

The Minimum Wage

Indiana, along with 25 other states, has a minimum wage equal to the United States at \$5.15 per hour. There are 17 states (including the District of Columbia) with minimum wages higher than the national figure, two states (Ohio and Kansas) are lower, while six states have no minimum wage (see **Figure 1**).

The current nominal minimum wage has been in effect since 1997, as seen in **Table 1**. If we adjust for inflation, the real minimum wage, in terms of 2003 buying power, reached its peak in 1968. In that year, the nominal

minimum was \$1.60 but its real 2003 buying power was \$7.18. From 1968 to 2003, the nominal minimum wage increased by \$3.55, but in real buying power it has decreased by \$2.03 or -28.3 percent.

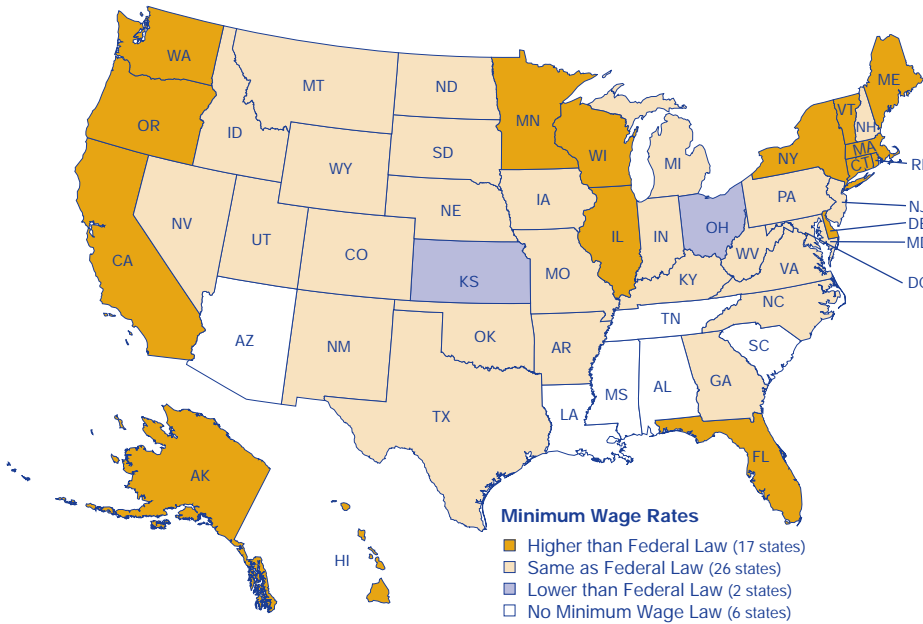
The minimum wage in our times is again about 35 percent of the average wage in the nation, just as it was in 1947 (see **Figure 2**).

If the minimum wage is increased, some workers will lose jobs. Other workers will retain their jobs and have more take-home pay. Therein lies the argument: How many jobs will be

lost versus how many jobs will be retained? It is an argument that has persisted since the idea of a minimum wage was first introduced. Advocates on both sides declare that they have the definitive answers, but the truth probably is different in each of the thousands of labor markets across the nation.

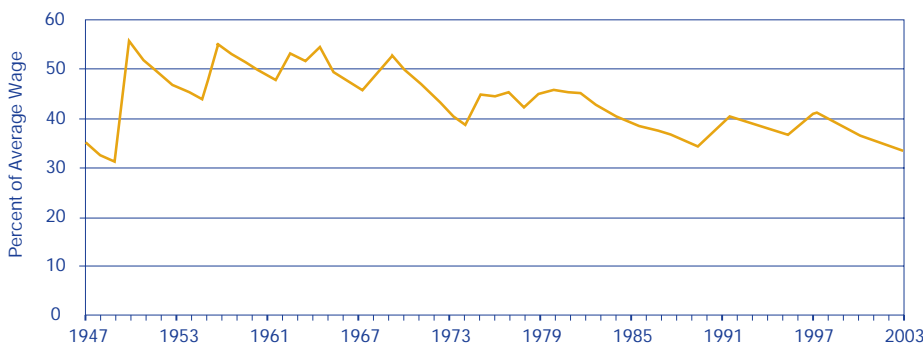
—Morton J. Marcus, Director Emeritus, Indiana Business Research Center, Kelley School of Business, Indiana University

FIGURE 1: MINIMUM WAGE LAWS, 2005



Source: U.S. Department of Labor (available online at www.dol.gov/esa/minwage/america.htm)

FIGURE 2: MINIMUM WAGE RELATIVE TO AVERAGE HOURLY WAGE, 1947 TO 2003



Source: Economic Policy Institute

TABLE 1: MINIMUM WAGES, 1960 TO 2003

Year	Minimum Wage (Current Dollars)	Real Minimum Wage (2003 Dollars)
1960	\$1.00	\$5.26
1961	\$1.15	\$5.99
1962	\$1.15	\$5.94
1963	\$1.25	\$6.37
1964	\$1.25	\$6.28
1965	\$1.25	\$6.19
1966	\$1.25	\$6.01
1967	\$1.40	\$6.53
1968	\$1.60	\$7.18
1969	\$1.60	\$6.88
1970	\$1.60	\$6.56
1971	\$1.60	\$6.28
1972	\$1.60	\$6.10
1973	\$1.60	\$5.74
1974	\$2.00	\$6.53
1975	\$2.10	\$6.33
1976	\$2.30	\$6.55
1977	\$2.30	\$6.16
1978	\$2.65	\$6.81
1979	\$2.90	\$6.81
1980	\$3.10	\$6.55
1981	\$3.35	\$6.47
1982	\$3.35	\$6.11
1983	\$3.35	\$5.87
1984	\$3.35	\$5.64
1985	\$3.35	\$5.46
1986	\$3.35	\$5.36
1987	\$3.35	\$5.19
1988	\$3.35	\$5.00
1989	\$3.35	\$4.80
1990	\$3.80	\$5.19
1991	\$4.25	\$5.60
1992	\$4.25	\$5.46
1993	\$4.25	\$5.33
1994	\$4.25	\$5.22
1995	\$4.25	\$5.09
1996	\$4.75	\$5.54
1997	\$5.15	\$5.89
1998	\$5.15	\$5.80
1999	\$5.15	\$5.68
2000	\$5.15	\$5.50
2001	\$5.15	\$5.35
2002	\$5.15	\$5.27
2003	\$5.15	\$5.15

Source: Economic Policy Institute, using the State of Working America 2004–2005 data