

Low-Wage Employment

In the 2014 State of the Union address, President Obama argued it was time to “give America a raise” by increasing the federal minimum wage to \$10.10/hour. To offer some context for debate about raising the minimum wage, this brief provides a national snapshot of the numbers and characteristics of low-wage workers—those making less than \$10.10/hour—and their families.

Who are low-wage workers?

More than one-half (56 percent) of all employees nationally are hourly workers¹—and 32 percent of these earn less than \$10.10/hour. While American low-wage workers are a diverse group, some common characteristics are worth noting.

- One-half of low-wage workers work 35 hours or more per week.
- Almost one-half work either in retail or food service jobs.
- Four out of five do not have any type of college or technical degree.
- More than one-half (56 percent) are in the prime working ages of 26-64 years old.
- Almost six out of ten are female.
- Compared to their representation in the total population, whites are underrepresented among low-wage workers (50 percent), while Blacks and Hispanics are overrepresented (at 25 percent and 15 percent, respectively).
- Only one in four is a parent living with their young or school-aged child.
- Three out of ten live in or near poverty.

Household income and low wages

In most cases the impact of low wages may extend beyond individuals to people they support financially, or to people who support them. Identified below as “networks of dependence,”

households and families may rely on low wages as the single and only, as primary, or as secondary income. For roughly one-half of adult low-wage workers, these limited earnings are the only or primary income for their household. Households may include a single adult, husband and wife, parents and adult children, or an extended family².

Low wages as the only household income

Single, independent workers—living alone without the responsibility to care for others—account for seven percent of low-wage workers. Their annual household income is around \$21,000³.

Twenty-six percent of low-wage workers are the only income earners in the household, and support at least one other individual. As the only earned income in the household, these wages provide the majority of the household’s financial resources. Many of these households receive some assistance from the social safety net which, combined with their earned income, brings total household revenue to around \$26,000 per year. One-half of low-wage workers who are the only income earners in their household live in or near poverty.

Low-wages as the primary household income

For 16 percent of low-wage workers their income is supplemented by income from other low-wage workers in the family for a combined household income of around \$43,800. In these families, no working adult makes more than \$10.10/hour.

Low-wages as secondary household income

Half of low-wage working adults live in a household where someone—a partner, a parent, or another family member—earns an income above the low-wage threshold.

Twenty percent of low-wage workers live in their parents’ home. This includes students and adult children who continue to rely on the financial support of their parents.

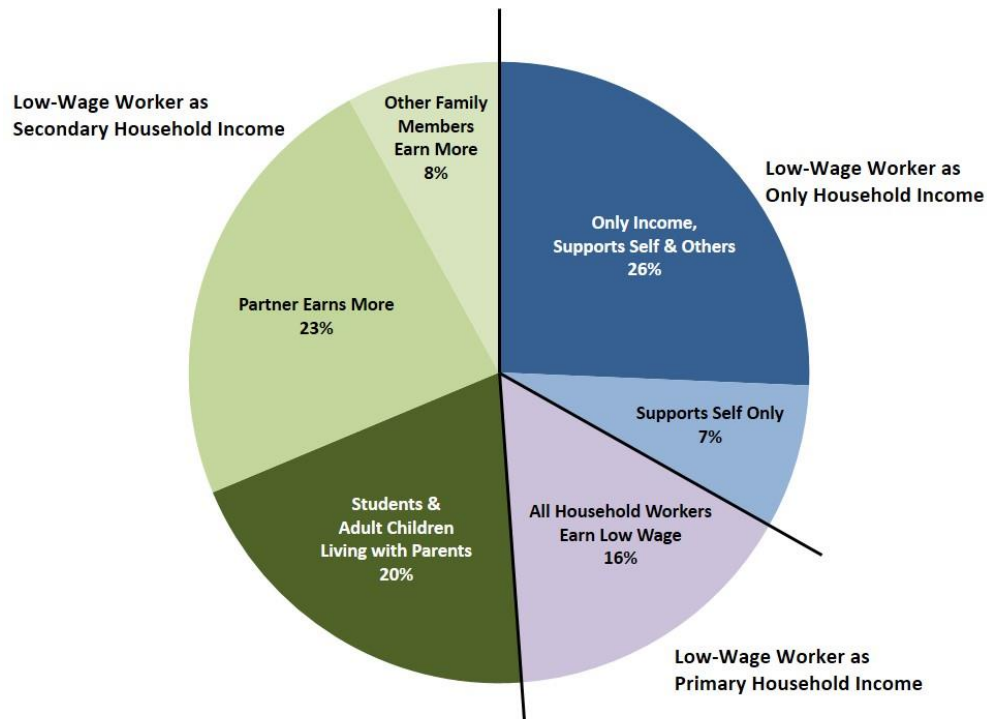


Figure 1: Networks of Dependence for Low-Wage Workers

For 23 percent of low-wage workers their wages are a necessary supplement to the higher earnings of a spouse or partner (who typically makes \$38,000 a year). An additional eight percent of low-wage workers live with at least one extended family member who earns more than \$10.10/hour.

Why do low wages matter?

The immediate impact of low wages depends, in part, on the larger family context. Low wages, alone, do not consign an individual—or a family—

to living in poverty. Increasing the minimum wage to \$10.10/hour has the potential to provide more protection from economic distress for all low-wage workers, but especially for the one-half who are the only or primary income earners for their households.

What might be more important is the potential for a higher hourly wage to enable workers to participate more fully in the labor force (by being able to pay for childcare), invest in additional training or education, or save for future financial needs.

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¹ Based on calculations using the Minnesota Population Center's IPUMS data, Current Population Survey Outgoing Rotation Group Microdata, March 2013. Analysis done on all employed, working individuals. Following the Bureau of Labor Statistics, these numbers exclude self-employed and agricultural workers. All of the analysis of individual income is based on workers' earned income, and does not take into account income from sources outside of the labor market, such as welfare or disability benefits or retirement income.

"Adult workers" are 18 years or older.

² Low-wage workers living with roommates, 6.5 percent of all low-wage workers, are excluded from household analysis.

³ Household incomes and typical spousal earnings are the median for each category. All of the analysis of household income is based on the total income including wages, cash and tax benefits from the social safety net, and retirement income, to name a few.