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# A Racial Impact Analysis of HB 32: Minimum Wage Increase

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# **A Racial Impact Analysis of HB 32: Minimum Wage Increase**

*A project of the Minority Political Leadership Institute Class of 2014*

Prepared by: Gena Burr, Danise Harmon, Uzziah Harris, and  
Tammy Martin

## **Project Description**

The racial equity impact of HB 32 is important because minorities in Virginia disproportionately work in minimum wage positions. The purpose of this report is to provide a racial impact analysis of House Bill (HB) 32, legislation proposed in the 2014 Virginia General Assembly to increase the minimum wage from \$7.25 to \$8.50 an hour. According to 2013 data, 1.8 million workers in Virginia are paid hourly rates and 6.8 percent of these workers earn the federal minimum wage of \$7.25 per hour. Examining fiscal years 2015 to 2020 for the Commonwealth, such an increase would cost \$2,712,696. This impact includes the costs to cover additional staff for enforcement of the bill. Moreover, based on data provided by the Department of Human Resource Management, such an increase would also affect 264 salaried employees, costing an additional \$296,252. In sum, this report examines the various and differing components surrounding HB 32 and minimum wage from a comprehensive perspective. This report examines why HB 32 failed, analyzes minimum wage versus living wage, and discusses what steps can be taken to promote racial income equality. In addition, this report charts a path forward toward policy that can be implemented legislatively with a positive effect on Virginia's communities.

## **Legislative Overview**

Introduced by chief patron Delegate Joseph Morrissey, HB 32 proposed an increase in the current federally mandated level of \$7.25 per hour to \$8.50 per hour effective July 1, 2014, unless a higher minimum wage is required by the Federal Fair Labor Standards Act. The act would expire at such time as the federal minimum wage equals or exceeds \$8.50 per hour. On February 4, 2014, HB 32 was tabled by the Committee on Commerce and Labor in a voice vote.

### Background

Historically, Congress has only raised the minimum wage in times of economic prosperity and low unemployment. The last federally mandated change to minimum wage occurred in 2009 where the minimum wage progressed from \$6.55 per hour to \$7.25 per hour.

Since the Great Depression, Congress has not raised the minimum wage during any period whereby the unemployment rate exceeded 7 percent. In 1938, the first minimum wage increase under the Fair Labor Standards Act, the Federal Government mandated a \$0.25 per hour minimum. In 1961 the minimum wage was \$1.00 per hour and increased over the next thirty years to \$4.00 per hour in 1991. Despite the history, polls on increasing minimum wage are unclear; the split around party lines is clearer with Democrats generally in favor and Republicans generally in opposition. The Fair Minimum Wage Act proposed raising the federal minimum wage from \$7.25 to \$10.10; however, it was blocked by Republicans in the U.S. Senate in 2013. The Republican-controlled Congress continues to vote down minimum wage increases (Huffington Post, 2013).

Political activists and Democrats believe raising the wage is an essential step in addressing income inequality and assisting low wage families; conversely Republicans come to an agreement that an increase in the minimum wage might hurt an already slowly recovering economy by burdening small businesses that have already been burdened with the new healthcare mandate. Consequently, there was significant movement among the states to raise their own minimum wages. By January 2007, 30 states had increased the wage level above what Congress required employers to pay and advocated to obtain living wage laws from local governments (Waltman, 2008).

A living wage is fundamentally different than a minimum wage. A minimum wage is a mandated wage that must be paid to an employee, and a living wage is a wage that is high enough to maintain a normal standard of living. With a living wage, an individual can enjoy the decency of a life beyond poverty (Lerner, 2014). It is essential that more attention be given to the serious impact low wages have on minority communities, because for low-wage workers, making ends meet is a daily struggle. Millions of working people struggle to cover the cost of housing, food, health care, childcare and other basic necessities for themselves and their families. A worker, who is paid the minimum wage of \$7.25 per hour, or any wage below a living wage, cannot afford basic necessities without public or private assistance. The real value of minimum wage has actually decreased (Just Economics, 2010). As shown in table 1, it currently takes more dollars to purchase the same basic goods and services. Many working adults must seek social service resources, hold multiple jobs, or both in order to provide for themselves and their families.

There are six factors used to calculate the basic cost of a decent standard of living. Table 2 shows the amount of individual expenses that went into the living wage estimate. The cost of childcare and housing for families with children is greater than all other expenses. The values vary by family size and composition. An analysis using 2013 data finds the minimum wage does not provide a living wage for Virginia families. Using this data, a single parent with two children earning the federal minimum wage of \$7.25 per hour needs to work 125 hours per week, which equates to more hours than there are in a 5-day week, in order to earn a living wage. That data suggests that single-parent families must work at least twice as hard as families with two working adults to earn wages that equal the living wage. In order to calculate a living wage local governments use a percentage increase of the federal poverty level. For a family unit of one, the level is \$11,670 (ASPE.HHS, 2014).

Living wage laws have three characteristics:

- 1) they set a wage level that is higher than the federal and state minimum wages;
- 2) the wage is calculated for a family of three or four with one full-time worker reaching the federal poverty line; and,
- 3) living wage laws exhibit narrow coverage, generally for companies that receive business assistance from the city or for businesses under contract with the city (Adams & Neumark, 2005).

**Table 1: Living Wage Calculation for Virginia**

Hourly Wages	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Living Wage	\$10.54	\$20.77	\$25.77	\$32.71	\$15.96	\$19.49	\$20.88	\$24.66
Poverty Wage	\$5.21	\$7.00	\$8.80	\$10.60	\$7.00	\$8.80	\$10.60	\$12.40
Minimum Wage	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25

**Table 2: Typical Household Expenses**

Monthly Expenses	1 Adult	1 Adult, 1 Child	1 Adult, 2 Children	1 Adult, 3 Children	2 Adults	2 Adults, 1 Child	2 Adults, 2 Children	2 Adults, 3 Children
Food	\$242	\$357	\$536	\$749	\$444	\$553	\$713	\$904
Child Care	\$0	\$471	\$867	\$1,262	\$0	\$471	\$867	\$1,262
Medical	\$141	\$469	\$492	\$474	\$310	\$463	\$437	\$448
Housing	\$791	\$1,006	\$1,006	\$1,323	\$873	\$1,006	\$1,006	\$1,323
Transportation	\$318	\$618	\$712	\$764	\$618	\$712	\$764	\$777
Other	\$84	\$184	\$239	\$318	\$141	\$180	\$202	\$234
Required monthly income after taxes	\$1,576	\$3,105	\$3,852	\$4,890	\$2,386	\$2,914	\$3,122	\$3,686
Required annual income after taxes	\$18,912	\$37,260	\$46,224	\$58,680	\$28,632	\$34,968	\$37,464	\$44,232
Annual taxes	\$3,015	\$5,940	\$7,369	\$9,355	\$4,565	\$5,575	\$5,973	\$7,051
Required annual income before taxes	\$21,927	\$43,200	\$53,593	\$68,035	\$33,197	\$40,543	\$43,437	\$51,283

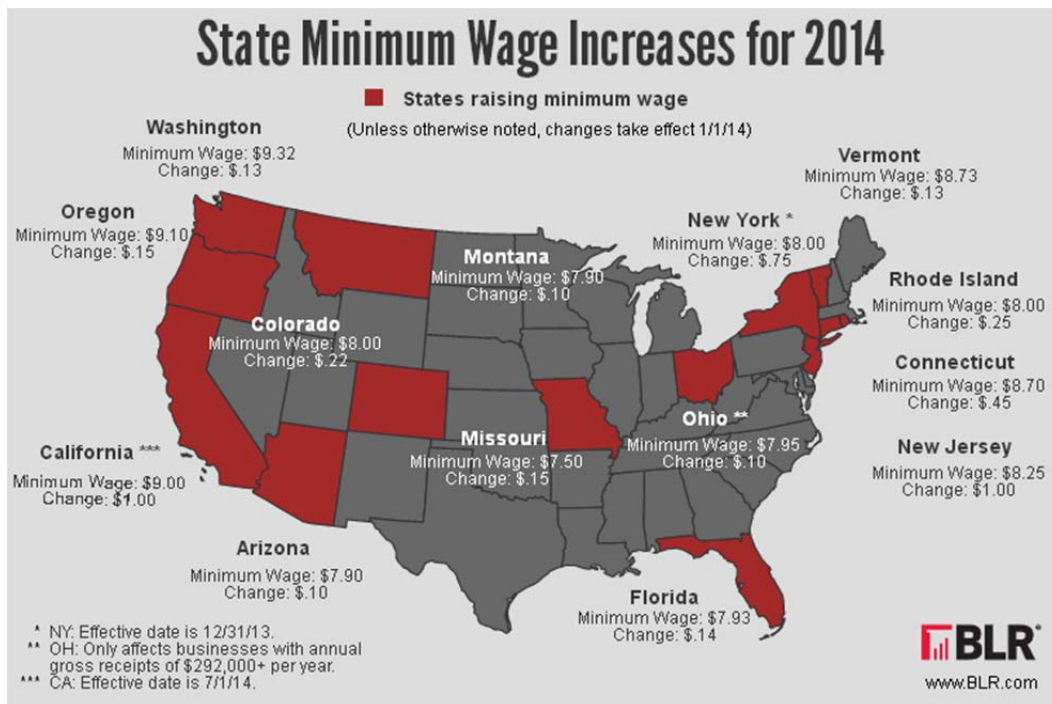
Public Awareness

The Tenants’ and Workers’ Support Committee (TWSC) launched a successful campaign in 2000, in Virginia, for a living wage law to improve conditions for workers, businesses, and the local economy. The TWSC is “a grassroots organization committed to winning social and economic justice and power for the people of Northern Virginia – Latinos/as, African Americans, tenants, immigrants, workers, women, youth and low-income people”(TWSC, 2014). Since this legislation, over one hundred localities nationwide implemented living wage laws. This includes two cities in Virginia: Alexandria and Charlottesville.

The United States is a country that supports the principle of opportunities for all people, but people of color comprise a majority of those living below the poverty level. Virginia enjoys a very stable economic climate, yet there is a high population of persons living in poverty. In the Commonwealth of Virginia, the 123,000 workers comprise 6.8 percent of all low-wage workers.

The majority of low-wage workers are female, young teens, African-American or Hispanic, and single earners. Across the country, more than one-half (56 percent) are hourly workers and almost six out of ten are female. Whites are underrepresented among low wage workers (50 percent), while blacks and Hispanics are overrepresented at 25 percent and 15 percent, respectively (Weldon, 2014). Virginia’s 6.8 percent of low-wage paid workers earning at or below the prevailing \$7.25 an hour places Virginia 45th out of the 50 states. Other states have continually awaited federal legislation in advance of moving forward with an increase to their minimum wage. Figure 1 shows that 21 states, not including Virginia, have minimum wages that are higher than the federal requirement of \$7.25 an hour. State legislatures in Connecticut, New York, New Jersey and Rhode Island voted for the largest recent increases in the minimum wage by as much as \$1.

**Figure 1: State Minimum Wage Increases for 2014**

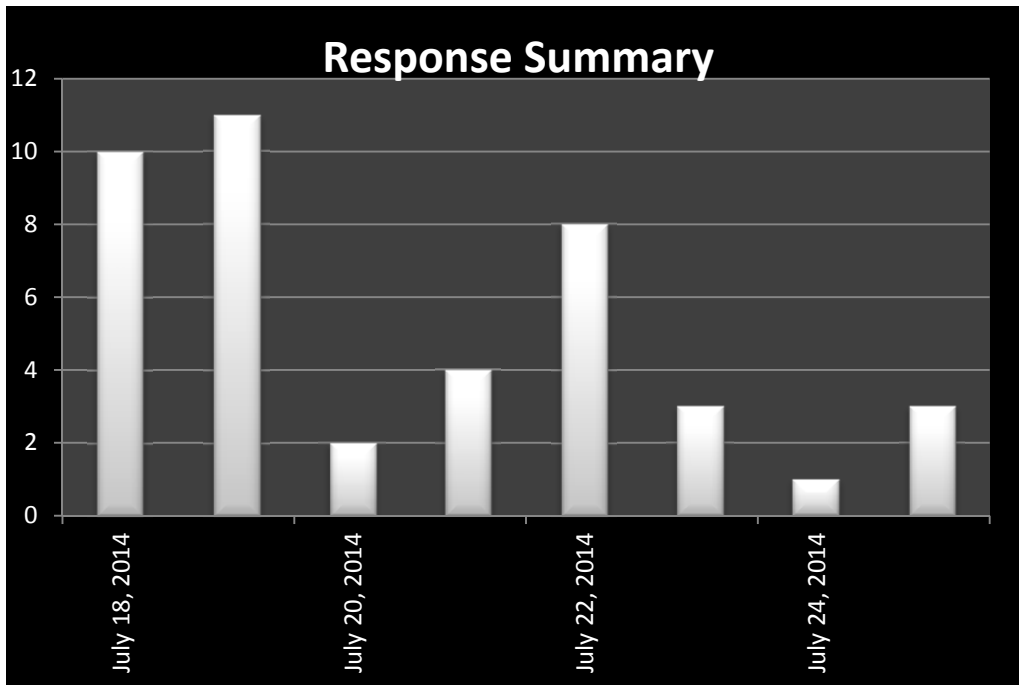


HB 32 legislation received substantial media coverage and attention from sources to include government, local, state, and national media outlets, the internet, social media channels, and public opinion polls. Jeremy M. Lazarus wrote about the minimum wage protesters “taking it to the streets.” Ten fast food workers staged an impromptu sit-in on a major turnpike in Richmond in front of a McDonald’s restaurant while fellow activists on the sidewalk held up signs of support. “The protesters blocked traffic for two hours before Henrico police arrested them for unlawful assembly and impeding traffic after issuing repeated warnings for them to disperse,” reported Lazarus. None of the 10 protestors actually worked at that McDonald’s, however, most had jobs at other places like Burger King, Popeye’s, Wendy’s, and other McDonald’s restaurants.

The protesters' goal was to raise awareness of the need for a minimum wage hike (increase from \$7.25 to \$15.00) using a tactic borrowed from the Civil Rights Movement. The \$15 an hour increase is far above proposals for minimum wage hikes that have failed to advance in Congress or the Virginia General Assembly.

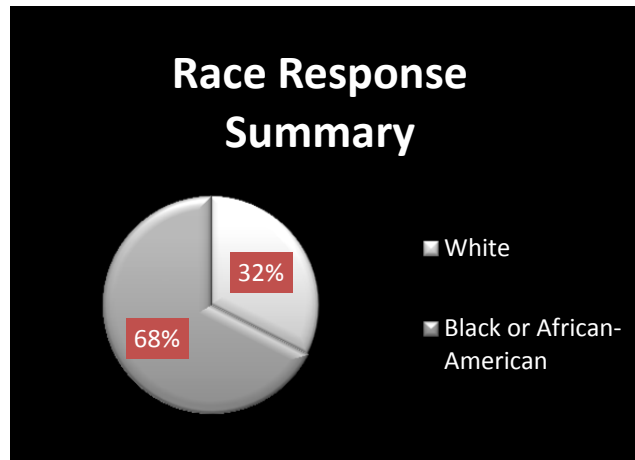
To aid in capturing public opinion on the minimum wage, we created a survey to measure awareness and opinions related to minimum wage increases. From July 18 - 25, anonymous participants randomly volunteered using the web-link on the social media site Facebook®. Chart 1 displays a summary of the response outcomes. The survey consisted of ten questions ranging from participant's age, race and educational attainment to household income, who benefits from minimum wage to who does not.

**Chart 1**  
**SurveyMonkey.com Response Summary**  
**Total 42 Responses**  
**5 Weblinks; 37 Facebook Posts**

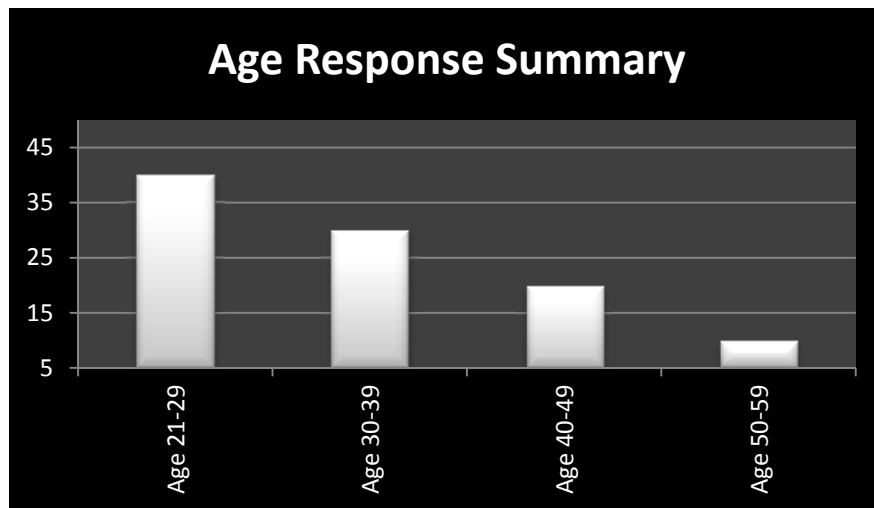


Of the 42 participants who responded, 32.43 percent were Caucasian and 67.57 percent were African American (see Chart 2). Only 10.26 percent of respondents were between the ages of 20-29. However, when looking at the age dispersion across the survey, approximately one third were 30-39 years old and another third (33.33 percent) were ages 50-59. Thus, the largest response group, approximately 90 percent (89.7 percent) were ages 30-60 years old. This was unexpected and can be seen in Chart 3.

**Chart 2: Race of Survey Respondents**



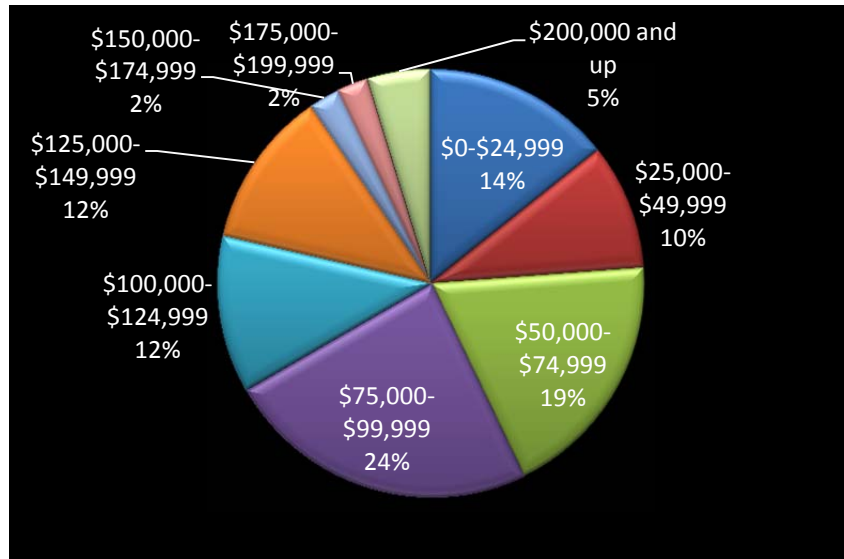
**Chart 3: Age of Survey Respondents**



The distribution of household income was a little more evenly dispersed with 15 respondents making less than \$75,000, 15 respondents from \$75,000 to \$125,000, and nine respondents earning over \$125,000 a year. These household incomes are reflective of another marker of the study, educational status. Only nine respondents failed to complete college, while 19 (almost 50 percent) had completed graduate school (see Chart 4).



**Chart 4: Income of Survey Respondents**



Ultimately, the survey reflected that educated, middle to upper class working professionals would not be affected by minimum wage increases. Chart 5 shows that all but one participant was employed at the time of the survey and 78.9 percent had worked a minimum wage job. Only one participant (2 percent) indicated he/she would want to work for minimum wage, and another participant went as far to say it would be “degrading”. Most participants believed that the people who were actually employed by a minimum wage job benefited from the increase; yet, the increase was offset by both the businesses who employed them and the product offered by the particular business. There was a pervasive sentiment that access to job training, education and other resources (such as healthcare) seemed to be a better alternative. In an economic environment where the cost of living has always risen in a manner that nullified increases in minimum wage, the costs of raising it to a level where one could truly step out of poverty would possibly be more than what businesses and society could afford. Additionally, the results of the survey could have benefited greatly by having more participants who were currently unemployed, as well as those who were a race other than Caucasian or African American.

**Chart 5: Employment Status of Survey Respondents**



## Racial Impact Analysis

*“A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both.”*– Milton and Rose Friedman, *Free To Choose* (1979)

### Legislative Racial Impacts

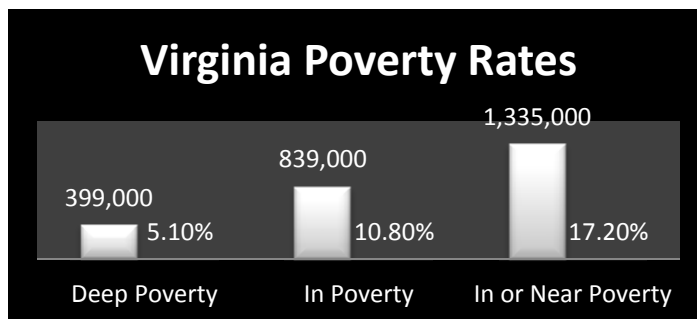
In a study on minimum wage law impacts, David Neumark and William Wascher determined the “effects of minimum wages on family incomes” by exploring the relationship between low-wage workers and low-income families.” They found that a minimum wage increase could lift some poor families out of poverty and achieve a long-term effect of keeping them out of poverty for more than a year (Neumark & Wascher, 2002). However, there is no measurable effect on overall poverty rates, and initially non-poor families can be pushed into poverty by the long-term effects of minimum-wage increases such as unemployment, reduced hours, and the change to more advanced skilled employees.

A 2012 analysis of the Virginia population examines the multiple stages of poverty levels (Cooper, 2012). To reflect the reach of poverty in Virginia, the levels report *Deep Poverty* and *Near Poverty*. Deep poverty includes those below 50 percent of the federal poverty line, or approximately \$11,000 for a family of four. Near poverty includes those not in poverty but with incomes less than 150 percent of the federal poverty line.

### Virginia Data

Historically, Virginia has had lower poverty rates than the nation average (Figure 1). Five percent of Virginians, 48 percent of those in poverty, are in deep poverty – with family incomes less than half of the official poverty line (roughly \$11,000 for a family of four). In addition, over 6 percent of Virginians are near poverty. The near poor, along with those under the poverty line, struggle to live economically secure and healthy lives. Families near poverty are often one crisis away from joining the ranks of the poor. For these reasons and more, the near poor often have more in common with those under the poverty line, than with the rest of population above it. It is shown in Chart 6 that more than 17 percent of Virginians live near or in poverty.

**Chart 6: Virginia Poverty Rates**



In Chesterfield County, a county located in the Commonwealth of Virginia, poverty continues to increase and incomes are declining (Buettner, 2014). According to Cook, "It is clear that Chesterfield families are struggling, as are many families across Virginia." Moreover, "Income equality is becoming more and more apparent in Virginia. The economy is recovering, but families are not" (Cook, 2014). John Moeser, a fellow at the Conner Center for Civic Engagement at the University of Richmond suggests, "This trend is due to redevelopment and gentrification in parts of the poverty stricken areas of Richmond City where previously high-density poverty and low income residents move out of the city and into surrounding counties in search of more affordable housing and better school systems" (Moeser, 2014).

### Legislative Affects

Virginia minorities are affected by this legislation because they work disproportionately in low wage jobs. Based on the Current Population Survey (CPS) data from approximately 60,000 households from the 2013 U.S. Census Bureau for the U.S. Bureau of Labor Statistics (BLS), 75.9 million workers age 16 and older in the United States were paid at hourly rates, representing 58.8 percent of all wage and salary workers. Data reports that 1.5 million of those workers earned exactly \$7.25 per hour. Workers paid below \$7.25 totaled about 1.8 million. Together, these 3.3 million workers with wages at or below the federal minimum comprised 4.3 percent of all hourly paid workers (Cooper Center, 2014)

### Legislative Region Racial Impact

The current minimum wage is inadequate, but, by looking beyond the impact of the federal minimum wage on individuals and their families, the wage standard also has systemic consequences, most notably its disproportionate effect on people of color. While white Virginians comprise 58 percent of the poor population, some minority groups are over represented in the poor population and have correspondingly high poverty rates. Black Virginians have the highest poverty rate, 20.2 percent, compared to 10.8 percent among all Virginians. The Hispanic poverty rate, 12.4 percent is slightly above the state rate, while poverty among non-Hispanic white Virginians, 8.1 percent is below the statewide level. Virginia's Asian population has the lowest poverty rate, 7.3 percent (Cooper Center, 2014).

### Legislation equity or inequality

The United States Census Bureau estimates that the population of Virginia in 2013 was 8,185,867, which ranked the 12th largest population in the United States. Based on the most recent 2010 census, there is a 2.3 percent increase in the total population of the state of Virginia. Virginia has five distinct geographic land areas: the Atlantic Coastal Plain, the Piedmont, the Blue Ridge, the Appalachian Ridge and Valley Region, and the Appalachian Plateau. There are significant disparities in the poverty rates across these localities and regions. Poverty rates vary from as low as 3 percent to a high of 30 percent. The Eastern Shore, Southwest, and Southside regions have the highest regional rates of poverty, with many of their localities exceeding 20 percent in poverty. The urban areas of Richmond and Norfolk also have

high poverty rates compared to the state average, while many counties in Northern Virginia have some of the lowest poverty rates in the nation.

Regional population size influences the distribution of poor Virginians throughout the state. Although Northern Virginia has a very low overall poverty rate, 17 percent of poor Virginians live in Northern Virginia due to its large population size (2.3 million). Conversely, while Southwest Virginia has a much smaller population base (fewer than 570,000), 12 percent of Virginia's poor are in that region, reflecting its substantially higher poverty rate.

### Social and Economic Costs or Benefits

For many individuals, falling below the poverty line is a brief, one-time experience. Others, however, are chronically poor. While the likelihood of chronic poverty declined in the 1990s, ever falling into poverty is an increasingly common event. By the age of 65, 51 percent of Americans will have experienced a year of poverty at least once; and 30 percent will have fallen into deep poverty at least once.

While the risk of living in poverty is growing across the population, some groups remain more likely to experience poverty than others. Social and demographic characteristics associated with income and earnings—educational attainment, occupation, race, and gender—are strongly correlated with the likelihood of experiencing poverty or near poverty. Conditions that limit employment opportunities, such as disability, increase the likelihood of experiencing poverty.

The economic reality to poor households is that they spend most of their income on the basic necessities, and housing expenses. According to the 2010 American Community Survey, the median poor household spent over two-thirds of monthly income on housing. While poor individuals and households have less income than the non-poor, they are also less likely to own assets.

### Legislation Overall Assessment

If the real objective of a living wage linked to minimum wage is to reduce poverty, there are better options. The higher the minimum wage, the more relative wages increase, and the more the costs of goods and services will increase. This leaves those living in poverty in an even worse situation as it makes it even more difficult for them to make ends meet.

Of the approximate 8.186 million people in the state of Virginia, about 50.9 percent of the population is female. Also, approximately 71 percent of the population identifies as white (including Hispanic or Latino). But, out of that 71 percent, about 8 percent identify as Hispanic or Latino and the other 63 percent as White. Those who identify as Black or African American constitute 20 percent of the entire population of the state of Virginia. The rest of the population is comprised of those who identify as Asian, American Indian, Alaskan Native, Hawaiian, other Pacific Islanders, or those who identify as two or more races. These other races comprise about 9 percent of the Virginia population. The Asian population comprises 6 percent

out of that 9 percent. In terms of employment and income, Virginia's unemployment rate ranks 15<sup>th</sup> in the Nation at 4.9 percent (this is compared to the nationwide average during the same time period of 6.3 percent); additionally Virginia's household mean income is \$61,741 compared to the lower nationwide average of \$51,371.

## **Recommendations**

Increasing the minimum wage too high and too fast can have a negative outcome by creating a ripple effect throughout the economy. A higher wage forces workers into new and higher income brackets. If a worker is in a higher income bracket then they will receive less federal and state assistance, as they are now able to afford a higher consumption of goods.

Therefore, it is our recommendation that a more effective strategy is to concentrate on helping people improve skills to qualify for better-paying positions. Combine this with changes to the tax system that allow low-income earners to keep more of their earnings. We do not want wages to go so high that low wage, under educated, and inexperienced workers lose the one element of competition that they may have the advantage in: price and are consequently pushed out of the workforce. In the creation of policy we must look at numbers and seek a more core issue, one addressed in the President's State of the Union - that the more prevalent issue may be the exodus of strong middle class jobs in the past 30 years. If the mean annual salary in the United States is approximately \$51,000, then these jobs would pay up to \$24 an hour. We must look once again, to bring these types of jobs back into our economy to truly bring significant money back into the pockets of everyday Americans.

## **Conclusion**

The argument is charged on both sides with many leaning to emotionalism and oftentimes unfounded stereotypes concerning the population affected by increasing the minimum wages versus the actual make-up of those under the minimum wage umbrella. In discussing the minimum wage it is important to understand that 97 percent of working Americans earn more than the minimum wage and that any mandated increase will not impact them unless the mandate exceeds their current pay. Correspondingly, average persons often have a certain profile in mind when considering the issue of minimum wage. When one asks the question, "How can we address poverty in America?" research suggests that raising the minimum wage does very little to decrease poverty. The most effective means of increasing the income of the poor is to discontinue the suggestion of legislation which supports a minimum wage increase, but to stimulate the demand for labor to the point that employers agree to pay more by choice. Let us stimulate employment with a living wage instead of focusing on increasing the minimum wage.

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# A Racial Impact Analysis of HB32

Prepared by:

Gena Burr, Danise Harmon, Uzziah Harris, and Tammy Martin



## Project Description

- Raise the minimum wage from \$7.25 to \$8.50 an hour.
- The racial equity impact of hourly low-wage workers.
- Minimum wage versus Living wage

## Legislative Overview Summary

- Introduced by Delegate Joseph Morrissey
- HB32 suggested an increase in the current federally mandated level of \$7.25 per hour to \$8.50 per hour effective July 1, 2014
- February 4, 2014, HB32 was tabled by the Committee on Commerce and Labor in a voice vote.

## Legislative Overview Background:

- Since the Great Depression, Congress has not raised the minimum wage.
- In 1938, the first minimum wage increase under the Fair Labor Standards Act, the Federal Government mandated a \$0.25 per hour minimum.
- In 1961 the minimum wage was \$1.00 per hour and increased over the next thirty years to \$4.00 per hour in 1991.
- Democrats favor and Republicans not.
- 30 States began raising their own minimum wage and advocated for living wages.

January 2007, 30 states had pushed the wage level above what Congress required employers to pay and advocated for living wage laws.



## Minimum Wage vs Living Wage



In Virginia about one-half of minimum wage workers are women.



Public Awareness

The Richmond Community . . .

"community enthusiasm"

[rvanews.com/news/](http://rvanews.com/news/)



[www.styleweekly.com/richmond/](http://www.styleweekly.com/richmond/)

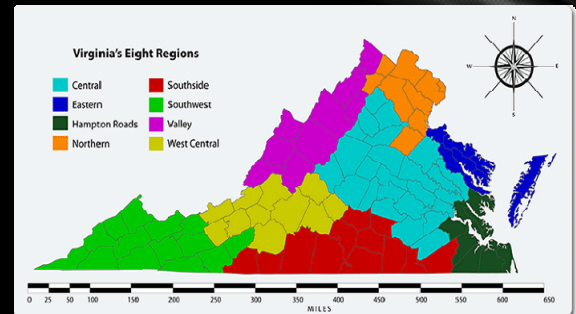




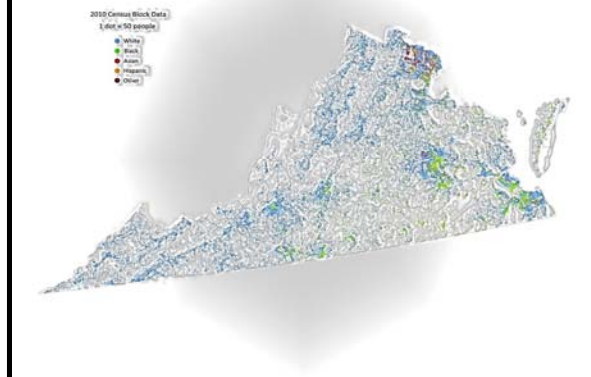
## Racial Impact

1. What are the racial impacts of this legislation?
2. Who is affected?
3. How does the legislation impact selected racial groups/region?

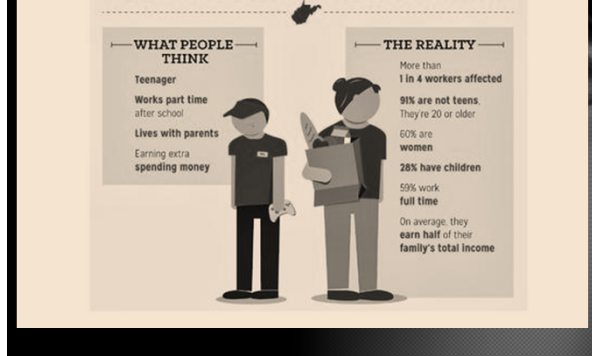
## A Look at VIRGINIA by REGION



## Virginia's Racial Dot Map – 1 dot = 50 people



## BY RAISING THE MINIMUM WAGE?



## Recommendations

It is our recommendation that a more effective strategy is to concentrate on helping people improve skills to qualify for better-paying positions.

Questions?

We extend a sincere thank you  
to the faculty and staff at the  
*Grace E. Harris Leadership Institute*  
**Virginia Commonwealth University**

