



MINIMUM WAGE

EQUITABLE WORK AND WAGES

Federal Policy Solutions to Advance Gender Equity | February 2025

OVERVIEW

Low-wage workers urgently need a minimum wage that supports improved living standards. However, since it was **first introduced** in 1938, the federal minimum wage has undergone erratic increases and has **remained unchanged** at \$7.25 per hour since 2009. Meanwhile, at the state level, **30 states** plus the District of Columbia have a minimum wage above the federal minimum wage.

Given the significant **overrepresentation of women in low-paying jobs**, the minimum wage is a crucial determinant of women's economic well-being in the US. In the context of post-pandemic inflationary pressures and rising care costs, the financial strain on families has intensified, particularly for those with low-wage workers.

Furthermore, for certain types of jobs that rely on tips, workers can receive a subminimum wage from **their employer**, which has remained frozen at \$2.13 per hour since 1991—despite inflation and rising costs of living. As of 2024, **seven states** have abolished the tipped minimum wage. Twenty-nine states have established a tipped minimum wage above the federal tipped minimum wage but still below the federal minimum wage, while 15 states continue to adhere to the federal tipped minimum wage.

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WHAT THE RESEARCH SAYS

- **Analysis by the Economic Policy Institute (EPI) estimates that raising the federal minimum wage to \$17 per hour would impact almost 28 million workers nationwide** and provide about \$86 billion each year in wages for the lowest-paid workers. The same EPI study found that the average year-round worker affected by this wage increase would earn an extra \$3,100 each year.
- **Increasing the minimum wage coupled with enforcement of workplace protections, would help close the gender wage gap and can help lift women and families out of poverty.** According to **research** by the Center for American Progress, the majority of minimum wage workers are women (59 percent), and 23 percent of workers who would benefit from federal legislation to raise the minimum wage are Black and Latina women.
- **Research from Drexel University's Center for Hunger-Free Communities has found a correlation between increased minimum wage and improved mental health and health outcomes.** This includes a decrease in smoking among adults, and specifically pregnant women, which leads to an increase in infant birth weight. **Evidence** published by the Federal Reserve Bank of Boston also suggests a higher net income positively impacts families and child development, including in educational attainment, mental health, and health in adulthood, with the effect being significant for Black and Hispanic children.
- **IWPR research has found that the majority of tipped workers are employed as servers, most of whom are women (65.5 percent).** Women servers also outnumber men in every state except the District of Columbia, yet they are paid less than male servers in every state. In states that removed the subminimum wage, full-time year-round White and BIPOC women servers earned more than their counterparts in states that retained the subminimum wage.
- **Among servers, women's median earnings for full-time year-round work are only 78.6 percent of their male peers, according to IWPR analysis.** Women servers of all races and ethnicities earned less than White male servers, with Asian and Pacific Islander female servers earning the most at 84.6 percent and Black women servers earning the least at 71.8 percent compared to White male servers.
- **Tipped workers' poverty rate is three times higher than that of non-tipped workers.** IWPR **research** found that most female servers would be left near poverty and unable to provide for their kids, with Black, Latina, and Native women servers being specifically vulnerable. Poverty levels are lower in states that have eliminated the tipped minimum wage. Workers in tipped occupations also often lack benefits such as **paid leave** or health insurance and, therefore, **end up more reliant** on public benefits such as Medicaid and other safety net programs.



WHY IT MATTERS

Because the majority of those earning the minimum wage are women and do not have sufficient earnings for themselves or their families, raising the federal minimum wage would help lift women out of poverty. Higher earnings make it easier for people to pay their bills (such as rent, tuition, and credit card payments), which **reduces their financial stress** and improves their mental health. Increased income is also correlated to better physical health **since it allows workers** and their families to access basic needs and services that correlate positively with their health, such as high-quality food and clean water, quality education, and prescription medications. Furthermore, evidence shows that an increase in minimum wage **does not lead** to economically or statistically meaningful job losses.

Because they are more likely to work in low-paying sectors of the restaurant industry (such as casual-dining, as opposed to fine-dining establishments), full-time year-round female servers **earn less** than their male

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counterparts. Customer bias in tipping, based on the server's gender, race, and perceived attractiveness, also plays a factor in the wage gap. States that have eliminated tipped minimum wage **have lower** poverty levels and the highest earnings among women servers. Forcing tipped workers, who are predominantly women and women of color, to rely on tips for economic stability **makes it difficult** for them to budget and absorb any financial shocks. Reliance on tips also makes workers more vulnerable to sexual harassment and wage theft.



POLICY SOLUTIONS

Raising the federal minimum wage—and ensuring that all workers have access to one fair wage—is a critical step toward promoting economic stability, security, and prosperity for women and families. **Policy priorities include initiatives to:**

Raise the federal minimum wage to at least \$17 per hour. The current federal minimum wage has not been updated in over 15 years, and it is **not enough** for a single worker to live above the poverty line, much less workers who are also caring for children or families. A minimum wage increase should be accompanied by a mechanism for continued updates in the future to ensure that new legislation is not needed for subsequent efforts to make sure the minimum wage keeps pace with the economy.

Eliminate the subminimum wage and ensure that every worker has access to the minimum wage before tips. This includes passing legislation to eliminate the subminimum wage for tipped, disabled, and temporary teenage workers.

Ensuring that low-income workers do not face a “benefits cliff.” In tandem with raising the minimum wage, policymakers should address eligibility criteria and asset limits for public benefit programs. Wherever sharp drop-offs in benefits for working families exist, policymakers should revise criteria and phase-out plans to ensure that families living in poverty do not lose access to critical benefits.



KEY LEGISLATION

Raise the Wage Act: Legislation to raise the minimum wage to \$17 per hour within five years. The Raise the Wage Act would also phase out the subminimum wage for tipped workers and youth workers, and it would end subminimum wage certificates for workers with disabilities.



EXECUTIVE PRIORITIES

Continue to raise the minimum wage for federal employees and contractors. A 2021 executive order set the minimum wage for federal contractors to \$15 per hour, indexed to inflation to allow for ongoing adjustments to reflect the cost of living; as of November 2024, the adjusted minimum wage for these workers is \$17.20 per hour. This order also eliminated the tipped minimum wage for federal contractors. The Office of Personnel Management has also issued guidance implementing a \$15 per hour minimum wage for federal employees. These policies should be fully implemented and defended against legal challenges.

Fully implement—and build upon—the January 2024 Department of Labor Final Rule “Employee or Independent Contractor Classification Under the Fair Labor Standards Act.” This rule makes it harder for employers to misclassify employees as independent contractors, thus denying them minimum wage and other employment protections.

Finalize regulatory action to phase out a program that allows employers to pay disabled workers below the federal minimum wage. A new rule was proposed in December 2024 to fully end the program—first authorized in 1938—that allows employers to obtain certifications to pay disabled workers far less than minimum wage, with some workers making as little as 25 cents an hour.