. Amalgamated Bank, “Fight for \$15” (web page), accessed January 22, 2021.
45. Amanda Mull, “Corporations’ Social Crusades Often Leave Out Workers,” *The Atlantic*, June 28, 2019.
46. Wells Fargo, “Wells Fargo to Raise Minimum Hourly Pay Levels in a Majority of Its U.S. Markets” (news release), March 4, 2020.
47. Scott Souza, “Franklin Savings Bank Raises Minimum Wage in NH To \$15,” *Patch* (Merrimack, N.H.), October 31, 2019.
48. Tomi Kilgore, “Facebook Raising Minimum Wage to \$20 Per Hour for Bay Area, New York and D.C.” *MarketWatch*, May 13, 2019.
49. Charter Communications, “Charter Statement Regarding Plans to Permanently Raise Minimum Wage to \$20/Per Hour over Next Two Years for All Hourly Employees,” April 6, 2020.
50. David Cooper, *Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Pay for Nearly 40 Million Workers*, Economic Policy Institute, February 2019.
51. David Cooper, *Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Pay for Nearly 40 Million Workers*, Economic Policy Institute, February 2019.
52. David Cooper, *Raising the Federal Minimum Wage to \$15 by 2024 Would Lift Pay for Nearly 40 Million Workers*, Economic Policy Institute, February 2019.
53. Paul J. Wolfson and Dale Belman, “15 Years of Research on U.S. Employment and the Minimum Wage,” Tuck School of Business Working Paper no. 2705499, 2016.
54. Ellora Derenoncourt and Claire Montialoux, “Minimum Wages and Racial Inequality,” *Quarterly Journal of Economics* 136, no. 1 (February 2021).
55. Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, “The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator,” *Quarterly Journal of Economics* 134, no. 9 (May 2019).
56. Arindrajit Dube, “Minimum Wages and the Distribution of Family Incomes,” *American Economic*

Journal: Applied Economics 11, no. 4 (October 2019); Kevin Rinz and John Voorheis, “[The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data](#).” U.S. Census Bureau Center for Administrative Records Research and Applications Working Paper 2018-02, 2018.

57. George L. Wehby, Dhaval M. Dave, and Robert Kaestner, “Effects of the Minimum Wage on Infant Health,” *Journal of Policy Analysis and Management* 39, no. 2 (Spring 2020); Kerri M. Raissian and Lindsey Rose Bullinger, “Money Matters: Does the Minimum Wage Affect Child Maltreatment Rates?” *Children and Youth Services Review* 72 (January 2017); Lindsey Rose Bullinger, “The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis,” *American Journal of Public Health*, March 2017.

58. Peter Dorman and Lawrence Mishel, “[A Majority of Workers Are Fearful of Coronavirus Infections at Work, especially Black, Hispanic, and Low- and Middle-income Workers](#),” *Working Economics Blog* (Economic Policy Institute), June 16, 2020.

59. Cristian Alonso, “[Beyond Labor Market Outcomes: The Impact of the Minimum Wage on Nondurable Consumption](#),” *Journal of Human Resources*, forthcoming.

60. Ben Zipperer, “[Low-Wage Workers Will See Huge Gains from Minimum Wage Hike, CBO Finds](#),” *Working Economics Blog* (Economic Policy Institute), July 9, 2019.

61. Ken Jacobs, Ian Eve Perry, and Jenifer MacGillvary, [The Public Cost of a Low Federal Minimum Wage](#), University of California Berkeley, Labor Center, January 2021.

62. Ken Jacobs, Ian Eve Perry, and Jenifer MacGillvary, [The Public Cost of a Low Federal Minimum Wage](#), University of California Berkeley, Labor Center, January 2021.

63. Ken Jacobs, Ian Eve Perry, and Jenifer MacGillvary, [The Public Cost of a Low Federal Minimum Wage](#), University of California Berkeley, Labor Center, January 2021.