

Issue: MI Economy

## Minimum Wage in Michigan

### Background

Under normal economic circumstances, measures like paid sick leave and minimum wage standards help protect vulnerable low-income workers. With the advent of the COVID-19 pandemic, these protections are even more vital. Since mid-March, more than 2 million people—around 40% of Michigan’s eligible workforce—have filed for unemployment benefits.<sup>1,2</sup>

Unfortunately for Michigan, the Republican-led state Legislature has repeatedly taken decisions about worker protections out of the hands of the voters and local governments. In the past few years, the GOP majority has passed legislation that prevented local governments from improving on state standards for employee protections like paid sick leave and minimum wage (HB 4052, SB 353).<sup>3</sup> They also added nine days to the deadline by which employers must pay regular monthly employees (HB 5235), essentially allowing employers to float paychecks and earn over a week of interest that rightfully belongs to employees.<sup>4</sup>

At the same time, Democrats in Michigan introduced legislation to strengthen unemployment benefits (SB 453, HB 4894), create a commission on pay equity (SB 328, HB 4629), and increase transparency regarding wage rates and potential gender-based wage gaps (SB 330, HB 4631).<sup>5</sup> These pro-worker measures have each been stalled by Republican leadership.

### What is a Living Wage in Michigan?

Massachusetts Institute of Technology (MIT) defines the living wage as “the minimum income standard that, if met, draws a very fine line between the financial independence of the working poor and the need to seek out public assistance or suffer consistent and severe housing and food insecurity”.<sup>6</sup> In light of this definition, the living wage is perhaps better defined as a minimum subsistence wage for persons living in the United States. So, while it is called a living wage, it covers only basic necessities, without any provision for saving or planning for the future.

According to MIT’s Living Wage calculator, a living wage for a Michigan family of four with two working parents is \$15.96 per hour.<sup>7</sup> If only one parent is working, that parent would have to earn \$24.83 per hour. And if that family lives in Detroit, those numbers go up to \$16.24 per hour with both parents working and \$25.38 per hour in a family with one working parent.<sup>8</sup> However, the current minimum wage in Michigan is just \$9.65 per hour and only scheduled to reach \$12.05 by 2030.<sup>9</sup>

### The Case for a Higher Minimum Wage

Since the 1960s, the value of the minimum wage has been falling, as increases to the minimum wage have not kept pace with rising productivity and inflation (see Figure 1).<sup>10</sup> If the minimum wage had increased to keep pace with productivity, it would be over \$20 per hour today.

## Neglect has Left the Federal Minimum Wage Far Below What the Economy Could Afford

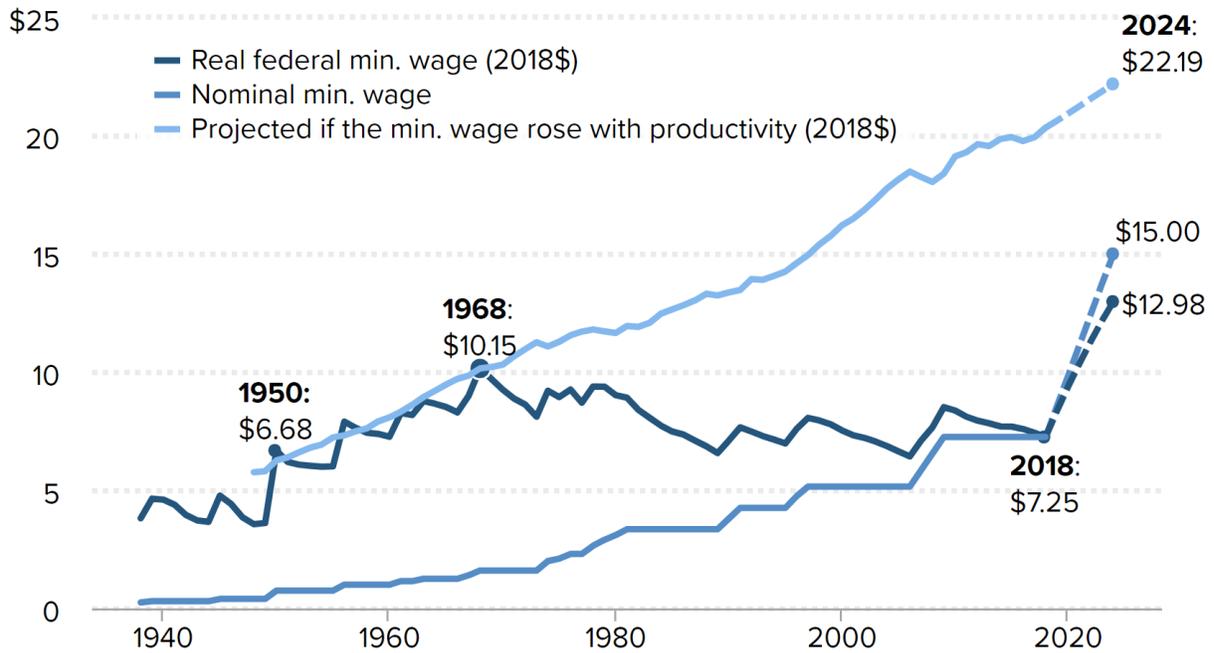


Figure 1 Inflation measured using the Consumer Price Index for All Urban Consumers Research Series (CPI-U-RS). Productivity is measured as total economy productivity net depreciation.

Opponents of raising the minimum wage will frequently argue that it will lead to a loss of jobs, but studies have shown that raising the minimum wage does not lower employment rates.<sup>11</sup>

## Minimum Wage Initiatives in Michigan

### Raise Michigan

There have been several attempts to raise Michigan's minimum wage. In 2014, Raise Michigan submitted a ballot proposal to raise the minimum wage to \$10.10 per hour by 2017.<sup>12</sup> In response, Republicans pushed through Public Act 138 of 2014, which raised the minimum wage to only \$9.25 by 2018.<sup>13</sup> Public Act 138 also rendered Raise Michigan's initiative completely ineffective by repealing the existing minimum wage law, so that the ballot initiative proposed amending a statute that no longer existed. Instead of opposing the initiative and working to convince voters to reject it, Republicans simply eliminated the original bill.

### One Fair Wage

Four years later, Michigan One Fair Wage led a campaign to put a minimum wage initiative on the November 2018 ballot.<sup>14</sup> This citizen-led initiative proposed a minimum wage schedule that would increase the minimum wage annually until it reached \$12 in 2022. Thereafter, it would be increased annually by the rate of inflation.<sup>15</sup>

After the signatures were collected and validated, the initiative was sent to the Legislature, which could either place it on the November ballot or adopt the initiative. The Republican-led Legislature decided to adopt the initiative allowing them to amend it with a simple majority instead of the three-quarter majority required to amend citizen-led initiatives. On November 8, 2018, Republican Senator Dave Hildenbrand introduced Senate Bill 1171 to amend this new minimum wage law and slow the increase in minimum wage, so that it reached \$12.05 by 2030 instead of the initial proposal of \$12 by 2022 (See Table 1).<sup>16</sup> It also set and kept the minimum wage for tip earners at 38% of minimum wage, whereas the initiative increased it, until it reached 100% by 2023 (See Table 1).

**MI Minimum Wage Initiative vs Republican Minimum Wage:  
Minimum Wage Comparison of MI Minimum Wage Initiative as adopted  
September 5, 2018 and as amended December 13, 2018**

MI Minimum Wage Initiative <sup>17</sup> , adopted Sept 5, 2018	Improved Workforce Opportunity Act <sup>18</sup> , as amended Dec 13, 2018
<p><b>Regular Minimum Wage Rates:</b> January 1, 2019 – \$10.00 January 1, 2020 – \$10.65 January 1, 2021 – \$11.35 <b>January 1, 2022 – \$12.00 ←</b></p> <p>Increases annually thereafter based on Consumer Price Index (CPI).</p>	<p><b>Regular Minimum Wage Rates:</b> January 1, 2019 - \$ 9.45 January 1, 2020 – \$ 9.65 January 1, 2021 – \$ 9.87 <b>January 1, 2022 – \$10.10 ←</b> January 1, 2023 – \$10.33 January 1, 2024 – \$10.56 January 1, 2025 – \$10.80 January 1, 2026 – \$11.04 January 1, 2027 – \$11.29 January 1, 2028 – \$11.54 January 1, 2029 – \$11.79 <b>January 1, 2030 – \$12.05 ←</b></p> <p>No increases by indexing or other measures are set for after 2030.</p>
<p><b>Tipped Minimum Wage Rates:</b> January 1, 2019 – 48% of min. wage January 1, 2020 – 60% of min. wage January 1, 2021 – 70% of min. wage January 1, 2022 – 80% of min. wage January 1, 2023 – 90% of min. wage <b>January 1, 2024 – 100% of min. wage ←</b></p>	<p><b>Tipped Minimum Wage Rates:</b> January 1, 2019 - 38% of min. wage January 1, 2020 - 38% of min. wage January 1, 2021 - 38% of min. wage January 1, 2022 - 38% of min. wage January 1, 2023 - 38% of min. wage <b>January 1, 2024 - 38% of min. wage ←</b></p> <p>The tipped minimum wage is equal to 38% of the applicable minimum wage listed above (i.e., capped at \$4.58 per hour).</p>

Table 1 Summarizes the difference in minimum wage increases for regular and tipped wage workers between the original 2018 citizen-led ballot initiative and the final Republican legislation that was passed in the MI Legislature, as Public Act 368. In all cases, the increase would not take effect if the unemployment rate for the previous year is 8.5 percent or higher. Increases were to be put on hold in any year in which the unemployment rate for the preceding year is 8.5 % or greater.

The Republican-led MI Legislature passed the bill and it was signed by Governor Snyder on December 13, 2018. This ‘adopt and amend’ process has been used repeatedly by Republican legislators to end-run the initiative process and to deny Michigan voters the chance to make their voices heard.<sup>19</sup> Opponents of raising the minimum wage will frequently argue that it will lead to a loss of jobs, but studies have shown that raising the minimum wage does not affect employment.<sup>20</sup>

## Prevailing Wage

Republicans also used the initiative process to repeal PA 166, a 1965 statute that required prevailing wages—i.e. union-scale wages—on state projects.<sup>21</sup> Previous repeal attempts had failed because Governor Snyder (R) supported prevailing wages as a way to increase skilled trade careers. So, Republicans pursued a citizen-led ballot initiative, which unlike legislation would not be subject to the governor’s veto. The initiative was spearheaded by Protecting Michigan Taxpayers. The group’s biggest backer was the DeVos-funded Michigan Freedom Fund.<sup>22</sup> After collecting enough signatures for the initiative to go on the ballot, Republicans adopted the initiative, thus end-running a veto by the governor *and* preventing Michigan voters from voting on the actual initiative. Legislation to reinstate prevailing wages on state projects (HB 4884) was introduced by Democrats and is currently sitting in the House Committee on Government Operations.<sup>23</sup>

## Why it Matters Even More Now

Before the COVID-19 pandemic, 14.1% of Michiganders lived in poverty. Two counties had poverty rates above 22% (Isabella County 23.4%; Lake County 22.3%).<sup>24</sup> Now, with little to no financial cushion, often these families are bearing the brunt of the COVID-19 related economic crisis. Many low-income workers are losing their jobs, while many of those who have not lost their jobs must work despite the health risks. Without any financial buffers, these workers are struggling to pay for rent, food, and other necessities during this pandemic. Ensuring that all workers are paid a living wage has never been more crucial.

## Conclusion

Michigan voters deserve lawmakers who respect and protect their voice in government. Not only have Republicans hijacked the initiative process to keep the minimum wage low, they have also passed legislation that forbids local jurisdictions from raising the minimum wage in their cities. At the same time, Democratic legislators have been fighting to protect workers. Most recently, in May 2020, Democratic legislator John Cherry introduced HB 5801 to raise the minimum wage for essential workers to \$15 an hour.<sup>25</sup>

## Related Local Majority Research Reports

*Michigan Paid Sick Leave:* <https://tinyurl.com/MI-paidleave>

*Michigan Adopt and Amend:* [https://www.localmajority.org/research-reports/#mi\\_adopt](https://www.localmajority.org/research-reports/#mi_adopt)

- 
- <sup>1</sup> <https://www.detroitnews.com/story/news/local/michigan/2020/06/19/michigan-unpaid-unemployment-claims-grow-137-000-many-flagged-fraud/3221916001/>
- <sup>2</sup> <https://www.bridgemi.com/business-watch/depression-level-michigan-unemployment-tops-1-million-coronavirus>
- <sup>3</sup> [https://www.mlive.com/lansing-news/2015/06/gov\\_rick\\_snyder\\_signs\\_death\\_st.html](https://www.mlive.com/lansing-news/2015/06/gov_rick_snyder_signs_death_st.html);  
<http://legislature.mi.gov/doc.aspx?2017-SB-0353>
- <sup>4</sup> <http://legislature.mi.gov/doc.aspx?2017-HB-5235>
- <sup>5</sup> <http://legislature.mi.gov/doc.aspx?2019-SB-0453>; <https://www.michiganradio.org/post/lawmakers-want-discuss-future-michigans-jobless-benefits>; <http://legislature.mi.gov/doc.aspx?2019-SB-0328>;  
<http://legislature.mi.gov/doc.aspx?2019-HB-4629>; <https://senatedems.com/geiss/news/2019/05/22/geiss-continues-the-fight-for-pay-equity/>; <http://legislature.mi.gov/doc.aspx?2019-SB-0330>;  
<http://legislature.mi.gov/doc.aspx?2019-HB-4631>
- <sup>6</sup> <https://livingwage.mit.edu/resources/Living-Wage-User-Guide-and-Technical-Notes-2018.pdf>, 2.
- <sup>7</sup> <https://livingwage.mit.edu/states/26>.
- <sup>8</sup> <https://livingwage.mit.edu/metros/19820>
- <sup>9</sup> <https://wwmt.com/news/local/michigan-minimum-wage-jumps-to-965-in-2020>
- <sup>10</sup> <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>
- <sup>11</sup> <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/>  
(Effects on job growth and workers' welfare section)
- <sup>12</sup> [https://www.mlive.com/lansing-news/2014/02/michigan\\_minimum\\_wage\\_group\\_in.html](https://www.mlive.com/lansing-news/2014/02/michigan_minimum_wage_group_in.html)
- <sup>13</sup> <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-act-138-of-2014.pdf>
- <sup>14</sup> [https://ballotpedia.org/Michigan\\_Minimum\\_Wage\\_Increase\\_Initiative\\_\(2018\)](https://ballotpedia.org/Michigan_Minimum_Wage_Increase_Initiative_(2018))
- <sup>15</sup> [https://www.michigan.gov/documents/sos/MI\\_One\\_Fair\\_Wage\\_601269\\_7.pdf](https://www.michigan.gov/documents/sos/MI_One_Fair_Wage_601269_7.pdf)
- <sup>16</sup> [https://ballotpedia.org/Michigan\\_Minimum\\_Wage\\_Increase\\_Initiative\\_\(2018\)](https://ballotpedia.org/Michigan_Minimum_Wage_Increase_Initiative_(2018))
- <sup>17</sup> [https://www.legislature.mi.gov/\(S\(h4gq5hqxt1xlg2bh5es3doam\)\)/documents/mcl/pdf/mcl-act-337-of-2018.pdf](https://www.legislature.mi.gov/(S(h4gq5hqxt1xlg2bh5es3doam))/documents/mcl/pdf/mcl-act-337-of-2018.pdf)
- <sup>18</sup> [https://www.house.mi.gov/hfa/PDF/Alpha/Minimum\\_Wage\\_Initiative.pdf](https://www.house.mi.gov/hfa/PDF/Alpha/Minimum_Wage_Initiative.pdf)
- <sup>19</sup> [https://www.localmajority.org/wp-content/uploads/2020/05/MI.AdoptAmend.2020523.HY\\_jr\\_rf\\_.pdf](https://www.localmajority.org/wp-content/uploads/2020/05/MI.AdoptAmend.2020523.HY_jr_rf_.pdf)
- <sup>20</sup> <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/> (Effects on job growth and workers' welfare section)
- <sup>21</sup> Prevailing wage sets a minimum wage for construction workers on state funded projects. "Under the prevailing wage law, coded as 1965 PA 166, the state department of labor determined the prevailing wage and benefits required for each type of contractor or mechanic prior to advertising for contract bids. The wages were determined according to wages paid for similar projects in the local jurisdiction 'under collective agreements or understandings between bona fide organizations of construction mechanics and their employers.'" [https://ballotpedia.org/Michigan\\_Repeal\\_Prevailing\\_Wages\\_and\\_Fringe\\_Benefits\\_on\\_State\\_Projects\\_Initiative\\_\(2018\)](https://ballotpedia.org/Michigan_Repeal_Prevailing_Wages_and_Fringe_Benefits_on_State_Projects_Initiative_(2018))
- <sup>22</sup> <https://www.crainsdetroit.com/article/20150706/NEWS/150709931/group-backing-repeal-of-michigans-prevailing-wage-raises-1-million>; [https://en.wikipedia.org/wiki/Dick\\_DeVos](https://en.wikipedia.org/wiki/Dick_DeVos)
- <sup>23</sup> <http://legislature.mi.gov/doc.aspx?2019-HB-4884>
- <sup>24</sup> <https://news.umich.edu/michigan-poverty-map-shows-economic-security-by-county/>
- <sup>25</sup> <https://www.legislature.mi.gov/documents/2019-2020/billintroduced/House/htm/2020-HIB-5801.htm>