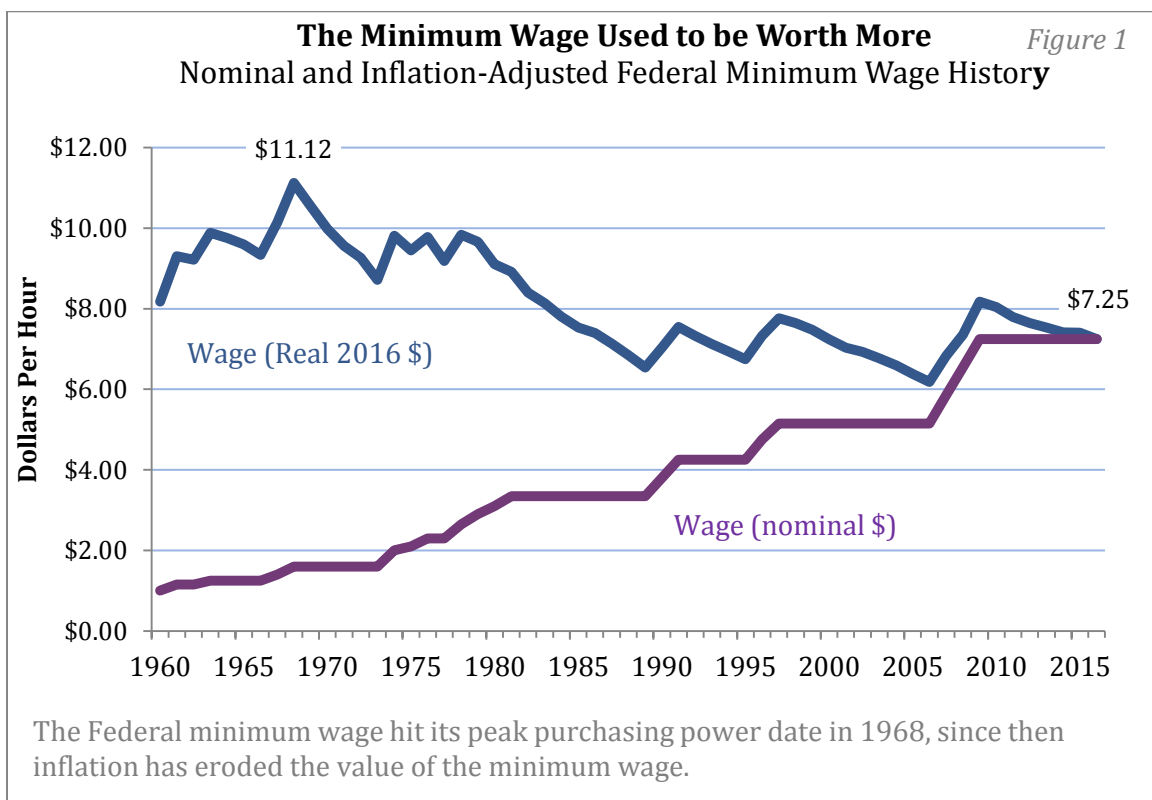


## Today's Minimum Wage is Low by Historic Standards

### Issue Brief: Colorado's Minimum Wage

Today a minimum wage worker in Colorado can only buy about 75 percent of what a Coloradan making minimum wage could purchase in the late 1960s, despite the fact that the average minimum wage worker today is much better educated and much more productive than minimum wage workers were in the late 1960s.



### The Federal Minimum Wage

The modern minimum wage was first passed in 1938. From its creation until the late 1960s, the purchasing power of the minimum wage steadily grew, reaching its peak in 1968. Since 1968, the relative purchasing power of the minimum wage has declined dramatically which means the income of a minimum wage worker today buys much less than it used to.

Today's minimum wage would be \$11.12 if it had kept pace with inflation since 1968. The current federal minimum wage is \$7.25, where it's been since 2009.

## The Colorado Minimum Wage

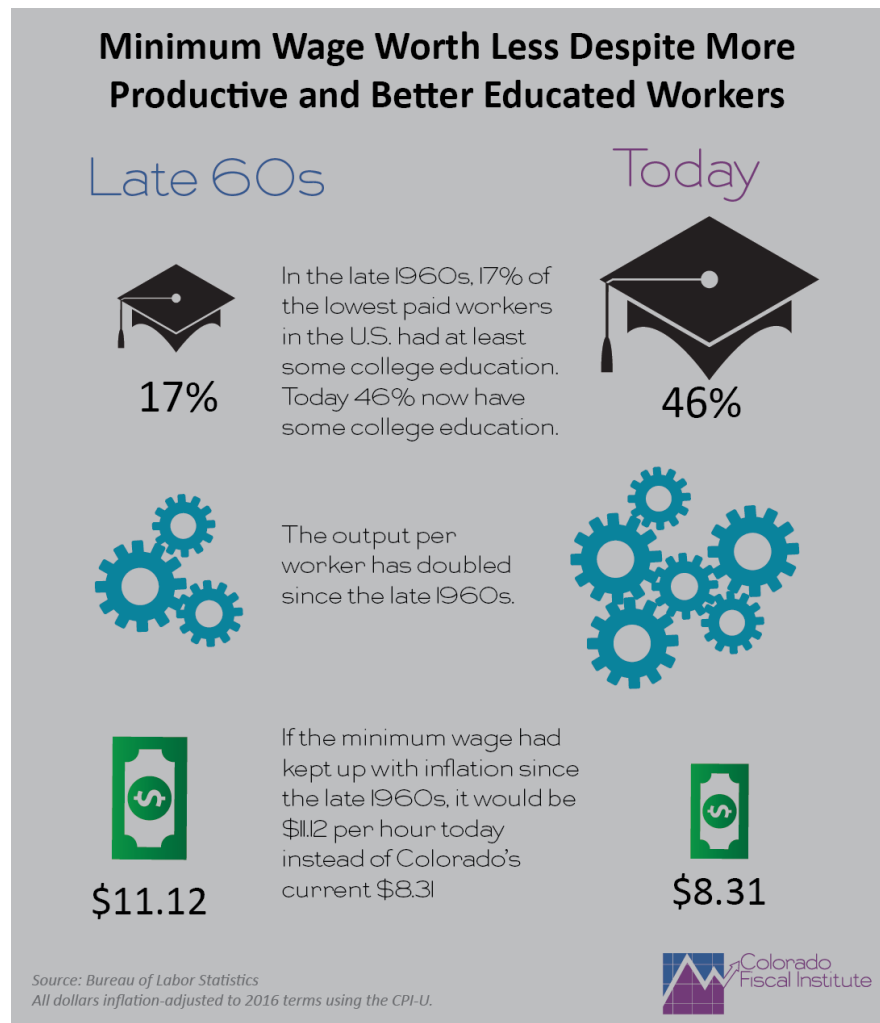
In 2006, 53.3 percent of Colorado voters approved the Colorado Minimum Wage Increase Initiative. Also known as Initiative 42, this constitutional amendment raised the minimum wage to \$6.85 an hour from the previous level of \$5.15, which was the federal level at the time. It also tied the future state minimum wage to the Consumer Price Index, which ensured that the Colorado minimum wage would be adjusted for inflation each year.

Colorado's minimum wage in 2016 is currently \$8.31 an hour, which is above the federal rate. It would be \$11.12 if it kept the same purchasing power as the minimum wage in 1968.

Between 80,000 and 100,000 workers are currently paid the minimum wage in Colorado. This represents about 4.2 percent of the total workers in the state.

### Minimum Wage Benchmarks through the Years

Today's minimum wage is low in many aspects compared to historic levels. The minimum wage hasn't kept up with inflation or adjusted for the fact the workers are more productive. The minimum wage has also lagged behind the growth of the wages of other workers.<sup>1</sup>



<sup>1</sup>To adjust the minimum wage of \$1.60 in 1968 into 2016 terms, we use the CPI-U which means that \$1.60 is worth \$11.12 (given inflation expectations) in 2016. Other researchers rely on a slightly different measurement of inflation known as the CPI-U-RS. Using the CPI-U-Rs, a \$1.60 in 1968 is worth about \$9.80 today. So by the most conservative measures of inflation, the current minimum wage is still well below its historical real value.

## How Does Today's Minimum Wage Compare?

Table 1

	1968	Today	
	Federal	Federal	Colorado
Nominal Value of Minimum Wage	\$1.60	\$7.25	\$8.31
Real Value Today (2016\$) (a)	\$11.12	\$7.25	\$8.31
Percent of 1968 Real Value	100%	66%	75%
Percent of Net Productivity (b)	33.7%	13.3%	14.7%
Portion of National Median Wage (c)	52.1%	37.1%	40.9%
Portion of the Average Hourly Earnings (d)	53.0%	35.2%	38.8%

(a) Wages adjusted by CPI-U  
 (b) average output per hour worked in total economy (2014)  
 (c) Called the Kaitz Index, or ratio of the minimum wage to the median wage for full-time, full-year worker (2014)  
 (d) of nonsupervisory production workers (2014)

The federal minimum wage is only two-thirds the real value it was back in 1968 and Colorado's minimum wage is three-fourths its historic value.

The minimum wage hasn't kept pace with the increase in worker's productivity. Back in 1968 the minimum wage was worth 33.7 percent of the average output per hour worked; now it has fallen to below 15 percent. Even though workers are twice as productive as they were in 1968, the minimum wage is worth much less.

In addition, the average worker making low wages is better educated than in 1968. Only 17 percent of 1968 workers in the lowest 20 percent of the wage distribution had a college education, compared to 46 percent today. Minimum wage has lagged behind the wage growth of other workers. In 1968 the minimum wage was 52.1 percent of the national median wage. The minimum wage in Colorado today is only 41 percent of national median wage.<sup>2</sup>

Other states are using several years to gradually increase the minimum wage back to its historic value.<sup>3</sup> If Colorado wanted to catch back up with inflation since the late 1960s, it should achieve a minimum wage of \$12.21 by the year 2020.<sup>4</sup>

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<sup>2</sup> Economic Policy Institute "We can Afford a \$12.00 Federal Minimum Wage in 2020."

<sup>3</sup> For instance, the minimum wage in Vermont is set to increase to \$9.60 in 2016, \$10.00 in 2017, and \$10.50 in 2018.

<sup>4</sup> Calculations made using the CPI-U and Congressional Budget Office's inflation projections assuming the CPI-U was 34.8 in 1968 and 265.5 in 2020.