

Issue: Virginia Minimum Wage

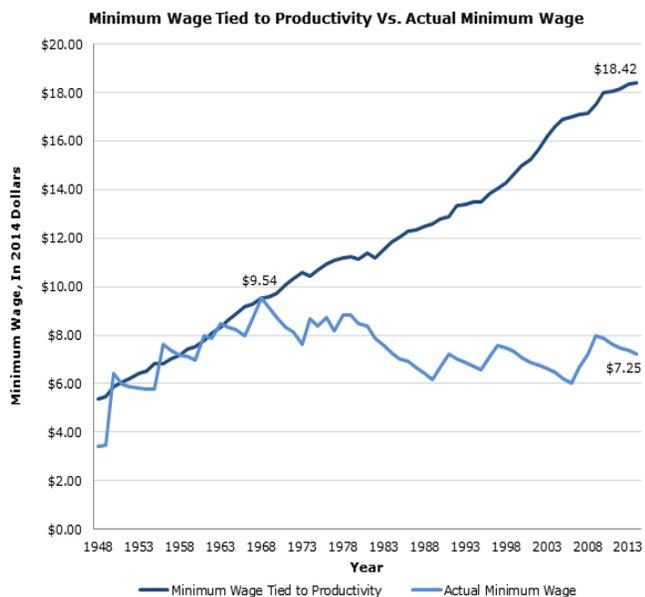
## Minimum Wage in Virginia

The minimum wage for most workers in Virginia is \$7.25 per hour; for tipped workers, it is \$2.13 per hour. This puts full-time minimum wage workers below the federal poverty level. When their paychecks fail to cover basic living expenses, workers must use public assistance. Thus, the public is subsidizing businesses that do not pay their employees a living wage. The argument has been made that paying workers a living wage would cause businesses to employ fewer workers, but this has been debunked by numerous studies. A comparison of adjacent counties with different minimum wages, for example, showed no discernible differences in employment or job growth.<sup>1</sup> While business profits have increased, workers' paychecks have decreased or remained flat.<sup>2</sup>

Virginia Democrats have been leading the fight for an increased minimum wage. Despite the many arguments for increasing the minimum wage, Republicans in the Virginia House of Delegates and Senate have repeatedly blocked Democrat-sponsored legislation that would raise the minimum wage. At the federal level, Virginia Representative Bobby Scott (D-VA3) worked with Senator Bernie Sanders (D-VT) to introduce the Raise the Minimum Wage Act of 2019. This would increase the federal minimum wage to \$15.00 per hour by 2025. The bill passed the U.S. House of Representatives in July 2019 on a largely party-line vote of 231 to 199. The U.S. Senate, however, is unlikely to take up the measure, and President Trump has promised to veto it should it reach his desk.<sup>3</sup>

### The Case for a Higher Minimum Wage

The wages of the vast majority of workers in the U.S. have remained flat in terms of buying power since the 1970s when measured in constant 2018 dollars. Yet worker productivity has steadily increased over that same time period. As shown in Figure 1, if the minimum wage had kept pace with this increased productivity, it would be about \$18 per hour.<sup>4</sup> While workers' purchasing power has remained flat and their productivity has increased, the gap between average worker pay and executive pay has exploded, with CEOs now earning around 270 times the pay of the average worker. As a comparison, in the mid-1960s, CEOs were earning just 20 times that of an average worker.<sup>5</sup> Business profits have also increased as a portion of the nation's income while employee pay has decreased.



http://cepr.net  
Source: Bureau of Labor Statistics and St. Louis Federal Reserve

Figure 1. The Minimum Wage has stayed flat, while the productivity of American workers has climbed steadily.

## The Minimum Wage and Cost of Living in Virginia

The cost of living in a particular locality determines how far a paycheck actually goes. In terms of overall cost of living, Virginia is about average among the states.<sup>6</sup> However, this obscures the variations within the state. One of the most expensive areas in the country is the Washington, D.C. metropolitan area, which includes Northern Virginia. Business Insider reports this region is the tenth most expensive area in the country, with prices 18.4 percent higher than the national average.<sup>7</sup>

The minimum wage in Virginia is \$7.25 per hour, the same as the federal rate. It was last increased in 2009. According to the MIT Living Wage Calculator in Fairfax County in 2017, the minimum wage was not only below the federal poverty level for a family with one child, it was *far* below the living wage needed to support even one person.<sup>8</sup> The chart below compares the living wage for different family configurations with the minimum wage and the wage corresponding to the federal poverty level. A living wage is defined as the wage rate needed to pay basic family expenses, including food, medical care, housing, transportation, taxes, and childcare when needed (as in the middle example below). The poverty wage corresponds to the poverty income threshold set by the U.S. Department of Health and Human Services; families below this threshold qualify for federal financial assistance.

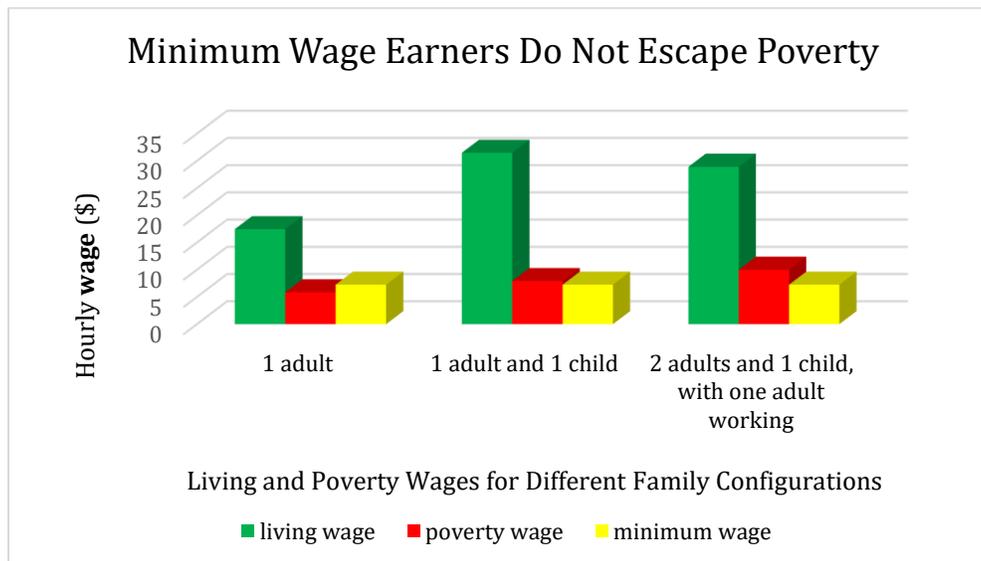


Figure 2. Wages for Different Family Configurations that Result in Poverty per the MIT Living Wage Calculator<sup>9</sup>

## Who is Earning the Minimum Wage?

The vast majority of minimum wage earners in Virginia are adults, with teenagers accounting for only six percent of the total, according to the Bureau of Labor Statistics.<sup>10</sup> The Economic Policy Institute projects that raising the minimum wage to \$15 per hour by 2025 would benefit 1,187,000 workers in Virginia, or 29.4 percent of all working Virginians.<sup>11</sup> Of these:

- 59.3% would be women
- 91.3% would be 20+ years old
- 59.7% would be full-time workers

Among non-minority Virginians, 23.5 percent would see an increase in income with a \$15 per hour minimum wage, as would 41.1 percent of Blacks, 45.6 percent of Hispanics, and 45.7 percent of single parents in Virginia.

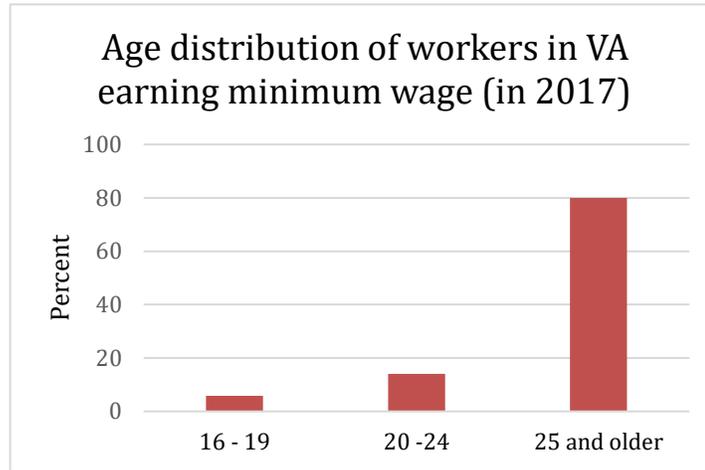
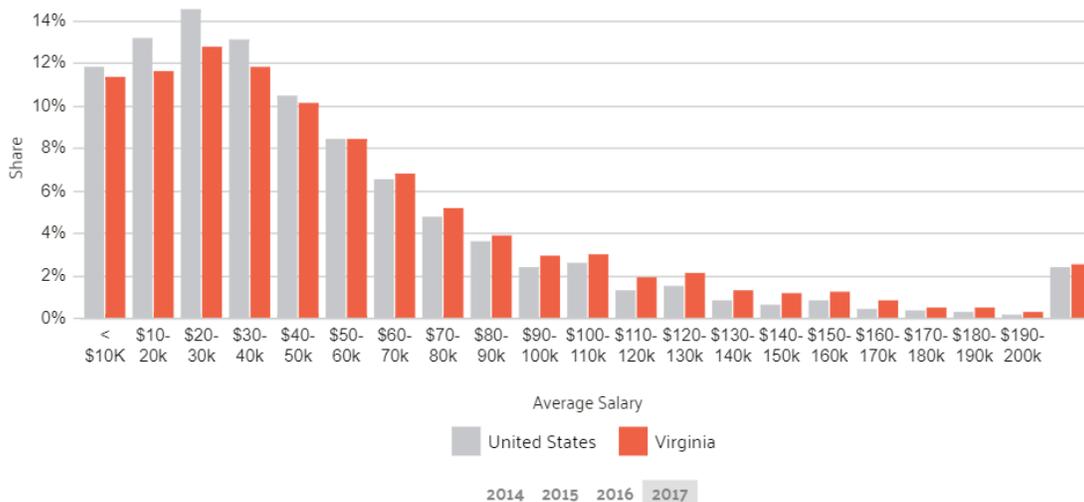


Figure 3. Age Distribution of Workers Earning the Minimum Wage

Nationally, about 2.3 percent of hourly workers earn minimum wage or less. In Virginia, 3.6 percent of hourly workers were earning the minimum wage or less in 2017.<sup>12</sup> Only a handful of states have a higher percentage of hourly workers making just the minimum wage. (Virginia ties with Louisiana). Since close to 60 percent of workers nationwide are hourly workers, as per the Bureau of Labor Statistics, the number of workers earning minimum wage is substantial.<sup>13</sup>

According to the 2017 American Community Survey of the U.S. Census Bureau, 35.7 percent of Virginia workers made less than \$30,000 per year (~\$15 per hour for full-time workers) which is shown in the figure below by combining the share of the first three brackets.<sup>14</sup> Household incomes vary widely in Virginia between rural and urban counties as well as between races.

Figure 4. Virginia Wage Distribution from the 2017 US Census Bureau 1 Year ACS



[https://datausa.io/profile/geo/virginia#income\\_distro](https://datausa.io/profile/geo/virginia#income_distro)

Data from the U.S. Census Bureau shows that 10.6 percent of Virginians overall live in poverty.<sup>15</sup> The table below shows some localities with exceedingly high poverty rates.<sup>16,17</sup>

Table 1. Populations Living in Poverty

Locality	% Living in Poverty	Population
Radford City	37.7	16,000
Harrisonburg City	33.5	50,000
Lynchburg	24.7	76,500
Richmond	25.6	227,000
Montgomery County	24.5	99,000
Roanoke	22.4	97,000
Norfolk	19.2	243,000

Because of very low wages, many workers rely on public assistance for basic needs such as food. In 2017, nine percent of Virginians received benefits from SNAP (Supplemental Nutrition Assistance Program), which was formerly referred to as food stamps. Of those recipients, 42 percent were in a family where someone worked.<sup>18</sup> In essence, businesses who do not pay employees adequate wages are being subsidized by taxpayers. A study done in 2016 by The Economic Policy Institute found that if the minimum wage was raised to \$12 an hour by 2020, then national public spending on assistance would drop by about \$17 billion a year.<sup>19,20</sup>

## Local Communities Do Not have the Power to Raise the Minimum Wage

In Virginia, the distribution of power between the state legislature and local governments is such that essentially all law-making power resides in the state government and not with local jurisdictions. In practical terms, this means it is very hard—if not impossible—for localities in Virginia to raise local minimum wages, as has been done in other cities across the nation. [See related Local Majority papers: [ALEC laws \(on privatization and preemption\)](#)<sup>21</sup> and the [Dillon Rule](#)<sup>22</sup>].

In repeatedly killing proposed minimum wage bills, conservative legislators have argued that increased minimum wages will reduce job growth. Such claims have been debunked by many sources including the White House Council of Economic Advisors.<sup>23</sup> Another study examined neighboring counties in different states, where one county had a higher minimum wage. It found that job growth rates were essentially the same.<sup>24</sup>

## Republicans Repeatedly Block Legislation to Raise the Minimum Wage

Democrats in Virginia have introduced countless bills over many years in attempts to raise the minimum wage. Since the committees are controlled by Republicans, their legislation has died in committee repeatedly. The table below is a sampling of these bills from just the 2019 session.

Table 2. Bills that Would have Raised the Minimum Wage

Bill	Synopsis	Party and Name of Sponsor	Vote (if any) and Status
SB 1200	Increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$10 per hour effective July 1, 2019, to \$13 per hour effective July 1, 2020, and to \$15 per hour effective July 1, 2021.	Dem R. Dance	Senate vote: 19 Y, 21 N (Party line vote) The final vote was on 1/21/2019
HB 2157	Increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$10.10 per hour effective January 1, 2020, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). Effective January 1, 2022, the minimum wage shall be adjusted biennially to reflect annual increases in the consumer price index over the two most recent calendar years.	Dem K. Plum	Died in committee on 2/5/2019
SB 1017	Increases the minimum wage from its current federally mandated level of \$7.25 per hour to (i) \$8.00 per hour effective July 1, 2019; (ii) \$9.00 per hour effective July 1, 2020; (iii) \$10.10 per hour effective July 1, 2021; and (iv) \$11.25 per hour effective July 1, 2022.	Dem D. Marsden	Died in committee on 1/21/2019
HB 1850	Increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$9 per hour effective July 1, 2019, to \$10 per hour effective January 1, 2020, to \$11 per hour effective January 1, 2021, to \$13 per hour effective January 1, 2022, and to \$15 per hour effective January 1, 2023, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA).	Dem M. Simon	Died in committee on 2/5/2019
HB 2195	Increases the cash wage for tipped employees to \$3.50 per hour in 2020, \$4.75 in 2021, and \$6.00 in 2022.	Dem D. Rodman	Died in committee on 2/5/2019
HB 2348	Increases the minimum wage requirements from 135 percent to 175 percent of the federal minimum wage for new jobs to be eligible for economic development incentives under the Small Business Jobs Grant Fund Program or the Virginia Jobs Investment Program.	Dem C. Herring	Died in committee on 2/5/2019
HB 2631	Local alternative minimum wage. Establishes a procedure by which a local alternative minimum wage may be imposed in any locality. If imposed by ordinance of the local governing body, the alternative minimum wage requirement shall become effective on the July 1 that follows delivery of a certified copy of the ordinance to the Commissioner of Labor and Industry. A local alternative minimum wage requires every employer to pay to each of its employees, for work performed by them within the locality, wages at a rate to be determined by local ordinance.	Dem M. Levine	Died in committee on 2/5/2019

- 
- <sup>1</sup> <https://www.nelp.org/publication/fighting-preemption-local-minimum-wage-laws/>
  - <sup>2</sup> <https://www.epi.org/publication/charting-wage-stagnation/>
  - <sup>3</sup> <https://www.cnbc.com/2019/07/18/house-passes-raise-the-wage-act-15-per-hour-minimum-wage-bill.html>
  - <sup>4</sup> <https://rwer.wordpress.com/2015/07/29/an-18-42-minimum-wage-graph/>
  - <sup>5</sup> <http://www.epi.org/publication/ceo-pay-remains-high-relative-to-the-pay-of-typical-workers-and-high-wage-earners/>
  - <sup>6</sup> <http://worldpopulationreview.com/states/cheapest-states-to-live-in/>
  - <sup>7</sup> <https://www.businessinsider.com/most-expensive-cities-in-america-2019-5#t11-oxnard-thousand-oaks-ventura-ca-had-a-price-level-171-higher-than-the-national-average-5>
  - <sup>8</sup> <http://livingwage.mit.edu/counties/51059>
  - <sup>9</sup> <http://livingwage.mit.edu/counties/51059>
  - <sup>10</sup> <https://www.bls.gov/opub/reports/minimum-wage/2017/home.htm>
  - <sup>11</sup> [https://www.epi.org/files/uploads/EPI\\_15\\_by\\_2024\\_state\\_tables.pdf](https://www.epi.org/files/uploads/EPI_15_by_2024_state_tables.pdf)
  - <sup>12</sup> [https://www.bls.gov/regions/mid-atlantic/news-release/minimumwageworkers\\_virginia.htm](https://www.bls.gov/regions/mid-atlantic/news-release/minimumwageworkers_virginia.htm)
  - <sup>13</sup> <https://www.bls.gov/opub/reports/minimum-wage/2017/home.htm>
  - <sup>14</sup> <https://datausa.io/profile/geo/virginia#economy>
  - <sup>15</sup> <https://www.census.gov/quickfacts/fact/table/VA/IPE120217>
  - <sup>16</sup> [https://www.richmond.com/news/virginia/richmond-s-poverty-rate-is-second-highest-in-virginia/article\\_379d6968-ea24-5239-8f7b-5d4cc3e66394.html](https://www.richmond.com/news/virginia/richmond-s-poverty-rate-is-second-highest-in-virginia/article_379d6968-ea24-5239-8f7b-5d4cc3e66394.html)
  - <sup>17</sup> <https://www.indexmundi.com/facts/united-states/quick-facts/virginia/percent-of-people-of-all-ages-in-poverty#chart>
  - <sup>18</sup> <https://www.cbpp.org/research/food-assistance/a-closer-look-at-who-benefits-from-snap-state-by-state-fact-sheets#Virginia>
  - <sup>19</sup> <https://nlihc.org/resource/raising-minimum-wage-would-reduce-public-assistance-spending>
  - <sup>20</sup> <https://www.epi.org/publication/wages-and-transfers/>
  - <sup>21</sup> [https://www.localmajority.org/wp-content/uploads/2019/02/VA.ALEC\\_privatization.20190204.JR\\_.pdf](https://www.localmajority.org/wp-content/uploads/2019/02/VA.ALEC_privatization.20190204.JR_.pdf)
  - <sup>22</sup> [https://www.localmajority.org/wp-content/uploads/2019/05/VA.DillonRule.20190515.DR\\_.pdf](https://www.localmajority.org/wp-content/uploads/2019/05/VA.DillonRule.20190515.DR_.pdf)
  - <sup>23</sup> <http://www.nelp.org/publication/fighting-preemption-local-minimum-wage-laws/>
  - <sup>24</sup> <http://www.nelp.org/publication/fighting-preemption-local-minimum-wage-laws/>