Summary
Cities and states around the nation are enacting laws that increase the minimum wage, affecting hundreds of thousands of employers. This paper examines:

• Four factors driving the minimum wage law trend
• Why minimum wage doesn’t adjust for inflation
• Who earns minimum wage
• Pros and cons of increasing minimum wage
• Three business benefits of raising wages

Who should read this?
Employers:
• Interested in understanding the new minimum wage law trend
• With businesses in states or cities considering a minimum wage increase
• Wanting to get in front of the minimum wage increase trend
4 Factors Driving the Minimum Wage Law Trend

States, cities and counties around the nation are increasing local minimum wage laws. It’s a trend that has employers wondering if, when and how they’ll be affected. What’s driving this growing trend?

• Proposed federal minimum wage increase has stalled. In recent years, Congress stalled a proposed federal minimum wage increase. Instead of waiting for federal changes, cities and states are raising their own local minimums.¹

• Wage increases boost local economies. By increasing local minimum wage, cities and states can stimulate their economies while combating stagnant wages and income inequality.²

• Proposed federal increase may not be enough. In cities like San Francisco, Seattle and Chicago, the proposed federal increase wouldn’t support the local cost of living. Many larger cities have passed laws that raise the minimum wage to between $12 and $15 per hour.³

• Workers are pushing for higher wages. The Fight for $15 movement, started in New York City by 200 striking fast food employees, has become a nationwide movement, demanding higher wages and union rights for minimum wage workers.⁴

In a recent CareerBuilder survey, 64 percent of employers support minimum wage increases. While cities and states take minimum wage increases into their own hands, many employers see the need to increase wages as well.

Minimum Wage and Inflation

Enacted in 1938, minimum wage was not designed to rise with inflation but only by congressional action.⁵ This means as inflation increases, the value of minimum wage decreases unless adjusted.

Consequently, the value of minimum wage fluctuates over time. The highest point of minimum wage was 1968 when the federal minimum was $1.60 per hour, approximately $10.86 today.⁶

Minimum wage also fluctuates in relation to the poverty line. In 1968, when minimum wage was at its peak, a worker earning minimum wage for one year would be only one percent below the poverty line. For the last 30 years, that same worker would average 60 percent below the poverty line.⁷

Who Earns Minimum Wage?

Approximately 4% of all hourly paid workers are minimum wage earners—one of the lowest rates in history.⁸ So, while a small percentage of hourly workers earn minimum wage, they are far below the poverty line.

Other characteristics of current minimum wage earners include: ⁹,ⁱ⁰

• Nearly half are under age of 30
• 76% are white
• 63% are women
• 65% are employed part-time
• 65% work in service occupations
• 50% work in fast food, foodservice and the restaurant industry
• 56% have no more than a high school diploma

**Pros and Cons of Increasing Minimum Wage**

Increasing minimum wage offers pros and cons to both employers and workers.

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<th>Pros</th>
<th>Cons</th>
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<tr>
<td>States with a higher minimum wage experience faster rates of growth</td>
<td>A higher minimum wage could encourage a faster shift to a “gig economy” with more freelance opportunities and contract work instead of full-time employment</td>
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<td>Better wages increase productivity and an employer’s talent pool, which may mean less employee turnover</td>
<td>The cost of day care could increase since care providers make so little money; an increase in provider pay could increase day care costs up to an estimated 20 percent</td>
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<td>Fewer people will rely on government aid (a full-time worker earning $15 per hour will earn too much for qualify for public assistance programs)</td>
<td>The shift to a higher wage will be harder on small businesses that will need to find ways to absorb the increase</td>
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<td>Business owners offering a higher minimum wage are innovating new solutions and outpacing their revenue projections</td>
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**3 Business Benefits of Raising Wages**

Whether you’re facing a local minimum wage increase or simply staying ahead of the curve, here are three reasons Entrepreneur says businesses benefit from increasing wages: 11

• **Recruit and retain talent.** Sixty-one percent of job seekers changed jobs due to a pay increase. By increasing wages now, you can attract solid talent and generate loyalty.

• **Improve employee productivity and satisfaction.** Seventy-two percent of employees feel stressed about money. Raising wages lowers stress, creating more satisfied and productive employees.

• **Improve your brand.** Seventy-five percent of Americans support a minimum wage increase to at least $12. Increasing your wages before the law requires it can be a great public relations opportunity. Also, higher wages for employees that deal directly with customers can mean higher customer satisfaction in the long run, since better-paid employees work harder to keep your customers happy.
Conclusion

There’s no doubt about it: minimum wage laws are a growing trend. Whether cities and states boost the minimum wage to strengthen local economies or workers strike for higher wages, there’s a push to increase the minimum wage threshold. Both the pros and cons of boosting minimum wage are numerous, so cities and states already enacting increases demonstrate the real effects of minimum wage laws. The good news is that employers can experience some positive effects of increased wages whether by law or by choice.

ABOUT ATTENDANCE ON DEMAND, INC.

Attendance on Demand supports the labor management needs of thousands of companies and over three-quarters of a million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company’s risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, automating recordkeeping for labor law compliance and managing employee status and reporting for the Affordable Care Act. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

References

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