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Eight States to Increase Minimum Wage on New Year's Day

Raise will Benefit 1.4 Million Workers and Strengthen the Economy

Washington, DC – On January 1, the minimum wage will increase in eight states, modestly boosting the incomes of more than 1.4 million low-wage workers in Arizona, Colorado, Florida, Montana, Ohio, Oregon, Vermont and Washington. The state minimum wage rates will rise between 28 and 37 cents per hour—an extra \$582 to \$770 a year for a full-time worker—as a result of state laws that require the minimum wage to keep up with inflation.

The increased consumer spending generated by the raises will lead to an additional \$366 million in GDP and create the equivalent of more than 3,000 full-time jobs, according to an [analysis](#) by the Economic Policy Institute (EPI). While weak consumer demand is holding back business expansion, raising the minimum wage puts more money in the pockets of low-wage workers who have little choice but to spend that money immediately on goods and services.

The National Employment Law Project hailed the upcoming increases for spurring recovery for families and the economy and called on Congress to follow suit. “These minimum wage increases represent bright spots on an otherwise bleak economic horizon,” said **Christine Owens, executive director of the National Employment Law Project (NELP)**. “Workers’ buying power is the secret weapon in the fight to get our economy back on track. States are taking action to protect that critical buying power. Congress should follow their example to realize these benefits for the national economy.”

More than one million workers will be directly impacted as the new minimum wage rates will exceed their current hourly pay, and 400,000 more will see a raise as pay scales are adjusted upward to reflect the new minimum wage, according to an analysis of government data by the Economic Policy Institute. Eighty percent of these low-wage workers are over age 20; 78 percent work 20 hours per week or more. [See EPI [chart](#) for complete demographic breakdown.]

Strengthening the buying power of low-wage workers is especially critical in the current economic climate. A [recent NELP study](#) finds that the majority of new jobs created in the wake of the recession are in low- and mid-wage occupations. And while the share of the workforce that comprises low-wage workers is growing, the wages for this group are declining: Workers in lower-wage occupations (with median wages under \$13.52 per hour) have seen a 2.3 percent decline in real wages since the recession began. The proliferation of lower-wage jobs in the economy means the impact of the minimum wage will be even greater in setting wage scales for growing industries in which millions of workers will spend their careers.

“In an economy drained by sluggish demand and extreme inequality, we ignore the problem of low wages at our peril,” said Owens. “While some of our economic challenges seem intractable, the problem of low wages is one we can—and should—act on immediately.”

Eighteen states and the District of Columbia have minimum wage rates above the federal level of \$7.25 per hour, which is just over \$15,000 per year for a full-time minimum wage earner. Unlike the federal rate, which loses value every year it is not increased by an act of Congress, 10 states increase their minimum wage rates annually to ensure that real wages for the lowest-paid workers do not fall even further behind: Arizona, Colorado, Florida, Missouri, Montana, Nevada, Ohio, Oregon, Vermont and Washington. Nevada indexes its minimum wage in July; Missouri announced that the state minimum wage remains below the federal minimum wage, and that the federal rate will continue to apply this year.

Legislation to increase the minimum wage and add an annual cost-of-living adjustment was introduced in several states this year, including California, Massachusetts, Maryland and Illinois. Advocates plan additional minimum wage campaigns next year in Missouri, New Mexico, Connecticut and New York.

A large body of research shows that raising the minimum wage effectively boosts low-wage workers' incomes without reducing the number of low wage jobs or hours. A groundbreaking 1994 [study](#) by David Card and Alan Krueger, who now heads President Obama's Council of Economic Advisers, found that an increase in New Jersey's minimum wage did not reduce employment among fast-food restaurants. These findings have been confirmed by 15 years of economic research, including a 2010 [study](#), published in the *Review of Economics and Statistics*, that analyzed data from more than 500 counties and found that minimum wage increases did not cost jobs. Another recent [study](#), published in April 2011 in the journal *Industrial Relations*, found that even during times of high unemployment, minimum wage increases did not lead to job loss.

The table below lists the following: states with increases; amount of increase; the new wage on January 1, 2012; and increase in annual earnings for a full-time worker.

Arizona: \$0.30; \$7.65; \$624

Colorado: \$0.28; \$7.64; \$582

Florida: \$0.36; \$7.67; \$749

Montana: \$0.30, \$7.65; \$624

Ohio: \$0.30; \$7.70; \$624

Oregon: \$0.30; \$8.80; \$624

Washington: \$0.37; \$9.04; \$770

Vermont: \$0.31; \$8.46; \$645

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more about NELP, visit www.nelp.org.

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