

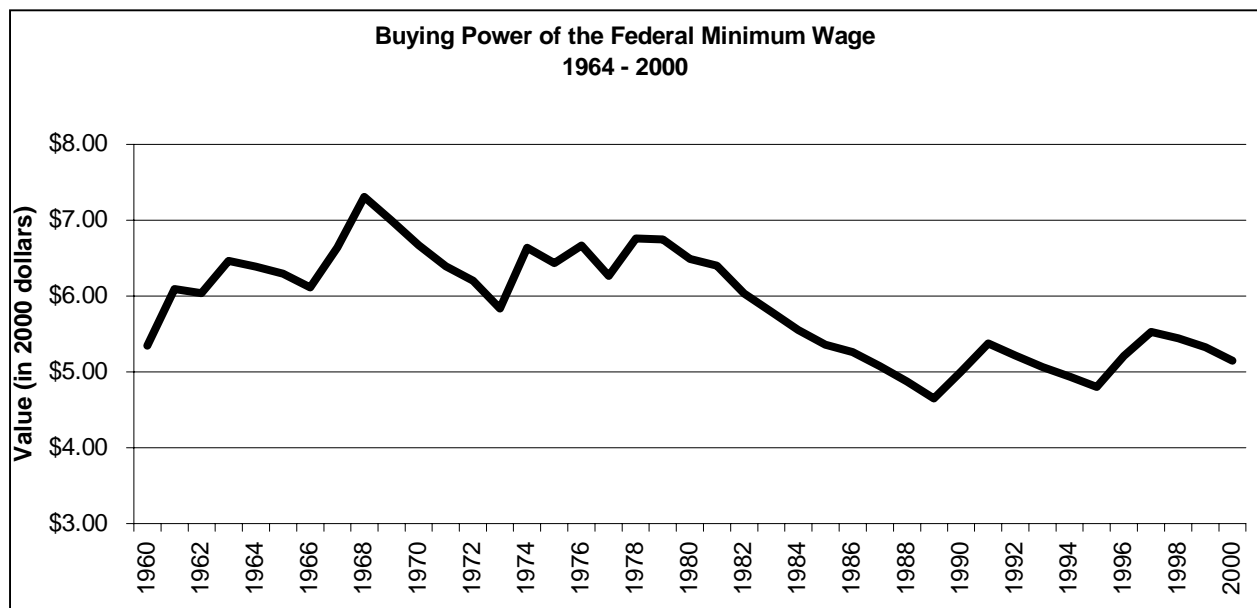


Testimony: SF 1

Nan Madden, Minnesota Budget Project Director
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The Minnesota Budget Project is an initiative of the Minnesota Council of Nonprofits. We provide independent research, analysis, and outreach on budget and tax issues, with particular emphasis on their impact on low- and moderate-income people.

I am testifying today in support of Senate File 1, which would increase the state's minimum wage. The buying power of the minimum wage has not kept up with inflation. Even after increases in the federal minimum wage in the 1990's, the buying power of the minimum wage is still 24% lower than in 1979.



Source: Economic Policy Institute

As a result of the declining buying power of the minimum wage, it is no longer possible for a full-time, year-round minimum wage worker to support a family. In the 1960's and 1970's, a minimum wage worker could lift a family of three out of poverty. Today, full-time, year-round minimum wage earnings only reach 73% of the poverty line for a family of three.

Who Would Benefit from an Increase in the Minimum Wage

The workers who would most benefit from an increased minimum wage include some of the most vulnerable in our workforce. An analysis of the American workforce that looked at workers making less than \$6.15 an hour found that:

- 60% are women
- 71% are adults (age 20 or older)
- 48% work full-time
- 80% work at least 20 hours a week

People of color disproportionately benefit from an increase in the minimum wage. African Americans only make up 12% of the U.S. workforce, but 16% of those who would benefit from the minimum wage hike are African American. Similarly, Hispanic workers are 11% of the workforce, but make up 19% of the beneficiaries of a minimum wage increase.

Impact on Employment

One of the biggest concerns raised with increasing the minimum wage is that it will result in fewer jobs for minimum wage workers. Fortunately, we have examples from around the country of minimum wage increases, and the data show that there are have not been negative effects on employment.

Oregon increased their minimum wage in 1997 through 1999, up to \$6.50 an hour. There were several positive outcomes of the increase, beyond raising incomes for low-wage workers:

- Employment rates for young workers with low education levels actually were higher after the minimum wage increase.
- The overall unemployment rate declined.
- Employment growth in the retail sector continued, and average hours worked increased slightly.
- The share of the welfare caseload moving to work increased.

A similar case can be made for California, which has increased its minimum wage twice since 1996, and now has a minimum wage of \$5.75. Employment trends have been positive for all categories of workers since the minimum wage increase, including for teenagers, adults without a high school diploma, and Latinos.

Although Minnesota has enjoyed strong economic growth in recent years, we are constantly reminded of the struggles faced by the state's lowest-paid workers, as they confront an affordable housing crisis and high heating bills. The Legislature should help these hard-working families receive a well-deserved raise.

Sources:

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Economic Policy Institute, *The Next Step*, March 2000. www.epinet.org

Oregon Center for Public Policy, *Oregon's Increasing Minimum Wage Brings Raises to Former Welfare Recipients and Other Low-Wage Workers Without Job Losses*, June 1999. www.ocpp.org