



Economic Policy Institute

Testimony | August 29, 2014

DELAWARE'S LOW-WAGE WORKERS

**Testimony of David Cooper, Senior Economic Analyst,
Economic Policy Institute, before the Delaware
Low-Wage Worker Task Force, August 27, 2014, Chase
Center, Wilmington, Delaware**

BY **DAVID COOPER**

Thank you for holding this hearing and for allowing me to speak with you today. I'm going to briefly talk about what it actually costs to make ends meet in Delaware, discuss how workers are faring, give some description of Delaware's low-wage workforce, and speak a bit about how wages in Delaware compare to several benchmarks.

What does it really take to make ends meet in Delaware?

When measuring economic adequacy, the most commonly cited metric is the federal poverty line. This threshold is supposed to represent the income level needed to be just free of outright material deprivation. Conceived in the 1950s and simply adjusted for inflation since then, the poverty line can give some sense of how overall economic well-being has changed over time. However, researchers universally agree that the federal poverty line is a woefully inadequate measure of what it actually takes a typical family to survive today.

As such, a number of alternative measures have been developed, but perhaps the most useful in assessing true economic security is a measure developed by my colleagues at the Economic Policy Institute, called the Family Budget

Calculator. This calculator estimates the level of family income required to attain a secure, yet modest standard of living. It incorporates community-specific costs of housing, food, child care, transportation, health care, taxes, and other necessities, and provides thresholds for six different family types, localized to 615 communities throughout the United States.

In Delaware, a one-adult, one-child family would need annual income of \$52,351 to meet the family budget threshold. This equates to an hourly wage of \$25.17 for a full-time, year-round worker. A two-adult, two-child family would need \$71,171 in annual income to be above the family budget threshold. This equates to an hourly wage of \$17.11 per hour for each parent.¹ In 2013, an hourly wage of \$17.11 would be equal to roughly the 48th percentile wage in Delaware's wage distribution.² This means that 48 percent—nearly half—of Delaware's workers earn too little to meet this threshold.

To be clear, the Family Budget Calculator is, in some ways, an aspirational measure—it is the level of income required to have a secure, yet modest standard of living—not a marker of outright destitution. For example, it assumes that all families will be able to own one car, yet it does not assume any expenses for television or Internet service, nor does it include any savings whatsoever. Even in the best of economic times, many workers will not earn enough to reach this level of economic security, but it is instructive to see just how many workers in Delaware are below it.³

Who are Delaware's low-wage workers?

If we want to look more closely at the workers who are truly living with dangerously low levels of income—levels of income that would constitute material deprivation—it's useful to examine the bottom 20 percent of wage earners. In 2013, the 20th percentile wage in Delaware was \$10.06 per hour. Again, this means 20 percent of Delaware workers earn less than \$10.06 per hour, and 80 percent earn more. A wage of \$10.06 per hour equates to an annual pre-tax income of \$20,925 for a full-time, year-round worker. (For context, the federal poverty line for a family of three is \$19,530; for a family of four, \$23,550. Thus, someone at the 20th percentile wage in Delaware would be just above the official poverty line for a family of three, but below it for a family of four.)

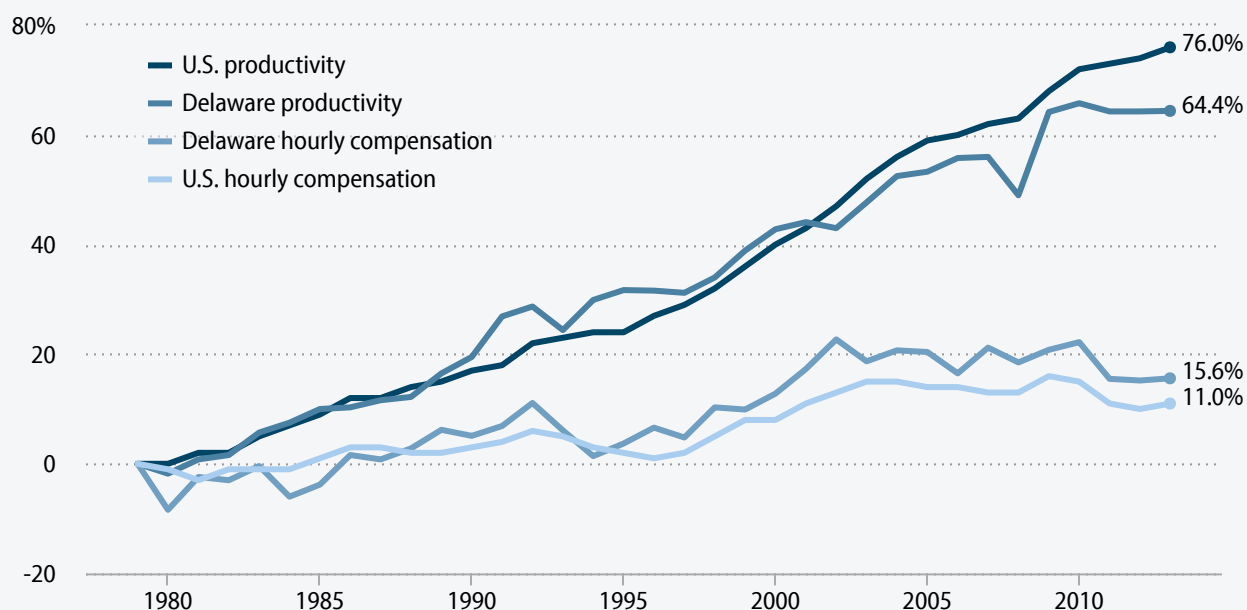
There are roughly 74,000 such low-wage workers in Delaware. (All statistics are reported in the appendix table.) Of these workers, almost 60 percent (58.8 percent) are women, more than a quarter are parents (26.2 percent), and more than half work full-time (52.4 percent). The largest shares are in service and sales occupations, and the majority of these workers are in the retail and leisure and hospitality industries.⁴

Despite common perceptions, the vast majority of low-wage workers are not teenagers. In Delaware, 85 percent are at least 20 years old, and 57 percent are at least 25 years old. Most have completed high school (79.3 percent), and over 40 percent have some college experience (41.8 percent).

While the majority of these low-wage workers are white (54.4 percent), black and Hispanic workers are disproportionately represented. African Americans comprise roughly 20 percent of Delaware workers, yet account for 26 percent of low-wage workers. Similarly, Hispanics and Latinos make up about 8 percent of Delaware wage earners, yet account for 16 percent of the low-wage workforce.

FIGURE A [VIEW INTERACTIVE on epi.org](#)

Growth of real hourly median compensation for production/nonsupervisory workers and productivity, U.S. and Delaware, 1979–2013



Source: EPI analysis of unpublished total economy data from Bureau of Labor Statistics, Labor Productivity and Costs program; employment data from Bureau of Labor Statistics, Local Area Unemployment Statistics; wage data from the Current Population Survey; and compensation data from the Bureau of Economic Analysis, State/National Income and Product Accounts public data series

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These workers overwhelmingly come from low- to moderate-income families: Nearly half (46.3 percent) have total family incomes of less than \$40,000 per year, and almost two-thirds (64.2 percent) have total family incomes below \$60,000 per year.

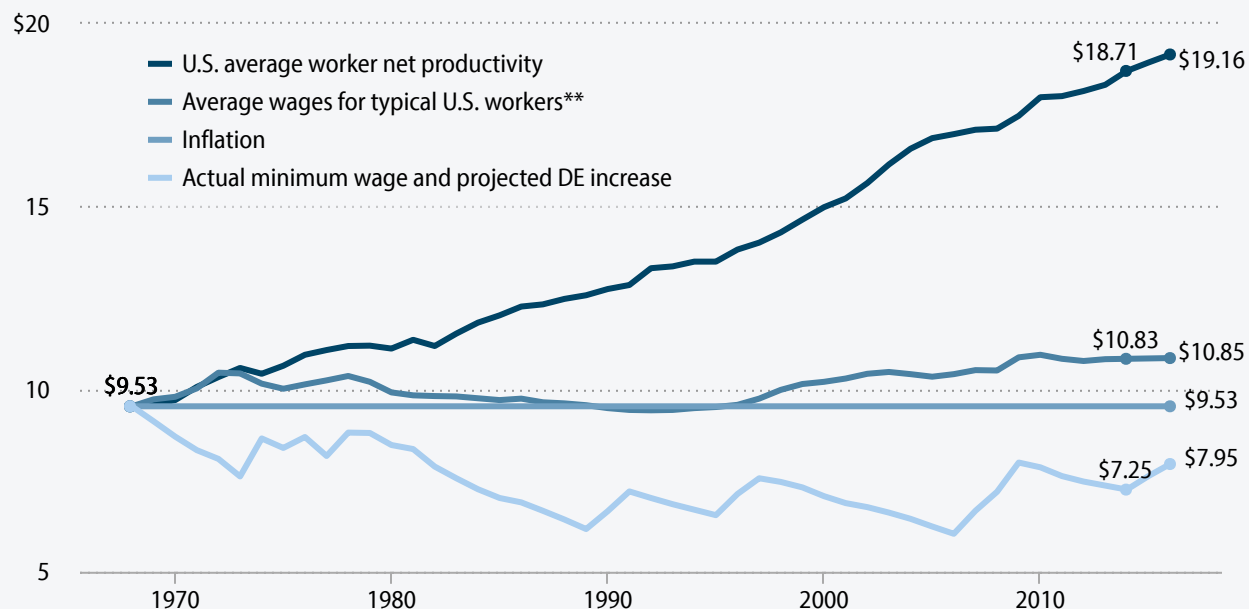
Finally, I mentioned that more than a quarter of these low-wage workers have children. In fact, these low-wage workers are parents to 33,000 Delaware children, roughly 16 percent of all children in the state.

Putting these low wages in context

It's important to note that over the past 40 years, Delaware's workers have become far more productive, yet their pay has not kept pace with their ability to generate more income from each hour of work. As shown in **Figure A**, from 1979 through 2013, average output per worker expanded 64 percent for workers in Delaware, yet median hourly compensation grew only 15.6 percent.⁵ For low-wage workers, it was even worse: From 1979 to 2013 workers in the bottom fifth of the wage distribution in Delaware actually saw their wages fall by 5.5 percent (not shown). In other words, despite the fact that low-wage workers in Delaware are older, better educated, and producing more income for their employers than their counterparts 40 years ago, they are in fact being paid less today.

FIGURE B [VIEW INTERACTIVE on epi.org](#)

Real value of the federal minimum wage, 1968–2014 and 2014–2016* under scheduled Delaware increase to \$8.25, compared with its value had it grown at various other rates since 1968 (2014 dollars)



* The data labels on the productivity, average wages, and actual minimum wage lines represent the 2014 values and projected 2016 values.

** Average wages for production, non-supervisory workers, who comprise about 80% of all U.S. workers.

Note: Dollars deflated using CPI-U-RS and Congressional Budget Office inflation projections. Productivity calculated as change in net output per hour for total U.S. economy.

Source: EPI analysis of Total Economy Productivity Data from the Bureau of Labor Statistics Labor Productivity and Costs program, Bureau of Labor Statistics Current Employment Statistics, Current Population Survey Outgoing Rotation Group public-use microdata, and U.S. Department of Labor Wage and Hour Division (2013)

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Although there are many factors that have contributed to this stagnation or decline in wages, the eroding value of the minimum wage is a highly significant factor, particularly in the bottom half of the wage distribution. At \$7.25 per hour, the current federal minimum wage is worth about 25 percent less today than it was worth in the 1960s, after adjusting for inflation. Delaware recently enacted legislation that will raise its state minimum wage to \$8.25 per hour by 2016. Based on projections for inflation, this would be the same as having a minimum wage today of \$7.95. By comparison, at its highest point in the late 1960s, the federal minimum wage was worth roughly \$10 per hour in today's dollars. In fact, as shown in **Figure B**, had the minimum wage grown at the same pace as productivity since 1968, it would be around \$19 per hour today.⁶

The final point I want to make is that the cost of living in Delaware is higher than in much of the rest of the country, and is actually slightly higher than the national average. Regional price parity data from the Bureau of Economic

Analysis shows that overall prices are about 2.3 percent higher in Delaware than the national average.⁷ When you adjust for these price differences, Delaware has the fifth-lowest 20th percentile wage in the country, adjusted for purchasing power. In other words, low-wage workers in Delaware have some of the weakest spending power from their paychecks of workers anywhere in the United States.

APPENDIX TABLE

Demographic characteristics of the low-wage workforce in Delaware

Category	Estimated total wage-earning workforce ¹	Share of total workforce	Estimated low-wage workers ²	Share of low-wage workers	Share of workforce category that is low wage	Margin of error
<i>Total</i>	373,582	100.0%	74,257	100.0%	19.9%	+/- 1.3%
Gender						
<i>Female</i>	186,547	49.9%	43,673	58.8%	23.4%	+/- 1.9%
<i>Male</i>	187,036	50.1%	30,585	41.2%	16.4%	+/- 1.7%
Age						
<i>20 +</i>	359,503	96.2%	63,230	85.2%	17.6%	+/- 1.3%
<i>Under 20</i>	14,080	3.8%	11,027	14.8%	78.3%	+/- 7.3%
<i>16 to 24</i>	54,218	14.5%	31,628	42.6%	58.3%	+/- 4.6%
<i>25 to 39</i>	110,134	29.5%	17,852	24.0%	16.2%	+/- 2.3%
<i>40 to 54</i>	127,336	34.1%	13,931	18.8%	10.9%	+/- 1.7%
<i>55+</i>	81,895	21.9%	10,846	14.6%	13.2%	+/- 2.2%
Race/ethnicity						
<i>White</i>	250,580	67.1%	40,363	54.4%	16.1%	+/- 1.4%
<i>Black</i>	75,157	20.1%	19,285	26.0%	25.7%	+/- 3.3%
<i>Hispanic</i>	30,275	8.1%	12,072	16.3%	39.9%	+/- 6.1%
<i>Asian</i>	17,570	4.7%	2,537	3.4%	14.4%	+/- 5.6%
Family status						
<i>Married parent</i>	92,134	24.7%	9,314	12.5%	10.1%	+/- 2.0%
<i>Single parent</i>	33,474	9.0%	10,133	13.6%	30.3%	+/- 5.1%
<i>Married, no kids</i>	104,696	28.0%	11,127	15.0%	10.6%	+/- 1.8%
<i>Unmarried, no kids</i>	143,279	38.4%	43,683	58.8%	30.5%	+/- 2.5%
Family income						
<i>Less than \$20,000</i>	29,856	8.0%	13,046	17.6%	43.7%	+/- 5.8%
<i>\$20,000–\$39,999</i>	71,465	19.1%	21,305	28.7%	29.8%	+/- 3.5%
<i>\$40,000–\$59,999</i>	69,014	18.5%	13,323	17.9%	19.3%	+/- 3.0%
<i>\$60,000–\$74,999</i>	44,936	12.0%	7,472	10.1%	16.6%	+/- 3.5%
<i>\$75,000–\$99,999</i>	58,378	15.6%	8,191	11.0%	14.0%	+/- 2.8%
<i>\$100,000–\$149,999</i>	57,854	15.5%	7,032	9.5%	12.2%	+/- 2.7%
<i>\$150,000 or more</i>	42,079	11.3%	3,887	5.2%	9.2%	+/- 2.8%
Industry						
<i>Construction</i>	21,005	5.6%	2,043	2.8%	9.7%	+/- 4.1%
<i>Manufacturing</i>	29,011	7.8%	3,733	5.0%	12.9%	+/- 3.9%
<i>Retail</i>	41,550	11.1%	18,501	24.9%	44.5%	+/- 4.9%
<i>Wholesale</i>	7,381	2.0%	1,356	1.8%	18.4%	+/- 9.0%

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APPENDIX TABLE (CONTINUED)

Category	Estimated total wage-earning workforce ¹	Share of total workforce	Estimated low-wage workers ²	Share of low-wage workers	Share of workforce category that is low wage	Margin of error
<i>Transportation and utilities</i>	17,524	4.7%	1,477	2.0%	8.4%	+/- 4.2%
<i>Financial activities</i>	38,079	10.2%	1,828	2.5%	4.8%	+/- 2.2%
<i>Professional and business services</i>	33,909	9.1%	6,253	8.4%	18.4%	+/- 4.2%
<i>Education and health care</i>	93,832	25.1%	13,487	18.2%	14.4%	+/- 2.3%
<i>Leisure and hospitality</i>	39,061	10.5%	18,298	24.6%	46.8%	+/- 5.2%
<i>Other industry</i>	52,230	14.0%	7,283	9.8%	13.9%	+/- 3.0%
Occupation						
<i>Professional, business, science</i>	87,244	23.4%	4,131	5.6%	4.7%	+/- 1.4%
<i>Service</i>	72,674	19.5%	30,386	40.9%	41.8%	+/- 3.7%
<i>Sales</i>	34,530	9.2%	13,685	18.4%	39.6%	+/- 5.3%
<i>Office, administrative support</i>	57,301	15.3%	11,019	14.8%	19.2%	+/- 3.2%
<i>Transportation</i>	19,585	5.2%	4,112	5.5%	21.0%	+/- 5.9%
<i>Other occupation</i>	102,249	27.4%	10,923	14.7%	10.7%	+/- 1.9%
Work status						
<i>Part time (< 20 hours)</i>	20,271	5.4%	10,601	14.3%	52.3%	+/- 7.0%
<i>Mid time (20–34 hours)</i>	46,789	12.5%	24,731	33.3%	52.9%	+/- 4.7%
<i>Full time (35+ hours)</i>	306,521	82.0%	38,925	52.4%	12.7%	+/- 1.2%
Education						
<i>Less than high school</i>	27,038	7.2%	15,359	20.7%	56.8%	+/- 6.1%
<i>High school</i>	115,549	30.9%	27,876	37.5%	24.1%	+/- 2.5%
<i>Some college</i>	105,093	28.1%	23,759	32.0%	22.6%	+/- 2.6%
<i>Bachelor's degree or higher</i>	125,903	33.7%	7,264	9.8%	5.8%	+/- 1.3%
Sector						
<i>For-profit</i>	284,623	76.2%	65,787	88.6%	23.1%	+/- 1.6%
<i>Government</i>	62,709	16.8%	3,997	5.4%	6.4%	+/- 1.9%
<i>Non-profit</i>	26,250	7.0%	4,473	6.0%	17.0%	+/- 4.6%
<i>Children with a low-wage working parent</i>	211,635		32,969		15.6%	+/- 1.6%

Notes: ¹Total estimated workers is estimated from the CPS respondents who were 16 years old or older, employed, but not self-employed and for whom either a valid hourly wage is reported or one can be imputed from weekly earnings and average weekly hours. Consequently, this estimate represents the identifiable wage-earning workforce and tends to understate the size of the full workforce. ²Low-wage workers are defined as workers reporting wages at or below the 20th percentile wage in Delaware in 2013, approximately \$10.06 per hour.

Source: EPI analysis of 2013 Current Population Survey Outgoing Rotation Group microdata from the Bureau of Labor Statistics

Endnotes

1. Economic Policy Institute, “Family Budget Calculator,” accessed August 21, 2014, <http://www.epi.org/resources/budget/>.
2. EPI analysis of Current Population Survey Outgoing Rotation Group microdata, 2013.
3. See Elise Gould, Hilary Wething, Natalie Sabadish, and Nicholas Finio, *What Families Need to Get By: The 2013 Update of EPI’s Family Budget Calculator*, Economic Policy Institute Issue Brief #368, July 3, 2013, <http://www.epi.org/publication/ib368-basic-family-budgets/>.
4. All statistics on Delaware’s low-wage workforce are from the author’s analysis of Current Population Survey Outgoing Rotation Group microdata from the Bureau of Labor Statistics.
5. This statistic includes non-monetary compensation, such as health insurance premiums, retirement contributions, etc. Source: EPI analysis of unpublished total economy data from Bureau of Labor Statistics, Labor Productivity and Costs program; employment data from Bureau of Labor Statistics, Local Area Unemployment Statistics; wage data from the Current Population Survey; and compensation data from the Bureau of Economic Analysis, State/National Income and Product Accounts public data series.
6. See David Cooper, *Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost*, Economic Policy Institute Briefing Paper #371, December 19, 2013, <http://www.epi.org/publication/raising-federal-minimum-wage-to-1010/>.
7. U.S. Bureau of Economic Analysis, “Real Personal Income for States and Metropolitan Areas, 2008-2012” [regional price parity data tables], downloaded August 22, 2014, http://www.bea.gov/newsreleases/regional/rpp/rpp_newsrelease.htm.