

**Amendment _
Colorado Minimum Wage**

1 **Amendment _ is a proposed amendment to the Colorado Constitution that:**

- 2 ♦ raises the minimum wage from \$5.15 per hour to \$6.85 per hour for most
3 workers, and adjusts the wage annually for inflation;

- 4 ♦ increases the minimum wage for workers who regularly receive tips from \$2.13
5 per hour to \$3.83 per hour and adjusts it annually by the same dollar amount
6 as the minimum wage for non-tipped workers.

7 **Summary and Analysis**

8 *What is the minimum wage?* In 1938, the federal government instituted a
9 minimum wage. Since then, the federal minimum wage has been increased twenty times,
10 from \$0.25 to its current level of \$5.15 per hour for most workers and \$2.13 per hour for
11 workers that receive tips. It was last increased in September 1997. Federal law allows
12 states and cities to enact a higher minimum wage. In Colorado, the Department of Labor
13 and Employment determines the appropriate minimum wage for the state. Currently, the
14 state's minimum wage is set at the federal level. State law does not allow cities to enact
15 minimum wage laws separate from that of the state.

16 *Which workers typically get paid the minimum wage?* The minimum wage
17 applies to most workers. Nationally, nearly three-quarters of those paid the minimum wage
18 work in service occupations, mostly in food preparation and serving. There are several
19 jobs that are not covered by the minimum wage. The most common of these include
20 certain farm workers, part-time babysitters, some seasonal and recreational employees,
21 newspaper delivery persons, and salespeople who regularly work away from their
22 employer's place of business.

23 In Colorado, less than 1 percent of all workers are paid the minimum wage or less.
24 Just under 5 percent of workers are paid less than \$6.85 per hour, the wage rate set in
25 Amendment _. These figures include workers who would not be affected by the
26 amendment and those who receive tips in addition to their reported hourly wage.

27 *How does Amendment ? change state law?* Amendment _ increases Colorado's
28 minimum wage from \$5.15 per hour to \$6.85 per hour beginning January 1, 2007.
29 Furthermore, the wage would increase by the rate of inflation each year. For workers who
30 regularly receive tips, the minimum wage would increase from \$2.13 per hour to \$3.83 per
31 hour. This wage would adjust each year so that it will always be no more than \$3.02 less

1 *than* that for workers who do not receive tips. For example, if inflation is 3 percent in
2 2007, in 2008 the minimum wage would increase to \$7.06 for most workers and \$4.04 for
3 those who receive tips.

4 ***What are the minimum wages in other states?*** As of June 2006, twenty states and
5 the District of Columbia had a minimum wage greater than the federal minimum wage.
6 Of those, four are adjusted annually by the rate of inflation. Washington State has the
7 highest minimum wage. It is currently set at \$7.63 per hour and adjusts for inflation each
8 year.

9 **Arguments For**

10 1) Raising the minimum wage will increase the standard of living for lower-
11 income Coloradans. Up to an estimated 138,000 Colorado workers could be affected by
12 this proposal. Many of these workers' wages are a major source of their family's total
13 income. Currently, a full-time worker earning the minimum wage makes about \$10,700
14 a year. This proposal would raise this amount by a third, to about \$14,250. The annual
15 income considered to be poverty level is \$9,800 for a one-person household and \$13,200
16 for a two-person household.

17 2) Raising the minimum wage could benefit both businesses and workers by
18 increasing worker morale and productivity, as well as reducing turnover and absenteeism.
19 Further, some evidence shows that states that have minimum wages above the federal level
20 have had favorable employment growth, including in industries that typically pay lower
21 wages. Businesses will always need workers for jobs that require fewer skills despite the
22 requirement that they pay them more.

23 3) An increase in the minimum wage is overdue. The federal government has not
24 raised the minimum wage for nine years. Each year the minimum wage is not increased
25 it is worth less due to inflation, which makes it harder for minimum wage workers to buy
26 necessary goods and services. The buying power of the minimum wage is the lowest it has
27 been for over 50 years. The proposed minimum wage of \$6.85 is a modest increase that
28 restores the wage to its historical buying power. Adjusting the wage based on inflation
29 guarantees that the wage will not lose its value in the future.

30 **Arguments Against**

31 1) Raising the minimum wage may hurt the economy. Requiring businesses to pay
32 minimum wage workers 33 percent more will likely push up wages of other workers and
33 increase overall labor costs. Some evidence shows that businesses respond to an increase
34 in the minimum wage by raising prices or by hiring fewer workers. An increase in the
35 minimum wage could be particularly difficult for smaller businesses and restaurants, which
36 can have fewer financial resources. The government does not need to require businesses

1 to pay their workers more. Businesses already pay about 95 percent of Colorado workers
2 more than the proposed minimum wage.

3 2) Employers may hire fewer less-skilled and inexperienced workers. These
4 workers would then miss the opportunity to earn an income and gain the skills and
5 experience that would allow them to earn higher wages in the future. Also, businesses
6 forced to pay higher wages may offer fewer benefits, raises, and training opportunities.
7 Further, not all minimum wage workers are supporting themselves or families or earn the
8 minimum wage for long. Instead of increasing the minimum wage for all workers, existing
9 programs and tax benefits can help low-income workers in need.

10 3) Putting the minimum wage in the state constitution would require voter
11 approval of any change, making it difficult to adjust the wage in response to changing
12 economic conditions. In addition, adjusting the minimum wage each year based on
13 inflation could contribute to continuing higher prices for Colorado consumers. Also,
14 businesses would be required to pay workers higher wages each year regardless of their
15 qualifications or performance and the financial condition of the business or the economy.
16 The minimum wage could increase to about \$8 an hour or more in just five years.

17 **Estimate of Fiscal Impact**