

WebMemo



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Who Earns the Minimum Wage? Suburban Teenagers, Not Single Parents

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The House of Representatives recently voted to increase the minimum wage in an attempt to improve the lives of the working poor. Most minimum-wage workers, however, are not poor. Congress should examine which workers—assuming that their jobs are not casualties of the higher minimum wage—the change would benefit. And if Congress is serious about helping the working poor, it should look elsewhere than raising the minimum wage.

Data from the Department of Labor show that most minimum wage-earners are young, part-time workers and that relatively few live below the poverty line. Their average family income is over \$50,000 a year. A minimum wage hike, then, is a raise for suburban teenagers, not the working poor.

Relatively few Americans earn the federal minimum wage.¹ In 2006, 1.7 million Americans reported earning \$5.15 or less per hour—just 1.3 percent of all workers in the United States.² But these numbers include workers who also earn tip income. Many of those earning less than the minimum wage work in restaurants and so make more than the minimum after taking tips into account. Another measure of earnings that includes tips reveals that 1.2 million Americans earn the minimum wage or less per hour—just 1.0 percent of the total working population.³

After-School Jobs. Minimum-wage earners fall into two distinct categories: young workers, usually in school, and older workers who have left school. Most minimum-wage earners fall into the first cate-

gory: 52 percent of those earning \$5.15 or less per hour are between the ages of 16 and 24.⁴ The rest are 25 or older.

Minimum-wage workers under 25 are typically not their family's sole breadwinner. Rather, they tend to live in middle-class households that do not rely on their earnings. Generally, they have not finished their schooling and are working part-time jobs. These workers represent the largest group that would directly benefit from a higher minimum wage.

The characteristics of the teenagers and young adults who earn the minimum wage or less support the notion that these minimum-wage workers rarely work to support children and their families:

- Over 73 percent work part-time jobs.
- Their average family income is \$63,600 per year.
- Only 21 percent live at or below the poverty line, while 54 percent enjoy family incomes over twice the poverty line, which is \$40,000 for a family of four.⁵
- Most have not finished their education. Three in eight have not yet finished high school, while a quarter have only a high school

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degree. Another 31 percent have taken college courses but not yet graduated; many of these are college students working part-time while in school. Only 7 percent have finished college and obtained a degree.

- Fully 66 percent are women.
- Only 6 percent are married.
- Only one-half of 1 percent belong to a labor union.

Older Workers. Adults who earn the minimum wage are less likely to live in middle- and upper-income families than the teenagers and young adults who earn the minimum wage. Nonetheless, the vast majority of older workers earning the minimum wage live above the poverty line. They have an average family income of \$36,300 a year, well above the poverty line of \$19,806 per year for a family of four.⁶ Most of them choose to work part-time, and a sizeable number are married. The average older minimum-wage earner simply does not fit the stereotype of a worker living on the edge of destitution.

Demographic Characteristics of Minimum-Wage Workers				
	Overall Population	Minimum-Wage Workers		
		All	16-24 years old	25+
Female	51.7%	66.8%	65.9%	67.7%
White	81.4%	84.8%	85.9%	83.6%
Black	11.8%	10.2%	9.5%	11.0%
Asian	4.4%	2.3%	1.5%	1.1%
Married	54.1%	22.9%	5.8%	41.4%
Union Member	12.0%	2.1%	0.5%	3.7%

Wage and Income Characteristics of Minimum-Wage Earners				
Working Part-Time	16.72%	62.6%	73.5%	50.8%
Average Family Income	\$73,304	\$50,574	\$63,607	\$36,266
At or Below the Poverty Line	12.6%	20.5%	20.5%	20.4%
Above 200% of the Poverty Line	69.0%	45.12%	53.50%	36.56%

Educational Attainment of Minimum-Wage Earners				
Less Than High School	18.2%	28.7%	37.5%	19.1%
High School Graduate	30.4%	31.7%	24.1%	40.0%
Some College	18.4%	25.9%	31.1%	20.2%
Associate's Degree	8.1%	6.7%	3.5%	10.1%
Bachelor's Degree or Higher	24.9%	7.1%	3.8%	10.7%

Source: Heritage Foundation calculations based on the Bureau of Labor Statistics, 2006 Current Population Survey and CPS-Merged Outgoing Rotation Group.

1. Based on the Bureau of Labor Statistics' Current Population Survey. All numbers, except average household income and poverty status, come from analysis of the 2006 Merged Outgoing Rotation Group (MORG) file of the CPS. Poverty and household income statistics come from the March supplement to the 2006 CPS data. Data available for download at www.bls.census.gov/cps_ftp.html#cpsbasic.
2. Some workers earn less than the minimum wage: Restaurants can pay workers less than the minimum if their tip income elevates their income above \$5.15 per hour. Additionally, many minimum-wage workers appear to round their wages down to \$5.00 per hour when surveyed about their earnings.
3. Workers were defined as being at or below the minimum wage if they reported that their hourly wages, or their usual weekly earnings divided by their usual hours worked per week, was less than or equal to \$5.15 an hour.
4. To maintain consistency with BLS estimates, this paper's statistics refer to workers who earn the minimum wage or less, not counting their tip income.
5. The poverty level for a family of four in 2006 was \$20,000 a year. See Department of Health and Human Services, "The 2006 HHS Poverty Guidelines," at <http://aspe.hhs.gov/poverty/06poverty.shtml>.
6. U.S. Census Bureau, Housing and Household Economic Statistics Division, "Poverty Thresholds 2005," at www.census.gov/hhes/www/poverty/threshld/thresh05.html.

A few important characteristics of the 48 percent of minimum-wage earners who are over the age of 24 bear this out:

- Most work part-time jobs.
- They have an average family income of \$36,266 per year.
- Just 20 percent live in poverty, while 37 percent have incomes over twice the poverty line.
- They are better educated than younger minimum-wage workers but still have less education than the population as a whole. Just 19 percent have less than a high school education, while 40 percent have only a high school diploma and 20 percent have taken some college classes. However only 1 in 10 have a bachelor's degree—far less than the 25 percent of all Americans in that category.
- 68 percent are women.
- 41 percent are married.
- 4 percent belong to a labor union.

Few Single Parents. Many advocates of higher minimum wages argue that the minimum wage needs to rise to help low-income single parents. Minimum-wage workers, however, do not fit this

stereotype. Just 4.1 percent of minimum-wage workers are single parents working full-time, compared to 5.4 percent of all hourly workers.⁷ Minimum-wage earners are actually less likely to be single parents working full-time than average American workers as a whole.

Conclusion. Many support raising the minimum wage because they want to help low-income Americans get ahead. But minimum-wage earners are not much more likely to live in poverty than most Americans: Only 1 in 5 live in a family with earnings below the poverty line. Over three-fifths work part-time, and most are between 16 and 24 years old. Minimum wage-earners' average family income exceeds \$50,000 a year. And very few are single parents working full-time to support their families—fewer than in the population as a whole. It is not surprising, then, that studies show that higher minimum wages do not reduce poverty rates.⁸ Rather than raise the minimum wage, Congress should consider other ways to aid the working poor that actually provide help to those who need it.

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7. A single parent is defined as someone who reports that he or she has one or more of his or her own children present in the household and who is either widowed, divorced, separated, or was never married.

8. James Sherk, "Raising the Minimum Wage Will Not Reduce Poverty," Heritage Foundation *Backgrounder* No. 1994, January 8, 2007, at www.heritage.org/Research/Labor/bg1994.cfm.