

Minimum Wage Stimulus Update: What to Know About the Proposal to Hike it to \$15

FastCompany.com | Zlati Meyer | 2/24/21



Photo: Letfluis/iStock

Worker advocates are paying close attention to a proposed increase in the federal minimum wage, but the fate of the plan remains unclear.

All eyes are on the COVID-19 relief plan currently being worked out in Congress, but worker advocates are paying particular attention to one part of it—the proposed new federal minimum wage.

That dollar amount is hotly debated, not only across the aisle, but within the Democratic party. The disagreement stems from whether the proposed hike to \$15 an hour will dissuade some politicians from voting to pass a stimulus package that's badly needed. Here's what to understand about this contentious issue:

WHAT IS THE CURRENT RATE?

The current federal minimum wage is \$7.25 per hour, put in place in July 2009. The previous year it was \$6.55 and the year before that, \$5.85.; this is the longest the United States has ever gone without raising it. Most states have their own minimum wage law, too. According to the National Conference of State Legislatures, five states have no minimum wage and two have ones that are below the federal one, so those seven abide by the federal amount. Twenty-nine states and Washington, D.C. have minimum wages that are higher than the U.S. government's.

WHAT'S DRIVING THE EFFORT TO INCREASE THE FEDERAL MINIMUM WAGE?

Chalk it up to income inequality, mainly. The minimum wage rate hasn't kept up with inflation, so people who earn it are hurting in a way they weren't when it did keep pace. Experts say that if the rate had kept up with inflation and productivity, workers would be earning a minimum of \$24 an hour. And the Democrats proposing it say the move will also help the economy and reward essential workers.

WOULD IT JUMP TO \$15 RIGHT AWAY?

No. Under the current proposal, it would be raised in increments, hitting \$15 in 2025. In 2021, it would rise to \$9.50, then a year later to \$11, next to \$12.50 in 2023, the following year to \$14, and finally to \$15 in 2025, as outlined in Raise the Wage Act of 2021. An estimated 32 million people would benefit from the hike, according to the Economic Policy Institute.

WILL THE PROPOSAL PASS?

Unclear. A decision on whether to include the wage hike as part of the \$1.9 trillion stimulus package is expected today. Lawmakers are expected to vote on the package at the end of the week. If the minimum wage proposal is not part of the final package, Biden has suggested he would revive it as a separate piece of legislation at some point in the future.