

**WORKERS AT THE BOTTOM:
AN UPDATE ON AMERICA'S MINIMUM WAGE WORKERS**

Introduction

Several bills to raise the federal minimum wage have been introduced in the 107th Congress. Last increased in 1997, the minimum wage is \$5.15 per hour. This data digest updates statistics published in the 1996 AARP Public Policy Institute Issue Brief, *Protecting Workers at the Bottom: The Minimum Wage and America's Minimum Wage Workers*.

With the passage of the Fair Labor Standards Act (FLSA) in 1938, workers engaged in interstate commerce and the production of goods for commerce became entitled to a minimum wage. The initial minimum wage of \$0.25 per hour amounted to 40 percent of the average hourly wage of production workers in 1938.

Adequacy of the Minimum Wage

Though increased several times over the next several decades (Table 1), today's minimum wage amounts to only 37 percent of gross hourly wages (Table 2). According to the Economic Policy Institute, the real value of the minimum wage, which is not indexed, is 30 percent below its 1968 peak (Rasell, Bernstein, and Boushey, 2001).

At the end of 2000, a single minimum wage worker under the age of 65 who was employed year round, full time (2,080 hours) would have earned \$10,712 over the course of the year, or 120 percent of the poverty level of \$8,959 for a one-person household. Because of the lower poverty threshold (\$8,259) for older single-person households, a minimum wage worker aged 65 or older working year round, full time would have earned 130 percent of the poverty level in 2000.

Families fare even less well when their only income is in the form of earnings from a minimum wage worker. As a case in point, a three-person household with two children under the age of 18, quite likely headed by a single mother, would have found that a full year of full-time work at the minimum wage produced earnings amounting to just 77 percent of the poverty level for a household of that size (\$13,874) in 2000. Throughout most of the 1960s and 1970s, full-time, year-round minimum wage earnings *did* lift a family of three out of poverty, but that is no longer the case.

**Table 1
Federal Minimum Wage Rates,
1938-Present**

Effective Date	Minimum Hourly Wage
October 24, 1938	\$0.25
October 24, 1939	\$0.30
October 24, 1945	\$0.40
January 25, 1950	\$0.75
March 1, 1956	\$1.00
September 3, 1961	\$1.15
September 3, 1963	\$1.25
February 1, 1967	\$1.40
February 1, 1968	\$1.60
May 1, 1974	\$2.00
January 1, 1975	\$2.10
January 1, 1976	\$2.30
January 1, 1978	\$2.65
January 1, 1979	\$2.90
January 1, 1980	\$3.10
January 1, 1981	\$3.35
April 1, 1990	\$3.80
April 1, 1991	\$4.25
October 1, 1996	\$4.75
September 1, 1997	\$5.15
Sources: U.S. Social Security Administration, 1995, Table 3.B3; U.S. Social Security Administration, 2000, Table 3.B3	

Even in the District of Columbia or one of the ten states that have a minimum wage higher than the federal minimum (Table 3), a family head would have a difficult time moving up on earnings alone. Massachusetts, for example, with a minimum wage of \$6.75 (the highest in the country), would have barely provided poverty-level earnings in 2000 for the full-time, minimum wage parent of two.

Year	Minimum Wage	Average Hourly Earnings	Minimum Wage as a Percent of Hourly Earnings
1960	\$1.00	\$2.26	44
1965	\$1.25	\$2.61	48
1970	\$1.60	\$3.36	48
1975	\$2.10	\$4.83	43
1980	\$3.10	\$7.27	43
1985	\$3.35	\$9.54	35
1990	\$3.80	\$10.83	35
1995	\$4.25	\$12.37	34
1999	\$5.15	\$13.91	37

Sources: U.S. Bureau of the Census, 1975, p. 169; U.S. Social Security Administration, 1995, Table 3.B3; U.S. Social Security Administration, 2000, Table 3.B3

Most minimum wage workers are not permanently consigned to minimum wage work; they start their working lives in minimum wage jobs and quickly experience wage increases. Nonetheless, recent analyses published in the *Monthly Labor Review* indicate that rapid movement out of minimum wage work is not the case for all workers; some spend a substantial portion of their early careers earning the minimum wage (Carrington and Fallick, 2001). Subsequent research on these workers might show many, if not most, of them eventually moving into

higher-paying work as they age. Still, given the typically rapid wage growth early in workers' careers, this research suggests that "some workers will continue to be left behind in minimum wage careers" (Carrington and Fallick, 2001: 26).

State	Rate per Hour
Alaska	\$5.65
California	\$6.25
Connecticut	\$6.40
Delaware	\$6.15
District of Columbia	\$6.15
Hawaii	\$5.25
Massachusetts	\$6.75
Oregon	\$6.50
Rhode Island	\$6.15
Vermont	\$6.25
Washington	\$6.72
Federal Minimum Wage	\$5.15

Note: Some states index the minimum wage, automatically replace the state minimum wage with the federal minimum wage if that is higher, or automatically raise the state minimum wage to a set amount above the federal wage. In some states, the minimum wage is scheduled to increase on January 1, 2002.
Source: U.S. Department of Labor, <<http://www.dol.gov/dol/esa/public/minwage/america.htm>>

Identifying Workers at the Minimum

Official statistics on minimum wage workers compiled by the Bureau of Labor Statistics (BLS) are provided for hourly wage workers, of whom there were an estimated 72.7 million in 2000. Hourly workers have comprised about 60 percent of all wage and salary workers at least since 1979 (unpublished tabulations from the Current Population Survey, annual averages). Some 2.7 million persons, or 3.7 percent of all

hourly workers, reported wages at or below the minimum wage of \$5.15 per hour in 2000.

Of these 2.7 million, approximately 7 in 10 were earning less than the minimum because they were exempt from coverage (e.g., workers in certain sales and service work [Mellor 1987] and the self-employed), because their employers failed to comply with the law, or because their wages were inaccurately reported. For convenience, minimum and subminimum wage workers are considered together in the following discussion and are referred to simply as “minimum wage workers.”

Minimum wage workers may also be salaried, although workers on salary are generally excluded from discussions about the minimum wage, in part due to difficulties in accurately estimating work hours and hourly wages from available data on persons who are not paid by the hour. Because of this, because data from BLS are provided solely for hourly workers, and because most of the relevant research is limited to hourly workers, this discussion is restricted to those workers. The total number of minimum wage workers undoubtedly exceeds 2.7 million, perhaps by a substantial number. Obviously, the number of workers who would benefit from a statutory increase in the minimum wage would be larger as well.

It is worth noting that many workers earn little above the minimum wage.¹ Although these workers are better off than minimum wage workers, their financial vulnerability may be very similar to that of workers who are defined in this data digest as minimum wage workers. In a sense, discussions restricted to minimum wage workers provide a misleading picture of the problem of inadequate earnings,

¹ For example, in 2000, there were an estimated 2.2 million hourly workers earning no more than \$0.50 above the minimum wage (U.S. Bureau of Labor Statistics, unpublished tabulations from the Current Population Survey).

for they overlook a substantial number of workers whose earnings exceed those of their minimum wage counterparts by only a modest amount.

Characteristics of Hourly Minimum Wage Workers

Age is perhaps the most telling variable when it comes to hourly minimum wage workers. In fact, Wellington (1991: 29) called age the “the single most important factor in explaining who [had] been [minimum wage] workers” in the studies she reviewed.

As is evident in Table 4, minimum wage workers are disproportionately young. In 2000, teenagers (ages 16 to 19) accounted for 31 percent of all minimum wage workers but only 9 percent of all hourly workers and 5 percent of all employed persons. The next largest group of minimum wage workers were between the ages of 20 and 24. All told, over half of all minimum wage workers were under the age of 25. Looked at from another perspective, however, the data reveal that nearly 7 out of 10 minimum wage workers were adults, i.e., 20 or older.

Older workers, i.e., 55 and above, are a minority of the workforce in general and of the minimum wage population in particular. As of 2000, only nine percent of all minimum wage workers—or an estimated 244,000 hourly workers—were 55 or older.

Another way of assessing the association between age and minimum wage work is to look at the proportion of workers in various age groups who are earning the minimum wage. Table 5 does this and demonstrates the importance of minimum wage work among teenagers, one in eight of whom earn the minimum or less. The proportion generally declines with age: as workers mature and gain experience, their wages normally rise. The proportion of workers at the minimum falls to a low of 1.6 percent for workers ages 45 to 54,

the peak earnings years for many, after which it begins to climb, reaching just over 6 percent for the 65-plus population.

Age	Minimum Wage %	All Hourly Workers %	All Employed Persons %
16-19	31.3	9.2	5.4
20-24	22.1	14.1	9.8
24-34	17.5	22.7	22.6
35-44	12.4	24.6	27.1
45-54	7.7	18.3	22.0
55-64	5.0	8.6	10.1
65+	4.0	2.4	3.0
Total	100.0	100.0	100.0

Source: U.S. Bureau of Labor Statistics, 2001, and unpublished tabulations from the Current Population Survey

Older Workers: Minimum Wage or Joblessness?

A common problem faced by older job seekers, especially those who return to the labor force after retirement, is the paucity of so-called “good” jobs that pay decent wages. While many post-retirement-age workers who remain in the labor force are higher-earning professionals or managers, older workers in search of jobs often face barriers that consign them to low-wage work or none at all.

What cannot be ascertained from the available data is the extent to which the oldest minimum wage workers, say 65 to 69 or 70 and above, *must* work and can find only minimum wage work, or rather *want* to work and are free to accept or reject low-wage offers. Recent research from RAND suggests that older workers take low-wage work less because they need to work and have no choice

than because they want to work and are willing to accept the low wages associated with less than full-time work and flexible schedules (Haider and Loughran, 2001). Older workers in this study tended to be among the healthiest, wealthiest, and most educated. Though they earned very low wages, there was “little evidence that the elderly accept low hour/low wage offers because of employer constraints” (Haider and Loughran, 2001: 4).

Age	Percent of Age Group
16-19	12.7
20-24	5.9
25-34	2.9
35-44	1.9
45-54	1.6
55-64	2.2
65+	6.2
Total, 16+	3.7

Source: U.S. Bureau of Labor Statistics, unpublished tabulations from the Current Population Survey

Part-time Work, “Women’s Work”

Minimum wage workers are disproportionately part-time workers: over 60 percent of all minimum wage workers but only one-fourth of all hourly wage workers are employed less than full time. This fact helps explain why relatively more younger and older workers are found in minimum wage work, as part-time work is more frequently associated with low (and minimum) wages than is full-time work. The oldest and youngest workers in the United States are more likely than other age groups to report that they are working part time by choice. Nonetheless, just because they are more likely to seek part-time work and/or—as the RAND

paper suggests—voluntarily accept low wages is hardly proof that they are satisfied with the wages that the available positions provide.

Minimum wage workers are also disproportionately female—65 percent. As of 2000, few differences were evident by minority status: 3.6 percent of black, 3.2 percent of Hispanic, and 3.8 percent of white hourly workers were earning the minimum wage.

Occupational and Family Considerations

Certain occupations are far more likely than others to employ minimum wage workers (Table 6). As would be expected, even if they are paid by the hour (and most are not), very few executives and managers earn the minimum wage. Technical workers, relatively more of whom are hourly workers, are even less likely to fall into the minimum wage ranks. The same, however, cannot be said for the services, long bastions of low-wage/low-benefit employment. Overall, 12 percent of all service workers, vs. just under 4 percent of the total hourly workforce, were paid the minimum wage in 2000.² This was the case for more than one in five workers in food services occupations.

Two-thirds of minimum wage workers are "other" family members, i.e., they are neither spouses nor single parents maintaining families. Most of them are likely dependent teenagers or young adults. Nonetheless, the fact that they are not household heads does not mean that their wages are incidental to family well-being. And for the one-third who are husbands, wives, and especially single parents, those wages are undoubtedly far more than "incidental." Indeed, the Economic Policy Institute (2000) reports that the

² Although service workers accounted for less than 20 percent of all hourly workers in 2000, they were over 60 percent of the minimum wage, hourly workers (U.S. Bureau of Labor Statistics, 2001: Table 45).

“average minimum wage worker brings home more than half” of the family’s earnings.

Occupation	Percent at Minimum Wage
Executive, managerial	1.1
Professional	1.1
Technicians and related	0.6
Sales	3.8
Administrative support	1.5
Service	12.4
Private household	18.1
Protective service	1.6
Other service	13.7
Food service	22.7
Health service	3.5
Cleaning, building	4.6
Personal service	9.4
Precision, production, craft, repair	0.6
Operators, fabricators, laborers	2.1
Farming, forestry, fishing	4.8

Source: U.S. Bureau of Labor Statistics, 2001, Table 45

Fighting Poverty via the Minimum Wage

Not everyone agrees that the impact of minimum wage increases is positive. Neumark, Schweitzer, and Wascher (2000) find evidence that such increases, while admittedly raising the wages of low-wage workers, result in a reduction in work hours and employment, with an overall aggregate drop in earned income. Neumark and Wascher (2000: 26) argue that the Earned Income Tax Credit (EITC) “is more beneficial for poor families than is the minimum wage.”

Sawhill and Thomas (2001), however, offer another perspective. Though it is true, as they note, that most minimum wage earners are not poor, one in four is. Moreover, their estimates indicate that more than 60 percent of wage earners in poor families would benefit from a dollar increase in the minimum wage. Furthermore, to the extent that workers above the minimum wage benefit from wage increases as well—the “ripple effect” as Sawhill and Thomas point out—the effect of a minimum wage increase would be even greater.

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