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Will the real minimum-wage worker please stand up?

By: Mercedes White – March 4, 2013

Editor's note: Second part in a series about the minimum wage. This piece looks at the debate about who the minimum wage workers are.

Since President Barack Obama's proposal to raise the minimum wage from \$7.25 to \$9.00 during his State of the Union message, there has been considerable debate about the economic impact of the wage increase. But this is not the only flashpoint between those who oppose and support the proposal.

There is also heated disagreement over who minimum-wage workers are. Are they teenage kids folding T-shirts at the Gap or single mothers working full-time at McDonald's to support their kids?

Who these workers are is important, experts say, because it gets to the heart of what Obama's proposal would accomplish.

And how experts answer the question depends on how they do the math.

Teens buying jeans

Those who oppose wage increases paint a picture of minimum-wage workers as middle-class teenagers earning money for designer clothes and electronics. The belief that minimum-wage workers are poor adults working full time and trying to raise a family is largely untrue, according to Mark Wilson of the Cato Institute. Just 4.7 percent of minimum-wage workers match that description, he said.

Bureau of Labor Statistics data show that 1.8 million employees were paid the federal minimum wage of \$7.25 in 2010, said Michael Saltsman of the Employment Policies Institute think tank based in Washington, D.C. Minimum-wage earners under 24 account for 49 percent of the total, he said.

By his analysis of the data, 62.2 percent of minimum-wage earners under 24 live in families with incomes more than double the poverty level. Only 16.8 percent fall below the poverty line, he said. In fact, the average household income of an employed teenager is \$70,000 a year. These facts tend to support the idea that teens are working primarily for more discretionary income, not to make ends meet.

For the 51 percent of minimum-wage workers over the age of 24, poverty is more of an issue, Saltsman said, though the situation is not as dire as supporters of raising the minimum wage suggest. About 30 percent of this group live in poverty, while 46 percent have family incomes 1.5 times the poverty level, which for a family of four works out to about \$33,000.

A 2010 study by economists Joseph Sabia of San Diego State University and Richard Burkhauser of Cornell reported similar findings. They estimated that only 11.3 percent of minimum-wage earners were part of low-income households. The rest tended to be teenagers, spouses working part-time and semi-retired older workers.

Full-time working women

But others say this perception that most minimum-wage workers are middle-class teens looking to make a few extra bucks is untrue. The “demographic composition of minimum wage workers is often grossly mischaracterized,” said Douglas Hall, research director at the Economic Policy Institute (EPI), based in Washington, D.C.

Using data from the Current Population Survey, data that comes from the U.S. Census, researchers at the EPI found that the vast majority — 84.1 percent — of those who would benefit from increasing the minimum wage to \$9.00 are at least 20 years old. This means that less than 16 percent are actually teenagers, Hall said. Part of the reason Hall comes up with different numbers than Saltsman is that they have different standards for who young workers are. Considering the age cutoff at 20 as Hall does, rather than 24 as opponents of the minimum wage like Saltsman prefer, makes a big difference.

The EPI also found that almost half, about 47 percent, of the people who earn minimum wage are full-time employees working at least 35 hours per week. Another 36 percent work between 20 and 34 hours per week, Hall said. Only 17 percent of minimum wage earners work less than 20 hours a week. Among those that would benefit, more than half (54.2 percent) are part of families that earn less than \$40,000 per year, and a quarter have an annual family income of less than \$20,000.

“It is clear that the bulk of minimum wage workers are mid- or full-time adult employees, not teenagers or part-timers,” Hall said. Part of the reason misperceptions about minimum-wage earners persist is that those who oppose the measure want to “diminish earning minimum wage as a sign of poverty,” said Hall. “If you can characterize minimum wage earners as teenagers who just want the latest jeans,” raising the minimum wages doesn’t seem as important, he added.

Hall and his colleagues also have found a gender gap in terms of who benefits from minimum-wage increases. Although the proposal would help both men and women, according to Hall it will “disproportionately impact working women,” because women are more likely than men to earn minimum wage. EPI researchers estimate that almost 60 percent of those affected by the president’s proposal would be women.

The proposed minimum wage hike would also help workers across all races and ethnicities. Just over half (53.1 percent) of those impacted are white, non-Hispanic workers. A quarter (25.2 percent) are Hispanic, 14.8 percent are non-Hispanic African-Americans, and 6.9 percent are Asian or another race.

“Conversations around minimum wage are informed by perceptions about people who live in poverty,” Hall said. “It’s important to make sure that we operate from a place of actual information and not stereotypes when we talk about who will benefit,” he added. The people who will benefit most are by and large white women who work full time and whose families live on less than \$40,000 a year, he said.