

PHASE-in \$15 Wage Act - Explainer

Rep. Terri A. Sewell

How wages are calculated:

STEP 1: Group each Metropolitan Statistical Area (MSA, as designated by the U.S. Census) into one of five tiers based on the most recent Regional Price Parities (RPP) data. RPP is a measure of comparative purchasing power across MSAs, determined by the Bureau of Economic Analysis.

The five tiers range from the lowest cost regions in Tier 1, to the average cost regions in Tier 3, to the highest cost regions in Tier 5:

STEP 2: Establish the national average minimum wage. This wage is calculated by taking 50% of the average hourly wage of private sector, non-supervisory workers as reported by the Bureau of Labor Statistics, rounded to the nearest dime.

Note: An initial two-year phase-in period sets this wage to 40% of the average hourly wage of private sector, non-supervisory workers, and then increases to 45%, and then 50%.

STEP 3: Apply the national average minimum wage to Tier 3. Determine the minimum wage for the remaining tiers as a percentage of the national average minimum wage, according to the following "Wage Calculation" schedule:

Cost of Living Tier	Regional Price Parity Range	Wage Calculation	Example Metro Area
Tier 5 (Highest cost)	110.0 RPP or higher	115 % * Avg Min Wage	New York, NY
Tier 4 (Higher cost)	105.0 – 109.9 RPP	107.5 % * Avg Min Wage	Miami, FL
Tier 3 (Average cost)	95.0 – 104.9 RPP	Avg Min Wage	Indianapolis, IN
Tier 2 (Lower cost)	90.0 – 94.9 RPP	92.5 % * Avg Min Wage	Lincoln, NE
Tier 1 (Lowest cost)	89.9 RPP or lower	87.5 % * Avg Min Wage	Tuscaloosa, AL

Wages under this plan would be raised to the levels detailed below, with a two-year phase-in and a readjustment every three years based on increases in the average hourly wage of private sector, non-supervisory workers. These calculations are based on January 2019 data; in the event of the bill's passage, wages would be calculated based on the most recent BEA data.

Regional Minimum Wage Levels				
Year	2019	2020	2021 - 2023	2024 (Projected)
	<i>Phase-in period</i>		<i>3 year period</i>	<i>Readjustment</i>
Tier 5	10.60	12.00	13.30	15.10
Tier 4	9.90	11.20	12.50	14.10
Tier 3	9.20 <i>(40% * avg)</i>	10.40 <i>(45% * avg)</i>	11.60 <i>(50% * avg)</i>	13.10 <i>(50% * avg)</i>
Tier 2	8.50	9.60	10.70	12.10
Tier 1	8.10	9.10	10.20	11.50

This bill would apply these minimum wages to both tipped and non-tipped workers, as well as workers under the age of 20. Federal wage levels would not apply in areas where the state or local minimum wage is higher than the prescribed federal minimum wage. Communities not included in a Metropolitan Statistical Area fall under the tier corresponding with their State Nonmetropolitan Portion RPP, as designated by the BEA.