

WebMemo



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Who Earns the Minimum Wage—Single Parents or Suburban Teenagers?

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As Congress debates raising the minimum wage, Congress should consider which workers—assuming that their jobs are not casualties of the higher minimum wage—the change would benefit. 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. A minimum wage hike, then, is more a raise for suburban teenagers than for the working poor. If Congress is serious about helping the working poor, it should look elsewhere than raising the minimum wage.

Relatively few Americans earn the federal minimum wage.¹ In 2005, 1.9 million American reported earning \$5.15 or less per hour.² This amounted to 2.5 percent of all workers earning hourly wages and 1.5 percent of all workers in the United States. 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 their tips into account. Using another measure of earnings that includes tips, 1.3 million Americans earn the minimum wage or less per hour, or 1.1 percent of the total working population.³

The Young

Most workers who earn the minimum wage or less fall into two categories: young workers, usually in school, and older workers who have left school. The majority of minimum wage-earners fall into the first category: 53 percent of those

earning \$5.15 or less per hour are between the ages of 16 and 24.⁴ The remainder are 25 years of age or older.

Minimum wage workers under 25 are typically not their family's sole breadwinner. Rather, they live in middle-class households that do not rely on their earnings. For the most part, 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.

Here are a few important characteristics of the teenagers and young adults who earn the minimum wage or less:

- Fully 67 percent work part-time jobs.
- Their average family income is \$64,000 per year.
- Only 17 percent live at or below the poverty line, while 65 percent enjoy family incomes over twice the poverty line.⁵
- They have less education than the population as a whole. Fully 36 percent have not completed high school, and 21 percent have only a high school degree. Another 37 percent have taken college courses but do not yet have a bachelor's degree; many of these are col-

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lege students working part-time while in school.

- Fully 65 percent are women.
- Only 5 percent are married.

Older Workers

Even the vast majority of older adults who earn the minimum wage live above the poverty line. They have an average family income of \$33,600 a year, well above the poverty line of \$19,806 per year for a family of four. 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.

Here are a few important characteristics of the 47 percent of minimum wage-earners who are over the age of 24:

- More than half—56 percent—work part-time jobs.
- They have an average family income of \$33,606 per year.
- Just 23 percent live in poverty, while 45 percent have incomes over twice the poverty line.
- They are better educated than younger minimum wage workers.

Table 1				WM 1186
Demographic Characteristics of Minimum-Wage Workers				
	16-24 years old	25+	Total	
Men	35.2%	33.6%	34.4%	
Women	64.8%	66.4%	65.6%	
White	83.6%	79.5%	81.7%	
Black	11.1%	11.8%	11.4%	
Asian	1.7%	5.4%	3.4%	
Married	4.8%	42.5%	22.5%	
Wage and Income Characteristics of Minimum-Wage Workers				
Part Time	67.0%	55.6%	61.7%	
Full Time	33.0%	44.4%	38.3%	
Avg. Family Income	\$64,273	\$33,606	\$49,885	
At or Below the Poverty Line	16.9%	22.8%	19.5%	
Family Income > 200% of Poverty Line	64.7%	44.8%	56.1%	
Education Levels of Minimum-Wage Workers				
Less Than High School	36.3%	22.0%	29.8%	
High School Graduate	20.9%	38.5%	29.1%	
Some College	35.6%	20.5%	28.5%	
Associates Degree	3.4%	8.5%	5.8%	
Bachelors Degree or Higher	3.4%	10.6%	6.8%	
Source: Heritage Foundation calculations based on the Bureau of Labor Statistics, 2005 Current Population Survey and merged outgoing rotation group files.				

1. Based on the Bureau of Labor Statistics's Current Population Survey. All numbers, except average household income and poverty status, come from the 2005 Merged Outgoing Rotation Group (MORG) file of the CPS. Poverty and household income statistics come from the full 2005 CPS data. See Bureau of Labor Statistics, "Characteristics of Minimum Wage Workers: 2005," at <http://www.bls.gov/cps/minwage2005.htm>.
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 being paid hourly wages and 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>.

Just 22 percent have less than a high school education, while 39 percent have only a high school diploma and 21 percent have taken some college classes.

- 66 percent are women.
- 43 percent are married.

Table 2		WM 1186
Proportion of Single Parents Working Full Time (25 Years and Older)		
Minimum Wage Workers		6.1%
All Hourly Workers		6.3%
<p>Source: Heritage Foundation calculations based on the Bureau of Labor Statistics, 2005 Current Population Survey and merged outgoing rotation group files.</p>		

Many advocates of higher minimum wages argue that the minimum wage needs to rise to help low-income single parents. However, minimum wage workers do not fit this stereotype more than the population as a whole. Just 6.1 percent of minimum wage workers over the age of 24 are single

parents working full-time, compared to 6.3 percent of all hourly workers.⁶

Conclusion

Many support raising the minimum wage because they want to help low-income Americans get ahead. But while some minimum wage-earners do live below the poverty line, these workers are far from representative. Only one in five minimum wage-earners lives in a family that earns less than the poverty line. Three-fifths work part-time, and a majority are under 25 years old. Minimum wage-earners' average family income is almost \$50,000 per year. Very few are single parents working full-time to support their families—no more than in the population as a whole. It is not surprising, then, that studies show that higher minimum wages do not reduce poverty rates.⁷ Instead of raising the minimum wage, Congress should look at other ways to aid the working poor that actually focus on providing help to those who need it.

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6. A single parent is defined as someone who reports that he or she is the head of the household, 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. Looking at all workers, irrespective of age, minimum wage workers are less likely to be single parents working full-time than the population as a whole—4.2 percent vs. 5.6 percent in the population as a whole. This is because large numbers of teenagers and young adults, who are less likely to be single parents, earn the minimum wage. As reported in Table 2, taking into account only workers older than 24 years results in no statistically significant difference between minimum wage workers and the population as a whole.
7. See, e.g., David Neumark, Mark Schweitzer, and William Wascher, "Order from Chaos? The Effects of Early Labor Market Experiences on Adult Labor Market Outcomes," *Industrial and Labor Relations Review*, Vol. 51, no. 2, January 1998, pp. 299-322. See also David Neumark and William Wascher, "Do Minimum Wages Fight Poverty?," *Economic Inquiry*, 2002, v40(3Jul), pp. 315-333.