



## Women and the Minimum Wage

*The increase in the federal minimum wage helps women -- but not nearly enough.*

By Tsedeye Gebreselassie and Paul K. Sonn | July 24, 2009

It has been dubbed the "mancession." During the past year's economic collapse, job losses have been sharply higher in male-dominated industries like manufacturing and construction than in sectors like health care, services, retail, and hospitality where many women tend to work. This reality is forcing families to rely more than ever on women's wages to make ends meet.

But while unemployment is lower for women, so are their wages. That's why this month's boost in the federal minimum wage from \$6.55 to \$7.25 an hour couldn't come at a better time, especially because the overwhelming majority of minimum-wage earners are adult women, many of whom support children.

The minimum wage effectively sets pay scales for jobs like home health aides, child-care workers, waitresses, retail clerks, and janitors -- in which millions of women today spend their career. The decline in the real value of the minimum wage over the past 40 years has dragged down pay in these sectors, which are some of the fastest-growing sources of jobs in the 21st-century economy. The upcoming increase, while modest, will help slow falling living standards for this deserving work force.

Equally important for our economy -- which is powered by consumer spending -- this increase will provide a much needed economic stimulus. Minimum-wage increases go directly to those workers who will spend it immediately on basic necessities like food, gas, rent, and clothing. Economists at the Federal Reserve Bank of Chicago have shown that minimum-wage increases boost consumer spending substantially more than tax cuts do, and the Economic Policy Institute estimates that the July minimum-wage increase will generate \$5.5 billion in spending over the next year. A strong minimum wage is therefore key to boosting consumer demand and shifting our economy back to one that is built on good jobs rather than on consumer debt.

In anticipation of this modest increase, critics have dusted off the discredited playbook they use in good times and in bad, arguing that a higher minimum wage will cost jobs. Some have unabashedly called on Congress to take back the increase, betting that the

current economic climate will give their tired pitch more resonance. But it doesn't take an economist to tell you that the factors driving unemployment during this recession have everything to do with the bursting housing bubble and resulting collapse in consumer demand and business investment and very little to do with how much or how little businesses must pay their frontline staff.

In reality, actual experiences with minimum-wage increases over the past 15 years -- and the most careful research -- have found that they produce substantial benefits for low-wage workers and little evidence of job losses. As a result, in 2006 more than 650 economists, including five Nobel laureates, called for a minimum-wage increase, finding that it would "significantly improve the lives of low-income workers and their families, without the adverse effects that critics have claimed."

Furthermore, opposition to this modest increase completely ignores that even at \$7.25 an hour, a full-time minimum-wage worker will earn just \$14,500 a year -- not nearly enough to meet basic needs anywhere in the United States. During the postwar decades when the minimum wage boosted pay more broadly, it was approximately 50 percent of the average U.S. worker's wage -- which would translate to more than \$9 an hour today.

For tipped workers like waitresses and nail salon workers -- a group that is overwhelmingly female -- the situation is even worse. For them, the federal minimum wage is a shockingly low \$2.13 an hour. And under another outdated exemption, workers in the fast-growing home-health-care industry, in which millions of women tend to be the most vulnerable in our society -- seniors, persons with disabilities, and the ill -- are not guaranteed any minimum wage at all.

Moreover, while 10 states have recently indexed their minimum-wage rates to automatically adjust each year, the federal government has not. As a result, the wage level remains frozen for years at a time, eroding its real value. The increase approved by Congress in 2007 was the first in 10 years. And the tipped-worker wage has been frozen at \$2.13 an hour for 18 years. Needless to say, the cost of supporting a family has not followed suit.

Our stagnant minimum wage is one of the most significant reasons why women across our economy continue to receive low wages. Even before the recession, women's incomes were absolutely critical for keeping families afloat. Now, with the difference between male and female unemployment at a half-century high, it's an issue we can no longer afford to ignore.

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