

# WAGE INCREASES ARE ALWAYS POPULAR; EVEN MORE ESSENTIAL NOW TO ADDRESS INFLATION



Raising the minimum wage, especially for tipped workers, workers with disabilities, and youth, is necessary to allow working people to feed their families, the right thing to do, and universally, perennially popular.

**This is even more true in times of inflation.  
Wage increases are not driving today's inflation.**

In fact, when presented with that argument, voters express even greater support for raising wages to allow workers to survive inflationary periods.

In the current moment, millions of workers are refusing to work for poverty wages, and in response, thousands of businesses are raising wages to recruit staff.

## **ECONOMIC ANALYSIS** | [Economic Policy Institute](#)

### Inflation makes it *more* important, not less, to raise the minimum wage.

Every year lawmakers don't raise the minimum wage is a year that they have effectively cut the purchasing power and living standards of this country's lowest wage workers. These cuts snowball quickly, even in stretches without big inflationary outbursts. But when inflation is running above normal, the real value of the minimum wage can be absolutely crushed if lawmakers don't act. In the last two years alone, the minimum wage's purchasing power has dropped by 12.4%—a massive hit to the living standards of working people.

Some worry that raising the minimum wage might actually make our current inflation problem worse. This is not a serious concern. Consider the Raise the Wage Act, which would raise the minimum wage to \$15 in five steps and be indexed to growth in median wages thereafter. If all of this increase fed directly into higher prices—i.e. if none of this increase was financed by higher productivity or lower profits—the increase to \$15 would create a one-time boost in the price level of 0.5% or less. Spread over 5 years, this implies an average boost to inflation of 0.1% per year, after which it would fade to near-zero. This is completely trivial.

Further, even that small increase isn't guaranteed to happen. This is because there is a lot of room for other margins—like lower profits—to absorb the minimum wage hike without feeding through to higher prices. For example, profit margins are up nearly 30% relative to pre-pandemic peaks, and these profit spikes explain roughly 40% of the rise in prices over the recovery. Even in normal times, increased profits contribute to inflation, but in this recovery, the share of inflation that is explained by increased profits is more than three times the normal

amount. In short, lower profit margins are a huge potential absorber of any price pressures in coming years — particularly those as small as what a minimum wage increase would impose.

**If we're going to start looking at things that need to be restrained to keep inflation in check, we should look to corporate profits, not the wages of America's lowest paid workers.**

### **POLLING RESEARCH | Lake Research Associates**

There is strong support across demographic groups for raising the minimum wage to \$15/hour nationwide.

- ◆ Data also shows support for a \$15 minimum wage or higher is strong in individual states where minimum wage increases are on the ballot including but not limited to: Delaware, the District of Columbia, Maine, Michigan, New Hampshire, and New York.
- ◆ Past polling has also shown that 60% of small business owners support raising the minimum wage.
- 】 66% of American workers say that inflation has outpaced any wage growth they have experienced in the past year.
- 】 In our focus groups, we have found that voters think raising wages is essential to dealing with inflation. Voters, especially blue-collar voters, don't think that raising wages will increase inflation, but rather it is a top answer to inflation.

### **POLITICAL LANDSCAPE | One Fair Wage**

In the current moment, millions of workers are refusing to work for poverty wages, and in response, thousands of businesses are raising wages to recruit staff.

- 】 In the restaurant industry, in 2021, 1 million workers have left the industry, and of those who remain, 54% say they are leaving, and 80% say the only thing that would make them return is a full, livable wage with tips on top.
- 】 In response, we have tracked over 4,000 restaurants in 43 states that currently allow a subminimum wage for tipped workers that are now paying a full wage with tips on top.
- 】 This has reduced opposition to minimum wage policy, resulting in a wave of bills and ballot measures advancing to raise wages and end subminimum wages that are proving that the issue is universally, perennially popular, including and especially during times of inflation. Policymakers should take heed!
- 】 Michigan just raised the minimum wage to \$12/hr and became the eighth state to end the subminimum wage for tipped workers; Washington, DC voters will be voting to raise the minimum wage for tipped workers from \$5 to \$15 plus tips this November, and in Portland, ME voters will be voting to raise the wages for all workers to \$18 plus tips. One Fair Wage is leading bills and ballot measures in dozens of other states in the next few years to follow suit.