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# Facts About the Minimum Wage

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## Reduced Opportunities to Gain Experience

- Studies find raising the minimum wage does not reduce poverty.<sup>1</sup> It is a completely ineffective anti-poverty policy.
- The primary value of minimum-wage jobs is that they are learning jobs. They teach inexperienced employees basic employment skills that make them more productive and enable them to earn raises or move to better jobs.
- Over half of all Americans started their careers making within \$1 of the minimum wage.<sup>2</sup> Few stayed there long.
- Two-thirds of minimum-wage workers earn raises within a year—without the government’s help.<sup>3</sup>
- Correctly adjusted for inflation, the minimum wage currently stands above its historical average since 1950.<sup>4</sup>
- The minimum wage hike sponsored by some Members of Congress and supported by President Obama would raise the minimum wage to an unprecedented level—one-seventh above its inflation-adjusted all-time high.<sup>5</sup>
- This would cause employers to reduce hiring, leaving fewer people employed.<sup>6</sup> Macroeconomic modeling shows the proposed minimum wage increase would eliminate 300,000 jobs.<sup>7</sup> That means fewer opportunities for unskilled workers to get started in the labor market and move their way up.
- When businesses have to pay higher wages, businesses hire higher-skill workers, freezing the least productive, most disadvantaged workers out of the job market.<sup>8,9</sup> Consequently minimum wage hikes harm the very people that proponents of the laws most want to help.

## Primarily Affects Younger Workers Without Family Responsibilities

- Only 2.9 percent of wage earners earn the federal minimum wage.<sup>10,11,12</sup>
- Most minimum-wage earners are teenagers or young adults, not heads of families.
- Over half of minimum-wage earners are between the ages of 16 and 24.<sup>13</sup>
- Two-thirds work part time (defined as less than 35 hours a week).<sup>14</sup>
- The average family income of a minimum-wage worker is \$53,000 a year, less than the national average of \$79,500 a year but well above the poverty level.<sup>15</sup>
- Two-thirds of minimum-wage workers live in families with incomes above 150 percent of the poverty line.<sup>16</sup>
- Just 4 percent of minimum-wage workers are single parents working full time, compared to 5.6 percent of all U.S. workers.<sup>17</sup>

## Adds to Obamacare Burden

- The Obamacare employer mandate is already scheduled to raise the cost of hiring less-skilled workers. When the mandate takes effect in 2015 the minimum cost of hiring a full-time worker will rise to \$10.30 an hour. That includes the minimum wage, employer payroll taxes, and the employer mandate.<sup>18</sup>
- From the employer’s perspective the cost of hiring workers has increased, but the additional money goes to the government instead of the employees.<sup>19</sup>
- The proposed minimum wage increase of \$10.10 an hour would bring the minimum cost of hiring a full-time worker—including the Obamacare penalties—to \$12.71 an hour.<sup>20</sup>

## Endnotes

- 1 Richard V. Burkhauser and Joseph J. Sabia, "Minimum Wages and Poverty: Will a \$9.50 Federal Minimum Wage Really Help the Working Poor?" *Southern Economic Journal*, Vol. 77, No. 3 (January 2010); Richard Vedder and Lowell Gallaway, "Does the Minimum Wage Reduce Poverty?" Employment Policies Institute, June 2001; Jill Jenkins, "Minimum Wages: The Poor Are Not Winners," Employment Policy Foundation, January 12, 2000; Ronald B. Mincy, "Raising the Minimum Wage: Effects on Family Poverty," *Monthly Labor Review* Vol. 113, No. 7 (July 1990); Richard Burkhauser, and Joseph J. Sabia, "The Effectiveness of Minimum Wage Increases in Reducing Poverty: Past, Present, and Future," *Contemporary Economic Policy* Vol. 25, No. 2 (2007), pp. 262-281; Craig Gundersen, and James Patrick Ziliak, "Poverty and Macroeconomic Performance Across Space, Race, and Family Structure," *Demography* Vol. 41, No. 1 (2004), pp. 61-86; David Neumark, and William Wascher. "Do Minimum Wages Fight Poverty?" *Economic Inquiry* Vol. 40, No. 3 (2002) pp. 315-333.
- 2 William Carrington and Bruce Fallick, "Do Some Workers Have Minimum Wage Careers," *Monthly Labor Review*, May 2001, pp. 17-27, Table 2.
- 3 James Sherk, "Minimum Wage Workers' Incomes Rise When the Minimum Wage Does Not," Heritage Foundation *WebMemo* No. 1181, July 28, 2006, <http://www.heritage.org/research/reports/2006/07/minimum-wage-workers-incomes-rise-when-the-minimum-wage-does-not>.
- 4 James Sherk and John Ligon, "Unprecedented Minimum-Wage Hike Would Hurt Jobs and the Economy," Heritage Foundation *Issue Brief* No. 4102, December 5, 2013, <http://www.heritage.org/research/reports/2013/12/unprecedented-minimum-wage-hike-would-hurt-jobs-and-the-economy>.
- 5 Ibid.
- 6 David Neumark and William Wascher, *Minimum Wages* (Cambridge, MA: The MIT Press, 2008).
- 7 Sherk and Ligon, "Unprecedented Minimum-Wage Hike Would Hurt Jobs and the Economy."
- 8 Laura Giuliano, "Minimum Wage Effects on Employment, Substitution, and the Teenage Labor Supply: Evidence from Personnel Data," *The Journal of Labor Economics*, Vol. 31, No. 1 (January 2013), pp. 155-194.
- 9 David Neumark and William Wascher. "The Effects of Minimum Wages on Teenage Employment and Enrollment: Evidence from Matched CPS Surveys," in Solomon Polchek, ed. *Research in Labor Economics*, Vol. 15 (Greenwich, Conn.: JAI Press, 1996).
- 10 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](http://thedataweb.rm.census.gov/ftp/cps_ftp.html) and <https://cps.ipums.org/cps/>.
- 11 The 2.9 percent figure includes both salaried and hourly employees. Approximately 5 percent of hourly employees are paid the federal minimum wage.
- 12 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.
- 13 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 earnings of \$7.25 an hour or less. [http://www.heritage.org/research/testimony/2013/06/what-is-minimum-wage-its-history-and-effects-on-the-economy#\\_ftnref9](http://www.heritage.org/research/testimony/2013/06/what-is-minimum-wage-its-history-and-effects-on-the-economy#_ftnref9).
- 14 Ibid.
- 15 Ibid.
- 16 Ibid.
- 17 Heritage Foundation analysis of data from the Current Population Survey (CPS). 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.
- 18 James Sherk and Patrick Tyrrell, "Obamacare and a Minimum Wage Hike Pricing Many Unskilled Workers Out of Their Jobs," Heritage Foundation *Issue Brief* No. 4095, Nov. 22, 2013, <http://www.heritage.org/research/reports/2013/11/impact-of-obamacare-and-minimum-wage-hike-on-workers-and-jobs>.
- 19 Ibid.
- 20 Ibid.