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The Federal Minimum Wage: Indexation

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Summary

In 1938, the Fair Labor Standards Act (FLSA) established a federal minimum wage of \$0.25 per hour. The minimum wage provisions of the FLSA have been amended numerous times since then, typically for the purpose of expanding coverage or raising the wage rate. Since its establishment, the minimum wage rate has been raised 22 separate times, most recently in 2007-2009 when it was increased from \$5.15 per hour to its current rate of \$7.25 per hour in three steps.

The federal minimum wage changes only when Congress amends the FLSA. Since 1938, Congress has amended the FLSA to raise the minimum wage 10 times for a total of 22 rate increases, with periods between increases ranging from 1 to 10 years. An alternative to periodically amending the FLSA to increase the minimum wage would be to index, or link, the federal minimum wage to another variable so that the minimum wage changes automatically when the other variable changes. Indexing the minimum wage provides regular adjustments to and reduces the volatility of minimum wage rates, maintains the relative value of the minimum wage to other economic indicators (e.g., prices), and decouples rate changes from other policy considerations. On the other hand, indexation may also reduce regular oversight of minimum wage changes because it automatically adjusts the rate and changes one part of the FLSA while leaving other parts of the act unchanged subject to congressional action. Although Congress has considered indexing the federal minimum wage at various points, it has not done so.

The most common proposed indices for the minimum wage include different versions of the Consumer Price Index, personal consumption expenditures, employment costs, and hourly earnings. Based on a review of seven possible indices and a simulation of federal minimum wage rates under different indices, the minimum wage in 2016 would have been highest had it been indexed to average hourly earnings and lowest had it been indexed to personal consumption expenditures. Linking the value of the federal minimum wage to consumer prices would have generally resulted in minimum wages higher than the current rate, depending on the starting point.

Currently, 17 states and the District of Columbia index (or have enacted laws that will in the future) their state minimum wages to some economic measure. In addition, indexation is used in some federal entitlement programs, such as Social Security and Supplemental Nutrition Assistance Program (SNAP) benefits, as well as in other federal wage regulations, such as the minimum wage for employees on certain federal contracts. Most of the numerous proposals in recent Congresses to increase the minimum wage would combine a series of nominal rate increases, followed by indexation to a consumer price index.

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The Federal Minimum Wage

The Fair Labor Standards Act (FLSA), enacted in 1938, is the federal legislation that establishes the general minimum wage rate that must be paid to all covered workers. In general, the FLSA mandates broad minimum wage coverage.¹ It also specifies certain categories of workers who may be covered by other FLSA wage standards, such as workers with disabilities or certain youth workers. The FLSA was enacted because its provisions were meant both to protect workers and stimulate the economy.² The act also created the Wage and Hour Division (WHD), within the Department of Labor (DOL), to administer and enforce its provisions.

In 1938, the FLSA established a minimum wage of \$0.25 per hour. The minimum wage provisions of the FLSA have been amended numerous times since then, typically for the purpose of expanding coverage or raising the wage rate. Since its establishment, the minimum wage rate has been raised 22 separate times, through 10 separate amendments to the FLSA.³ The most recent change was enacted in 2007 (P.L. 110-28) and increased the minimum wage from \$5.15 per hour to its current rate of \$7.25 per hour in three steps.⁴ For employees working in states with a minimum wage different from that of the federal minimum wage, the employee is entitled to the higher of the two wage rates.⁵

The minimum wage—at the federal, state, and local levels—has been the source of a voluminous literature in labor economics and the subject of much congressional debate over time. Most of the debate in the literature focuses on the impacts of minimum wages on labor market outcomes, such as employment, earnings, poverty, and hours worked. A full discussion of the wide range of issues related to minimum wages is beyond the scope of this report, which focuses on indexation of the federal minimum wage.⁶ That is, this report addresses the issue of indexing, or linking, the minimum wage to an economic measure so that the rate would adjust automatically with changes in that economic measure.

Indexation and the Minimum Wage

Generally, indexation is linking one variable's (e.g., a minimum wage, a benefit) value to changes in another, independent variable (e.g., an average wage, cost of living). For example, a price

¹ The FLSA extends labor standards to individuals under two types of coverage—"enterprise coverage" and "individual coverage." An enterprise is covered if it has annual sales or business done of at least \$500,000. In addition, the FLSA applies to certain other enterprises—such as hospitals and federal, state, and local governments—regardless of the dollar volume of business. Even if individuals are not employed by a covered enterprise, they may be covered if they engage individually in interstate commerce. Thus, employees are covered if they meet the FLSA criteria for either category.

² For example, §2 of P.L. 75-718.

³ That is, some amendments to increase the minimum wage contained one-time increases (e.g., 1949 amendments), while others contained multi-year increases (e.g., 1977 amendments).

⁴ The federal hourly rate was increased from \$5.15 to \$5.85 on July 24, 2007; then to \$6.55 on July 24, 2008; and finally to \$7.25 on July 24, 2009.

⁵ For details on the interaction between the federal minimum wage and state minimum wages, see CRS Report R43792, *State Minimum Wages: An Overview*, by David H. Bradley.

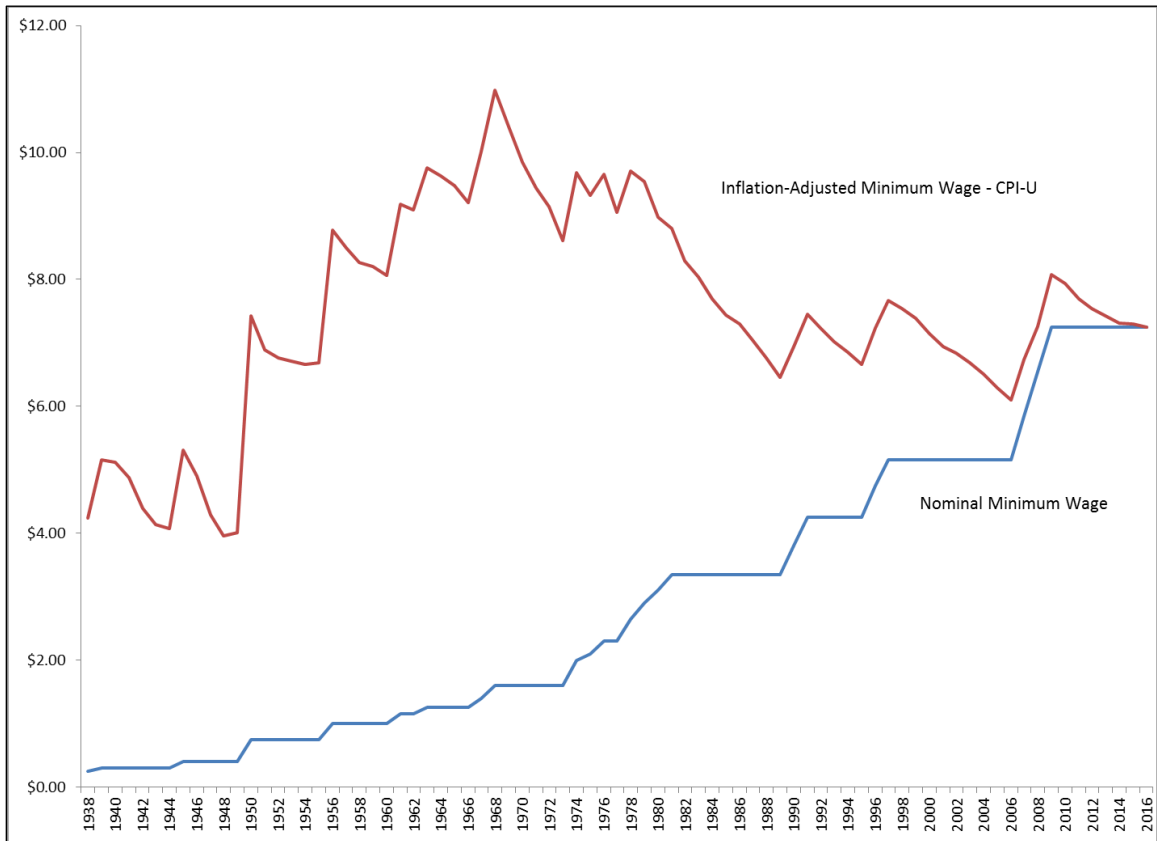
⁶ For additional information about the minimum wage, see CRS Report R43089, *The Federal Minimum Wage: In Brief*, by David H. Bradley. For information about the tip credit provisions of the FLSA, see CRS Report R43445, *The Tip Credit Provisions of the Fair Labor Standards Act (FLSA): In Brief*, by David H. Bradley. For information about the FLSA, see CRS Report R42713, *The Fair Labor Standards Act (FLSA): An Overview*, by David H. Bradley, Benjamin Collins, and Sarah A. Donovan.

index is constructed by dividing the price of a market basket of goods and services in a given year by that same basket's prices in a base year.⁷ In the case of the minimum wage, indexation would mean the minimum wage rate changes when the index (e.g., prices, wages, costs) changes. If a minimum wage rate is established as a fixed nominal amount and not increased (through either legislative action or indexation), its real value will erode over time due to the tendency of prices and wages to increase over time. That is, relative to other economic indices that may be increasing (e.g., prices, wages, productivity), a nominal wage loses value unless it too is adjusted. In general, to maintain the relative value of a wage over time, that wage may be indexed to some measure in the economy. For this reason, several states, but not the federal government, have attempted to maintain the value of their minimum wage rates by indexing the rate to some measure of inflation. This mechanism provides for automatic changes in the minimum wage over time as the index changes and does not require legislative action to make periodic adjustments. Finally, as will be discussed further in the remainder of this report, most indices that have been operationally tied to minimum wages at the state level aim to keep pace with consumer prices. There have been recent proposals, however, that aim to tie the minimum wage to changes in average or median wage levels.

As an illustration of indexation, **Figure 1** shows the nominal and inflation-adjusted value (in 2016 dollars) of the federal minimum wage since it was enacted in 1938. As will be discussed in greater detail later in the report, there are several possible indices for the minimum wage; the data in **Figure 1** illustrate the concept behind indexation using the Consumer Price Index for All Urban Consumers (CPI-U). As noted, Congress has increased the minimum wage rate 22 times since it was enacted in 1938, from an initial value of \$0.25 per hour to its current level of \$7.25 per hour. In constant (inflation-adjusted) 2016 dollars, however, the value of the minimum wage has varied from \$3.96 (1948) to \$10.98 (1968).

⁷ For additional information on the construction of indices measuring inflation, see CRS In Focus IF10477, *Introduction to U.S. Economy: Inflation*, by Jeffrey M. Stupak.

Figure I. Nominal and Inflation-Adjusted Value of the Federal Minimum Wage
In 2016 dollars, adjusted by CPI-U



Source: CRS analysis of data from the Department of Labor and the Bureau of Labor Statistics.

Notes: Inflation-adjustment is for the Consumer Price Index for All Urban Consumers, U.S. City Average. See the section in this report entitled “Consumer Price Index for All Urban Consumers (CPI-U)” for details of this index.

To Index or Not—Considerations

The issue of indexing the federal minimum wage has been a part of the discussion since the FLSA was enacted in 1938. For example, during debates on the passage of the FLSA in 1938 at least one amendment was made that would have indexed the original minimum wage to a DOL measure of inflation.⁸ Since that time there have been numerous congressional proposals to index the minimum wage. These proposals have included linking the federal minimum wage to indices of consumer prices, productivity, earnings, poverty, Social Security, and salaries of Members of Congress.⁹

Despite numerous proposals in the past, the federal minimum wage rate is not indexed and changes only when Congress amends the FLSA. Since its enactment in 1938, the minimum wage rate has been increased 22 times through 10 separate laws. Indexation is used in some federal

⁸ See CRS Report RL33791, *Possible Indexation of the Federal Minimum Wage: Evolution of Legislative Activity*, by William G. Whittaker.

⁹ See **Table 2** for minimum indexation proposals in recent sessions of Congress.

entitlement programs, such as Social Security and Supplemental Nutrition Assistance Program (SNAP) benefits, as well as in other federal wage regulations, such as the minimum wage for employees on certain federal contracts.¹⁰

Indexing the minimum wage, like indexing any labor standard, is ultimately a policy choice about how a federally established standard should be structured and maintained. This section highlights some of the issues associated with indexing the minimum wage.

Frequency and Rate of Change

Indexation would provide relatively less volatile, more uniform changes in the minimum wage, given that the values of the possible indices that could be used tend not to vary widely from year to year. On the other hand, indexation would deemphasize congressional consideration of the minimum wage rate because changes would become automatic.

As noted previously, the minimum wage rate has increased 22 times since 1938, with periods between rate increases ranging from 1 to 10 years. However, this does not mean the FLSA was amended 22 individual times for purposes of a rate change, nor does it mean that the rate was increased about every four years. Rather, in many instances Congress amended the FLSA and included multiple increases in the minimum wage rate, phased in over a number of years. The frequency of adjustment has not been even in this period. From 1938 to 1978, Congress amended the FLSA (with regard to the minimum wage rate) seven times for a total of 15 rate changes. From 1978 through 2016, Congress amended the FLSA (with regard to the minimum wage rate) three times for a total of seven rate changes. Even within these periods, congressional action has varied. For example, in three FLSA wage rate amendments over 11 years (1966-1977), Congress enacted nearly half (9 of 22) of all the minimum wage rate changes since 1938.

In part due to the irregular pattern of rate changes, minimum wage increases may represent sizeable percentage increases in a short period of time, especially compared to the changes in the values of the indices that might be used to adjust the minimum wage rate. Those same increases, however, would have been lower on an annual basis had they been spread across multiple years. For example, the minimum wage rate increased from \$5.15 to \$7.25, or 41%, in the 2007 to 2009 period, compared to a change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in that period of 6.4%. However, between 1997 (the previous time the minimum wage rate was increased) and 2007 the CPI-W increased 33%, much closer to the 41% increase in three years for the minimum wage.

Relative Value of the Minimum Wage

One of the goals of the FLSA in general, and the minimum wage specifically, is to “correct and as rapidly as practicable to eliminate” labor conditions “detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers.”¹¹ Determining what constitutes a “minimum standard” and what minimum wage rate supports that standard is a policy choice. That said, a minimum wage rate is one variable among

¹⁰ For a review of federal indexation in federal benefit programs, see CRS Report R42000, *Inflation-Indexing Elements in Federal Entitlement Programs*, coordinated by Dawn Nuschler. Executive Order 13658, which established a minimum wage of \$10.10 per hour for all workers on federal construction and service contracts, provided for an annual adjustment to this minimum based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). See Department of Labor, Wage and Hour Division, “Establishing a Minimum Wage for Contractors,” *79 Federal Register*, October 7, 2014.

¹¹ 29 U.S.C. §202.

many that affect the standard of living, such as housing costs, food prices, educational opportunities, wage growth, and productivity increases, to name a few. Over time the price of goods and services tends to rise. Thus if the minimum wage rate remains fixed, the real value of the minimum wage will decline over time. Indexation is one method of maintaining the relative value of the federal minimum wage to the price of other goods and services in the economy, while not indexing or increasing it implicitly lowers its relative value over time due to rising prices or wages. On the other hand, requiring congressional action to change the minimum wage rate allows for the role of the minimum wage in the larger context of the economy (e.g., its relationship to poverty) to be considered with each rate change.

Relationship to Other Policy Considerations

Prior to the 1996 amendments, the amendments to the FLSA that increased the minimum wage were narrowly targeted on increasing the rate (e.g., 1955 amendments); more broadly focused on increasing the rate along with the scope of coverage (e.g., 1966 amendments); focused on the wage rate and various exemptions, such as the tip credit (e.g., 1989 amendments); or some combination of all of these. The 1996 and 2007 amendments, however, included minimum wage rate increases as part of broader legislation that dealt with tax policy, pension rules, and trade policy (1996 amendments) or as part of supplemental appropriations legislation (2007 amendments). In the case of the 1996 and 2007 amendments, the minimum wage increases were explicitly tied to tax provisions for smaller businesses.

Indexation of the minimum wage would generally decouple rate setting from other policy considerations related to wage setting. If the minimum wage were indexed, the rate itself would adjust periodically rather than being considered on its own as part of a larger legislative vehicle. While indexation could decrease legislative consideration of the minimum wage and would require no congressional action to change the rate, it would also ensure that the rate itself changes without it being tied to unrelated policy.

Elements of Indexation

Before discussing possible indexation options, it is worthwhile to note briefly the main elements of minimum wage indexation. While the most important element of indexing a minimum wage is the index itself, there are additional elements that may affect the performance of a minimum wage index.

- **Index.** The index itself determines the changing value over time of the minimum wage; different indices may vary in growth and volatility. The index also reflects the underlying purpose of an index. That is, should an indexed minimum wage reflect changes in consumer prices, productivity, earnings, economic growth, or some other variable?
- **Initial value.** The starting point of indexation affects future values, regardless of the index used. Because there is a tendency for any index (e.g., inflation, wages, growth) to increase over time, the initial value of a minimum wage “locks in” past growth. For example, if a minimum wage is set at one point in time and not increased through a period of high consumer price inflation, then it loses real value (i.e., purchasing power in the case of consumer price increases) despite having the same nominal value. If indexation begins after a period of inflation without an adjustment to its initial value, then it locks in the erosion associated with the high inflation, compared to raising the nominal rate and then indexing it going forward.

- **Limits.** An indexed minimum wage is by definition tied to changes in another variable. Depending on other considerations (e.g., consumer prices may increase but wages may stagnate), limits may be placed on changes in the index such that a minimum wage is not adjusted downward despite a decline in the index (a “hold harmless” provision) or a minimum wage is not allowed to exceed a certain level (e.g., an increase may be the lesser of the change in the index or some other percentage).
- **Triggers.** Because an indexed minimum wage reflects changes in one variable, as opposed to multiple variables, indexation policies may include triggers that allow for the consideration of other factors not explicitly in the index. For example, an indexation policy may indicate that if the unemployment rate is above a certain threshold or economic growth below a certain level, then the minimum wage rate will not increase regardless of the change in the index value.
- **Periodicity.** Indexation of state minimum wages is typically structured on an annual basis. It is possible, however, to structure adjustment over different periods of times. For example, the recent DOL rule on the overtime exemptions for executive, administrative, and professional employees includes an automatic adjustment mechanism for the salary threshold that occurs every three years.¹²

Federal Minimum Wage Index Options

This section provides an overview of seven possible minimum wage indices, each of which is discussed in more detail below.

- Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W),
- Consumer Price Index for All Urban Consumers (CPI-U),
- Consumer Price Index Research Series Using Current Methods (CPI-U-RS),
- Personal Consumption Expenditures (PCE),
- Employment Cost Index (ECI),
- Average Hourly Earnings for Manufacturing Workers (AHE-Manufacturing), and
- Average Hourly Earnings for Production and Nonsupervisory Workers (AHE-Production).

This is not an exhaustive list; it reflects indices used in the states (see **Table A-1**) or proposed in past or recent legislation (see **Table 2**). Indices used by states are considered first. These include versions of the CPI or the PCE.¹³ Specifically, indices comprised of the CPI—the CPI-W, the CPI-U, and the CPI-U-RS—or the PCE are discussed below. Recent congressional proposals have included indexing the federal minimum wage to measures of hourly earnings.¹⁴ To examine this concept of linking the minimum wage to measures of wages rather than measures of prices,

¹² For additional information on the overtime rule, see CRS Report R44138, *Overtime Provisions in the Fair Labor Standards Act (FLSA): Frequently Asked Questions*, by David H. Bradley. The rule provides that the threshold will be updated every three years to match the earnings of the 40th percentile of full-time, salaried workers in the lowest wage Census region.

¹³ In addition, a recent proposal to increase and index the federal minimum wage would use the CPI-W. See H.R. 4508, 114th Congress.

¹⁴ See, for example, H.R. 2150 and S. 1150, 114th Congress.

average hourly earnings for manufacturing workers and for production and nonsupervisory workers are also considered as indices.

For each index in this section, a brief description is provided, followed by estimates of the federal minimum wage if it had been indexed to that measure at each statutorily set increase since it was enacted (or at each point from which the index is available).

Data in **Table 1** show the indexed values of the federal minimum wage using the seven indices discussed in this section. The first two columns show the effective date and the nominal rate (not indexed) of the federal minimum wage for the original rate and the 22 increases that have occurred since 1938. The remaining seven columns show the 2016 value, by index, of the minimum wage had the nominal wage been indexed at the time it was first enacted. For example, if the 1938 minimum wage of \$0.25 per hour had been indexed to the CPI-U upon enactment, the federal minimum wage in 2016 would be \$4.23 per hour; if it had been indexed from its nominal rate of \$1.60 in 1968, it would be \$10.98 in 2016. Each value in the index columns assumes that the minimum wage rates were not subsequently changed after enactment, but only increased due to inflation.

Table 1. Indexed Values of the Federal Minimum Wage

In 2016 dollars

Effective Date	Nominal	CPI-W	CPI-U	CPI-U- RS	PCE	ECI	AHE-M	AHE-P
10/24/1938	\$0.25	\$4.10	\$4.23	–	\$3.53	–	–	–
10/24/1939	\$0.30	\$4.99	\$5.15	–	\$4.20	–	\$12.51	–
10/24/1945	\$0.40	\$5.15	\$5.31	–	\$3.65	–	\$8.88	–
1/25/1950	\$0.75	\$7.22	\$7.43	\$6.45	\$5.86	–	\$11.79	–
3/1/1956	\$1.00	\$8.53	\$8.78	\$7.62	\$6.85	–	\$11.16	–
9/3/1961	\$1.15	\$8.90	\$9.18	\$7.98	\$7.08	–	\$10.68	–
9/3/1963	\$1.25	\$9.45	\$9.75	\$8.47	\$7.50	–	\$10.91	–
2/1/1967	\$1.40	\$9.70	\$10.01	\$8.69	\$7.88	–	\$10.63	\$10.61
2/1/1968	\$1.60	\$10.65	\$10.98	\$9.56	\$8.67	–	\$11.35	\$11.44
5/1/1974	\$2.00	\$9.39	\$9.69	\$8.67	\$7.89	–	\$9.50	\$9.72
1/1/1975	\$2.10	\$9.04	\$9.32	\$8.41	\$7.65	–	\$9.17	\$9.57
1/1/1976	\$2.30	\$9.37	\$9.65	\$8.71	\$7.94	–	\$9.27	\$9.82
1/1/1978	\$2.65	\$9.41	\$9.71	\$8.84	\$8.03	–	\$9.01	\$9.72
1/1/1979	\$2.90	\$9.24	\$9.54	\$8.83	\$8.07	–	\$9.03	\$9.87
1/1/1980	\$3.10	\$8.71	\$8.98	\$8.49	\$7.79	–	\$8.92	\$9.78
1/1/1981	\$3.35	\$8.54	\$8.80	\$8.38	\$7.73	\$10.10	\$8.72	\$9.72
4/1/1990	\$3.80	\$6.86	\$6.94	\$6.68	\$6.23	\$7.58	\$7.20	\$8.02
4/1/1991	\$4.25	\$7.37	\$7.45	\$7.22	\$6.74	\$8.14	\$7.80	\$8.70
10/1/1996	\$4.75	\$7.18	\$7.23	\$7.15	\$6.62	\$7.86	\$7.61	\$8.50
9/1/1997	\$5.15	\$7.61	\$7.66	\$7.59	\$7.12	\$8.26	\$8.04	\$8.89

Effective Date	Nominal	CPI-W	CPI-U	CPI-U-RS	PCE	ECI	AHE-M	AHE-P
7/24/2007	\$5.85	\$6.72	\$6.74	\$6.69	\$6.46	\$6.82	\$6.91	\$7.23
7/24/2008	\$6.55	\$7.23	\$7.26	\$7.21	\$7.24	\$7.40	\$7.54	\$7.81
7/24/2009	\$7.25	\$8.05	\$8.07	\$8.01	\$7.88	\$8.05	\$8.15	\$8.41

Source: CRS analysis of data from the Department of Labor and Bureau of Economic Analysis.

Notes: Minimum wages in **Table 1** and all subsequent figures in this report were indexed to the relevant adjustment factor beginning in the year of the enacted rate change, regardless of the month of enactment. For example, the minimum wage rate was increased to \$2.00 per hour on May 1, 1974, and, for purposes of this analysis, \$2.00 is considered the minimum wage for all of calendar year 1974.

As the data in **Table 1** and the figures below show, the inflation-adjusted value of the minimum wage would have varied greatly by 2016 depending on the choice of index and, importantly, the starting point of indexation. The following figures present indexation of the minimum wage in ways slightly different from traditional presentations. Each figure shows the hypothetical value of the minimum wage in 2016 had the minimum wage been indexed to the relevant economic indicator from each of the 23 times its value was adjusted by Congress.¹⁵ For example, had the minimum wage been indexed to the CPI-W from its statutorily set 1938, 1968, or 1990 rates of \$0.25 per hour, \$1.60 per hour, and \$3.80 per hour, respectively, in 2016 it would be \$4.10 per hour, \$10.65 per hour, and \$6.86 per hour. Thus, the method of presentation shows the hypothetical effects of index choice and timing.

Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)

The CPI is a measure of the average change over time in prices paid by consumers for a market basket of goods and services. Different consumer price indices reflect spending patterns for different populations. Households in the CPI-W, which is a subset of the CPI-U population (see “Consumer Price Index for All Urban Consumers (CPI-U)”) must meet two requirements: at least half of the household’s income is from wage or clerical workers’ earnings and at least one household earner must have been employed in an eligible occupation for at least 37 weeks during the previous 12 months. The CPI-W covers approximately 28% of the total population, and, as the name implies, focuses on wage earners rather than the population as a whole.¹⁶ The CPI-W is published monthly. The Bureau of Labor Statistics (BLS) started regular publication of a national index (the U.S. city average) in 1921 and estimated the index back to 1913.¹⁷

Similar to the CPI-U, the CPI-W is used as an index for several state minimum wages. In addition, the CPI-W is the index for the federal minimum wage for certain contract workers, and is the basis for the annual cost-of-living adjustment for Social Security payments.¹⁸

Figure 2 shows the hypothetical effects of indexing the federal minimum wage that was in place during the year shown on the horizontal axis (x-axis) to the CPI-W until 2016, while providing a comparison to the current rate of \$7.25 per hour. For example, had the minimum wage of \$1.60

¹⁵ In cases where an index value is not available as early as 1938, the figures show as many data points as possible.

¹⁶ Bureau of Labor Statistics, *Handbook of Methods*, Chapter 17, p. 2. Wage earner and clerical occupations include clerical workers, sales workers, protective and other service workers, laborers, and construction workers.

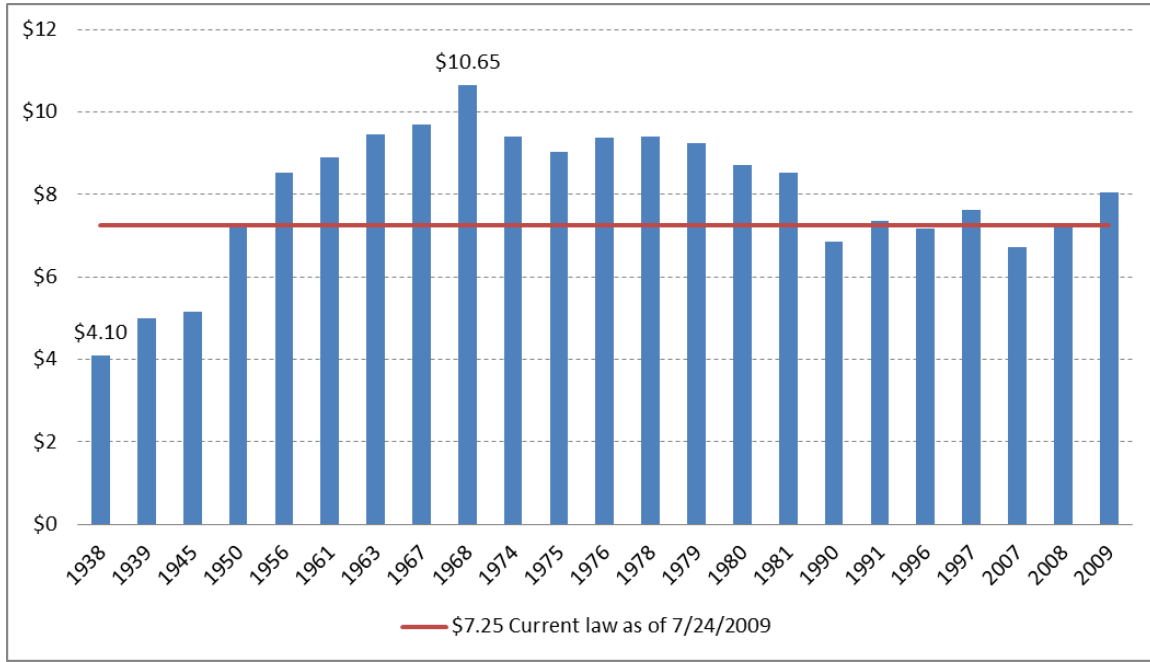
¹⁷ Bureau of Labor Statistics, *Handbook of Methods*, Chapter 17, p. 7.

¹⁸ See CRS Report R43363, *Alternative Inflation Measures for the Social Security Cost-of-Living Adjustment (COLA)*, by Julie M. Whittaker.

per hour enacted in 1968 been indexed to the CPI-W at that time, it would be \$10.65 per hour in 2016. The highest and lowest values are labeled on the figures.

Figure 2. Indexed Values of the Federal Minimum Wage, by CPI-W

Wages in 2016 dollars



Source: CRS analysis of data from the Department of Labor – Historical Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W): U.S. City Average, All Items, Annual Average, CPI Detailed Report, Table 27, <http://www.bls.gov/cpi/cpid1608.pdf>.

Note: The CPI-W value for 2016 is an average for the 1st half of 2016. Inflation-adjusted minimum wage levels (in 2016 dollars) are presented for each statutorily established new minimum wage level.

Overall, if the federal minimum wage had been indexed to the CPI-W at each point a new statutorily established minimum wage level was enacted since 1938, its value in 2016 would range from \$4.10 per hour to \$10.65 per hour depending on the base year.

Data from **Figure 2** show the following for the 23 possible starting points for indexation to the CPI-W:

- For 8 of the 23 enacted minimum wage rates, if the rate had been tied to CPI-W and not adjusted further, the minimum wage would be below \$7.25 today, ranging from \$0.02 below (2008) to \$3.15 below (1938).
- For 15 of the 23 enacted minimum wage rates, if the rate had been tied to CPI-W and not adjusted further, the minimum wage would be above \$7.25 today, ranging from \$0.12 above (1991) to \$3.40 above (1968).
- Had indexation to the CPI-W started at any of the 12 increases occurring between 1956 and 1981, the 2016 value of the federal minimum wage would be between \$1.28 (1956) and \$3.40 (1968) higher than the current rate of \$7.25 per hour. On the other hand, indexation starting prior to 1956 or after 1990 would have resulted in a minimum wage near or below \$7.25 in 2016.

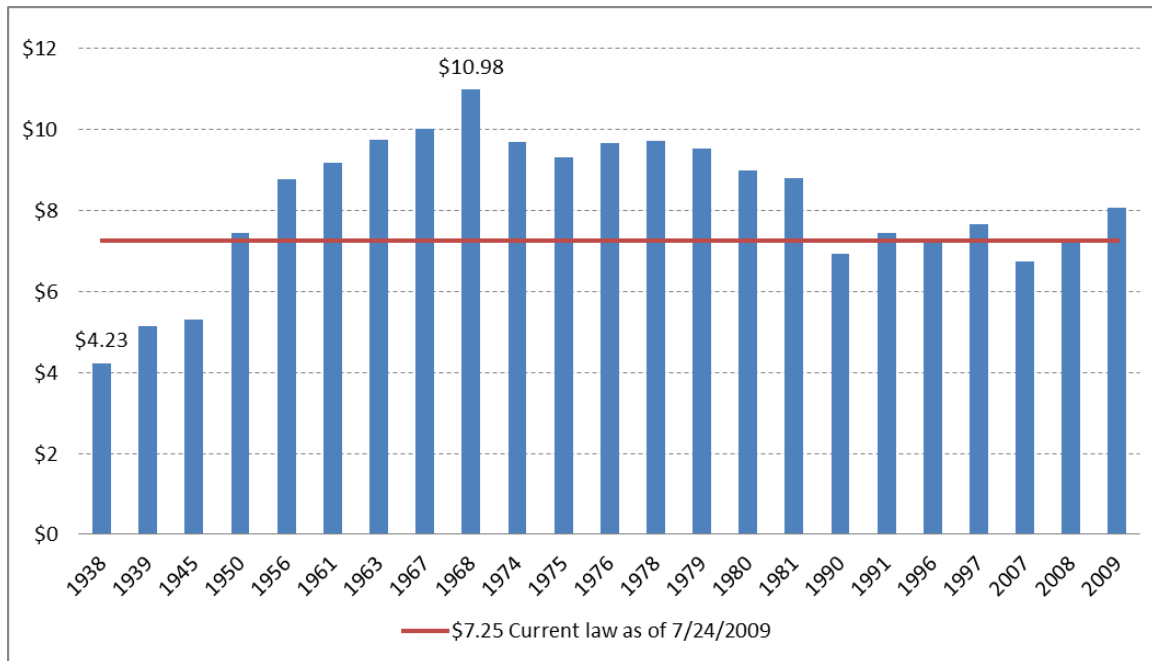
Consumer Price Index for All Urban Consumers (CPI-U)

The Bureau of Labor Statistics (BLS) publishes the Consumer Price Index for All Urban Consumers (CPI-U), which is a measure of the average change over time in prices paid by consumers for a market basket of goods and services. The CPI-U covers all urban or metropolitan area households, which represents approximately 88% of the total population.¹⁹ The CPI-U is published monthly. While BLS first published the CPI-U in January 1978, estimates for the CPI-U are available back to 1913.

In addition to being the index for several state minimum wages, the CPI-U is used to index some federal benefit programs, including some services in Medicare and Medicaid and certain parameters in the Earned Income Tax Credit (EITC).²⁰

Figure 3 shows the hypothetical effects of indexing the federal minimum wage that was in place during the year shown on the horizontal axis (x-axis) to the CPI-U until 2016, while providing a comparison to the current rate of \$7.25 per hour. Thus, for example, had the minimum wage of \$1.60 per hour enacted in 1968 been indexed to the CPI-U starting in 1968, it would now be \$10.98 per hour. The highest and lowest values are labeled in the figure.

Figure 3. Indexed Values of the Federal Minimum Wage, by CPI-U
Wages in 2016 dollars



Source: CRS analysis of data from the Department of Labor—Historical Consumer Price Index for All Urban Consumers (CPI-U): U.S. City Average, All Items, Annual Average, CPI Detailed Report, Table 24, <http://www.bls.gov/cpi/cpid1608.pdf>.

¹⁹ Bureau of Labor Statistics, *Handbook of Methods*, Chapter 17, The Consumer Price Index, Washington, DC, June 2015, <http://www.bls.gov/opub/hom/pdf/homch17.pdf>. Excluded from the CPI-U are households in rural nonmetropolitan areas, the military, and the institutional population.

²⁰ See CRS Report R42000, *Inflation-Indexing Elements in Federal Entitlement Programs*, coordinated by Dawn Nuschler.

Notes: CPI-U value for 2016 is average for 1st half of 2016. Inflation-adjusted minimum wage levels (in 2016 dollars) are presented for each statutorily established new minimum wage level.

Overall, if the federal minimum wage had been indexed to the CPI-U at each point a new statutorily established minimum wage level was enacted since 1938, its value in 2016 would range from \$4.23 per hour to \$10.98 per hour depending on the base year.

Data from **Figure 3** show that of the 23 possible starting points for indexation to the CPI-U:

- For 6 of the 23 enacted minimum wage rates, if the rate had been tied to CPI-U and not adjusted further, the minimum wage would be below \$7.25 today, ranging from \$0.02 below (1996) to \$3.02 below (1938);
- For 17 of the 23 enacted minimum wage rates, if the rate had been tied to CPI-U and not adjusted further, the minimum wage would be above \$7.25 today, ranging from \$0.01 above (2008) to \$3.73 above (1968); and
- Had indexation to the CPI-U started at any of the 13 increases occurring between 1950 and 1981, the 2016 value of the federal minimum wage would be between \$0.18 (1950) and \$3.73 (1968) higher than the current rate of \$7.25 per hour. On the other hand, as with CPI-W, indexation starting prior to 1950 or after 1990 would have resulted in a minimum wage near or below \$7.25 in 2016.

Consumer Price Index Research Series Using Current Methods (CPI-U-RS)

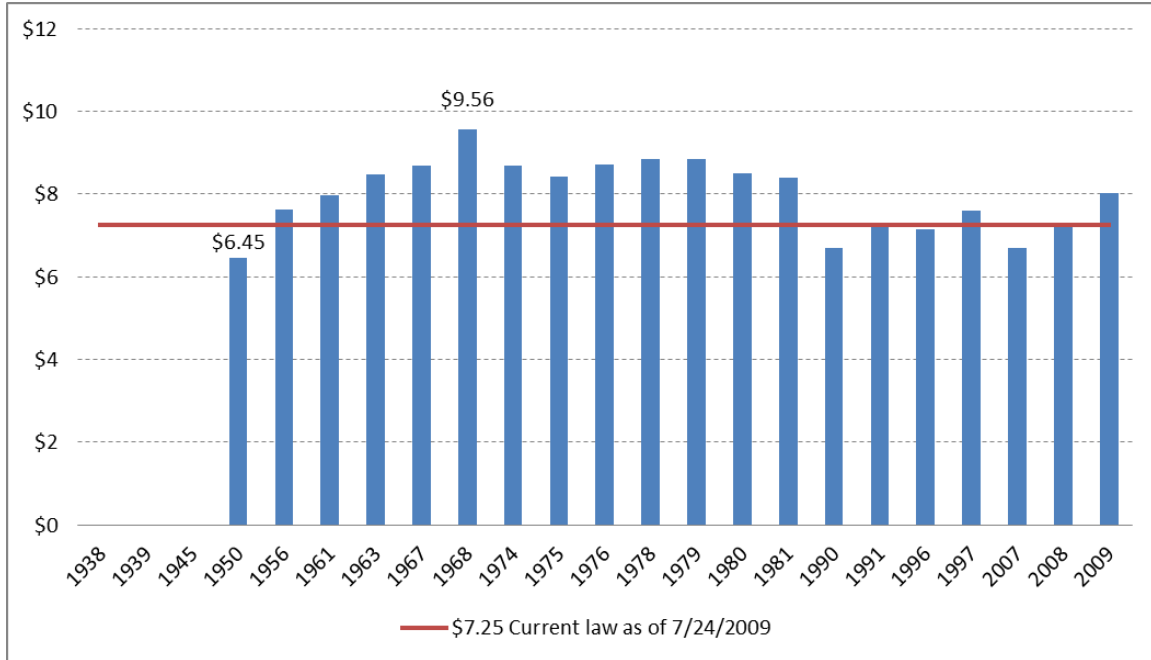
Over several years, BLS has made a series of methodological improvements (e.g., using rental equivalence to measure changes in homeowner costs, quality adjustment of used-car prices) to the CPI-U. The CPI-U-RS adjusts the CPI-U to incorporate most of these improvements.²¹ BLS used them to estimate the rate of inflation in the CPI-U as if they had been incorporated since the original publication of the CPI-U in 1978.²²

Figure 4 shows the hypothetical effects of indexing the federal minimum wage that was in place during the year shown on the horizontal axis (x-axis) to the CPI-U-RS until 2015, while providing a comparison to the current rate of \$7.25 per hour. For example, had the minimum wage of \$1.60 per hour enacted in 1968 been indexed to the CPI-U-RS at that time, it would be \$9.56 per hour in 2016. The highest and lowest values are labeled in the figure.

²¹ For a discussion of the CPI-U-RS and the methodological improvements, see Kenneth J. Stewart and Stephen B. Reed, *Consumer Price Index research series using current methods, 1978-98*, Bureau of Labor Statistics, Monthly Labor Review, Washington, DC, June 1999, pp. 29-38, <http://www.bls.gov/opub/mlr/1999/06/art4full.pdf>.

²² The BLS publishes the CPI-U-RS from December 1977. For the period prior to 1977, the Census Bureau derives the CPI-U-RS by applying the 1977 ratio of CPI-U-RS to CPI-U to the CPI-U from 1947 to 1976. See Bernadette D. Proctor, Jessica L. Semega, and Melissa A. Kollar, *Income and Poverty in the United States: 2015*, U.S. Census Bureau, P60-256, Washington, DC, September 2016, p. 22, <https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf>.

Figure 4. Indexed Values of the Federal Minimum Wage, by CPI-U-RS
Wages in 2015 dollars



Source: CRS analysis of data from the Department of Labor—Consumer Price Index Research Series Using Current Methods (CPI-U-RS): U.S. City Average, All Items, Annual Average, 1977-2015, <http://www.bls.gov/cpi/cpiursai1977-2015.pdf>. For the period prior to 1977, the Census Bureau derives the CPI-U-RS by applying the 1977 ratio of CPI-U-RS to CPI-U to the CPI-U from 1947 to 1976. See Bernadette D. Proctor, Jessica L. Semega, and Melissa A. Kollar, *Income and Poverty in the United States: 2015*, U.S. Census Bureau, P60-256, Washington, DC, September 2016, p. 22, <https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf>.

Notes: Unlike the other figures, wages in this figure are in 2015 dollars, which reflects latest available data. Inflation-adjusted minimum wage levels (in 2015 dollars) are presented for all statutorily established new minimum wage levels to which this index can be applied.

Overall, if the federal minimum wage had been indexed to the CPI-U-RS at each point a new statutorily established minimum wage level was enacted since 1950, its value in 2015 would range from \$6.45 per hour to \$9.56 per hour depending on the base year.

Data from **Figure 4** show the following for the 20 possible starting points for indexation to the CPI-U-RS:

- For 6 of the 20 enacted minimum wage rates, if the rate had been tied to CPI-U-RS and not adjusted further, the minimum wage would be below \$7.25 today, ranging from \$0.03 below (1991) to \$0.80 below (1950).
- For 14 of the 20 enacted minimum wage rates, if the rate had been tied to CPI-U-RS and not adjusted further, the minimum wage would be above \$7.25 today, ranging from \$0.34 above (1997) to \$2.31 above (1968).
- Had indexation to the CPI-U-RS started at any of the 12 increases occurring between 1956 and 1981, the 2015 value of the federal minimum wage would be between \$0.37 (1956) and \$2.31 (1968) higher than the current rate of \$7.25 per hour. On the other hand, indexation starting after 1990 would have resulted in a minimum wage near or below \$7.25 in 2015.

Personal Consumption Expenditures (PCE)

The PCE is a chain-type price index published by the Bureau of Economic Analysis (BEA) that measures changes in goods and services consumed by all households and by nonprofit institutions serving households.²³ The PCE is similar to the CPI in that both measure consumer prices, but the two differ particularly in the relative weight and scope of items in the consumption baskets.²⁴ Briefly, the weights of items in the PCE change more frequently (thus more quickly capturing changes in consumer spending) and the PCE includes items that are spent on behalf of consumers, such as the employer’s portion of health insurance.

Minnesota uses the PCE to index its state minimum wage. In addition, the Federal Reserve’s Open Market Committee (FOMC) has established a long-run objective of 2% inflation, as measured by the price index of the PCE.²⁵

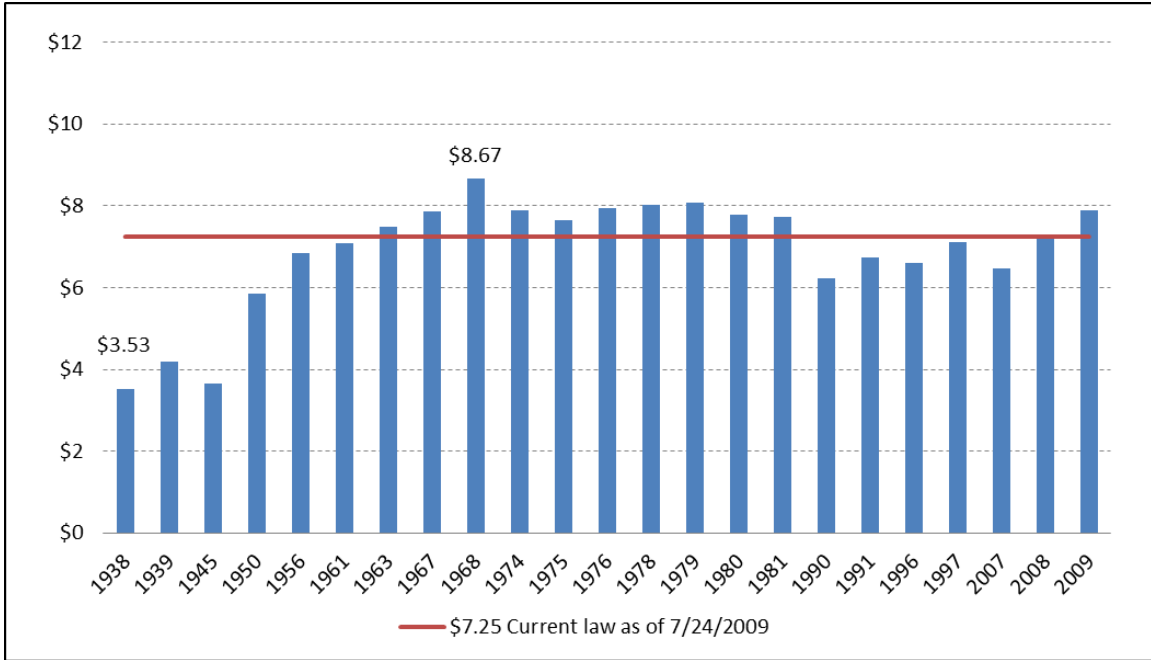
Figure 5 shows the hypothetical effects of indexing the federal minimum wage that was in place during the year shown on the horizontal axis (x-axis) to the PCE until 2016, while providing a comparison to the current rate of \$7.25 per hour. For example, had the minimum wage of \$1.60 per hour enacted in 1968 been indexed to the PCE at that time, it would now be \$8.67 per hour. The highest and lowest values are labeled in the figure.

²³ For details of the PCE, see Bureau of Economic Analysis, U.S. Department of Commerce, *NIPA Handbook, Chapter 5: Personal Consumption Expenditures*, Washington, DC, February 2014, <http://www.bea.gov/national/pdf/chapter5.pdf>.

²⁴ Technically there are often four “effects” identified as explaining the differences between the PCE and CPI—formula, weight, scope, and other. For a technical discussion of the differences in the two indices, see Clinton P. McCully, Brian C. Moyer, and Kenneth J. Stewart, *A Reconciliation between the Consumer Price Index and the Personal Consumption Expenditures Price Index*, Bureau of Economic Analysis, Washington, DC, September 2007, http://www.bea.gov/papers/pdf/cpi_pce.pdf. Some recent analyses have concluded that the weight and scope effects are the largest drivers of divergence between the PCE and CPI. See, for example, Joseph G. Haubrich and Sara Millington, *PCE and CPI Inflation: What’s the Difference?*, Federal Reserve Bank of Cleveland, Cleveland, OH, April 17, 2014, <https://www.clevelandfed.org/newsroom-and-events/publications/economic-trends/2014-economic-trends/et-20140417-pce-and-cpi-inflation-whats-the-difference.aspx>.

²⁵ For example, see <https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-trends/2016-economic-trends/et-20160114-recent-inflation-trends.aspx>

Figure 5. Indexed Values of the Federal Minimum Wage, by PCE
Wages in 2016 dollars



Source: CRS analysis of data from the Department of Labor and the Bureau of Economic Affairs—Price Indexes for Personal Consumption Expenditures by Major Type of Product, Table 2.3.4.

Notes: PCE value for 2016 is second quarter, seasonally adjusted. Inflation-adjusted minimum wage levels (in 2016 dollars) are presented for each statutorily established new minimum wage level.

Overall, if the federal minimum wage had been indexed to the PCE at each point a new statutorily established minimum wage level was enacted since 1938, its value in 2016 would range from \$3.53 per hour to \$8.67 per hour depending on the base year.

Data from **Figure 5** show the following for the 23 possible starting points for indexation to the PCE:

- For 12 of the 23 enacted minimum wage rates, if the rate had been tied to PCE and not adjusted further, the minimum wage would be below \$7.25 today, ranging from \$0.01 below (2008) to \$3.72 below (1938).
- For 11 of the 23 enacted minimum wage rates, if the rate had been tied to PCE and not adjusted further, the minimum wage would be above \$7.25 today, ranging from \$0.25 above (1963) to \$1.42 above (1968).
- Indexation of the federal minimum wage to PCE would have resulted in the lowest minimum wage rates compared to any of the other indices. That is, compared to other indices, the PCE index would have produced minimum wage rates from \$1.42 above to \$3.72 below the actual 2016 rate. The high rate (\$1.42) from the PCE index is nearly \$1 below the next lowest (from the CPI-U-RS).

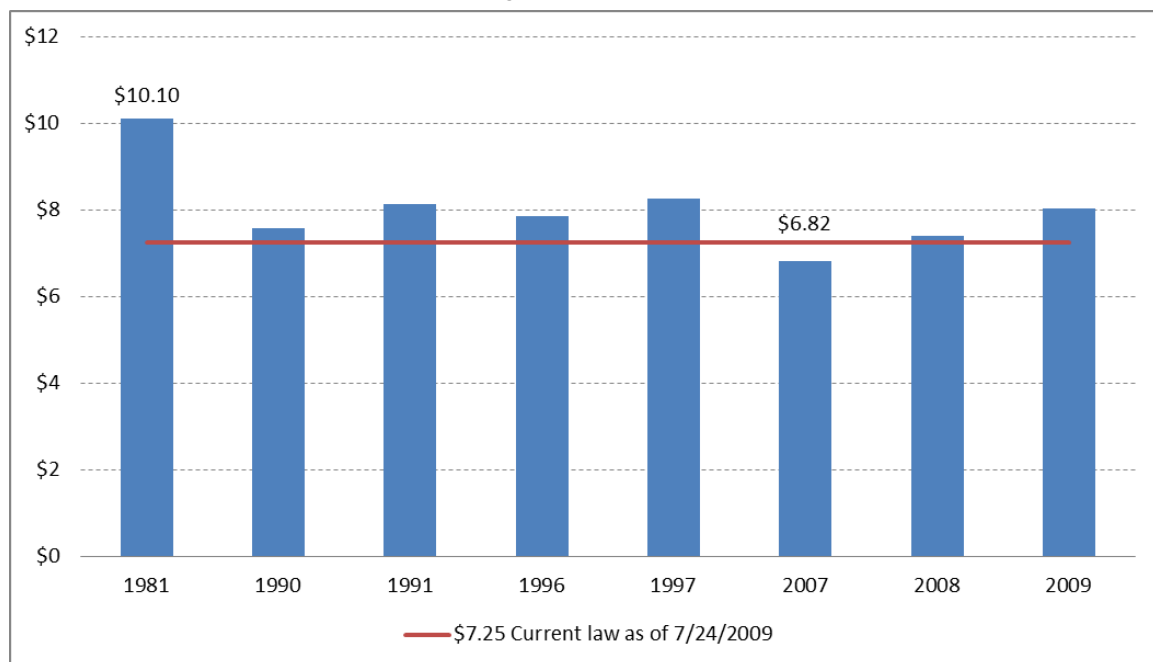
Employment Cost Index (ECI)

The ECI for wages and salaries is a labor cost measure produced by BLS as part of its establishment-based National Compensation Survey (NCS).²⁶ The ECI series on wages and salaries covers establishments in the nonfarm private sector and state and local governments representing about 96% of total civilian employment and measures changes in the hourly costs of labor.²⁷ The ECI is used in some federal programs, such as certain Medicare reimbursements, and as the measure of adjustment for pay for Members of Congress.²⁸

Figure 6 shows the hypothetical effects of indexing the federal minimum wage that was in place during the year shown on the horizontal axis (x-axis) to the ECI until 2016, while providing a comparison to the current rate of \$7.25 per hour. For example, had the minimum wage of \$3.35 per hour enacted in 1981 been indexed to the ECI at that time, it would now be \$10.10 per hour. The highest and lowest values are labeled in the figure. Because the ECI series is only available from 1981, there are fewer data points than for other indicators. Nonetheless, the ECI would have created minimum wage rates generally in the range of CPI-U-RS indexed rates.

Figure 6. Indexed Values of the Federal Minimum Wage, by ECI

Wages in 2016 dollars



Source: CRS analysis of data from the Department of Labor—Employment Cost Index for wages and salaries, for civilian workers, by occupation and industry, Continuous occupational and industry series, Table 8, <http://www.bls.gov/web/eci/ecicois.pdf>.

²⁶ See <http://www.bls.gov/eci/> for additional information on the NCS.

²⁷ U.S. Department of Labor, Bureau of Labor Statistics, *Employment Cost Indexes, 1975-99*, Bulletin 2532, Washington, DC, September 2000, p. 2, <http://www.bls.gov/ncs/ect/sp/ecbl0014.pdf>.

²⁸ For the ECI and Medicare, see U.S. Department of Labor, Bureau of Labor Statistics, *The Employment Cost Index and the Impact on Medicare Reimbursements*, Washington, DC, September 2012, http://www.bls.gov/ncs/ect/medicare2012_impact.pdf. For the use of the ECI in pay adjustments for Members, see CRS Report 97-1011, *Salaries of Members of Congress: Recent Actions and Historical Tables*, by Ida A. Brudnick.

Notes: ECI data are published on a quarterly, not seasonally adjusted basis. Data for **Figure 6** are for the quarter ending June of each year. Inflation-adjusted minimum wage levels (in 2016 dollars) are presented for all statutorily established new minimum wage levels to which this index can be applied.

Overall, if the federal minimum wage had been indexed to the ECI at each point a new statutorily established minimum wage level was enacted since 1981 (the first year of data for the ECI), its value in 2016 would range from \$6.82 per hour to \$10.10 per hour depending on the base year.

Data from **Figure 6** show the following for the eight possible starting points for indexation to the ECI:

- For seven of the eight enacted minimum wage rates, if the rate had been tied to the ECI and not adjusted further, the minimum wage would be above \$7.25 today, ranging from \$0.15 above (2008) to \$2.85 above (1981).
- Indexation of the federal minimum wage to ECI would have resulted in a range similar to rates generated by indexing to the CPI-U-RS.

Average Hourly Earnings (AHE)

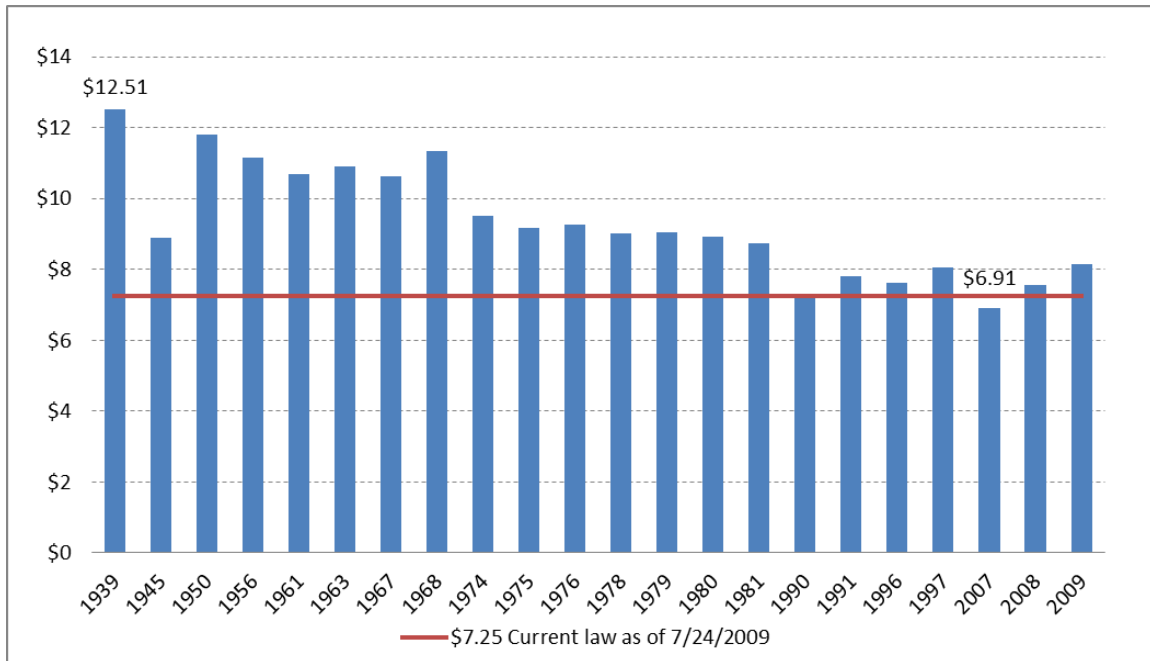
The BLS Current Employment Statistics (CES) survey is a monthly survey of approximately 146,000 business establishments (representing 623,000 individual worksites) that collects data on employment, hours, and earnings by industry and geography.²⁹ Data on average hourly earnings are computed for all private nonfarm employees and for multiple subcategories, including manufacturing employees and multiple types of service sector employees. Hourly earnings reflect the return to the worker from an hour of labor and exclude employer costs on behalf of the employee, such as benefits and payroll taxes. Earnings data for manufacturing workers are available starting in 1939, while comparable data on production and nonsupervisory workers start in 1964.³⁰

Figure 7 and **Figure 8** show the hypothetical effects of indexing the federal minimum wage that was in place during the year shown on the horizontal axis (x-axis) to the AHE both for manufacturing workers (AHE-Manufacturing) and production and nonsupervisory workers (AHE-Production and Nonsupervisory Workers) until 2016, while providing a comparison to the current rate of \$7.25 per hour. For example, had the minimum wage of \$0.30 per hour enacted in 1939 been indexed to the AHE-Manufacturing at that time, it would now be \$12.51 per hour. The highest and lowest values are labeled in the figure.

²⁹ For more information on the CES survey, see http://www.bls.gov/web/empstat/ces_cps_trends.pdf.

³⁰ See <http://www.bls.gov/web/empstat/cesfaq.htm#HoursandEarningsConcepts>.

Figure 7. Indexed Values of the Federal Minimum Wage, by AHE-Manufacturing
Wages in 2016 dollars



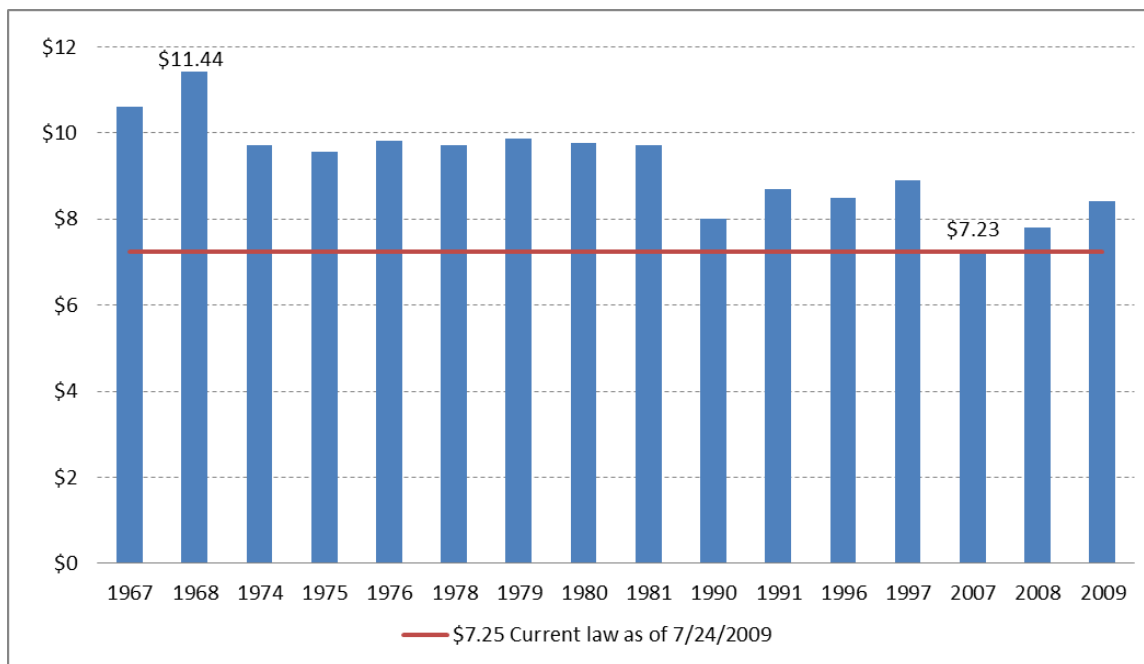
Source: CRS analysis of data from the Department of Labor—Current Employment Statistics, Average Hourly Earnings of Production and Nonsupervisory Employees, Manufacturing, Table B-8, <http://www.bls.gov/webapps/legacy/cesstab8.htm>.

Notes: AHE values are for June of each year, seasonally adjusted. Inflation-adjusted minimum wage levels (in 2016 dollars) are presented for each statutorily established new minimum wage level.

- If the federal minimum wage had been indexed to average hourly earnings in manufacturing at each point a new statutorily established minimum wage level was enacted since 1938, the minimum wage in 2016 would have been higher in all but two cases—1990 and 2007.
- Indexation of the federal minimum wage to average hourly earnings in manufacturing would have resulted in the highest minimum wage rates compared to any of the other indices. That is, compared to other indices, the AHE-Manufacturing index would have produced minimum wage rates from \$5.26 above to \$0.34 below the actual 2016 rate.

Figure 8. Indexed Values of the Federal Minimum Wage, by AHE-Production and Nonsupervisory Workers

Wages in 2016 dollars



Source: CRS analysis of data from the Department of Labor—Current Employment Statistics, Average Hourly Earnings of Production and Nonsupervisory Employees, Table B-8, <http://www.bls.gov/webapps/legacy/cesstab8.htm>.

Notes: AHE values are for June of each year, seasonally adjusted. Inflation-adjusted minimum wage levels (in 2016 dollars) are presented for all statutorily established new minimum wage levels to which this index can be applied.

- Similar to the average hourly earnings in manufacturing index, if the federal minimum wage had been indexed to average hourly earnings for production and nonsupervisory workers at each point a new statutorily established minimum wage level was enacted since 1964 (the earliest date available), the minimum wage in 2016 would have been higher in all years except 2007.
- Indexation of the federal minimum wage to average hourly earnings for production and nonsupervisory workers would have resulted in the second-highest minimum wage rates compared to any of the other indices, ranging from \$4.19 above to \$0.02 below the actual 2016 rate.

Minimum Wage Indexation—State Policy and Federal Proposals

This section briefly reviews minimum wage indexation policies in states and recent congressional indexation proposals.

State Minimum Wage Indexation Policies

It is worth noting that as federal changes to the minimum wage rate have become less frequent over time, several states have enacted minimum wage rates above the federal rate and many of

these states have indexed their state minimum wage rates to some measure of inflation. For example, between the federal minimum wage increases from 1997 to 2007, the number of states with minimum wages above the federal rate rose from 8 to 22. Since the final step increase in the federal minimum wage in 2009, the number of states with minimum wage rates above the federal rate has increased to 30 (29 states and DC).³¹

Of the 29 states and DC that have minimum wage rates above the federal rate, a total of 17 states and DC currently, or will in a future year, index state minimum wage rates to a measure of inflation (see **Table A-1** for additional information on state indexation policies). Specifically,

- four states—Arizona, Montana, Nevada, and South Dakota—index the state minimum wage to the CPI-U, U.S. City Average;
- three states—New York, Oregon, and Vermont—will begin indexing to the CPI-U, U.S. City Average in the future;³²
- two states—Alaska and Colorado—use a sub-national version of the CPI-U to index the state minimum wage, while Michigan and DC will use regional CPI-U indices in the future;
- four states—Missouri, New Jersey, Ohio, and Washington—index the state minimum wage to the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), with California scheduled to start using CPI-W in the future;
- one state (Florida) uses a regional version of the CPI-W to index the minimum wage; and
- one state (Minnesota) will use the implicit price deflator for the PCE to index the minimum wage.

It is notable that of the 11 states with inflation indexation in place as of 2016, only 2—Colorado and South Dakota—had adjustments to their minimum wage rates from 2015 to 2016. The other states either had no change in inflation or not enough to trigger an increase in the minimum wage rate (e.g., some states require increases to be rounded to the nearest \$0.05, which could result in no rate increase despite a low level of inflation).

Regarding other features of state minimum wage indexation policies, Nevada limits annual minimum wage increases to the lesser of the CPI-U or 3%. In addition, four states that will begin using indexation in the future—California, Michigan, Minnesota, and Vermont—use caps that limit increases to the lesser of the index change or a statutory percentage increase. Also, California’s and Michigan’s indexation policies include triggers that prevent increases in the minimum wage rate based on changes in other economic characteristics (e.g., unemployment in excess of a certain percentage).

Finally, it is also worth noting that of the approximately 39 localities (cities and counties) with minimum wages above the federal rate, 24 localities currently index the local minimum wage and

³¹ For additional information on state minimum wage policy, see CRS Report R43792, *State Minimum Wages: An Overview*, by David H. Bradley.

³² Following scheduled increases in the minimum wage rates in New York through 2020, annual increases will be determined by the New York Director of the Budget based on economic indices, which include the CPI-U. See <http://www.labor.ny.gov/workerprotection/laborstandards/workprot/minwage.shtm>.

an additional 11 will begin indexation in the future. Of these 35 localities that currently do, or will in the future, index the minimum wage, all use a version of the CPI.³³

Federal Minimum Wage Indexation Proposals

Table 2 provides information on proposals to index the federal minimum wage from the 112th through 114th Congresses. Of the 18 proposals in the past three Congresses, 12 have proposed using the CPI-W, 2 have proposed using the CPI-U, and 4 have proposed using median hourly earnings as the index. As demonstrated in the analysis in this report, the proposals using median hourly earnings would likely increase the minimum wage at a greater rate than the proposals using a CPI measure. Finally, all of the indexation proposals in the past three Congresses would have provided step increases in the minimum wage rate before starting indexing, rather than starting from the current rate of \$7.25 per hour.

Table 2. Proposals to Index the Federal Minimum Wage
Proposals introduced since the Fair Minimum Wage Act of 2007 (P.L. 110-28)

Congress	Bill Number	Sponsor	Initial Wage	Proposed Index
112 th	S. 2252	Harkin	\$9.80	CPI-W
112 th	S. 3453	Harkin	\$9.80	CPI-W
112 th	H.R. 5901	Jackson (Jesse)	\$10.00	CPI-U
112 th	H.R. 5727	DeLauro	\$9.80	CPI-W
112 th	H.R. 6211	Miller (George)	\$9.80	CPI-W
113 th	S. 460	Harkin	\$10.10	CPI-W
113 th	S. 1737	Harkin	\$10.10	CPI-W
113 th	S. 2223	Harkin	\$10.10	CPI-W
113 th	H.R. 1010	Miller (George)	\$10.10	CPI-W
113 th	H.R. 1346	Grayson	\$10.50	CPI-U
113 th	H.R. 3746	Larson (John)	\$11.00	CPI-W
113 th	H.R. 3939	Neal	\$10.10	CPI-W
114 th	S. 473	Udall	\$10.10 ^a	CPI-W
114 th	S. 1150	Murray	\$12.00 ^b	Median hourly wage for all employees
114 th	S. 1832	Sanders	\$15.00 ^c	Median hourly wage for all employees
114 th	H.R. 2150	Scott (Robert)	\$12.00 ^d	Median hourly wage for all employees
114 th	H.R. 3164	Ellison	\$15.00 ^e	Median hourly wage for all employees
114 th	H.R. 4508	Norcross	\$15.00 ^f	CPI-W

Source: Compiled by CRS from Congress.gov. Abigail Overbay, Senior Research Librarian in the Domestic Social Policy Division, provided the research for **Table 2**.

Notes: “Initial Wage” is the final wage rate established in the legislation prior to the start of indexation. The number of years before indexation would begin is provided only for proposals in the 114th Congress.

³³ See University of California Berkeley Labor Center, *Inventory of US City and County Minimum Wage Ordinances*, Berkeley, CA, September 27, 2016, <http://laborcenter.berkeley.edu/minimum-wage-living-wage-resources/inventory-of-us-city-and-county-minimum-wage-ordinances/>.

- a. S. 473 indexation would begin three years after enactment.
- b. S. 1150 indexation would begin five years after enactment.
- c. S. 1832 indexation would begin five years after enactment.
- d. H.R. 2150 indexation would begin five years after enactment.
- e. H.R. 3164 indexation would begin five years after enactment.
- f. H.R. 4508 indexation would begin eight years after enactment.

Appendix. Indexation of State Minimum Wages

Table A-1. Indexation of State Minimum Wages
As of 2016

State	Rate	Index ^a	Provisions
Alaska	\$9.75	CPI-U, Anchorage	Must be at least \$1 above federal minimum wage Next indexation: 1-1-17
Arizona	\$8.05	CPI-U	Next indexation: 1-1-17
California	\$10.00	CPI-W	Lesser of CPI-W or 3.5% Triggers ^b Initial indexation: 1-1-23
Colorado	\$8.31	CPI-U, Denver-Boulder-Greeley CMSA	Next indexation: 1-1-17
DC	\$11.50	CPI-U, Washington MSA	Initial indexation: 7-1-21
Florida	\$8.05	CPI-W, South Region	Next indexation: 1-1-17
Michigan	\$8.50	CPI-U, Midwest Region	Lesser of 5-Year average CPI-U or 3.5% Triggers ^c Initial indexation: 4-1-19
Minnesota ^d	\$9.50	PCE	Lesser of 2.5% or PCE Initial indexation: 1-1-18
Missouri	\$7.65	CPI-W	Next indexation: 1-1-17
Montana	\$8.05	CPI-U	Next indexation: 1-1-17
Nevada ^e	\$8.25	CPI-U	Lesser of CPI-U or 3.0% Next indexation: 7-1-17
New Jersey	\$8.38	CPI-W	Next indexation: 1-1-17
New York ^f	\$9.00	CPI-U	Initial indexation: 12-31-21
Ohio	\$8.10	CPI-W	Next indexation: 1-1-17
Oregon	\$9.75	CPI-U	Next indexation: 7-1-23
South Dakota	\$8.55	CPI-U	Next indexation: 1-1-17
Vermont	\$9.60	CPI-U	Lesser of CPI-U or 5% Initial indexation: 1-1-19
Washington	\$9.47	CPI-W	Next indexation: 1-1-17

Source: CRS Report R43792, *State Minimum Wages: An Overview*, by David H. Bradley

- Unless otherwise noted, “CPI-U” and “CPI-W” in **Table A-1** refer to the U.S. City Average for the respective indices.
- California’s minimum wage law (California Labor Code 1182.12) includes triggers that allow the governor to temporarily suspend planned increases in the state minimum wage rate. These triggers include a decline in state employment, a decline in state tax revenue, and a deficit in the state General Fund. Small businesses in California have an additional year to comply with the rate increases before indexation begins.

- c. Michigan's minimum wage law (Michigan Compiled Laws 408.414) includes a provision that automatically suspends the annual increase in the minimum wage if the unemployment rate in Michigan is 8.5% or greater in the year prior to the scheduled increase.
- d. The minimum wage listed for Minnesota is for large employers. The minimum wage for small employers is \$7.75.
- e. Nevada maintains a two-tier minimum wage system. The minimum wage for workers who do not receive qualified health benefits from their employer is \$8.25 per hour, while the minimum wage for workers receiving qualified health benefits is \$7.25 per hour. An annual adjustment, if any, occurs on July 1 of each year and is the greater of the amount of increases in the federal minimum wage over \$5.15 or the cumulative inflation since December 31, 2004.
- f. The rate in **Table A-1** is the general minimum wage in 2016. Minimum wages in New York vary by location (New York City, Long Island and Westchester, and Rest of New York) and employer size (New York City employers with 11 or more employees and New York City employers with 10 or fewer). Rates are scheduled to increase across these different categories until reaching \$15 per hour. Starting in 2021, annual increases will be determined by the Director of the Division of the Budget based on different economic indices, including the CPI.

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