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Seven States to Increase Minimum Wage on New Year’s Day
NELP: Raise will Help Thousands of Workers and Strengthen the Economy

Washington, DC – On January 1st, the minimum wage will increase in seven states, modestly boosting the incomes of approximately 647,000 minimum wage workers in Arizona, Colorado, Montana, Ohio, Oregon, Vermont and Washington. Today the National Employment Law Project hailed the upcoming increases as an essential move to help workers keep up with the rising cost of living, increase consumer spending at local businesses and promote the kind of good jobs that will be critical to the nation’s economic recovery.

The New Year’s Day increases—automatic adjustments that reflect annual changes in regional or national inflation rates—will range from nine to twelve cents. The indexed increases came about through ballot initiatives in all of the states except Vermont, which enacted the increase through legislation in 2005.

“Regular increases in the minimum wage that help workers keep up with rising living costs are critical during tough economic times and directly benefit workers and state economies,” said Christine Owens, executive director of the National Employment Law Project. “These small increases mean that thousands of minimum wage earners like health aides, child care workers, restaurant workers and retail clerks will be better able to put food on the table, provide for their children, and keep a roof over their head. Congress and other states should follow this smart policy of indexing the minimum wage to keep pace with the rising cost of living.”

As a result of the upcoming increases, the number of states with minimum wages above the federal level will rise on January 1st to 17, in addition to the District of Columbia. The federal minimum wage currently pays a full-time minimum wage earner just over $15,000 per year. According to the Bureau of Labor Statistics, three quarters of minimum wage earners nationwide are 20 years or older and more than 60 percent are women. In other words, most minimum wage earners are adults and many of them support families.

“In addition to helping working families in the states make ends meet, raising wages for the lowest-paid workers will help sustain consumer spending and spur economic recovery. Minimum wage increases go directly to workers who spend them immediately—because they have to—on basic necessities like food, gas, rent, and clothing,” said Owens.

Strengthening the buying power of low-wage workers is especially critical in the current economic climate, a recent NELP study suggests, because the majority of new jobs created in the wake of the recession are in low- and mid-wage industries.

The January 1st increases come on the heels of a comprehensive new study published last month in the Review of Economics and Statistics, which adds to more than 15 years of economic research finding that modest minimum wage increases boost incomes of low-paid workers without reducing employment. In the latest study, economists at the Universities of Massachusetts, North Carolina, and...
California compared employment levels between 1990 and 2006 in every pair of neighboring U.S. counties that straddle the border of states with differing minimum wage levels. The unprecedented study analyzes employment and earnings data from more than 500 counties and finds that minimum wage increases did not cost jobs.

David Autor, professor of economics at the Massachusetts Institute of Technology and editor of the *Journal of Economic Perspectives*, said of the study, “The paper presents a fairly irrefutable case that state minimum wage laws do raise earnings in low-wage jobs but do not reduce employment to any meaningful degree.”

Another recent study, to be published in April 2011 in the journal *Industrial Relations*, finds that even during times of high unemployment, minimum wage increases have not led to job loss. Examining the effect of minimum wage increases during the three recessions of the past two decades, including the Great Recession of 2007 to 2009, economists from the University of California and University of Massachusetts again find that minimum wage increases boost workers’ incomes without reducing employment.

Studies have also found that employers benefit from a strong minimum wage because boosting the earnings of low-paid workers reduces turnover and absenteeism while increasing morale and productivity. A 2003 study of the effect of a wage increase for workers at the San Francisco Airport, for example, found that annual turnover among security screeners fell from 95% to 19% when their hourly wage rose from $6.45 to $10 per hour under a policy that raised wages for the workforce of employers that contracted with the airport.

Industry-backed groups in some states have objected to the upcoming minimum wage increases. In Washington state, business groups have filed suit against the state in an attempt to block the scheduled 12-cent increase to $8.67 an hour. The National Employment Law Project and others have joined the Washington State Department of Labor and Industries in defending the increase, and the minimum wage statute will likely be implemented in accordance with the state statute approved by Washington voters in 1998.

*The following table lists the States with Increases; Amount of Increase; the New Wage on January 1, 2011; and the Number of Minimum Wage workers in each state:*

- Arizona, $0.10; $7.35; 68,023
- Colorado, $0.11; $7.36; 57,828
- Montana, $0.10; $7.35; 11,043
- Ohio, $0.10; $7.40; 269,527
- Oregon, $0.10; $8.50; 87,511
- Vermont, $0.09; $8.15; 10,305
- Washington, $0.12; $8.67; 142,477

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