



Briefing Paper

Women and the Minimum Wage

The Eroding Minimum Wage

The value of the minimum wage reached its peak in the 1970's. Since 1978, the value of the minimum wage (in 1995 dollars) has continued to decline. The minimum wage has now reached its second lowest value in 40 years. Without an increase, the minimum wage will continue to fall, further depleting the purchasing power of the more than five million workers¹ who earn at or below \$4.25 per hour.

Value of the Minimum Wage

<u>Years</u>	<u>Average Nominal Dollars</u>	<u>Average 1995 Dollars</u>
1960-69	\$ 1.29	\$ 5.66
1970-79	\$ 2.07	\$ 5.74
1980-89	\$ 3.33	\$ 4.93
1990-95	\$ 4.18	\$ 4.50 ²

Who Works at the Minimum Wage?

Composition of the Minimum Wage Workforce

	<u>Number of Workers</u>	<u>Percent of Minimum Wage Workforce</u>
Male	2,019,000	35.6%
Female	3,630,000	64.3%
Teenagers	850,000	15.2%
Adults	4,796,000	84.8%
Full Time	2,409,000	42.6%
Part Time	3,248,000	57.4%
Total	5,657,000	100.0% ³

Contrary to popular stereotypes that most minimum wage workers are teenagers, 15-19 year olds make up only 15 percent of the minimum wage workforce. In addition, two-thirds of the minimum wage workforce are women; nearly 4 million women work at minimum wages.

¹ Lawrence Mishel and Jared Bernstein. *The State of Working America 1994-95*. Washington, DC: Economic Policy Institute: 1994. p. 172.

² Calculations based on the Center on Budget and Policy Priorities analysis in *Four Years and Still Falling: The Decline in the Value of the Minimum Wage*. Washington, DC: CBPP, January 11, 1995.

³ *The State of Working America 1994-95*. p. 172.

The Status of Women and the Minimum Wage

Not only are women's earnings low relative to men's, they are also very low in absolute terms. Nearly three in ten women earned less than the poverty standard for a family of four if they worked full-time, year-round. The earnings of low-wage women workers are essential to their self support and the support of their children and partners. Our research, based upon extensive analysis of the Census Bureau's Survey of Income and Program Participation, shows that more than half of all low-wage women workers are mothers. Of these, nearly half are the *sole* wage earners in their families, **directly responsible for the support of themselves and their children.** Federal standard setting is required if earnings are to be kept above the lowest competitive level to which they could fall. Women's low wages mean that a child with a working mother often has a standard of living no higher than a child and mother receiving AFDC.⁴ Because the number of female-headed households is escalating, restoring the value of the minimum wage is increasingly critical if women are going to be able to support themselves and their families with a minimum of public assistance.

The Minimum Wage and Poverty

At \$4.25 an hour, a full-time, year-round worker earns \$8,500. While this is over the 1994 poverty threshold⁵ for a single person, it is more than \$1,000 below the poverty line for a family of two. An increase to \$5.15 would total \$10,300 for a full-time, year-round worker, bringing a family of two over the poverty line.

Difference between the Poverty Threshold and the Earnings of a Full-Time, Year-Round Minimum Wage Worker

<u>Wage</u>	<u>Family of 2</u>	<u>Family of 3</u>
\$ 4.25	- \$ 1,155	- \$ 3,317
\$ 5.15	\$ 645	- \$ 1,517

The Effect of the Minimum Wage on the Labor Market

The minimum wage not only affects those who are earning wages or salaries equal to the minimum, but also affects those who are earning slightly above the minimum wage; they receive increases when the minimum wage rises. Using this definition, an increase in the minimum wage would affect 16.8 percent of the total workforce, raising the earnings of more than 16.5 million workers.⁶

Much economic research now shows that increasing the minimum wage has little or no effect on reducing the number of jobs. Our own research on the implementation of pay equity in state civil services shows that wage increases that are phased in over time have very little employment displacement effect.⁷ Higher wages do not automatically translate into job loss.

The Institute for Women's Policy Research (IWPR) is an independent, nonprofit research institute dedicated to conducting and disseminating research that informs public policy debates affecting women. Members of the Institute receive regular mailings including fact sheets such as this. Individual memberships begin at \$35.00. Organizational memberships are also available. Contact the Institute for further information. This fact sheet was prepared by Sara Allore in March 1995.

⁴ Roberta Spalter-Roth, Heidi Hartmann, and Linda Andrews. "Mothers, Children, and Low-Wage Work: The Ability to Earn a Family Wage," in *Sociology and the Public Agenda*. William Julius Wilson, Ed., Newbury Park, CA: Sage Publications, 1993.

⁵ Based on the U.S. Department of Commerce, Census Bureau's 1994 poverty thresholds. \$7,551 for a single person, \$9,655 for a family of two, and \$11,817 for a family of three. Earnings calculations do not include the Earned Income Tax Credit.

⁶ *The State of Working America 1994-95*. p. 172. Calculation includes those workers at or below the value of the 1979 minimum wage in 1993 dollars (\$5.66 in 1993 dollars).

⁷ Heidi Hartmann, Elaine Sorensen, and Stephanie Aaronson. *Pay Equity Remedies in State Governments: Assessing their Economic Effects*. Washington, DC: Institute for Women's Policy Research, Forthcoming.