

Americans for Prosperity: Minimum Wage

Americans for Prosperity strives to create an economy that works for all—empowering people to earn success and realize their potential. Government barriers to freedom of contract undermine the dignity of personal choice as well as the ability of people to reach their true potential. Labor mandates such as minimum wages deny people income as well as gaining the skills and experience needed to climb the economic ladder to successful, fulfilling careers.

Preventing minimum wage increases and removing minimum wage mandates advance the Employment Priority Initiative vision of empowering people to earn success, contribute to their communities and live meaningful lives.

What is a “minimum wage”?

Minimum wages are a form of wage floors enacted by federal, state, and local governments. The federal minimum wage was first [enacted](#) in the Fair Labor Standards Act (FLSA) of 1938, applying a minimum rate of 25 cents per hour to jobs related to interstate commerce. At multiple times the rate has been increased, most recently to [\\$7.25](#) per hour in 2009 as part of a 2007 FLSA update. 29 states and three U.S. territories including Washington, D.C. have instituted mandatory minimum wages above the federal government’s requirement as have over 40 local governments, particularly in California.

There are federal minimum wage exceptions for some. Tipped employees [must](#) earn the federal minimum wage, but only \$2.13 per hour is required as a cash wage while up to \$5.12 in tips count towards the \$7.25 rate each hour. Other exceptions include employees [under the age of 20](#) for the first 90 days of employment, [full-time](#) students, [student learners](#), workers with [qualifying disabilities](#), and workers [represented by unions](#) whose bargaining contracts seek exemptions.

Minimum wages stifle opportunity.

- A 2021 CBO [report](#) on a federal minimum wage of \$15 an hour conservatively estimated 1.4 million jobs would be lost. Raising the minimum wage would [most adversely impact](#) industries harmed the most by the pandemic in fields such as hospitality and food services, which pay an average hourly wage below \$15. Imposing a \$15 wage requirement will likely impede the economic recovery and hiring in these industries.
- Research [indicates](#) that minimum wages do not reduce poverty, and 2/3rds of minimum wage earners are in households with income 150 percent or more above the poverty line while only 1/5th of earners are at or below the poverty line.
- Nearly half of [minimum wage earners](#) are under 25 years of age, and most get raises above the minimum wage within one year.
- Minimum wage recipients are concentrated in highly transient industries. [60 percent](#) of workers earning the minimum wage or below are in the leisure and hospitality industry, [including](#) restaurant employees that supplement wages with tips.
- A 2019 Bureau of Labor Statistics (BLS) report [indicated](#) that only 1.9 percent of hourly paid workers earned the minimum wage, or 1.6 million workers overall. That approximately only 1 percent of the total workforce when adding in salaried workers in January 2020. This pales in comparison to the [January 2021](#) unemployment rate (6.3%) or the non-participating portion of the labor force (38.6%).

Why freezing and ending minimum wages are necessary.

Minimum wages reduce the ability of people to freely contract with one another on voluntary employment terms, which undermines a society of mutual benefit and openness. These government barriers prevent people from realizing their potential and improving the lives of their families and communities by reducing employment opportunities and raising costs for consumers as businesses comply with the requirements. The

policy priority should instead be to reduce employment barriers so that more people can grab onto the economic ladder and rise to careers that pay well above rates discussed in minimum wage debates. The appropriate policy to address calls for minimum wage increases is to instead foster policies that increase employment and make the rungs on the social mobility ladder easier to climb.