DREXEL UNIVERSITY
Center for
Hunger-Free
Communities

POLICY BRIEF | DECEMBER 2021

MINIMUM WAGE IS NOT ENOUGH

A True Living Wage is Necessary to Reduce Poverty and Improve Health

OVERVIEW

The federal minimum wage has remained stagnant at $7.25 per hour for the past 12 years. While the U.S. minimum wage was never truly a living wage, over time it has done less to reflect the true value of workers and no longer supports families in a way that promotes health and keeps them out of poverty. Employees working full-time at minimum wage cannot afford basic necessities, such as food, housing, transportation, childcare, and healthcare in any location across the country.

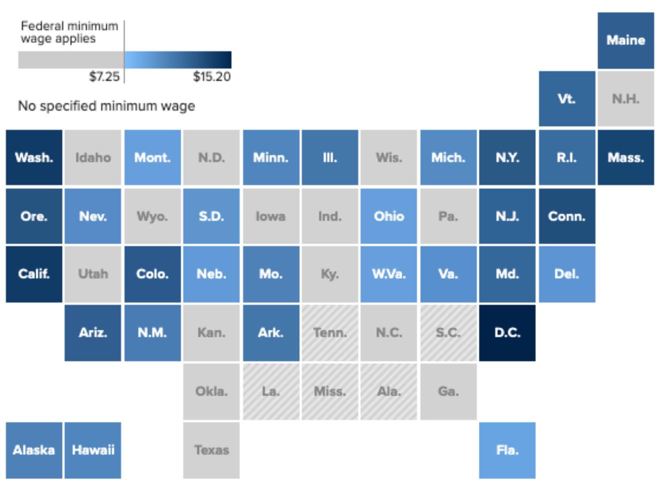
Recent calls to raise the federal minimum wage to $15 per hour are necessary and well-intentioned. However, even that amount is inadequate to truly support working families. A true living wage that supports a basic standard of living without food and housing insecurity would be between $20 and $26 or more per hour depending on the state. Additionally, it would need to adjust regularly to keep pace with inflation and cost of living increases. With the COVID-19 pandemic laying bare the dire economic situation for many of America's essential, low-wage workers, now is the time to increase the federal minimum wage to meet the true cost of living.

BACKGROUND

The federal minimum wage was created by Congress in 1938 as part of the Fair Labor Standards Act, which also included federal guidance on overtime pay and child labor regulations. The minimum wage is the lowest amount an employer may pay a worker for an hour of work, with the exception of tipped wage workers who may receive a subminimum wage as long as their wages with tips amount to at least the mandated minimum wage per hour. Congress created the minimum wage to protect workers (specifically lower level workers with less bargaining power), create a minimum standard of living, and stabilize the economy following the Great Depression. Though often considered the baseline of livable wages, it is important to note that even when it was first created, it did not represent a true living wage.[1]

In 1938, the federal minimum wage was set at 25 cents per hour and rose periodically over the following 71 years. In 2009, it increased to $7.25 per hour and remained at this level for more than 12 years.[2] In the past two years, 27 states and a number of cities passed legislation raising the minimum wage in those locations to exceed the federal mandate. In 2021, 20 remain at or below the federal minimum wage. Only 6 states mandate a wage at or above $12.50 per hour, but no state reached $15 per hour or higher yet. A number of cities and counties including Washington D.C., Seattle, and numerous California cities/counties set recent minimums for all employees that meet or exceed $15 per hour. With current legislation, by 2026, just 10 states will be at or above $15 per hour.[2,3,4] Currently, 42 percent of all U.S. workers make less than $15 dollars per hour.[5] As of 2019, 39 million workers made $15 or less per hour, almost 30 percent of the workforce.[6]

MINIMUM WAGE BY STATE



Map by Economic Policy Institute[3]

The Raise the Wage Act of 2021 was introduced in the U.S. Senate and proposed to raise the federal minimum wage incrementally each year starting in June 2021 until it reached $15 per hour federally in 2025. A similar act was proposed in each Congress since 2017. At the time of this publication, the proposed legislation remained stagnate in the Senate and House committees with no sign of progress.[7,8,9]

In 2020, 55.5 percent of workers were paid at hourly rates, approximately 73.3 million people. Of those, 247,000 earned exactly the federal minimum wage and 865,000 received below the federal minimum–a large majority in tip-supplemented roles. They totaled 1.1 million workers, or 1.5 percent of hourly workers.

The most common misconception about minimum wage workers is they are primarily teenagers working summer or high school jobs. However, in reality, teens aged 16 to 19 make up only about ten percent of workers making minimum wage or less.[10] Almost half of front-line retail workers are 35 or older.[5]

It is most common for minimum wage workers in the U.S. to:

- **Identify as women** – While women compose less than 50 percent of hourly employees, they make up 67 percent of workers making minimum wage or less, many in home care and childcare roles. They are also a large majority of front-line workers in fast food, hotel accommodations, and retail.[5,10]
- **Work part-time** – More than half of minimum wage workers are employed part-time, despite making up just 25 percent of all hourly wage workers.[10]
- **Not have a college education** – A large majority of minimum wage workers do not have a college degree, but most have completed high school education.[10]
- **Live in the southern U.S.** – More than half of minimum wage workers live in the southern U.S.[10] Four of five states with the most minimum wage workers are in the South, where residents are more likely to live in poverty. Mississippi and Louisiana recorded the highest poverty rates in 2019. Kentucky and South Carolina were in the top ten.[11]
- **Work in service industry roles** – Seventy percent of minimum wage workers hold roles in the service industry–in restaurants, grocery stores, hotels, food preparation and food service. Though they represent just 11 percent of all hourly paid employees, workers in the leisure and hospitality industry composed 60 percent of minimum wage workers in 2019.[10] The overwhelming majority of fast food (96 percent), retail and hotel front-line (80 percent) and home care and childcare workers (almost 90 percent) make less than $15 per hour.[5]
- **Receive government-funded assistance** – 5.7 million Medicaid enrollees and 4.7 million Supplemental Nutrition Assistance Program (SNAP) recipients worked full-time hours for 50 or more weeks in 2018.[12]
- **Receive no employer-paid benefits** – Low-wage workers are significantly less likely to receive benefits such as health insurance, sick leave, fair scheduling, paid family leave, and others provided to higher wage employees.[14] Because many employers hire low-wage workers in part-time roles, they are not required by the Affordable Care Act to offer health insurance. This means low-wage employees must pay extra for insurance from low wages, go uninsured, work sick, and avoid taking time off for mental and physical health.[10,15] Home nurses, home care workers, cooks, and restaurant servers were uninsured at rates significantly higher than the 9 percent national average (12, 26, 27, and 22 percent respectively), despite being responsible for the health of others in essential frontline roles during the pandemic.[16]

KEY TERMS AND DEFINITIONS

- Cost of Living: The amount of money needed to cover basic expenses such as housing, food, taxes, and healthcare in a certain location in a certain time period.
- Full-time Work: 2,080 hours per year (40 hours each week for 52 weeks) are used to calculate full-time wages for hourly worker statistics for research purposes. The average employee works roughly 35 hours per week.[10]
- Housing Wage: The estimated full-time hourly wage workers must earn to afford an adequate rental home at the U.S. Department of Housing and Urban Development's Fair Market Rent (the 40th percentile of gross rents for standard rental units) while spending no more than 30 percent of their income on housing costs.
- Living Wage: A measure of basic needs that draws on geographically specific data related to a family's likely minimum costs for basic necessities such as food, childcare, health insurance, housing, transportation, clothing and personal care items. It determines the minimum employment earnings necessary to meet basic needs while also maintaining financial self-sufficiency, taking into account income and payroll taxes.
- Low Wage: A wage that is above the legally defined minimum wage of the set locality but does not meet the determined living wage of the location.
- Minimum Wage: The lowest legal amount an employer may pay a worker for an hour of work, with the exception of tipped wage workers as long as their wages with tips amount to at least the mandated minimum wage per hour.

Low-wage employers in the U.S. are not the small, local businesses that many often picture as unable to afford the cost of high wages. In fact, the majority of America's lowest-paid workers (66 percent) are employed by large corporations with more than 100 employees, often in the retail and food service sectors.[17]

Employers of low-wage workers in the U.S. are highly likely to:

- **Be profitable** – Ninety-two percent of the top 50 low-wage employers made a profit in 2012.[17]
- **Pay their top executives millions of dollars** – Of the top 50 employers of low-wage workers in 2012, the average executive received $9.4 million in compensation.[17]
- **Ensure their shareholders get paid** – The top 50 employers of low-wage workers returned $174.8 billion to shareholders in dividends or share buybacks from 2007 to 2012.[17]
- **Provide fewer employee benefits** – Low-wage employers provide less generous benefit packages than other employers, if any. When they do, they contribute a lower share of premiums, leaving low-wage workers with a larger bill for benefits such as healthcare.[14]
- **Be in one of the following industries**:
  - Food services
  - Accommodations
  - Retail
  - Arts, entertainment, and recreation
  - Administrative services

CEO-TO-WORKER PAY DISCREPANCY[18,19]

In the 1950s, the ratio between the average CEO and worker's salary was **20-to-1**. By 2020, that ratio grew to **351-to-1**. This is an increase of **1,655%**

Top CEO Salary vs. Worker Pay*

COMPANY	CEO	WORKER**
CVS Health	$32,350,733	$27,139
Chipotle	$28,924,270	$19,000
Target	$28,164,024	$30,000
Walmart	$25,592,938	$22,591
Starbucks	$21,466,454	$32,080
BedBathBeyond	$19,116,040	$26,047
Macy's	$16,497,220	$22,800
GAP	$16,064,312	$22,800

*2017 data **Median annual pay for FT employee

The three largest low-wage employers in the U.S. in 2012 were Walmart, Yum! Brands (the operator of Pizza Hut, Taco Bell, and KFC), and McDonald's. The top 350 U.S. company CEO's were paid an average of $24.2 million in 2020, with benefits and stock options.[17] From 1978 to 2019, the typical worker's compensation grew by just 18 percent, while CEO compensation grew by 1,322 percent during the same period.[18] This is only possible by keeping worker compensation low to increase profits.

By paying minimum wage, companies like Walmart and many fast food chains are making the government—and by extension taxpayers—subsidize their payroll. While they take home millions in profits, many employees must depend on public benefits like SNAP and Medicaid paid for with tax dollars. McDonald's and Walmart ranked in the top four employers in all included states for number of full-time workers utilizing federal safety net programs. They employ thousands of staff who, despite working full-time hours, still made so little that they met income eligibility requirements for SNAP and Medicaid.[14]

MINIMUM WAGE VERSUS LIVING WAGE

Living wage (or subsistence wage) is a measure of basic needs that draws on geographically specific data related to a family's likely minimum costs for food, childcare, health insurance, housing, transportation, and other basic necessities. It determines the minimum employment earnings necessary to meet basic needs while also maintaining financial self-sufficiency, taking into account income and payroll taxes. Living wage is the minimum income standard that draws a very fine line between financial independence and the need to seek out public assistance or suffer consistent and severe housing and food insecurity.[20]

Living wage, unlike minimum wage, factors in cost of living, which may vary by location. The range in the U.S. varies widely. For example, the most expensive places to live are Hawaii and Washington D.C., where one would need to make $38.57 per hour and $39.41, respectively, to meet the basic necessities as an adult with one child. Two states that have the lowest cost of living are South Dakota and Mississippi, where one would still need to make $27.06 and $26.74 to meet basic needs. Further, in many places $15 per hour would not be a sufficient living wage for a single person. Even without children, living wages in Hawaii and Washington D.C. are $19.43 and $20.49, respectively.[20]

It is important to note that the living wage calculation is based on working full-time hours, 52 weeks per year, and does not factor in the opportunity to take unpaid time off for illness, family leave, or vacation. It also does not include setting aside any income as savings for emergencies, large purchases such as a car or house, or retirement. It also excludes the comforts that many people think of as essential to "living," such as occasionally eating out, birthday and holiday gifts and celebrations, cable television or streaming services, high speed internet, and education expenses.

Living wage should be viewed as an entry point to the conversation about wages–the amount necessary just to get by.

MINIMUM WAGE HAS NOT KEPT UP WITH INFLATION

While the minimum wage has been adjusted numerous times since its implementation in 1938, it has failed to keep up with inflation and the rising cost of living. The purchasing power of minimum wage reached its peak in 1968 and steadily declined since. If it had kept up with inflation from that point it would have reached at least $10.45 in 2019.[21] Instead, its real value continues to go down, meaning minimum wage employees are essentially being paid less each year.

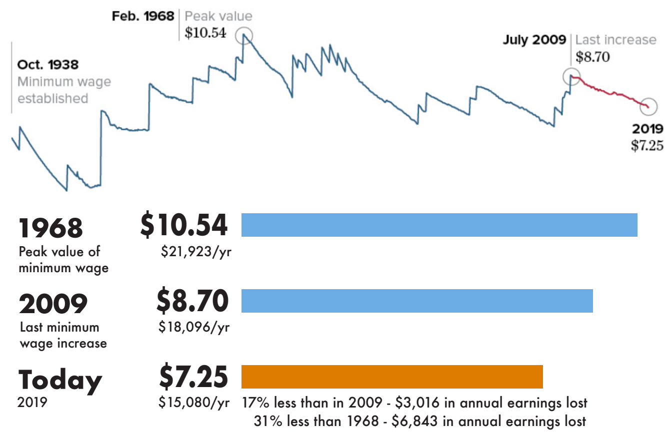
Additionally, some economists argue if minimum wage increased with U.S. productivity over the years, it would be set currently at $26 per hour today and poverty rates would be close to non-existent with little negative impact on the economy. However, because gradual change was avoided, the extra funds were instead shifted to CEO compensation.

A sudden change in wages now could possibly make a more noticeable impact on the economy, which is often cited as reasoning for a slower increase over time moving forward. Gradual increases with inflation and productivity could have avoided any potential economic ripple effects from wage increases and should be considered in ongoing plans.[22]

Because of pandemic-induced labor shortages, many industries saw modest wage increases over the past year. Annual wages grew 4.8 percent for workers earning the lowest 25 percent in August, according to the Federal Reserve of Atlanta.

REAL VALUE OF THE MINIMUM WAGE

(ADJUSTED FOR INFLATION)



Graph by Economic Policy Institute [21]

On the surface, this seems promising. However, when adjusting for inflation, wages actually fell 1.8 percent in 2021, assuming all workers face the same inflation rate.[23] In fact, because lower-income households spend a larger portion of their income on commodities that saw the largest price increases, they face a higher inflation rate. Research shows the annual inflation experienced by the lowest-earning income quartile was 0.3 percent higher than for the top-earning quartile from 2003-2018.[24]

MINIMUM WAGE INSUFFICIENT TO COVER BASIC LIVING EXPENSES

The gap between wages and cost of basic living expenses widens each year. Without participating in government assistance programs, families are unable to afford basic housing, food, healthcare, and childcare and are forced to make spending choices that have major impacts on their families' health, safety, and well-being.

Housing

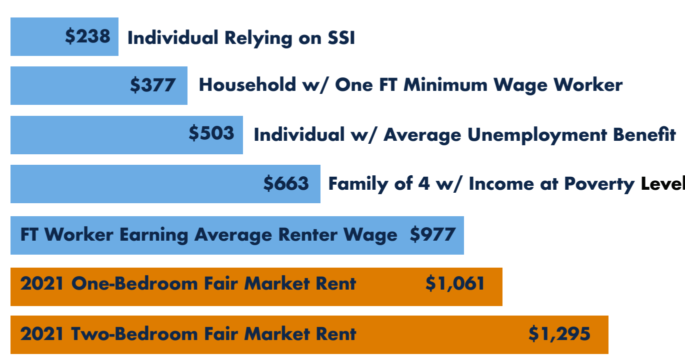
Low-income households are more likely to rent their homes and spend a higher percentage of their earned income on housing.[23] Rent prices increased an average of 8.86 percent each year since 1980, consistently and significantly outpacing wages.[25]

In 2021, a worker receiving minimum wage would be unable to afford housing anywhere in the U.S. In many locations, two full-time minimum wage workers would still be unable to afford a fairly priced two-bedroom apartment.

In order to stay financially healthy, families should spend no more than 30 percent of their income on housing in order to cover all living expenses. With that in mind, the average U.S. worker would need to make $20.40 per hour to afford a modest one-bedroom rental home or $24.90 per hour for a two-bedroom rental home.

RENTAL COSTS OUT OF REACH FOR MOST WORKERS

Monthly rent affordable on various incomes versus monthly fair market rent



Graph from National Low Income Housing Coalition[26]

The average renter makes $18.78 per hour, less than the national one and two-bedroom housing wage. The average renter would have to work more than 53 hours per week to afford a two-bedroom apartment, a virtual impossibility for working parents.[26]

LIVED EXPERIENCE OF LOW WAGES

> *When I was 23, I was working at McDonald's. I started at $7.25 an hour. As a single father of a 2-month old, it didn't leave me enough to buy a crib, diapers, or anything. After a year, I asked for a raise but didn't get one. After four years I became a manager, but it was only a $1 raise. I was doing a lot more work for just a little bit of pay. I knew they were making tons of money off of me. I couldn't support my child on this. A $1 raise helped a little but after taxes, not that much. I ended up having to get a second job while still in school and taking care of my daughter. At the end of the day, it was never enough. Once I paid my main bills, I wasn't left with much. I wasn't saving. I worried what are my children going to live off in the future? Even now $15 an hour isn't enough.*
>
> \- Luis, Philadelphia

Food

The Thrifty Food Plan is one of four plans developed by the USDA to estimate the cost of a healthy diet, used for determining funding for the Supplemental Nutrition Assistance Program (SNAP). It was updated in August 2021 to reflect the increased cost of food and new dietary guidance. Prior to this, it had not been adjusted since 2006. It represents the lowest possible cost of a nutritious, cost-effective diet prepared at home, which may not always be practical for working parents based on schedules, skill, and available cooking equipment.[27]

The market basket (or reference sample of foods determined for a healthy diet) for a family of four—at June 2021 prices—was $835.57 per month.[27]

Many expect the cost of food to continue to increase with ongoing disruptions to the food system. Grocery prices on average rose 4.3 percent from February 2020 to 2021 with items such as fish, poultry, meat and eggs increasing 8.1 percent during that time.[23]

Healthcare

The cost of health insurance premiums continues to increase, making health insurance harder for low-wage workers to afford. The average premium for families increased 22 percent over the past 5 years.[28]

About half of the people in the U.S. receive employer-sponsored health insurance. For employees lucky enough to receive health insurance benefits, lower wage workers saw lower cost premiums, which is likely due to plans being less comprehensive or having higher out-of-pocket expenses when used. Workers paid an average of $1,242 (18 percent of the premium) for single coverage or $6,015 (30 percent of the premium) for family coverage per year.[28]

Job market fluctuations and accompanying insurance lapses bring into question the very concept of employer-provided healthcare and offer an additional argument for public insurance taking a larger role in the U.S. Employment changes caused by COVID-19 led to an estimated 9 million workers losing access to employer-sponsored health insurance at some point during the pandemic. Additionally, enrollment in Medicare increased by 4 million during COVID-19.[29]

Childcare

Childcare is one of the highest budget items for families and exceeds the cost of all expenses except housing in all U.S. regions. The challenge for most low-wage workers lies in the fact that they may not make enough to pay for childcare to allow them to work. For example, in the southern U.S., the average household spent $18,422 on childcare in 2018 (the lowest of all regions). If two adults worked full-time for minimum wage, they would make just $30,160 before taxes, leaving very little to cover housing, food, healthcare, and other expenses.[30]

Because of the inability to afford childcare, many families must choose to have a family member stay home to serve as a caretaker instead of working, resulting in lower household earnings and additional financial challenges.

With childcare facilities shut down due to the pandemic or operating at reduced capacity and students engaged in remote learning, many low-wage workers have been unable to return to their pre-pandemic jobs. As parents return to work after COVID-19 shutdowns, it is harder than ever for them to find affordable childcare.

Additionally, because many low-wage workers do not have access to paid time off or paid sick leave, they often must take off work without pay to care for a sick child as many schools and childcare facilities will not allow a sick child to remain in the facility. This disproportionately impacts female workers, as mothers are more often responsible for staying home when children are sick or off for school holidays.[30]

IMPACT OF INCREASING WAGES

There has been much debate about the impact of raising worker wages at both the state and federal level. It is important to understand and evaluate the impact it would have on workers, businesses, community, and the economy as a whole.

IMPACT ON WORKER HEALTH AND WELLBEING

Everyone knows the saying "money cannot buy you happiness." However, researchers trying to prove/disprove this statement intentionally base their work on populations making more than $40,000 per year knowing that basic needs must be met before they can accurately measure subjective well-being/happiness.[31]

If money is needed to meet basic needs necessary for well-being, the corollary would be that lack of money can make you unhealthy. Low wages force workers to make tough choices regarding their health that have life-long impacts on them and their families.

Food Insecurity

Low wages and food insecurity go hand-in-hand. One in ten working adults faced food insecurity in the period between 2015 to 2017.[32]

In states with a minimum wage set at $10 or higher, 8.6 percent of employed adults were food insecure in 2016. However, in states with a minimum wage set at the federal minimum of $7.25, that number was much higher–9.9 percent were food insecure.[32]

As one would expect, households with low-wage workers and those working part-time or multiple jobs (oftentimes all three) are significantly more likely to be food insecure than those working full-time at one job paying higher wages.[32]

Not surprisingly, front line, low-wage workers such as those in childcare, health care, grocery store, and food service roles are more likely to experience food insecurity. Many roles praised as essential during the COVID-19 pandemic were also more likely to need federal assistance such SNAP to get by even prior to COVID. More than 5.5 million essential workers relied on SNAP at some point in 2018.[33]

Some reports estimate increasing the federal minimum wage to $15 per hour would support almost 1.2 million households in becoming food secure, reducing food insecurity by 6.5 percent.[34]

Food security and health are intertwined. When workers do not have sufficient income to cover basic expenses, they are forced to skip meals or purchase nutritionally deficient food for their families. This causes an urgent crisis, especially for children.

Research finds even very low levels of food insecurity can impact children's brain development, social development, mental health, and physical health that can have lasting impact into adulthood.[35] Food insecurity also impacts children's academic performance and school attendance, which impairs their future wage-earning potential and creates an intergenerational cycle of food insecurity and poverty.

But food insecurity does not just impact the individual family. We all pay the price for hunger in the U.S. The health-related costs of food insecurity for just one year (2014) were estimated at $160.7 billion with another $18.8 billion estimated related to poor educational outcomes.[36]

Mental Health and Well-being

When families do not have enough money to afford rent and other basic necessities, their physical and mental health suffers and stress increases, impacting both adults and children. Adequate family income helps children long-term by reducing severe poverty-related stress, which is linked to life-long impact on children's brain development and physical health and allowing families to afford better learning environments from childcare through college.[37]

Increased wages have been linked positive health impacts as a result of improved mental health including decreases in smoking among adults and specifically among pregnant women resulting in increased child birth weights.[38] They have also been linked to a reduction in suicides, specifically in those with high school or lower education levels.[39]

Improvements in worker mental and physical well-being also positively impacts businesses. The Integrated Benefits Institute estimates that illness-related productivity losses cost employers $575 billion in 2019 on top of the $950 billion spent on healthcare benefits by employers. Reducing poverty-related stress and improving overall health results in fewer sick days taken and improved performance.[38,40]

Self-Reliance and Personal Freedom

With increased wages, workers rely less on public assistance programs laden with rigid and confusing guidelines. When families are allowed greater freedom and flexibility in how they spend their income, it allows them to make decisions that best meet the needs of their families and help them move out of poverty.

Specifically, means testing associated with public assistance programs limit assets, which are necessary for families to move out of poverty and off public assistance. Workers cannot become self-reliant without building savings. It is essential for their transition away from assistance programs. Benefit cutoffs from small wage increases when families are unable to build sufficient savings result in poor child and caregiver health outcomes as well as food and energy insecurity and housing instability.[41]

Increased wages offer workers the opportunity to save for major purchases or financial crisis. Low wages paired with means-tested public assistance programs often trap people in poverty.[42]

Research shows that when minimum wages are increased it reduces total household debt for those with low credit scores and increases their access to credit.[43]

BUSINESS AND ECONOMIC IMPACT

Determining the economic impact of raising the minimum wage through research has been mixed and inconclusive often depending on the approach taken to evaluating the available data.[44,45,46]

Mixed Employment Impact

A review from 1992 to 2020 concluded that overall economists estimate some loss of jobs would occur due to raised wages with more direct impact on teens, young adults, and workers in low-wage and lower skilled industries.[44,47] However, studies on minimum wage increases using the most rigorous research designs often find they have little or no effect on rates of employment.[48]

The small job loss from raised wages could be balanced by workers currently holding multiple jobs. Increased hourly wages would allow them to leave second and third jobs without negative financial impacts of reduced employment. Over the past two decades, the number of workers holding multiple jobs has increased steadily to 7.8 percent of workers in 2018. Women and low-wage, healthcare, retail, and food service workers were most likely to hold multiple jobs, with secondary jobs making up 28 percent of their income on average.[49]

With the rise of the gig economy, some estimate as many as one in four workers participate in non-standard/gig work in some capacity and up to 10 percent of workers rely on gig work for their primary income, piecing together multiple jobs to get by, none of which provide health insurance or paid leave benefits.[50] Working multiple jobs can have a number of negative outcomes on worker well-being and their families.[51,52]

Minimal Increase in Cost of Goods and Services

Another concern is the impact of increased labor costs being passed through to the price of products and services for consumers. Many advocates are concerned price increases will offset wage increases and negatively impact the poorest families. Over a ten-plus year period, research found that a 10 percent increase in the minimum wage resulted in just a 0.36 percent increase in prices passed on to the consumer at grocery stores.[53]

A similar Seattle-based study showed that supermarket food prices were not impacted by their minimum wage increase.[54]

Limited Small Business Impact

Some argue against raising the minimum wage because of the potential impact on small businesses with small profit margins who may be challenged to cover additional payroll costs. But focusing on small business is the wrong approach.

The employers most likely to be impacted by raising wages are large retail and food service corporations, such as Walmart and fast food chains, who have long exploited their workers with sub-living wages. While making billions of dollars in profits and offering millions of dollars in bonuses to executives, they have left it up to the U.S. taxpayers to make up for their insufficient wages by forcing employees to depend on public assistance programs such as SNAP.[5]

Improved Employee Retention and Productivity

Providing a living wage also offers benefits to employers. Because bringing in new employees can be a major expense for businesses, retaining employees by offering better wages can reduce costs related to recruitment, hiring, and training over the long-term.[5] Higher wages increase the potential applicant pool, making it easier to find the right fit for open positions.

Additionally, paying employees a wage that allows them to cover their living expenses means they are less likely to work a second job, put less than their full effort into their work, or leave for another job offering higher pay.[56] A study of minimum wage in Seattle showed an eight percent reduction in employee turnover tied to the wage change.[57]

Dan Price of Gravity Payments has been outspoken about his choice to double minimum pay for all of employees of his company and how it has resulted in a broader applicant pool, greater retention, and increased profits.[58] Research also shows pay increases result in increased worker productivity.[59,60]

Community Cost Saving

Poverty comes at a huge cost for communities. Public assistance programs such as Medicaid, Children's Health Insurance Program (CHIP) Temporary Assistance for Needy Families (TANF), SNAP, and the Earned Income Tax Credit (EITC) provide a lifeline for low-wage workers but come with hefty price tag. When businesses pay workers too little, workers must rely on these programs to help make up the difference or they must make tough decisions about their health and safety.

Increased wages relieve pressure on these programs caused by low-wage industries and allow state and federal dollars to be more effectively targeted to people with the greatest needs.

Forcing families to depend on public assistance programs due to low wages costs state and federal governments—and by extension taxpayers—billions of dollars. Researchers estimate that a minimum wage below $15 per hour costs U.S. taxpayers over $107.4 billion per year.

A federal increase to $15 per hour would impact 10.5 million working families enrolled in at least one public assistance program, or about 32 percent of program participants.[13]

Raising the minimum wage would release pressure from public assistance programs caused by low-wage industries and allow state and federal dollars to be more effectively targeted to the families most in need, allowing them to be more effective in addressing poverty.[13]

Increased wages also lead to cost savings by lessening the health burden by improving community health, access to preventive care, food security, and community engagement.

Crime Reduction

Wage increases have even been linked to reduction in crime and recidivism rates. One comprehensive study found that a minimum wage increase of 50 cents reduced the probability that a person returned to prison within one year by 2.8 percent. Rates of drug and property crime were reduced when wages increased, concluding that if legal well-paying jobs are made available, people will not be as likely to engage in criminal activity as a source of income.[61]

Gender and Racial Equity

Women and people of color are disproportionately confined to minimum wage jobs, specifically in the healthcare and service industries, providing little opportunity for upward mobility and building wealth. Women compose the majority of low-wage workers making less than $11 per hour and almost 80 percent of the lowest wage workers making less than $10 per hour. Black and Latina women are far more likely than white women to hold these kinds of jobs.[62,63] More than half of African American workers and almost 60 percent of Latinx workers make less than $15.[5]

While the overall number of Americans making $15 or less per hour is going down, the proportion of Black and Latina women continues to increase in this category.[9] It is no surprise then that Black (21.7 percent) and Latinx (17.2 percent) households experienced food insecurity at rates triple and double that of White (7.1 percent) households in 2020.[64]

This income inequality is the product of historical and ongoing systemic racial and gender discrimination, economic exploitation, and unequal opportunities. Raising the minimum wage would help reduce the wage gap and begin to address these issues.

CONCLUSION

Families across the U.S. are working hard and struggling to get by. Wage increases are long overdue, and it is time for a change at the federal level. While many arguments have been made against raising the federal minimum wage, it is clear the benefits to individual workers, businesses, and the community outweigh the potential challenges that will arise. Living wage should be the starting point in the conversation of wages. This conversation, of course, will lead to questions that go beyond just wages, to engage the public in considering what it really means to "live,"what quality of life should be accessible to all, and the need for affordable access to healthy food, clean water, safe housing, universal health care, paid sick and vacation leave, affordable childcare, and more for all residents of the U.S. to have a safe and healthy life. Additionally, policies and regulations to protect workers should be considered to limit the impact of inevitable "backlash" from corporations as wage changes are implemented.

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Policy Recommendations

Raise federal minimum wage to $15 by 2022.

Immediate action is necessary to support the health and wellbeing of families across the country. Raising the federal minimum wage to a minimum of $15 per hour will immediately boost the income of lowest wage workers and support economic security, while acknowledging that $15 is a starting point and not the end of working toward living wage and economic security for all.

Implement a federal mandate to raise state minimum wages to a location-specific living wage by 2030.

Because the cost of living varies by location, it will be necessary for each state to determine the true living wage for the residents of its state and develop a plan to reach a minimum living wage between $20 and $30 by 2030 in a gradual plan that will have minimal shock to the local economy while prioritizing workers.

Develop a cost of living adjustment that ensures minimum wage will be adjusted each year to keep up with inflation.

Many states have already adopted this strategy as part of the multilevel minimum wage increase plan. It will ensure that the value of minimum wage will remain constant and wages will not lose value over time. Thus, additional large increases will not be required in the future and major economic impact will be avoided.

Enact legislation addressing CEO compensation and worker rights.

As CEO compensation packages continue to grow, especially in companies employing large numbers of low-wage workers, worker compensation has remained flat. Legislation must be implemented focusing on corporate and personal financial repercussions for companies where large numbers of employees are forced to depend on public assistance due to low wages. Additional fines and taxes should be enforced based on the percent difference between the highest and lowest paid employees. Additionally, policies supporting workers' rights to fair and consistent scheduling, sick leave, benefits, and other safety nets should be explored to balance the power between workers and corporations.

Develop a priority plan to address wage gaps associated with race, ethnicity and gender.

While race and gender wage gaps are not just an issue in minimum wage employment, they can have disastrous impacts on low-wage workers. It is imperative that efforts be made to increase employer transparency and accountability regarding wages and support legislative measures to strengthen equal pay protections.

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The Center for Hunger-Free Communities is a community-engaged research, service, advocacy, and policy center of Drexel University's Dornsife School of Public Health. The Center offers multi-faceted research and action with the goal of developing innovative, empirically-tested solutions to the challenges of hunger and economic insecurity. In partnership with families, researchers, policymakers, and community leaders the Center seeks to find solutions to hunger and poverty based on both science and the human experience.

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