

ISSUE BRIEF

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

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In his State of the Union address, President Obama called for raising the minimum wage to \$9.00 an hour. He argued that “no one who works full-time should have to live in poverty.”¹ Most minimum-wage workers, however, are not poor. Congress should examine which workers—that would not lose their jobs—would benefit from a higher minimum wage.

Data from the Bureau of Labor Statistics and the Census Bureau show that most minimum-wage earners are young, part-time workers and that relatively few of them live below the poverty line. Their average family income is over \$53,000 a year. A hike in the minimum wage primarily raises pay for suburban teenagers, not the working poor. If Congress and the President seriously want to help the working poor, they should look elsewhere.

Few Minimum-Wage Positions.

Relatively few Americans earn the federal minimum wage.² In 2011 and 2012, 3.7 million Americans reported earning \$7.25 or less per hour—just 2.9 percent of all workers in the United States.³ These numbers include workers who also earn tip income. Many of those earning less than the minimum wage work in restaurants and make more than the minimum wage after taking tips into account.

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 category; just over half 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 breadwinners. 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. Over three-fifths of them (62 percent) are currently enrolled in school.⁵ These workers represent the largest group that would benefit directly from a higher minimum wage, provided they kept or could find a job.

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:

- 79 percent work part-time jobs.
- 62 percent are enrolled in school during non-summer months.
- Their average family income is \$65,900 per year.
- Only 22 percent live at or below the poverty line, while 68 percent enjoy family incomes over 150 percent of the poverty line, which is \$33,500 for a family of four.⁶
- Most have not finished their education. A third have not yet finished high school, while almost a quarter have only a high school degree. Another two-fifths have taken college courses but have not yet graduated. Many of these are college students working part-time while in school. Only 3 percent have finished college and obtained a degree.
- Fully 60 percent are women.

This paper, in its entirety, can be found at <http://report.heritage.org/ib3866>

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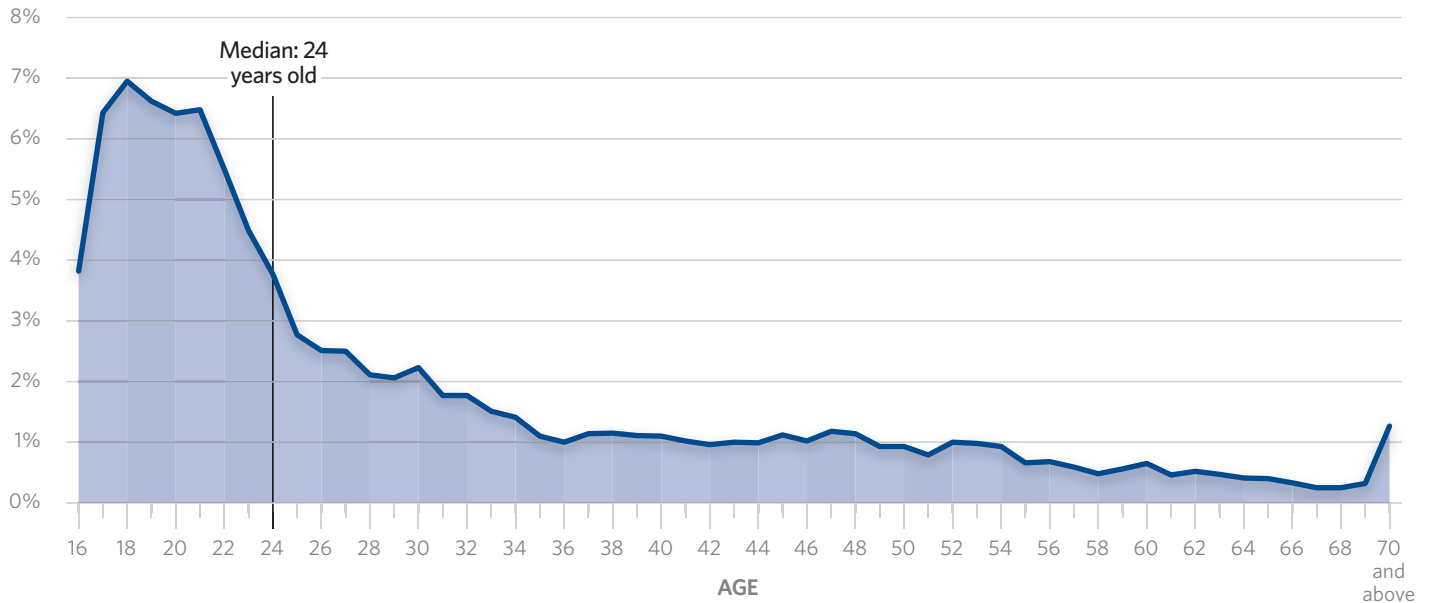
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CHART 1

Age Distribution of Minimum-Wage Workers

PERCENTAGE OF ALL MINIMUM-WAGE WORKERS



Source: Heritage Foundation calculations of the data from the U.S. Census Bureau, Current Population Survey, 2011 and 2012. See footnote 2 for details.

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- Only 5 percent are married.

Older Workers. Adults who earn the minimum wage are less likely to live in middle- and upper-income families than are the teenagers and young adults who earn the minimum wage. Nonetheless, three-fourths of older workers earning the minimum wage live above the poverty line.

They have an average family income of \$42,500 a year, well above the poverty line of \$22,350 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.

A few important characteristics of the 49.5 percent of minimum-wage earners who are over the age of 24 bear this out:

- Over half work part-time jobs.
- They have an average family income of \$42,500 per year.

1. Executive Office of the President of the United States, "Remarks by the President in the State of the Union Address," February 12, 2013, <http://www.whitehouse.gov/the-press-office/2013/02/12/remarks-president-state-union-address> (accessed February 28, 2013).
2. Heritage Foundation analysis of data from the Current Population Survey (CPS). The Census Bureau and Bureau of Labor Statistics jointly conduct the CPS. All numbers, except average family income and poverty status, come from analysis of the 2011 and 2012 Merged Outgoing Rotation Group (MORG) file of the CPS. Minimum-wage earners were defined as hourly employees paid \$7.25 an hour or less. Poverty and family income statistics come from the March supplement to the 2011 and 2012 CPS data. Data available for download at http://thedataweb.rm.census.gov/ftp/cps_ftp.html and <https://cps.ipums.org/cps/> (accessed February 28, 2013).
3. The 2.9 percent figure includes both salaried and hourly employees. Approximately 5.2 percent of hourly employees get paid the federal minimum wage.
4. 50.5 percent of minimum wage earners are between the ages of 16 and 24.
5. Heritage Foundation calculations using the 2011 and 2012 Current Population Survey. The months of June, July, and August were excluded to avoid conflating summer breaks with non-enrollment.
6. The poverty level for a family of four in 2011 was \$22,350 a year. U.S. Department of Health and Human Services, "The 2006 HHS Poverty Guidelines," <http://aspe.hhs.gov/poverty/06poverty.shtml> (accessed February 28, 2013).

TABLE 1

Demographic Characteristics of Minimum-Wage Workers

	All Employees	MINIMUM-WAGE EARNERS		
		All	Age 16-24	Age 25+
Female	48%	63%	60%	67%
White	80%	78%	80%	76%
Black	13%	15%	14%	17%
Asian	4%	3%	2%	4%
Married	47%	23%	5%	41%
WAGE AND INCOME CHARACTERISTICS				
Working Part-Time	19%	67%	79%	54%
Average Family Income	\$79,534	\$53,113	\$65,896	\$42,462
At or Below Poverty Line	6%	23%	22%	24%
Above 150% of the Poverty Line	89%	65%	68%	62%
EDUCATIONAL ATTAINMENT				
Less than High School	8%	28%	34%	22%
High School Graduate	27%	30%	23%	37%
Some College	28%	34%	40%	29%
Bachelors Degree	23%	6%	3%	10%
Graduate Degree	13%	1%	0%	2%

Source: Heritage Foundation calculations based on data from U.S. Census Bureau, Current Population Survey (CPS), 2011 and 2012 monthly surveys. Poverty and family income data are from the March Supplement to the 2011 and 2012 CPS. Minimum wage workers are those who report hourly earnings of \$7.25 an hour or less.

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- Less than a quarter live in poverty, while 62 percent have incomes over 150 percent of the poverty line.
- They are better educated than younger minimum-wage workers but still have less education than the population as a whole: 22 percent have less than a high

school education, 37 percent have only a high school diploma, and 29 percent have taken some college classes. However, only one in eight has a bachelor's degree or more—far less than the 36 percent of all employees in that category.

- 67 percent are women.

- 41 percent are married.

Increased Minimum Wage Does Not Reduce Poverty. Many advocates of higher minimum wages argue that the minimum wage needs to rise to help low-income single parents attempting to survive on just a minimum-wage job. Minimum-wage workers, however, do not fit this stereotype. Just 4 percent of minimum-wage workers are single parents working full-time, compared to 5.6 percent of all U.S. workers.⁷ Minimum-wage earners are actually less likely to be single parents working full-time than is the average American worker.

Higher minimum wages do not address the main reason that most poor families live below the poverty line. Contrary to what many assume, low wages are not their primary problem, because most poor Americans do not work for the minimum wage. The problem is that most poor Americans do not work at all.

As the table demonstrates, two-thirds of individuals living below the poverty line did not work, and less than one in 10 worked full-time year-round. Families are poor not because they earn low wages but because they do not have full-time jobs. Raising the minimum wage does not address this problem.

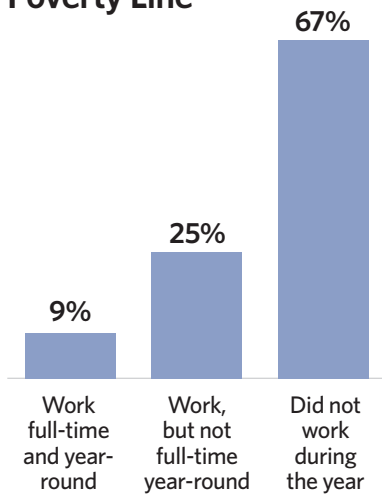
Worse, making it more expensive to hire inexperienced workers leads businesses to hire fewer of them. This makes it harder for low-income families to gain the experience and skills necessary to rise out of poverty.⁸ This is one reason why studies

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 widowed, divorced, separated, or never married. Full-time employees are classified as those working 35 or more hours a week.

8. David Neumark, J.M. Ian Salas, and William Wascher, "Revisiting the Minimum Wage-Employment Debate: Throwing Out the Baby with the Bathwater?" National Bureau of Economic Research *Working Paper* No. 18681, January 2013, <http://www.nber.org/papers/w18681.pdf> (accessed February 28, 2013).

CHART 2

Work Status of Individuals Age 16 or Older Living Below the Poverty Line



Source: U.S. Census Bureau, Historical Poverty Tables, Table 25, "Work Experience and Poverty Status for People 16 Years Old and Over: 1987 to 2011," <http://www.census.gov/hhes/www/poverty/data/historical/hstpov25.xls> (accessed February 27, 2013)

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consistently find that higher minimum wages do not reduce poverty rates.⁹

Find Another Way to Help the Poor. 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 are most other Americans: Less than one in four live in a family with earnings below the poverty line. Two-thirds 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.

Most of the benefits from raising the minimum wage will go to

families who are well above poverty. These benefits will come at the cost of reducing the availability of entry-level jobs. Employers respond to higher labor costs by hiring fewer workers. Higher minimum wages eliminate entry-level positions that provide unskilled employees the opportunity to gain experience. Less experience makes it harder for workers to become more productive and earn higher wages.

Unsurprisingly, researchers find that higher minimum wages do not reduce poverty. Congress should look for less ineffective ways to help the poor.

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9. Richard K. Vedder and Lowell E. Gallaway, "Does the Minimum Wage Reduce Poverty?" Employment Policies Institute, June 2001, http://epionline.org/studies/vedder_06-2001.pdf; David Neumark, Mark Schweitzer, and William Wascher, "Minimum Wage Effects Throughout the Wage Distribution," *The Journal of Human Resources*, Vol. 39, No. 2 (Spring 2004), pp. 425-450; David Neumark, Mark Schweitzer, and William Wascher, "The Effects of Minimum Wages on the Distribution of Family Incomes: A Non-Parametric Analysis," *The Journal of Human Resources*, Vol. 40, No. 4 (Autumn, 2005), pp. 867-894; and David Neumark and William Wascher, "Do Minimum Wages Fight Poverty?" *Economic Inquiry*, July 2002, pp. 315-333.