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THE MINIMUM WAGE INCREASE: A Working Woman's Issue

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As Congress considers raising the federal minimum wage from its current level of \$5.15 per hour to \$6.15, it is important to understand who will benefit from this increase. An analysis of low-wage workers shows that the main beneficiaries of this one-dollar increase would be working women, almost one million of whom are single mothers. In fact, of the 11.8 million workers who would receive a pay increase as the result of this higher minimum wage, 58% would be women, simply because, as a group, they earn lower wages than men. As a result, a minimum wage increase would help to reduce the overall pay gap between women and men.

Since the minimum wage is not indexed to inflation, when Congress fails to raise the minimum wage, these workers' purchasing power declines, as was the case over the 1980s. Even with the two increases thus far in the 1990s, the minimum wage remains 19% below its inflation-adjusted 1979 level. This decline in the minimum wage helps to explain the growth of wage inequality and the diminished earnings of low-wage female workers over the last two decades.

In 1979, a woman working at the minimum wage earned 70% of the hourly wage of the median female worker (the woman right in the middle of the female wage scale). By 1998, that ratio had fallen to 52%. Similarly, in 1979 a single mother working full time at the minimum wage earned enough to lift a family of three (herself and two children) above the poverty line. By 1998, however, the same family would be 18% below the poverty line.¹

Table 1 shows the number and the share of working women in 1998 – nationally and in each state – that would benefit from the proposed increase. About 7 million women nationally – 12.6% of all working women – earn between \$5.15 and \$6.14, the wage range that would be directly affected by an increase in the federal

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TABLE 1
Female workers, by state, who would benefit from proposed minimum wage increase, 1998
(in thousands)

| State | Share of Female Workers* | Number | State | Share of Female Workers* | Number |
|------------------|--------------------------|--------------|----------------|--------------------------|--------------|
| NORTHEAST | 10.5% | 1,139 | SOUTH | 15.3% | 2,974 |
| Maine | 14.1 | 36 | Delaware | 10.4 | 17 |
| New Hampshire | 8.6 | 23 | Maryland | 8.9 | 101 |
| Vermont | 10.1 | 14 | D.C. | NA | NA |
| Massachusetts | 8.6 | 119 | Virginia | 11.0 | 157 |
| Rhode Island | 12.2 | 26 | West Virginia | 22.5 | 70 |
| Connecticut | 7.3 | 53 | North Carolina | 12.0 | 190 |
| New York | 10.4 | 372 | South Carolina | 17.8 | 154 |
| New Jersey | 8.9 | 157 | Georgia | 13.3 | 224 |
| Pennsylvania | 13.6 | 338 | Florida | 14.1 | 414 |
| | | | Kentucky | 16.5 | 130 |
| MIDWEST | 12.2% | 1,654 | Tennessee | 13.5 | 156 |
| Ohio | 14.7 | 345 | Alabama | 19.1 | 170 |
| Indiana | 10.2 | 127 | Mississippi | 21.1 | 110 |
| Illinois | 11.6 | 297 | Arkansas | 21.9 | 106 |
| Michigan | 11.5 | 235 | Louisiana | 20.2 | 170 |
| Wisconsin | 9.8 | 121 | Oklahoma | 20.0 | 128 |
| Minnesota | 8.7 | 94 | Texas | 17.0 | 669 |
| Iowa | 14.2 | 93 | | | |
| Missouri | 12.7 | 152 | WEST | 10.4% | 1,210 |
| North Dakota | 19.0 | 28 | Montana | 20.8 | 35 |
| South Dakota | 18.8 | 30 | Idaho | 15.9 | 38 |
| Nebraska | 14.8 | 55 | Wyoming | 18.3 | 17 |
| Kansas | 14.0 | 77 | Colorado | 8.6 | 77 |
| | | | New Mexico | 16.1 | 50 |
| | | | Arizona | 15.4 | 134 |
| | | | Utah | 14.1 | 60 |
| | | | Nevada | 8.7 | 31 |
| | | | Washington | 9.4 | 109 |
| | | | Oregon | 7.7 | 51 |
| | | | California | 9.4 | 572 |
| U.S. | 12.6% | 6,977 | Alaska | NA | NA |
| | | | Hawaii | 12.2 | 31 |

* As share of female workforce.
Source: EPI analysis of 1998 CPS data.

minimum wage.² In lower-wage states, the share of women that would benefit from the proposed increase is typically higher than the national average. For example, one-fifth or more of working women would receive a raise after a one-dollar increase in the federal minimum in the following states: West Virginia (22.5%), Arkansas (21.9%), Mississippi (21.1%), Montana (20.8%), Louisiana (20.2%), and Oklahoma (20.0%). The states with the largest numbers of working women who would benefit from the increase are: Texas (669,000), California (572,000), Florida (414,000), New York (372,000), Ohio (345,000), and Pennsylvania (338,000).

Table 2 helps provide a clearer picture of the low-wage women who would benefit from the proposed

TABLE 2
Characteristics of female workers by wage range, 1998

| Characteristic | Affected directly by increase (\$5.15-\$6.14) | Other low-wage workers (\$6.15-\$7.14) | \$7.15 and above | All |
|-------------------------|---|---|---------------------|------------|
| Average wage | \$5.64 | \$6.70 | \$14.65 | \$12.18 |
| Employment | 6,976,792 | 5,668,877 | 40,076,797 | 55,497,227 |
| Share of total | 12.6% | 10.2% | 72.2% | 100.0% |
| Demographics | | | | |
| Teens (16-19) | 24.7% | 11.0% | 1.4% | 6.2% |
| 20+ | 75.3% | 89.0% | 98.6% | 93.8% |
| White | 65.4% | 67.5% | 76.6% | 73.6% |
| Black | 16.2% | 16.2% | 12.0% | 13.1% |
| Hispanic | 14.4% | 12.2% | 7.1% | 9.0% |
| Work Hours | | | | |
| Full time (35+) | 44.9% | 63.8% | 82.2% | 74.0% |
| Part time | | | | |
| 20-34 hours | 35.0% | 25.6% | 13.1% | 18.1% |
| 1-19 hours | 20.0% | 10.5% | 4.7% | 7.9% |
| Industry | | | | |
| Manufacturing | 8.4% | 10.3% | 12.3% | 11.4% |
| Retail trade | 44.0% | 31.2% | 11.4% | 18.6% |
| Occupation | | | | |
| <i>Sales</i> | 28.3% | 20.2% | 8.7% | 12.7% |
| Cashiers | 16.4% | 8.5% | 1.3% | 4.2% |
| <i>Services</i> | 32.5% | 25.9% | 9.3% | 15.0% |
| Food preparation | 16.1% | 9.9% | 3.1% | 6.1% |
| Union Membership | | | | |
| Union | 3.9% | 6.5% | 16.2% | 13.1% |
| Nonunion | 96.1% | 93.5% | 83.8% | 86.9% |

Note: "Affected directly by the increase" indicates those workers who earn between the minimum wage in their state and the proposed new level (\$6.15).

Source: EPI analysis of 1998 CPS data.

increase (see column 1). The vast majority (75.3%) of these women are adults (age 20 or older). Although most low-wage women workers are white (65.4%), African American and Hispanic women are overrepresented in low-wage jobs. African American women are 13.1% of all women workers (see the last column of Table 2), but 16.2% of those in the range affected by the minimum wage increase; Hispanic women are 9.0% of all women workers, but 14.4% of low-wage women. Close to half (44.9%) of the female workers in the affected range work full time (35 or more hours a week), and another 35.0% work between 20 and 34 hours per week.

The next few rows of Table 2 show the industries and occupations where low-wage women tend to find

work. An analysis by industry shows that most low-wage females are concentrated in retail trade, which employs 44.0% of those in the affected range. In contrast, a much smaller share of low-wage women work in the higher-paying manufacturing sector (8.4%). An analysis by occupation reveals that 28.3% of low-wage women are sales workers, with 16.4% working as cashiers. One-third of these women (32.5%) work in service occupations such as food preparation (16.1%). Finally, just under 4% of low-wage women are covered by collective bargaining through a union, in contrast to 16.2% of women earning \$7.15 or more per hour.

Table 3 examines the parental and minimum wage status of workers age 18-64. Parents with children under 18 years old represent 32.9% of the beneficiaries of the proposed increase, while such workers represent 40.4% of the total workforce. More than two million married men and women with children would benefit from the proposed increase (and within these families, women are disproportionately the direct beneficiaries). Almost one million (967,000) single mothers would receive a pay increase as a result of a one-dollar rise in the minimum wage. Note that single mothers are over-represented in the affected workforce — they represent 10% of those affected by the increase but are only 5.7% of the overall workforce.

All of the evidence suggests that the minimum wage increase is well targeted, providing significant benefits to poor and middle-income households. **Table 4** shows that about 18% of the benefits of a one-dollar increase would go to households with incomes below \$10,000 per year; another 32% of the benefits would go to households with annual incomes between \$10,000 and \$25,000. In total, households making less than \$25,000 a year would receive half of the benefits of a one-dollar increase. Among the affected single mothers shown in Table 3, 85% have household incomes below \$25,000, underscoring the importance of the policy for these low-wage and low-income families.

TABLE 3
Parental status of workforce, age 18-64, 1998 (in thousands)

| | Affected workers* | | Total workforce | |
|--|-------------------|---------|-----------------|---------|
| | Number | Percent | Number | Percent |
| Working parents with children | | | | |
| All | 3,198 | 32.9% | 44,878 | 40.4% |
| Married couple | 2,142 | 22.1 | 36,856 | 33.2 |
| <i>Female</i> | 1,457 | 15.0 | 15,898 | 14.3 |
| <i>Male</i> | 685 | 7.1 | 20,958 | 18.9 |
| Single parents | 1,056 | 10.9 | 8,022 | 7.2 |
| <i>Single female</i> | 967 | 10.0 | 6,306 | 5.7 |
| <i>Single male</i> | 89 | 0.9 | 1,716 | 1.5 |
| Workers without children under 18** | | | | |
| All | 6,507 | 67.1% | 66,156 | 59.6% |
| Female | 3,486 | 35.9 | 30,743 | 27.7 |
| Male | 3,021 | 31.1 | 35,413 | 31.9 |

Source: EPI analysis of CPS data.

* Affected by minimum wage increase.

** Includes single individuals and childless couples.

TABLE 4
Share of gains from proposed increase by household income level, 1998

| | |
|--------------------|-------|
| Less than \$10,000 | 18.1% |
| \$10,000-25,000 | 32.0 |
| \$25,000-35,000 | 14.9 |
| \$35,000-50,000 | 13.6 |
| \$50,000+ | 21.4 |

Source: 1998 CPS ORG data. Sample excludes nonworkers. For those in the affected range, gains are calculated as the difference between current earnings and the new level (by state). This value is multiplied by weekly hours and summed across each income group.

Conclusion

Those who oppose raising the minimum wage typically argue that the increase will force employers to fire, or hire fewer of, those workers affected by the increase. The evidence, however, fails to support this claim.³ Since the last increase, in late 1996 and 1997, employment rates of low-wage workers, and particularly single mothers, have increased dramatically, as the strong economy has bolstered demand in the low-wage labor market. In this regard, one of the main policy lessons from the current recovery is that the macroeconomy is the key determinant of employment opportunity for low-wage workers, most of whom are women. But, as the above evidence shows, the wage that these women receive is very much a function of where the minimum wage is set by Congress. Disregarding this reality can only serve to swell the ranks of the working poor. Raising the minimum wage will help to raise the incomes of many low-income families, especially those headed by single mothers.

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Endnotes

1. If we deduct the costs incurred in working full time for a single mother (e.g., child care and transportation), the family's disposable income would fall further below the poverty line. By the same token, if we add the cash value of food stamps and the earned income tax credit, the gross income of the 1998 family would be above the poverty line. But if both work costs and government assistance are considered, family income still falls below the poverty line.
2. More precisely, affected workers in this report are those who earn between the maximum of either their state's minimum or \$5.15, at the lower end, and the proposed new minimum wage, at the upper end. About 4.8 million men, or 7.9% of all working men, are in this range.
3. For a detailed analysis of the employment impact of the 1996-97 increase, see *Making Work Pay*, Bernstein and Schmitt, Economic Policy Institute (1998).