

The Minimum Wage and Working Women

June 18, 2004

**Eileen Appelbaum
Rutgers University**

**Ann Markusen
University of Minnesota**

**Jared Bernstein
Economic Policy Institute**

**Edward Montgomery
University of Maryland**

**Janet Currie
University of California Los Angeles**

**Steven Raphael
University of California Berkeley**

**Heidi Hartman
Institute for Women's Policy Research**

**Cecilia Rouse
Princeton University**

**Lawrence Katz
Harvard University**

The Minimum Wage and Working Women EXECUTIVE SUMMARY

This report considers an increase in the minimum wage from \$5.15 to \$7.00 by 2007 and details the importance of such an increase for working women and families. Among the key findings are:

I. THE NEED FOR A MINIMUM WAGE INCREASE

- **Today, the Minimum Wage is Worth Only 33% of the Average American Wage, its Lowest Level Since 1949.**
- **The Impact of the Last Minimum Wage Increase in 1996-1997 Has Been Completely Eroded by Inflation.** \$5.15 today is the equivalent of only \$4.18 in 1995 – lower than the \$4.25 level before the 1996-1997 increase.
- **As Many as 15 Million Workers – 12.5% of the Workforce – Could be Positively Impacted by a \$7.00 Minimum Wage; 7.4 Million Minimum Wage Workers Would Receive a Direct Raise,** while another 8.2 million workers earning near the minimum wage are likely to indirectly benefit.
- **A \$7.00 Minimum Wage Would Lift a Low-Income Family of Four Out of Poverty:** Today, a family of four with one parent working at the minimum wage does not earn enough, even with the full EITC and Food Stamps benefits, to stay above the poverty line. An increase in the minimum wage to \$7.00, combined with the EITC, Food Stamps, and the Child Tax Credit, would raise such a family's earnings to 108% of the poverty line.
- **Minimum Wage Workers are Major Contributors to Their Families' Earnings.** Among families with children and a low-wage worker affected by a minimum wage increase, *the affected worker contributes half of the family's earnings*, on average, and *37% of such workers contribute all of their family's earnings*.

II. A MINIMUM WAGE INCREASE IS A WORKING WOMAN'S ISSUE

- **Sixty-One Percent of Direct Beneficiaries are Women, Even Though Women Make Up only 48% of the Workforce.** 4.5 million female workers directly benefit from a minimum wage increase.
- **The Erosion in the Value of the Minimum Wage is Primarily Responsible for the Widening Wage Gap Between Middle- and Low-Wage Women.** Research by economist David Lee finds that the increasing wage gap between middle- and low-wage women in the 1980s was primarily due to the erosion in the minimum wage.
- **1.4 Million Working Mothers Would Receive a Direct Raise and Three Million Working Mothers Could Be Positively Impacted By a Minimum Wage Increase.** An estimated 623,000 single moms would receive a direct raise.
- **Seventy-Six Percent of Women Benefiting From an Increase in the Minimum Wage are Adults; 77% Work More Than 20 Hours a Week; and 42% Work Full-Time.**

- **Thirty-Three Percent of Female Beneficiaries are African American or Hispanic, Even Though Such Groups Make up Only 23.6% of the Female Workforce.**
- **States With the Highest Number of Female Beneficiaries From a \$7.00 Minimum Wage are: Texas (558,000), New York (331,000), Florida (264,000), Ohio (237,000), and Pennsylvania (208,000).**
- **States With the Largest Percentage of Female Beneficiaries as a Share of the Female Workforce are: West Virginia (18.4%), Arkansas (16.5%), Louisiana (16.1%), New Mexico (14.5%), and Wyoming (14.3%).**
- **An Increase to \$7.00 Would Make a Substantial Difference in Helping Hard-Pressed Families Cover Basic Needs.** Increasing the minimum wage to \$7.00 would raise the annual earnings of a full-time worker by about \$3,800 a year – enough for a low-income family of four to pay for:
 - 10 months of groceries;
 - 8 months rent; or
 - an entire year of community college and healthcare expenses.

The Minimum Wage and Working Women¹

Introduction

This report assesses the impact of increasing the federal minimum wage to \$7.00, and looks specifically at the effects of such an increase on working women. After going nearly a decade without a change in minimum wage, the report finds that an increase is long overdue. In fact, we are on the verge of tying 1981-1990 for the longest stretch without an increase since a federal minimum wage was created in 1938. Allowing the value of the minimum wage to erode over time deprives hard-working families of the ability to afford basic necessities and contributes to a growing income gap between those at the low end of the income distribution and the rest of the population. Moderately increasing the minimum wage is an effective way to provide these hard working families with immediate and direct assistance, and has been shown both in past experience and extensive academic research to have negligible, and perhaps even modestly positive, effects on employment. In the tables that follow, we simulate an increase in the federal minimum wage from its current level of \$5.15 to \$7.00 by 2007. Details of the analysis can be found in the appendix.

I. The Erosion of the Federal Minimum Wage

Before examining the impact of a minimum wage increase, it is helpful to provide some historical context surrounding the minimum wage. The first federal minimum wage was instituted in 1938, and reached its peak value in 1968. Since then, the real value has fallen 30%, and is now at a lower level than any year since 1955. In addition, the inflation that has occurred since 1996-1997, when the minimum wage was last raised, has fully eroded the value of that increase:

- **Today's minimum wage of \$5.15 is the equivalent of \$4.18 in 1995 – below where the minimum wage stood before the latest increase.** In 1995, the minimum wage was \$4.25. It was raised to \$4.75 on October 1, 1996 and again to \$5.15 on September 1, 1997. [Bureau of Labor Statistics]

Figure 1 provides an indication as to how far the minimum wage has drifted below the average wage of American workers. It shows that:

- **Today, the minimum wage is 33% of the average wage, the lowest level since 1949.**

¹ The authors wish to thank Jeff Chapman of the Economic Policy Institute for his excellent work in compiling the data tables in the report.



The decline suggests a growing distance between average and low-wage workers – and indeed, it helps explain the growth of economic inequality in America over recent decades. In fact, an article by economist David Lee finds that **most of the evolving wage gap between middle and low-wage women can be explained by the long post-1980 decline in the minimum wage shown in Figure 1.** [Lee, David. *Quarterly Journal of Economics*, Vol. 114, No. 3]

II. Working Women Disproportionately Benefit From a Minimum Wage Increase

One of the most important demographic trends in our evolving labor market has been the increase in the participation of women. In 1970, the share of women in the labor force was 43.3%; 30 years later, at the most recent economic peak in 2000, women’s labor force participation rate was 59.9%. The number of women in the labor force more than doubled over this period, increasing by almost 35 million. Even among women with young children, just under two-thirds worked in the paid labor market last year.

For the increasing share of women participating in the labor market, the minimum wage is a particularly important policy for two reasons. First, since women typically earn less than men, more women than men tend to work at or near the minimum and are thus more like to benefit from an increase. Second, women dominate many low-wage occupations within industries such as retail trade and health care that stand to gain the most when the minimum wage is increased.

Table 1 shows that 7.4 million workers would receive a direct raise from a \$7.00 minimum wage, and another 8.2 million low-wage workers making \$7.00-\$8.00 an hour stand to benefit indirectly.

- **This suggests that more than 15 million workers would directly or indirectly benefit from a minimum wage increase.**

The table also shows, however, that women would disproportionately benefit from such a minimum wage increase.

- **4.5 million women, or 60.9% of those who would directly gain, would be female, even though women make up only 48.3% of the total workforce.**

TABLE 1	
Characteristics of workers affected by minimum wage increase to \$7.00*	

	Affected directly**	Other low-wage workers***	Total workforce****
Number of workers (in millions)	7.4	8.2	124.7
Number of female workers affected (in millions)	4.5	4.7	60.2
Percent of workforce	5.9%	6.6%	100.0%
<i>Gender</i>			
Male	39.1%	42.3%	51.7%
Female	60.9%	57.7%	48.3%

*Assuming a phase-in with the final step enacted in April 2006.
**In states with minimum wage rates above \$5.15 but less than \$7.00, these are workers earning between the state minimum wage and \$7.00.
***Those most likely to be affected by "spillover effects"--those earning between \$7 and \$8 per hour.
****Includes workers not covered by minimum wage.
Source: EPI analysis of 2003 Current Population Survey data.

Women are also overrepresented among other low-wage workers, making up 57.7% of those earning near the new minimum – between \$7.00 and \$8.00 per hour. These workers, including 4.7 million women, are likely to benefit from the “spillover effects” of a minimum wage increase, as low-wage workers are pushed higher on the pay scale. These spillover effects have been documented more formally in academic research. [Grossman, *Journal of Human Resources*, 1983; Katz, Larry and Alan Krueger, *Industrial and Labor Relations Review*, 1992; Card, David and Alan Krueger, *American Economic Review*, 1994]

III. Characteristics of Women Workers Benefiting from a Minimum Wage Increase

Table 2 shows the characteristics of women who would benefit both directly and indirectly from a minimum wage increase. We see that:

- **Contrary to the criticism that a minimum wage increase only helps teenagers, 75.6% of the women who would directly benefit are over the age of 20.** Eighty-five percent of women poised to indirectly benefit from an increase are over 20 as well.
- **77% of female beneficiaries work more than 20 hours a week, and the largest share (41.6%) are working full-time (over 35 hours a week).** More than half of indirect beneficiaries are working full-time.
- **Minority women would disproportionately benefit from a minimum wage increase.** 33% of female beneficiaries are African American or Hispanic, even though such groups make up only 23.6% of the female workforce.

Women would benefit the most from a minimum wage increase in large part because, as mentioned above, two major industries that have a high percentage of female workers are disproportionately affected by the proposed wage increase. About 23% of the female beneficiaries work in retail trade, even though the industry only accounts for 12% of the female workforce. The leisure and hospitality sector – which includes restaurants and hotels – also has both a high percentage of minimum wage workers and a high percentage of female employees. Conversely, manufacturing, an industry dominated by male workers, would be largely unaffected by the increase in the minimum wage. Overall, 40.9 percent of female workers who would

benefit from a minimum wage increase work in service occupations, which employ a disproportionately large share of women.

TABLE 2
Characteristics of FEMALE workers affected by minimum wage increase to \$7.00*

	Affected directly**	Other low-wage workers***	Total workforce****
Number of workers (in millions)	4.5	4.7	60.2
Percent of workforce	7.5%	7.9%	100.0%
<i>Race / ethnicity</i>			
White	63.2%	61.6%	70.7%
Black	16.1%	14.1%	12.6%
Hispanic	16.5%	19.0%	11.0%
<i>Age</i>			
16-19	24.4%	14.7%	5.0%
20 and older	75.6%	85.3%	95.0%
<i>Work hours</i>			
1-19 hours	23.1%	16.3%	8.1%
20-34 hours	35.4%	29.6%	18.0%
Full-time (35+ hrs.)	41.6%	54.1%	74.0%
<i>Industry</i>			
Retail trade	23.9%	23.3%	12.2%
Leisure and hospitality	25.8%	19.0%	9.4%
Manufacturing	5.0%	7.5%	8.4%
<i>Occupation</i>			
Sales	26.1%	22.2%	11.6%
Service	40.9%	35.5%	19.3%
<i>Union coverage</i>			
Covered	4.2%	5.8%	12.9%
Not covered	95.8%	94.2%	87.1%

*Assuming a phase-in with the final step enacted in April 2006.

**In states with minimum wage rates above \$5.15 but less than \$7.00, these are the workers earning between the state minimum wage and \$7.00.

***Those most likely to be affected by "spillover effects."

****Includes workers not covered by minimum wage.

Source: EPI analysis of 2003 Current Population Survey data.

IV. Parental Status of Female Beneficiaries

Table 3 presents the family status of workers at various wage levels. It shows that:

- **Overall, about 3 million mothers would benefit from an increase, including 1.4 million mothers receiving a direct raise.**
- **623,000 single moms would receive a direct raise.** Single mothers are over-represented among those who would benefit from a minimum wage increase – making up 10.5% of beneficiaries but only 5.3% of the total workforce.

TABLE 3
Parental Status of Workers Affected by a \$7.00 Minimum Wage, Ages 18-64, 2003*

	Number (in thousands)			Percent of workers		
	Affected directly**	Other low-wage workers***	Total workforce 18-64****	Affected directly**	Other low-wage workers***	Total workforce 18-64****
Total	5,924	7,383	105,710	100.0%	100.0%	100.0%
Working parents with children						
All	1,853	2,341	41,656	31.3%	31.7%	39.4%
Married	1,172	1,612	34,397	19.8%	21.8%	32.5%
<i>Female</i>	764	976	14,047	12.9%	13.2%	13.3%
<i>Male</i>	407	636	20,350	6.9%	8.6%	19.3%
Single	682	729	7,259	11.5%	9.9%	6.9%
<i>Female</i>	623	641	5,607	10.5%	8.7%	5.3%
<i>Male</i>	58	88	1,652	1.0%	1.2%	1.6%
Workers without children						
All	4,071	5,041	64,054	68.7%	68.3%	60.6%
Married	872	1,225	27,751	14.7%	16.6%	26.3%
<i>Female</i>	626	815	13,347	10.6%	11.0%	12.6%
<i>Male</i>	246	410	14,404	4.2%	5.6%	13.6%
Single	3,199	3,817	36,303	54.0%	51.7%	34.3%
<i>Female</i>	1,709	1,833	16,368	28.8%	24.8%	15.5%
<i>Male</i>	1,490	1,984	19,935	25.2%	26.9%	18.9%

*Assuming a phase-in with the final step enacted in April 2006.

**In states with minimum wage rates above \$5.15 but less than \$7.00, these are the workers earning between the state minimum wage and \$7.00.

***Those most likely to be affected by "spillover effects"--those earning between \$7 and \$8 per hour.

****Includes workers not covered by minimum wage.

Source: EPI analysis of 2003 Current Population Survey data.

V. State-By-State Breakdown of Female Workers Benefiting from a Minimum Wage Increase

Table 4 shows that in several states, hundreds of thousands of female workers would directly benefit from a minimum wage increase. For example, the beneficiaries would include:

- **558,000 in Texas; 237,000 women in Ohio; 264,000 women in Florida; 208,000 women in Pennsylvania; 156,000 women in Michigan;**

In lower-income states, a significant percentage of working women would gain, including:

- **18.4% of female workers in West Virginia; 14.5% of female workers in New Mexico; 16.1% of female workers in Louisiana.**

TABLE 4
Share and Number of female workers affected by minimum wage
Increase to \$7.00 by state*

	Percent	Number (thousands)		Percent	Number (thousands)
UNITED STATES	7.5%	4.5			
NORTHEAST			SOUTH		
<i>New England</i>			<i>South Atlantic</i>		
Maine	**	**	Delaware	**	**
New Hampshire	4.0%	12.0	Maryland	5.7%	71.8
Vermont	***	***	Dist. of Columbia	**	**
Massachusetts	**	**	Virginia	6.8%	111.6
Rhode Island	**	**	West Virginia	18.4%	58.8
Connecticut	***	***	North Carolina	7.8%	139.3
			South Carolina	10.0%	86.4
<i>Middle Atlantic</i>			Georgia	8.4%	151.7
New York	8.3%	331.0	Florida	8.0%	264.4
New Jersey	5.5%	102.5			
Pennsylvania	7.9%	207.7	<i>East South Central</i>		
			Kentucky	10.5%	87.5
MIDWEST			Tennessee	8.4%	98.6
<i>East North Central</i>			Alabama	13.2%	118.9
Ohio	9.3%	236.7	Mississippi	13.2%	73.4
Indiana	8.1%	107.6			
Illinois	7.6%	202.1	<i>West South Central</i>		
Michigan	7.5%	155.8	Arkansas	16.5%	83.7
Wisconsin	6.8%	90.1	Louisiana	16.1%	138.1
			Oklahoma	12.2%	83.8
<i>West North Central</i>			Texas	12.9%	557.5
Minnesota	5.0%	61.8			
Iowa	9.9%	67.9	WEST		
Missouri	7.4%	95.5	<i>Mountain</i>		
North Dakota	12.0%	17.5	Montana	14.3%	26.2
South Dakota	8.6%	15.5	Idaho	13.0%	34.3
Nebraska	9.6%	39.9	Wyoming	14.3%	15.7
Kansas	10.0%	60.5	Colorado	4.0%	37.9
			New Mexico	14.5%	54.4
			Arizona	7.2%	72.9
			Utah	10.4%	49.9
			Nevada	7.6%	33.1
			<i>Pacific</i>		
			Washington	***	***
			Oregon	***	***
			California	2.8%	191.3
			Alaska	***	***
			Hawaii	**	**

*Assuming a phase-in with the final step enacted in April 2006.

**Insufficient sample size to estimate. In these cases, higher state minimum wages lessen the impact of a federal increase.

***Alaska, Connecticut, Oregon, Vermont, and Washington have or will have minimum wages above \$7.00 by 2005.

VI. A \$7.00 Minimum Wage is a Well-Targeted Mechanism To Help Low-Income Families

When the minimum wage was last increased in 1997, a family of four with one working parent at the minimum wage was above the poverty line after receiving their full Earned Income Tax Credit and Food Stamps benefits. Today, that is no longer the case. As Table 5 shows, the real value of the minimum wage has eroded to the extent that in 2003, that same family of four was at only 98% of the poverty line. The table demonstrates that:

- **A minimum wage increase to \$7.00 an hour, combined with the EITC, Food Stamps, and the Child Tax Credit, would lift a family of four to 108% of the poverty line; failing to act would mean such a family would fall farther behind – to 93% of the poverty line in 2007.**

	<u>1998</u>	<u>2003</u>	<u>2007</u> (no increase)	<u>2007</u> (increase to \$7.00)
Earnings	10,712	10,712	10,712	14,560
Payroll	-819	-819	-819	-1,114
EITC	3,756	4,204	4,285	4,528
Addl Child	0	21	0	488
Food Stamps	3,204	4,176	4,596	3,216
TOTAL	16,853	18,294	18,773	21,678
POVERTY	16,530	18,664	20,103	20,103
Comparison	102%	98%	93%	108%

Source: Authors' calculation

Still, some critics of the minimum wage argue that it is poorly targeted, mostly helping low-wage workers in high-income families who don't really need the higher wages to make ends meet. Table 6 belies this claim:

- **60% of the benefits from a minimum wage increase would flow to households that account for less than 16% of total American earnings.** Slightly less than 40% of the benefits would go to the bottom 20% of households, those with average weekly earnings of \$271.

Weekly earnings quintile	Share of gain from increase	Share of total earnings	Average weekly earnings
Bottom	39.2%	5.2%	\$271
Second	20.4%	10.6%	\$558

Middle	16.4%	16.6%	\$858
Fourth	14.0%	24.4%	\$1,270
Top	10.1%	43.2%	\$2,249

Source: EPI analysis of 2003 CPS-ORG data.

In fact, as Table 7 shows, minimum wage workers are major contributors to their families' weekly earnings.

- **Among families with children and a low-wage worker affected by the minimum wage increase, the affected worker contributes, on average, one-half of his or her family's earnings.**
- **Indeed, in 37.1% of families with children and an affected worker, workers who would be affected by a minimum wage increase contribute all of the family's earnings.**

TABLE 7		
The share of weekly earnings contributed by minimum wage workers*, 2003		
	Average share	Share of families with 100% of earnings from affected workers
All families with an affected worker	50.2%	36.1%
Excluding families without children	50.0%	37.1%

* Minimum wage workers are defined here as those who would be directly affected by an increase to \$7.00.
Source: EPI analysis of 2003 CPS-ORG data.

For these families, a minimum wage increase to \$7.00 could make an important contribution to the necessary expenses they face each month. The \$1.85 increase over the current minimum wage would translate into more than \$3,800 a year in income for a minimum wage earner. Table 8 provides a sense of what \$3,800 could cover for a low-income family of four in 2007. Some examples are:

- **10 months of groceries;**
- **8 months of rent;**
- **An entire year of community college and almost an entire year of healthcare expenses.**

TABLE 7		
Basic Expenditures for a Low-Income Family of Four		
<u>Household Expense</u>	<u>Average Monthly Cost</u>	<u>Value of a \$7.00 Minimum Wage</u>
Groceries	\$554	10 Months

Rent	\$465	8 Months
Healthcare	\$160	24 Months
Childcare	\$203	19 Months
Community College Tuition	\$171	More Than Three Semesters
Sources: BLS Consumer Expenditure Survey 2001-2002; College Board "Trends in College Pricing 2003." All figures converted into 2007 dollars using CBO projections of CPI-U growth.		

VII. The Employment Effects of A Moderate Minimum Wage Increase

Extensive empirical research over the past decade shows that the employment effects associated with a moderate minimum wage increase are negligible and in some cases may lead to modest employment gains:

- **Economists David Card and Alan Krueger found no measurable negative impact on employment from a “natural experiment” with the minimum wage.** Card and Krueger looked at the employment impact of a minimum wage increase in New Jersey in 1992 and compared it to the employment impact in the neighboring state of Pennsylvania. They found that the New Jersey minimum wage increase had a very minor, and if anything slightly positive, impact, on employment. [Card, David and Alan Krueger. *American Economic Review* Vol. 84, No. 4; Card, David and Alan Krueger. *American Economic Review*, Vol. 90, No. 5]
- **Following the most recent increase in the minimum wage in 1996-1997, the low-wage labor market performed better than it had in decades:** 10.2 million private sector jobs were created in 1997 through 2000, and the unemployment rate fell from 5.4% to 4.0% in 2000, the lowest in 31 years. Unemployment among blacks and Hispanics fell to their lowest levels on record. Average hourly wage growth accelerated to 1.5% a year in 1997-2000, the fastest four year period of wage growth since 1973. Family income increased across the board, with families in the lowest fifth seeing above-average gains. The poverty rate declined to 11.3% in 2000, its lowest level since the 1970s.
- **An Economic Policy Institute analysis of the federal minimum wage increase in 1996-1997 found that any employment effect was "economically small and statistically insignificant."** [Bernstein, Jared, and John Schmitt. *Economic Policy Institute*, 1998.]
- **A recent Fiscal Policy Institute (FPI) study of state minimum wages found no evidence of a negative employment effect.** FPI found that aggregate employment in states with minimum wages set above the \$5.15 federal level increased by 6.1% from 1998-2004, while employment in states at the federal minimum wage increased by only 4.1%. [Fiscal Policy Institute, 2004]
- **In a review of the economic literature, Harvard economist Richard Freeman reported that most studies find moderate increases in the minimum wage have little to no employment effect.** “Research on the employment effects of the US minimum wage...has shown that the elasticity of demand for minimum wage workers hovers around zero.” [Freeman, Richard. *Economic Journal*, May 1996]

Conclusion

An increase in the federal minimum wage is well overdue. The evidence provided above reveals that an increase to \$7.00 by 2007 could directly and indirectly benefit over 15 million low-wage workers, of whom 9.2 million are women. These workers are disproportionately low-income and their earnings matter significantly to their families' ability to make ends meet. In fact, 3 million mothers are working in low-wage jobs that would stand to benefit from such an increase. These women are striving to "play by the rules," toiling in low-end service jobs, making change, making beds, and caring for the young and the ill.

Yet their ability to meet their most basic consumption needs are challenged by a federal minimum wage that has been eroded by inflation since Congress last increased it eight years ago. Given this eroded value of the minimum wage, even those who get the full EITC and Food Stamps benefits are not guaranteed a path out of poverty. These findings strongly suggest that policy makers could make an important difference in the lives of low-wage workers by supporting an increase in the minimum wage.

Appendix:

Methodology Employed by the Economic Policy Institute in Constructing the Data Tables

The tables in this report assume an increase in the minimum wage to \$7.00 phased in gradually with the final step enacted in April 2006.

Table 1 and Table 2: The data in this section come from the 2003 Current Population Survey Outgoing Rotation Group. The sample is restricted to persons aged 16 or over who were employed in the week prior to the survey. Self-employed persons are excluded. For persons who reported weekly wages, but not hourly wages, their hourly wage is derived by using the number of hours worked. Workforce growth is assumed at 1% annually. Assumptions concerning nominal wage growth can have a dramatic effect on the number of workers predicted to be affected. To account for the fact that some workers will not experience wage growth, wages of workers earning exactly the minimum wage are held constant while allowing the wages of other workers to grow at the CBO-projected rate of inflation.

For each worker, the applicable minimum wage for each year from 2003 to 2006 is identified in the absence of a federal minimum wage change. The applicable minimum wage is the higher of the federal minimum wage and the state minimum wage. Scheduled increases in state minimum wages are included and workers in those states are given the scheduled increases. Also, the minimum wages of Alaska and D.C. automatically adjust in response to federal increases.

Some workers are not covered by the minimum wage and therefore may not be affected by the increase. It is assumed that all workers who earned less than their applicable minimum wage in 2001 were not covered by the minimum wage and therefore would not be affected by the increase. Since coverage rules differ between state wage laws and the federal law, this may overstate the number of workers not covered. In 2001 there were about 900,000 workers that earned at least \$5.15, but less than their state minimum wage. On the other hand, this may be offset by the possibility that there may be some workers earning \$5.15 or above who wouldn't be covered by the proposed increases.

In order to be affected by the proposed increase in a given year, workers had to meet three criteria:

- (1) They had to earn above their applicable minimum wage in 2003;
- (2) The proposed minimum wage had to be higher than their state minimum wage would be in absence of a federal increase;
- (3) Their wage in the given year (after nominal growth) had to be less than the proposed minimum wage.

In order to be in the group that may receive spillover effects, the workers had to meet three criteria:

- (1) They couldn't be directly affected in any year of the proposed increase;
- (2) They had to earn above their applicable minimum wage in 2004;
- (3) Their wage in 2006 (after nominal growth) had to be greater than the proposed minimum wage, but less than the proposed minimum wage plus \$1.00.

Table 6: Distribution of gains by total household earnings: For workers who report hourly wages, but not weekly earnings, weekly earnings are derived using the number of hours worked. The gain from the proposed increase is equal to the difference between the total household

weekly earnings with the proposed increase and the total household weekly earnings in absence of the increase.

Table 7: Share of weekly earnings contributed by minimum wage workers, 2003: Minimum wage workers are defined here as those workers earning at least their applicable federal or state minimum wage, but less than the level of the proposed increase. Only families with at least two people are included.