HOW WILL MINIMUM WAGE CHANGES IMPACT HIGHER ED?

By Andy Brantley | March 2021

According to a 2019 Pew Research Center survey, 67% of Americans support raising the federal minimum hourly wage from $7.25 to $15 per hour, with 41% strongly supporting the increase.[1] Raising the federal minimum wage to $15 per hour has been the battle cry for many members of Congress, while others have opposed or expressed concern regarding, such a large increase. The federal minimum wage receives significant media focus, but many states and higher education institutions have established minimum wage rates that exceed or significantly exceed $7.25 per hour. To more clearly shape our perspective and understand the impact for higher education of a possible minimum wage increase, this brief includes a short history of federal minimum wage increases and the views of minimum wage increases through various lenses:

- economic impact
- living wage
- the federal government
- state governments
- higher education institutions

History of the Federal Minimum Wage

The Fair Labor Standards Act of 1938 (FLSA) established minimum wage, overtime pay, recordkeeping and youth employment requirements for U.S. governmental and private-sector employees. Since passage of the FLSA, there have been multiple amendments to make updates or changes to clarify application to agriculture and other industries and to add provisions regarding compensable hours worked, student employee wage rates, and compensatory time off in lieu of overtime for public-sector employees.[2]

Many of these amendments also included changes to the federal minimum wage. From 1938 to 2009, the minimum wage increased incrementally over time from $0.25 per hour to $7.25, but there have been no changes to the minimum wage during the last 12 years, the longest period of time without a change to the rate. Figure 1 reflects these changes since 1938.[3]

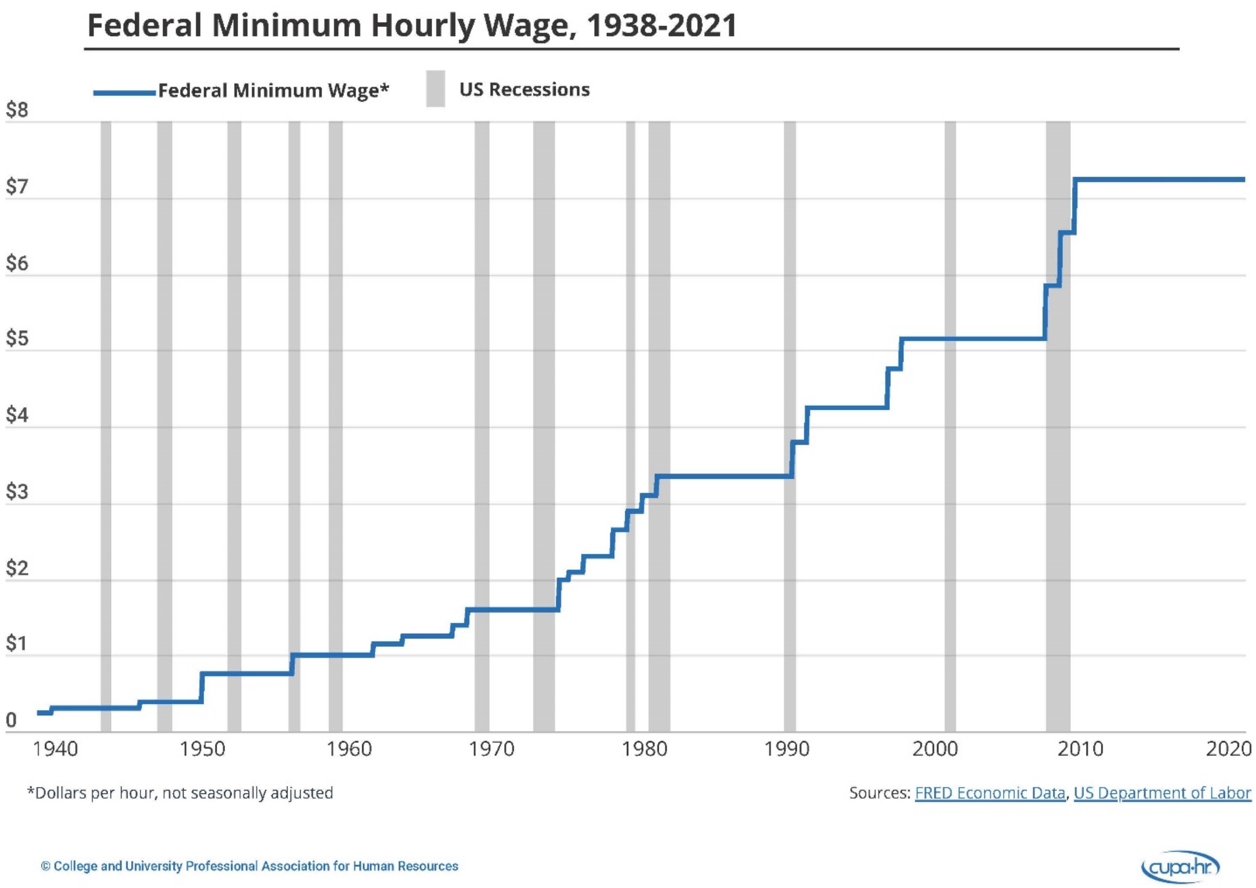

Figure 1. Federal Minimum Hourly Wage, 1938-2021[4]

Minimum Wage Increases: An Economic Impact Lens

Does increasing the minimum wage have a negative impact on employment? In other words, do employers decrease the number of employees or the number of hours of work available to employees to offset increases to the minimum wage? Some studies have found that an increase in the minimum wage has no impact on employment, while others have found negative impacts. Boffy-Ramirez (2019) found that unemployment did not immediately increase and that employers did not replace full-time workers with part-time workers following a minimum wage increase.[5]

Azar et al. (2019) emphasized the importance of reviewing the impact of minimum wage changes based on the density of population in areas across the country.[6] They found that an increase in the minimum wage leads to a decrease in the number of available low-wage positions in low-concentrated areas of the country and that this is less likely in more concentrated areas due to greater employment elasticity. Cengiz et al. (2019) reviewed state minimum wage increases from 1979 to 2016 and found that the number of low-wage positions did not change during the five years following an increase.[7]

Clemens and Strain (2017) reviewed the effects of state minimum wage increases between 2013 and 2015 on individuals with less than a high school education and found that employment in states that raised the minimum wage expanded at a slightly slower pace than states that did not implement an increase.[8] However, across many of their estimates, the differences were indistinguishable. In summary, results of economic studies are mixed. The bigger question for many across the country is whether a potential slight labor contraction is reason to keep the minimum wage at the current level.

Minimum Wage Increases: A Living Wage Lens

Ciscel (2000) described the living wage movement as a political strategy to raise awareness and increase real wages of the lowest-paid employees.[9] As is true for any political strategy, calculation of living wages by political action committees should be scrutinized to evaluate included elements and any assumptions built into the calculations. In 2004, Glasmeier developed the living wage calculator to create a geographic-based expenditure tool to determine the minimum food, childcare, health insurance, housing, transportation and other basic living costs for individuals and families and the minimum wage needed to meet these basic expenses.[10] Glasmeier developed the calculator as an alternative to published federal poverty levels which only incorporate basic food budget needs and do not include costs for things like healthcare and childcare.

According to Shook et al. (2020), 38.1 million people in the United States live in poverty, with 40% of the U.S. workforce, or 58.3 million workers, making less than $15 per hour.[11] Shook et al. also noted that $15 per hour is not enough for most workers to meet the basic needs of their families. Shook and colleagues also point to the positive impact that raising the minimum wage has on food and housing security, as well as the mental health and well-being of workers (e.g., Cook & Frank, 2008).[12] Nadeau (2021) noted that the minimum wage does not cover necessary family living expenses, that many working adults are forced to seek public assistance and hold multiple jobs, and that the living wage needed to cover basic expenses varies significantly by metropolitan area and geographic region of the country.[13]

Nadeau and their colleagues at the Massachusetts Institute of Technology (MIT) estimated that the 2020 living wage for a family of four (two working adults and two children) was $21.54 per hour, or $89,606 per year, and $15.41 per hour, or $32,040 per year, for a single adult. The economic and living wage lenses are frequently referenced during minimum wage debates in Congress.

Minimum Wage Increases: The Federal Lens

Eighty-six percent of Congressional Democrats and Democrat-leaning independents support an increase to $15 per hour, but the majority of Congressional Republicans, 57%, oppose raising the minimum wage to $15 per hour (Davis & Hartig, 2019).[14] Voiced support or opposition to any political position is an important indicator, but how members of Congress actually vote when the proposed change is introduced could be different.

White House spokesperson Rosemary Boeglin recently tried to connect the living wage and economic lenses: "No American should work full time and live in poverty. Raising the minimum wage reduces poverty and has positive economic benefits" (Wiseman, 2021).[15] The Congressional Budget Office also recently incorporated the living wage and economic lenses by concurring that the change to a $15 per hour minimum would increase pay for millions and help 1.3 million out of poverty, but also noting that the change would cause 1.4 million jobs to disappear (Alsalam et al., 2019).[16]

Is raising the minimum wage going to be approved by Congress? As the debate continues in Washington, D.C., many state leaders have already taken action to change the minimum wage.

Minimum Wage Increases: State Lenses

According to the National Conference of State Legislatures (NCSL, 2021), 29 states and the District of Columbia had minimum wage rates above $7.25 per hour as of January 1, 2021.[17] The NCSL also noted that Alabama, Louisiana, Mississippi, South Carolina, and Tennessee do not have state minimum wage rates, and that Georgia and Wyoming have minimum wage rates that are lower than the federal minimum wage. Minimum wage in these states defaults to the federal minimum.

Clemens and Strain (2017) noted that during the years following the 2008 recession, there was little movement of minimum wages at the federal or state level.[18] The federal minimum wage increased to $7.25 in July 2009, but there were few state adjustments through calendar year 2012. There have been many adjustments since 2012. In fact, the NCSL noted that 21 states increased their minimum wage rates effective January 1, 2020, with seven states automatically increasing them based on cost of living, and 14 increasing due to legislation or popular-vote outcomes. A number of states, including California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, and New York, have adopted plans that will move their state minimums to $15 through a phased approach during the next few years (NCSL, 2021). These state-level changes have impacted higher education pay scales and increased the percentage of employees paid at or above $15 per hour (Figure 2).

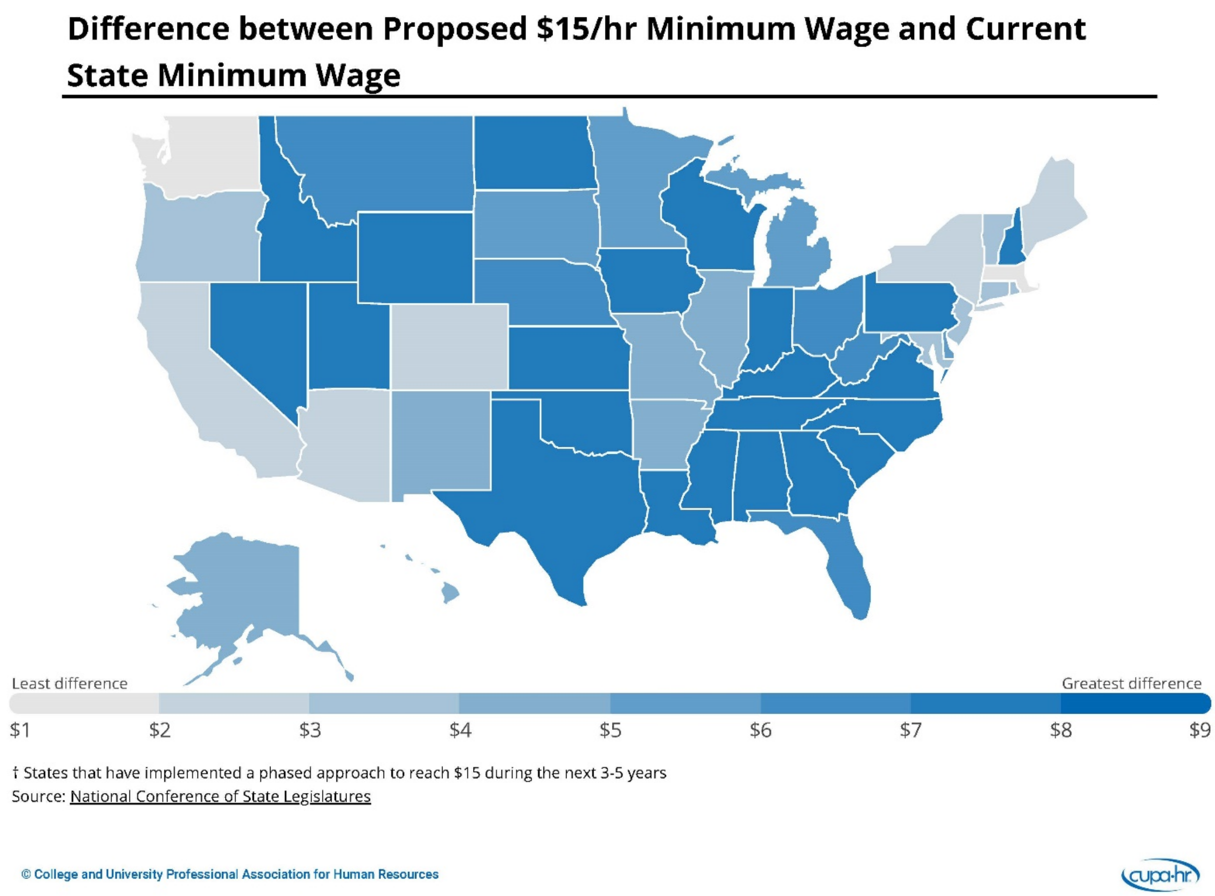

Figure 2. Percentage of U.S. Workforce Below $15 Minimum Wage[19]

Minimum Wage Increases: A Higher Education Lens

Some private and public institutions, including Duke University, The Ohio State University, the University of Washington, the University of Connecticut, and the University of Memphis have adjusted the hourly wage of their lowest paid employees to $15 or higher (Grantham, 2017; Palm-Houser, 2019; Holtz, 2019; UCONN Human Resources, 2019; Smith, 2020).[20] Data from the CUPA-HR *Staff in Higher Education Survey* show that the percentage of higher education employees paid below $15 per hour has steadily declined for all categories of positions over the last four years, with the largest decline for service/maintenance positions (Figure 3).[21]

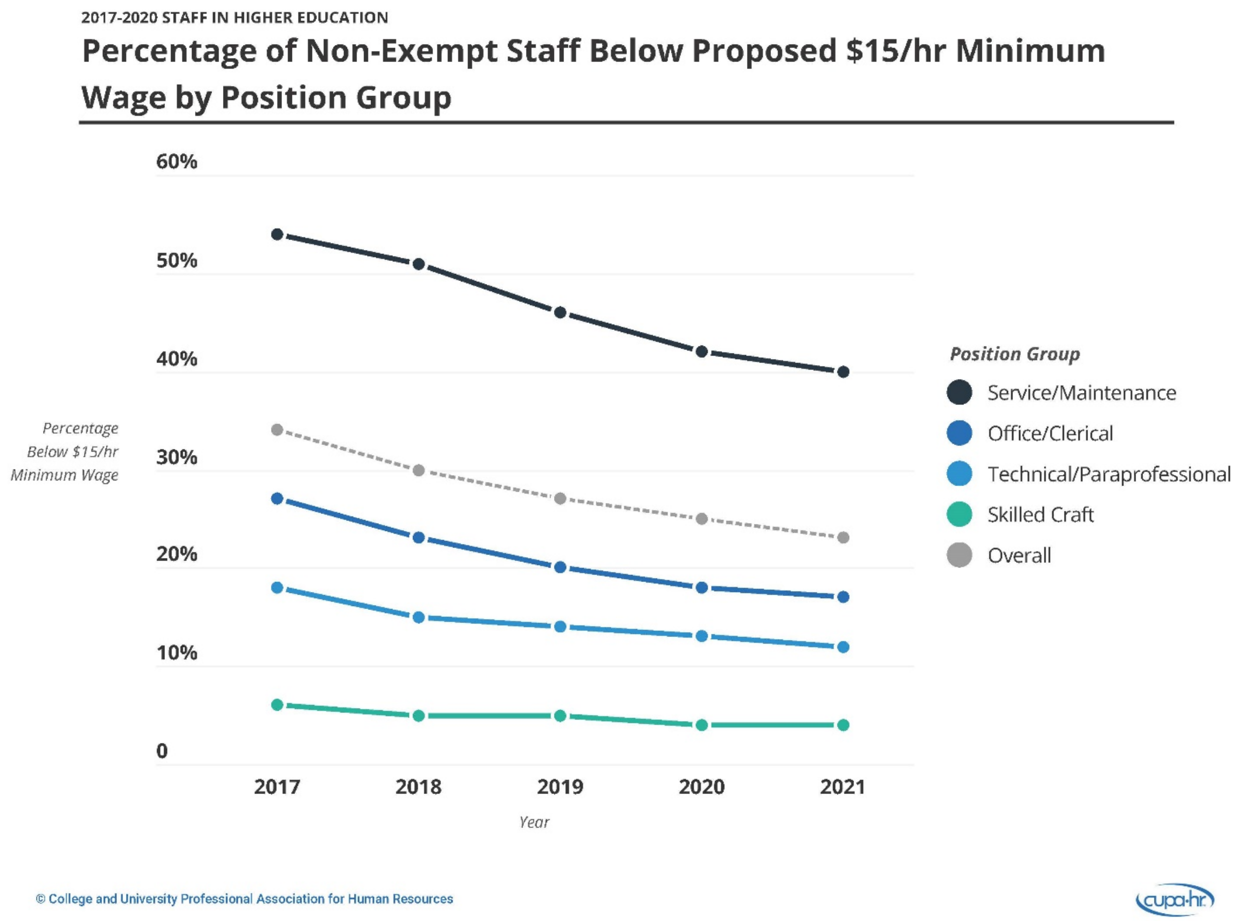

Figure 3. Percentage of Non-Exempt Staff Below Proposed $15/hr Minimum Wage by Position Group

As of November 1, 2020, 23% of non-exempt higher education employees were paid below $15 per hour. This varies by position category, with 40% of service/maintenance employees, 17% of office/clerical, 12% of technical/paraprofessional, and only 4% of skilled craft employees paid below $15 per hour. There are also regional differences in the percentage of higher education employees paid less than $15 per hour. The South has the highest percentage of employees paid below $15 with 29%, followed by the

Midwest with 21%, the West with 18%, and the Northeast with the lowest percentage, 15% (Figure 4).[22]

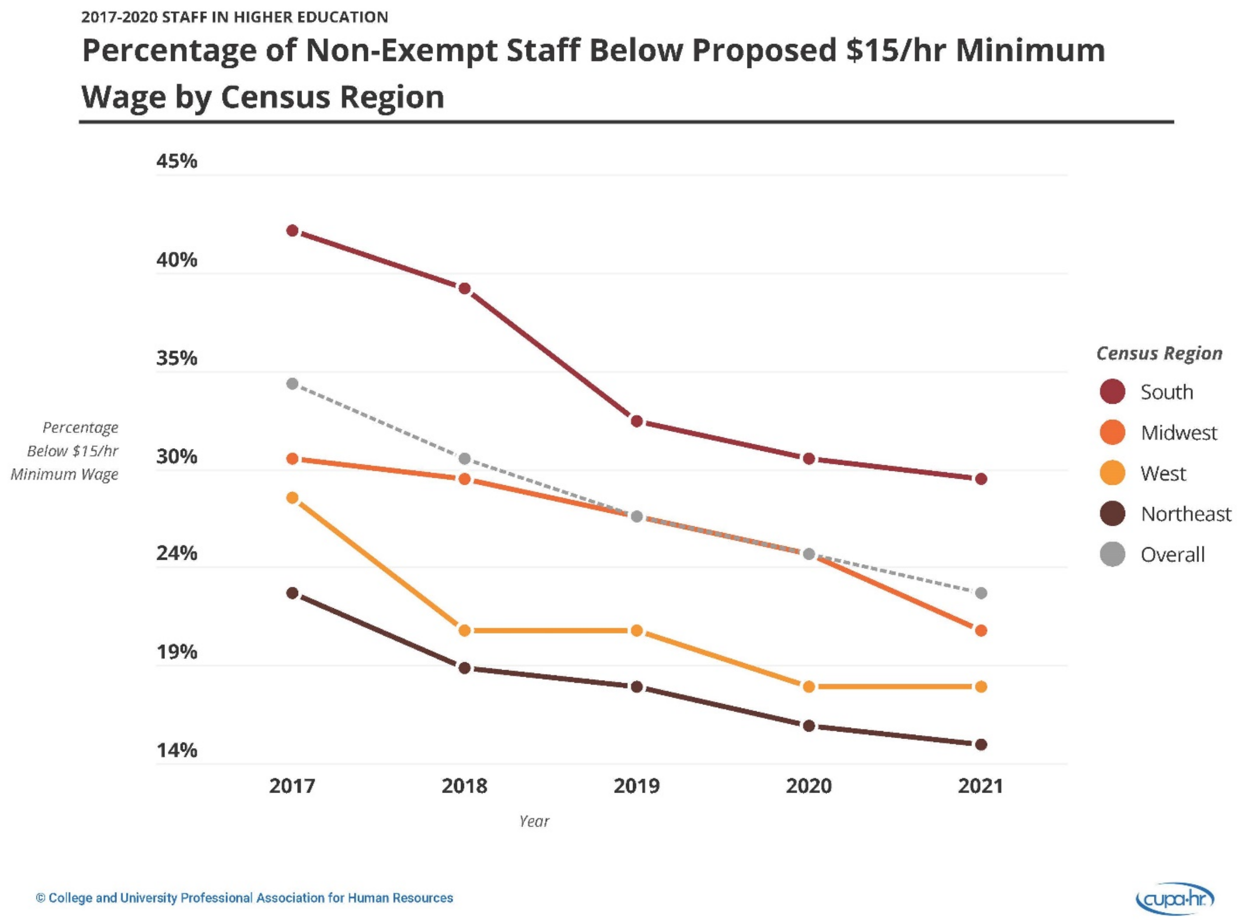

Figure 4. Percentage of Non-Exempt Staff Below Proposed $15/hr Minimum Wage by Census Region

As noted in Figures 3 and 4, fewer higher education employees are paid less than $15 compared to four years ago. These national trends and examples from institutions are noteworthy. A review of publicly available published minimum wage rates from state flagship institutions compared to state and federal minimum wages yield the following:

- Only two institutions have published minimum wage rates at, or within two cents of, the federal minimum wage.
- Three states have minimum wage rates of $13 or more. The highest is Washington with a minimum rate of $13.69, followed by Massachusetts and California with $13.50 and $13.00, respectively.

- Seven state flagship institutions — the University of Connecticut, the University of Florida, the University of Hawai'i, the University of North Carolina, The Ohio State University, the University of Washington, and the University of Wisconsin — have minimum wage rates of $15 or higher.
- Thirty-six institutions have published minimum wage rates of $10 or higher, and 10 have minimum wage rates of $12 or more.

One limitation of this review is that the published minimum institution wage rates might be less than the hourly rate actually paid to the lowest-paid employees. Some institution pay scales have not been updated in many years, and it is possible that employee wage rates have been increased without making changes to the published pay scale. This review also does not include wage rates for students or temporary employees. Availability of pay scales for students and temporary employees was inconsistent from institution to institution. It is possible that institutions have established hourly rates for these employees that are lower than the published rates for full-time, benefit-eligible employees.

Conclusion and Next Steps for Institutions

There is much debate regarding the federal minimum wage rate, and perspectives differ based on the lens through which changes to the rate are viewed. An economic lens provides mixed views, with some studies indicating that increases lead to reduction in jobs and some indicating no job losses. A living wage lens highlights the impact on individuals and families and the opportunity to lift families out of poverty.

A federal lens includes the economic and living wage perspectives but is largely divided along party lines, with strong support for minimum wage increases from Democrats and mixed views from Republicans. The state lens differs by state, with 21 states using the federal minimum wage, none currently using a minimum rate of $15 or higher, and seven working toward $15 during the next few years. The higher education lens is also mixed, but the trend during the last four years illustrates an overall commitment to raise minimum pay levels.

A review of public state flagship institutions highlights the work of many institutions to increase the pay of the lowest-paid employees, with 36 using rates of $10 or more, 10 using rates of $12 or more, and eight paying hourly rates of $15 or higher. A change of the federal minimum wage rate to $15 per hour would impact all but a few flagship institutions, but many are already well on their way to $15 per hour.

Next steps for institutions:

- Review and update published pay scales to ensure that the lowest rates reflect the lowest rate paid to employees. Outdated pay scales send the wrong message to potential applicants and the entire community. If you are at a public institution that must publish an outdated state or system pay scale, include additional details to alert readers that your starting pay is higher than the published rate.

- If the lowest hourly rate paid at your institution is not already $10 or higher, work with other campus leaders to increase the pay rate for your lowest-paid employees. These are challenging budget times for colleges and universities, but turnover due to pay that is not competitive creates an even more significant short- and long-term challenge.

- If you are paying $15 or more per hour, highlight this in communications and website resources available to current and prospective employees.

- The pandemic has impacted all employees, but specifically review how it has impacted your lowest-paid employees. If hours have been reduced, is there the possibility of restoring these hours during the next several months? Are there issues such as childcare or elder care that may require guidance or assistance?

- Ensure that your lowest-paid employees are aware of and connected to local community resources. An hourly pay rate of $15 per hour might help a single person meet basic needs, but it will not be sufficient to meet the needs of a single parent who is trying to provide for their family. Paying a reasonable minimum rate of pay is just one part of our responsibility as employers and leaders in our communities.

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