

**TO:** GOVERNOR JON HUNTSMAN JR.  
**FROM:** THE MINIMUM WAGE WORKING GROUP  
**SUBJECT:** RECOMMENDATIONS REGARDING UTAH'S MINIMUM WAGE  
**DATE:** JANUARY 6, 2006  
**CC:** MMINIMUM WAGE WORKING GROUP MEMBERS

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### **Talking Points**

- There are 19,000 Utahns working for minimum wage or less. This ranks the state 22nd in the nation. Regionally, only Nevada has a smaller percentage of workers paid minimum wage.
- Of those 19,000, only 6,000 workers are paid minimum wage. The other 13,000 are paid less than the minimum, possibly working for wages plus tips.
- Beyond these bare numbers, we don't have any sense of who these workers are-teens, ethnic minorities, retirees, rural residents, those with barriers to better employment are all possibilities.
- Models of the economic impacts of raising the minimum wage are inconclusive. Some show declines in number of jobs if the minimum wage is raised. Others are neutral and still others show a net gain in jobs.
- Recommendations
  - Recommendation 1: Utah should commission a series of studies to determine the characteristics of minimum wage and low-wage workers
  - Recommendation 2: Utah Department of Health should examine the list of employers with SCHIP and Medicaid recipients
  - Recommendation 3: Utah should adopt a self-sufficiency calculation
  - Recommendation 4: Utah should restore \$1 million in ongoing funding to adult education (these monies were cut during the 2003 General Session of the Legislature) and Utah should commission a study of basic reading and math skills among public assistance recipients

The task requested of the minimum wage working group was to analyze the potential economic impacts of raising the state's minimum wage above the federally mandated minimum of \$5.15 an hour. This memo is the working group's response to that request.

The Governor's Office of Planning and Budget provided federal and state data regarding minimum wage workers in Utah to our group. Through these efforts we learned there are approximately 19,000 workers over the age of 16 statewide who were paid minimum wage or less in 2003. Of these workers, roughly 6,000 were paid \$5.15 an hour and 13,000 were paid less than minimum wage. Although the data do not specify industry sector or job classification, we assume that those 13,000 workers receiving less than minimum wage are most likely working for wages plus tips in the state's restaurants and private clubs. If this is true, any increase in the minimum wage would most likely not impact these workers.

Altogether, these 19,000 workers comprise 2.8 percent of the state's hourly paid workforce. This percentage ranks Utah 22nd in the nation for the percentage of workforce receiving \$5.15 an hour or less. Regionally, only Nevada has a smaller percentage of its workforce at the bottom of the wage scale as shown in the figure on the next page.

**Figure 1-Number and Percentage of Workforce Comprised of Workers Earning Minimum Wage or Less, 2003**

State	Number of workers (in thousands)			Percent of workers paid hourly rates		
	Total paid hourly rates	At or below \$5.15 per hour			At or below \$5.15 per hour	
		Total	At \$5.15	Below \$5.15	Total	State Rankings
Total, 16 years and over	73,939	2,003	520	1,483	2.7	NA
Alabama	1,142	53	28	25	4.6	4
Alaska	194	1	-	1	0.5	51
<b>Arizona</b>	<b>1,470</b>	<b>43</b>	<b>10</b>	<b>33</b>	<b>2.9</b>	<b>18</b>
Arkansas	655	18	8	10	2.7	26
California	8,575	72	26	46	0.8	49
<b>Colorado</b>	<b>1,116</b>	<b>40</b>	<b>6</b>	<b>34</b>	<b>3.6</b>	<b>10</b>
Connecticut	876	16	2	14	1.8	46
Delaware	204	4	1	3	2.0	41
District of Columbia	107	3	1	2	2.8	22
Florida	4,037	146	13	133	3.6	10
Georgia	2,022	39	7	32	1.9	44
Hawaii	329	5	1	4	1.5	47
<b>Idaho</b>	<b>383</b>	<b>12</b>	<b>3</b>	<b>9</b>	<b>3.1</b>	<b>16</b>
Illinois	3,184	84	13	71	2.6	30
Indiana	1,779	36	5	31	2.0	41
Iowa	882	26	6	20	2.9	18
Kansas	797	23	6	17	2.9	18
Kentucky	1,148	45	15	30	3.9	7
Louisiana	1,070	55	23	32	5.1	2
Maine	396	9	1	8	2.3	40
Maryland	1,294	24	4	20	1.9	44
Massachusetts	1,679	43	8	35	2.6	30
Michigan	2,888	90	16	74	3.1	16
Minnesota	1,529	31	13	18	2.0	41
Mississippi	658	17	6	11	2.6	30
Missouri	1,601	42	9	33	2.6	30
<b>Montana</b>	<b>252</b>	<b>8</b>	<b>5</b>	<b>3</b>	<b>3.2</b>	<b>13</b>
Nebraska	557	16	4	12	2.9	18
<b>Nevada</b>	<b>640</b>	<b>16</b>	<b>9</b>	<b>7</b>	<b>2.5</b>	<b>37</b>
New Hampshire	376	9	1	8	2.4	38
New Jersey	1,842	59	14	45	3.2	13
<b>New Mexico</b>	<b>470</b>	<b>26</b>	<b>13</b>	<b>13</b>	<b>5.5</b>	<b>1</b>
New York	4,009	128	39	89	3.2	13
North Carolina	2,099	54	16	38	2.6	30
North Dakota	195	5	2	3	2.6	30
Ohio	3,324	125	25	100	3.8	8
Oklahoma	849	41	13	28	4.8	3
Oregon	951	6	3	3	0.6	50
Pennsylvania	3,263	89	27	62	2.7	26
Rhode Island	306	8	1	7	2.6	30
South Carolina	1,062	43	7	36	4.0	6
South Dakota	229	8	2	6	3.5	12
Tennessee	1,507	40	7	33	2.7	26
Texas	5,293	198	67	131	3.7	9
<b>Utah</b>	<b>667</b>	<b>19</b>	<b>6</b>	<b>13</b>	<b>2.8</b>	<b>22</b>
Vermont	176	5	1	4	2.8	22
Virginia	1,720	42	5	37	2.4	38
Washington	1,713	15	3	12	0.9	48
West Virginia	475	20	11	9	4.2	5
Wisconsin	1,804	49	10	39	2.7	26
<b>Wyoming</b>	<b>145</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>2.8</b>	<b>22</b>

Source: US Bureau of Labor Statistics

Utah's relatively low percentage of minimum wage workers was surprising to the group, given that Utah is the youngest state in the nation, with a median age of 27.1 years; youthfulness and low wage rates usually go hand in hand.

This seeming disconnect caused us to probe deeper into several questions. Who are minimum wage workers? Are they teenagers just entering the workforce? Are they predominately rural workers? Are they ethnic minorities? How many are single? How many have dependents? How many have disabilities or other barriers to employment? If the largest portion of this group is working for wages and tips; how do their total earnings compare on the wage scale? Members of the group felt that in order to accurately determine impacts of raising the minimum wage, we needed answers to these questions first. We discovered that there are very few answers to these questions on a national level and none at a state level.

The second step the group took was to examine the impacts on Utah's economy were the minimum wage to be raised. It seems intuitive that if there are only 6,000 workers earning \$5.15 an hour, a decision to raise the minimum wage would have no economic down-side. We then reviewed the results of a variety of models that determined the impacts of raising the minimum wage nationally, as well as the results of one Utah-specific model. What we found with the national models was that the results were inconclusive. Some models showed a loss of jobs in the economy if the minimum wage was raised, some showed net gains and others showed no change. The results from the Utah-specific model using the REMI software package showed a long-term net loss of 40,000 jobs to the Utah economy were the minimum wage raised by \$0.50 an hour to \$5.65.

With potential costs of 40,000 jobs and inconclusive benefits, the group then began to discuss other ways that Utah could positively impact the lives of workers at the low end of the wage scale. The key to this we believe is education; specifically programs focused at providing adults opportunities to gain basic literacy and skills. The group heard a number of presentations and had discussions regarding employers' frustrations with applicants that could not complete a job application and did not have the basic mathematical skills to perform job functions. Additionally, we heard anecdotal evidence that employers are importing workers to Utah because they could not fill jobs locally. These jobs were predominately in the trades and were considered entry-level positions.

Therefore, our recommendations primarily focus on addressing the questions posed in this memo. If we have a better understanding of who comprises the 19,000 workers earning minimum wage or less as well as the approximately 103,000 workers earning \$7.00 an hour or less, we can then craft thoughtful policy to assist them in achieving the quality of life that the majority of Utah's residents enjoy.

### **Recommendation 1**

Utah should commission an in-depth quantitative study of low-wage workers. This study should survey employers to determine the number of workers per establishment that are earning \$7.00 an hour or less and those earning minimum wage or less. The survey should also query as to full-time or part-time status, job duties, whether the employees receive benefits and basic demographic characteristics of employees in low wage jobs. Finally, this survey should ask business owners what their reaction would be were the state to increase the minimum wage. Would the state truly lose 40,000 jobs as the economic model suggests or would employers find other ways to absorb the costs of an increase? What is the upper limit to an increase: \$0.50, \$1.00? Would the impact of a minimum wage increase be felt more strongly in rural areas? What would the impacts be among small to mid-sized businesses compared to large businesses? Which industry sectors would feel the greatest impact?

The second study that should be undertaken by the state is to interview directly a representative sample of low-wage workers based on the findings from the employers' survey. This study would allow these workers the opportunity to voice their needs and concerns. From this, policymakers can then craft state policies that are beneficial to those that would be accessing state services.

## **Recommendation 2**

A related concern many group members had was whether or not Utah taxpayers and state government were subsidizing companies with poor labor practices. By this we specifically are concerned about large, wealthy, international companies that make it extremely difficult for employees to gain access to company health-care benefits. Workers, because of low wages, are eligible to access Medicaid and also the state children's health insurance program (SCHIP) for their children. While we do not want to hinder low wage workers' access to these programs, we believe Utah can do more to encourage these companies to provide health benefits to their employees. We recommend the Governor's office or the Legislature request the Utah Department of Health to examine the list of employers with Medicaid and SCHIP recipients. By doing this investigation, we are sending a message to those companies that Utah will no longer subsidize corporate earnings over the health of low-wage workers.

## **Recommendation 3**

This recommendation is corollary to recommendation 1. We urge Utah to adopt a calculation of a self-sufficiency standard. This calculation would allow individuals to understand the costs for basic necessities such as shelter, food, transportation, etc in Utah and compare those costs to wage rates. We believe this is an important tool to assist Utah residents in assessing career and educational choices. This calculation may also be used to teach financial literacy and perhaps ameliorate Utah's high bankruptcy rate. For policymakers, the self-sufficiency standard can assist in decision making around such programs as subsidized childcare, transportation, health care and tax policy.

## **Recommendation 4**

Our final recommendation is two-fold. As was discussed earlier, we believe that education is the key to lifting individuals out of poverty. We strongly urge that when the FY2006-07 budget is drawn up by the Governor's office that \$1 million in ongoing funding be restored to adult education. These monies were cut during the 2003 General Session of the Legislature. With record revenue surpluses, this modest amount will not greatly impact the state's budget. It can, however, greatly impact the lives of the state's poorest citizens

In addition, we recommend that a study be funded that will assess the basic skill levels of a representative sample of all working age public assistance recipients in Utah. Currently, only the Family Employment Program (FEP), Utah's TANF program asks clients about their educational level. When a person applies for FEP they are asked whether or not they have a high school diploma or G.E.D. However, there is no assessment if they are functionally literate or can perform basic computations. Other public assistance programs, such as food stamps, Medicaid and Title 8 do not ask their recipients about education levels. This creates a barrier for case workers and others that are trying to help recipients find and obtain work at wage levels that allow them to be self-sufficient.

A study of a representative sample of working age public assistance recipients would allow us to craft training and work programs that are compatible to their needs. It would also allow state policymakers and program managers an opportunity to design a system that would assess basic skill levels all new applicants for public assistance. We suggest looking at the Job Corps program as an implementation model. All incoming Job Corps members are assessed for basic literacy and math skills regardless if

they hold a high school diploma or G.E.D. Classes are then offered for the areas in which the student is found deficient.

### **Conclusion**

These are our four recommendations to determine the true needs of low wage earners in Utah. Only by understanding exactly who these residents are, their skills and their challenges, can we begin to address them in a thoughtful and systematic way. Utah is unique relative to other states. Our economy looks different and economic challenges for our residents are different. Therefore, we believe that instead of simply replicating what has worked elsewhere, Utah needs to find innovative and effective solutions. We believe these studies are a first step toward doing so.

Further, in the event that the sales and income tax reforms that are currently being addressed by the Legislature fail to materialize, the group would also urge the Governor to propose a refundable earned income tax credit. We believe that this tax credit will assist low wage earners in building wealth and encourages them to continue in the workforce, rather than turn to public assistance for help.

In closing, we would like to thank you for the opportunity to participate in this working group and in the process of making Utah a better place for all residents.