

CRS Report for Congress

Minimum Wage: Characteristics of Low-Wage Workers and Their Families

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Summary

In May 2007, President George Bush signed a supplemental appropriations bill (H.R. 2206, P.L. 110-28) that raised the basic federal minimum wage, in steps, from \$5.15 to \$7.25 an hour. The minimum wage increased to \$5.85 in July 2007. It will rise to \$6.55 in July 2008 and to \$7.25 in July 2009. Several states have minimum wage rates that are higher than the current (January 2008) federal minimum wage of \$5.85. P.L. 110-28 also extended the minimum wage on the U.S. mainland to the Commonwealth of the Northern Mariana Islands (CNMI) and American Samoa.

The federal minimum wage standard for an individual employee has become part of the policy discussion about alleviating poverty among families supported by low-wage workers. It is viewed by some as a tool to encourage labor force participation among members of low-income families by making work more financially rewarding. Others assert that raising the minimum wage is not the most effective way to assist low-income families with earners — in part because many low-wage workers do not live in low-income families. Accordingly, this report analyzes not only the individual characteristics of workers by their hourly wage rate, but also the characteristics of the families in which they live. The report does not address the arguments of proponents or opponents about the advisability of raising the minimum wage.

Compared to the typical worker paid an hourly wage, employees who earned below \$7.25 per hour in 2005 were more likely to have been women, of Hispanic origin, young (i.e., ages 16 to 24) or old (i.e., age 65 and above), lacking a high school diploma, in service and sales occupations (e.g., waitresses and cashiers, respectively), working part-time (i.e., less than 35 hours a week), and not represented by a labor union. A larger proportion of working women than men, young workers than prime-age workers (i.e., 25 to 54 years old), and part-timers than full-timers, for example, may gain from a \$2.10-an-hour increase in the federal minimum wage.

The families of hourly workers paid less than \$7.25 an hour in 2005 more often were poor, receiving welfare, and lacking health insurance coverage from any source. Individuals who earned less than \$7.25 an hour were more likely than higher-paid persons to be secondary earners in their families, but a substantial share of low-wage workers were the sole earners in their families. Some 29% of hourly workers who earned under \$7.25 an hour in 2005 lived in families with incomes of \$20,000 or less; another 26% lived in families with incomes from \$20,001 to \$40,000. About one-fourth of these low-wage workers were spouses in married-couple families (with or without children), and some 13% were single parents. Another 12% were teenagers (i.e., 16 to 19 years old).

At the other end of the spectrum, 13% of hourly workers paid below \$7.25 an hour lived in families with annual incomes of more than \$100,000. In contrast to the pattern among low-income families, over one-half of the low-wage workers in these high-income families were teenagers (56%). This report may be updated if issues warrant.

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Minimum Wage: Characteristics of Low-Wage Workers and Their Families

Introduction

In May 2007, President George Bush signed a supplemental appropriations bill (H.R. 2206, P.L. 110-28) that raised the basic federal minimum wage, in steps, from \$5.15 to \$7.25 an hour.¹ The minimum wage was increased to \$5.85 in July 2007.² It will rise to \$6.55 in July 2008 and to \$7.25 in July 2009. Several states have minimum wage rates that are higher than the current (January 2008) federal minimum wage of \$5.85.

This report examines characteristics of workers and their families who may benefit directly from an increase in the federal minimum wage.³ The first part of the report provides information on the

- demographic and social characteristics (e.g., age, education) of hourly workers who are paid less than \$7.25 an hour, as well as
- the characteristics of the jobs they hold (e.g., occupation and part-time/full-time hours) and
- the characteristics of the families in which they live (e.g., family income, welfare receipt).

Some argue that raising the minimum wage is an effective way to alleviate poverty among families supported by low-wage workers. A higher minimum wage may raise their incomes and it may encourage greater labor force participation among members of low-income families. Others assert that raising the minimum wage is not an effective way to aid low-income families — because many low-wage workers do not live in low-income families or because many low-income families do not have

¹ In addition to a basic minimum wage, the Fair Labor Standards Act (FLSA) has lower minimum wage rates for tipped employees, certain new hires under the age of 20, full-time students who work part-time, and handicapped persons. The FLSA also includes a number of exemptions from the minimum wage. For additional information about the federal minimum wage and legislative activity see CRS Report RL33754, *Minimum Wage in the 110th Congress*, by William G. Whittaker.

² Until July 2007, the basic federal minimum wage had not been raised since September 1997.

³ In addition to employees who may benefit directly from an increase in the federal minimum wage, some employees may benefit indirectly. In order to maintain internal differences in wages between jobs, some firms may raise the wages of workers earning above the proposed increase in the federal standard.

earners. Thus, the last section of the report examines characteristics of the families of low-wage workers.

Legislation in the 110th Congress

On January 10, 2007, the house approved H.R. 2, which would have raised the federal minimum wage, in steps, from \$5.15 to \$7.25 an hour. The minimum wage on the U.S. mainland would have been extended to the Commonwealth of the Northern Mariana Islands (CNMI). On February 1, 2007, the Senate adopted a substitute to H.R. 2. The Senate-passed version of H.R. 2 would have raised the minimum wage to \$7.25, extended the federal minimum wage to CNMI, and provided an estimated \$8.3 billion (from FY2007 to FY2016) in tax cuts for business. The tax cuts would have been offset by a package of revenue increases.⁴ The House, on February 16, 2007, passed H.R. 976, its version of tax cuts for business. As passed by the House, H.R. 976 was titled the Small Business Tax Relief Act of 2007. The Senate did not act on this version of H.R. 976. Instead, text similar to S. 1893, the Children's Health Insurance Program Reauthorization Act of 2007, was later substituted for the House-passed version of H.R. 976.

On March 23, 2007, the House approved H.R. 1591, a supplemental appropriations bill to fund the wars in Iraq and Afghanistan and for other matters. In the House, H.R. 1591 included a provision that would have raised the federal minimum wage to \$7.25 and extended the mainland wage to both CNMI and American Samoa.⁵ The Senate-version of H.R. 1591, approved on March 29, also raised the minimum wage and extended the federal wage to CNMI (but not American Samoa). The conference agreement on H.R. 1591 raised the federal minimum wage from \$5.15 to \$7.25 an hour, and extended the mainland minimum wage to both CNMI and American Samoa. Citing the bill's timetable for withdrawing U.S. troops from Iraq and other matters, President Bush vetoed the measure on May 1, 2007. The next day, an attempt to override the veto in the House failed by a vote of 222 to 203 (with a two-thirds vote needed to override the veto).

On May 10, 2007, the House approved H.R. 2206, a second supplemental appropriations bill. The House and Senate approved the final measure on May 24, and the bill was signed into law by President Bush on May 25, 2007 (P.L. 110-28). Like previous measures, H.R. 2206 raised the minimum wage, in steps, from \$5.15 to \$7.25. The federal minimum wage was extended to both CNMI and American Samoa. The minimum wage in CNMI was raised to \$3.55 an hour beginning 60 days after the date of enactment. In American Samoa, the minimum wage that applied to each industry was raised by \$0.50 an hour 60 days after the date of enactment. In both territories, the minimum wage will rise by \$0.50 an hour annually until the

⁴ For a discussion of tax benefits in the Senate-passed version of H.R. 2, see CRS Report RL32275, *Small Business Tax Preferences: Significant Legislative Proposals in the 110th Congress*, by Gary Guenther.

⁵ For more information on the minimum wage in CNMI and American Samoa, see CRS Report RL34013, *The Federal Minimum Wage and American Samoa*, by William G. Whittaker and CRS Report RL30235, *Minimum Wage in the Territories and Possessions of the United States: Application of the Fair Labor Standards Act*, by William G. Whittaker.

minimum wage in the two territories is equal to the minimum wage on the U.S. mainland. H.R. 2206 also directed the U.S. Department of Labor (through the Bureau of Labor Statistics) to conduct a study of the impact of the increase in the minimum wage and to project the impact on living standards and employment of further increases in the minimum wage in CNMI and American Samoa. The Department of Labor must report the findings of the study no later than eight months after the date of enactment of H.R. 2206 (i.e., January 2008).

A Word About the Data

This report examines the wages of workers paid by the hour. The data are from the Current Population Survey (CPS), which is a household survey conducted by the Census Bureau for the Bureau of Labor Statistics (BLS). Although most workers are covered by the minimum wage requirements of the FLSA, the CPS does not ask workers if they are covered by the act.

The Congressional Research Service (CRS) used data from the monthly CPS for 2005 and the 2006 Annual Social and Economic (ASEC) Supplement to the CPS to analyze the wages and family incomes of hourly workers; that is, employees paid an hourly wage rather than a weekly or annual salary or a rate based on the quantity of goods or services produced (i.e., a piece rate).⁶ The analysis does not include self-employed persons.

As provided in the FLSA, the hourly wage shown in the tables that follow consists of cash payments only (i.e., the value of employment-based benefits are not included). A fuller explanation of the data and methodology used in this report appears in the **Appendix**.

In this report, hourly workers who earned less than \$7.25 an hour in 2005 are sometimes referred to as low-wage workers. The phrase is used for the sake of brevity. In the private sector in 2005, the average wage of nonmanagement employees was \$16.11 an hour, according to a BLS survey of employers.

A Glimpse of What Follows

Compared to the typical worker paid an hourly wage, employees who earned below \$7.25 per hour in 2005 were more likely to have been

- women,
- of Hispanic origin,
- young (i.e., age 16-24) or old (i.e., age 65 and above),
- lacking a high school degree,
- in service and sales occupations,
- working part-time (i.e., less than 35 hours a week), and
- not represented by a labor union.

⁶ The minimum wage provisions of the FLSA apply to workers paid on an hourly, salary, or some other basis. (Commerce Clearing House, *Labor Law Reporter: Wages Hours*, Chicago: Commerce Clearing House, 2006, p. 38,953.) Thus, some salaried and piece rate workers may benefit directly or indirectly from an increase in the federal minimum wage.

The families of these low-wage workers were more likely than other families in 2005 to have been

- poor,
- receiving welfare, and
- lacking health insurance coverage from any source.

Individuals who earned less than \$7.25 an hour were more likely than higher paid persons to be secondary earners in their families, but a substantial share of low-wage workers were the sole earners in their families. Whereas low-wage workers in higher income families very often were teenagers, low-wage workers in lower income families often were spouses in married couple families (with or without children) or single parents.

Social, Economic, and Demographic Characteristics of Low-Wage Workers

This section of the report examines selected demographic and labor market characteristics of low-wage workers.

Gender

Women were overrepresented among low-wage workers in 2005: almost 7 million of the more than 11 million hourly workers who earned under \$7.25 an hour were women (60.1%); in contrast, women accounted for a smaller share of all hourly workers (50.2%). (See the top and middle panels of **Table 1**.) It also appears that relatively more working women than men might gain from a higher federal minimum wage. As shown in the bottom panel of the table, 18.1% of all female hourly workers earned below \$7.25 per hour in 2005 compared to only 12.1% of men.

Race and Hispanic Origin

Minorities, particularly Hispanics, comprised larger shares of workers paid below \$7.25 an hour than they did of all hourly workers in 2005, as can be seen in the middle panel of **Table 2**. Hispanics, who may be of any race, and black non-Hispanics might benefit more than white non-Hispanics from a boost in the federal minimum wage. Almost 2.5 million out of 12.5 million Hispanics employed on an hourly basis — or almost one in five — earned less than \$7.25 an hour in 2005. Although relatively fewer black non-Hispanics (16.9%) were paid less than the proposed minimum wage level, an even smaller proportion of white non-Hispanics (13.7%) might have seen their pay increase if the federal minimum wage had been \$2.10 per hour higher in 2005. (See the bottom panel of **Table 2**.)

**Table 1. Distribution of Hourly Workers
by Gender and Hourly Wage, 2005**

Gender	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (1,000s)					
Total	75,609	11,422	1,882	9,540	64,187
Male	37,652	4,563	648	3,915	33,089
Female	37,957	6,859	1,234	5,626	31,098
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Male	49.8	39.9	34.4	41.0	51.6
Female	50.2	60.1	65.6	59.0	48.4
Percent by Gender					
Total	100.0	15.1	2.5	12.6	84.9
Male	100.0	12.1	1.7	10.4	87.9
Female	100.0	18.1	3.3	14.8	81.9

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

**Table 2. Distribution of Hourly Workers
by Race, Hispanic Origin, and Hourly Wage, 2005**

Race	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
White, Non-Hispanic	49,339	6,760	1,282	5,479	42,579
Black, Non-Hispanic	9,435	1,593	205	1,388	7,842
Hispanic	12,527	2,451	282	2,170	10,076
Other, Non-Hispanic	4,308	618	114	504	3,690
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
White, Non-Hispanic	65.3	59.2	68.1	57.4	66.3
Black, Non-Hispanic	12.5	13.9	10.9	14.5	12.2
Hispanic	16.6	21.5	15.0	22.7	15.7
Other, Non-Hispanic	5.7	5.4	6.1	5.3	5.7
Percent by Race and Hispanic Origin					
Total	100.0	15.1	2.5	12.6	84.9
White, Non-Hispanic	100.0	13.7	2.6	11.1	86.3
Black, Non-Hispanic	100.0	16.9	2.2	14.7	83.1
Hispanic	100.0	19.6	2.2	17.3	80.4
Other, Non-Hispanic	100.0	14.3	2.7	11.7	85.7

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Nativity

Hourly workers born in a country other than the United States were slightly overrepresented in the low-wage workforce, with the foreign-born comprising 18.7% of persons paid under \$7.25 per hour in 2005 as opposed to 16.0% of all hourly paid workers.⁷ (See the middle panel of **Table 3**.) As shown in the bottom panel of the table, relatively more foreign-born than native-born workers might gain from a minimum wage increase (17.7% versus 14.6%, respectively).

Table 3. Distribution of Hourly Workers by Nativity and Hourly Wage, 2005

Native-Born or Foreign-Born	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
Native Born	63,494	9,284	1,640	7,644	54,210
Foreign Born	12,115	2,139	242	1,896	9,977
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Native Born	84.0	81.3	87.1	80.1	84.5
Foreign Born	16.0	18.7	12.9	19.9	15.5
Percent by Nativity					
Total	100.0	15.1	2.5	12.6	84.9
Native Born	100.0	14.6	2.6	12.0	85.4
Foreign Born	100.0	17.7	2.0	15.7	82.3

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Age

According to the data in the middle panel of **Table 4**, young workers — 16 to 24 year olds — made up a disproportionate share of individuals paid under \$7.25 an hour in 2005. Over one-half of hourly workers paid below the proposed federal minimum wage were between 16 and 24 years old (27.7%, teenagers; 23.5%, 20-24 year olds). In contrast, these young workers accounted for much smaller proportions of all hourly workers (7.3%, teenagers; 14.3%, 20-24 year olds).

A substantial percentage of young workers might be affected directly were the minimum wage to rise. Nearly three out five teenagers paid an hourly wage might

⁷ In this report, foreign-born persons include both citizens and noncitizens of the United States. The CPS does not ask noncitizens if they are legal permanent residents, nonimmigrants who are in the United States temporarily (e.g., visitors or guest workers), or whether they are in the country without authorization. Therefore, in this report, foreign-born persons include legal immigrants, legal nonimmigrants, and unauthorized aliens.

see their earnings increase if the federal standard goes to \$7.25 per hour. Similarly, one in four workers between 20 and 24 years old might get a pay raise. (See the bottom panel of **Table 4**.)

An above-average share of older workers also might benefit from an increase in the wage standard. While 15.1% of all hourly workers were paid under \$7.25 per hour in 2005, 18.2% of workers age 65 and over earned this hourly rate.

Table 4. Distribution of Hourly Workers by Age and Hourly Wage, 2005

Age	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
16-19	5,528	3,165	491	2,675	2,363
20-24	10,846	2,682	511	2,171	8,164
25-29	8,692	1,090	229	861	7,602
30-34	8,088	892	144	748	7,195
35-39	7,992	666	106	559	7,326
40-44	8,769	712	101	611	8,056
45-49	8,417	626	100	525	7,792
50-54	7,001	513	64	449	6,488
55-64	8,015	665	79	587	7,350
65 and over	2,261	411	56	355	1,851
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
16-19	7.3	27.7	26.1	28.0	3.7
20-24	14.3	23.5	27.2	22.8	12.7
25-29	11.5	9.5	12.2	9.0	11.8
30-34	10.7	7.8	7.6	7.8	11.2
35-39	10.6	5.8	5.7	5.9	11.4
40-44	11.6	6.2	5.4	6.4	12.6
45-49	11.1	5.5	5.3	5.5	12.1
50-54	9.3	4.5	3.4	4.7	10.1
55-64	10.6	5.8	4.2	6.1	11.5
65 and over	3.0	3.6	3.0	3.7	2.9
Percent by Age					
Total	100.0	15.1	2.5	12.6	84.9
16-19	100.0	57.3	8.9	48.4	42.7
20-24	100.0	24.7	4.7	20.0	75.3
25-29	100.0	12.5	2.6	9.9	87.5
30-34	100.0	11.0	1.8	9.3	89.0
35-39	100.0	8.3	1.3	7.0	91.7
40-44	100.0	8.1	1.2	7.0	91.9
45-49	100.0	7.4	1.2	6.2	92.6
50-54	100.0	7.3	0.9	6.4	92.7
55-64	100.0	8.3	1.0	7.3	91.7
65 and over	100.0	18.2	2.5	15.7	81.8

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Education

Educational attainment is considered a proxy for skill level or productivity (i.e., output per hour worked), which is difficult to measure directly. Because firms reward workers based in part on their skill levels, educational attainment usually is positively related to earnings level (i.e., lower wages are associated with less schooling). It thus is not surprising that many workers paid below \$7.25 per hour have fairly limited formal education. (See the middle panel of **Table 5**.) Almost 7 of every 10 low-wage workers in 2005 either lacked a high school diploma or had completed only high school. In fact, the least educated group was overrepresented in the low-wage workforce: while employees who did not attend or complete high school comprised fully 38.1% of hourly workers earning under \$7.25 per hour, they made up just 16.7% of all workers paid on an hourly basis.

Table 5. Distribution of Hourly Workers by Education and Hourly Wage, 2005

Education	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
Less Than a High School Diploma	12,647	4,350	561	3,789	8,296
High School Graduate	27,622	3,457	548	2,909	24,165
Some College, No Degree	16,857	2,566	536	2,030	14,291
Associate Degree	7,797	504	109	395	7,293
Bachelors Degree	8,485	470	113	357	8,015
Graduate or Professional Degree	2,201	75	15	61	2,126
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Less Than a High School Diploma	16.7	38.1	29.8	39.7	12.9
High School Graduate	36.5	30.3	29.1	30.5	37.6
Some College, No Degree	22.3	22.5	28.5	21.3	22.3
Associate Degree	10.3	4.4	5.8	4.1	11.4
Bachelors Degree	11.2	4.1	6.0	3.7	12.5
Graduate or Professional Degree	2.9	0.7	0.8	0.6	3.3
Percent by Education					
Total	100.0	15.1	2.5	12.6	84.9
Less Than a High School Diploma	100.0	34.4	4.4	30.0	65.6
High School Graduate	100.0	12.5	2.0	10.5	87.5
Some College, No Degree	100.0	15.2	3.2	12.0	84.8
Associate Degree	100.0	6.5	1.4	5.1	93.5
Bachelors Degree	100.0	5.5	1.3	4.2	94.5
Graduate or Professional Degree	100.0	3.4	0.7	2.8	96.6

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

It could be argued that these findings partly reflect the previously discussed overrepresentation of youth among low-wage workers. Because some of these youngsters probably are still attending school, they might only briefly be members of the low-skilled low-wage labor force. As shown in the bottom panel of **Table 5**, 34.4% of hourly workers ages 16 and older who lacked a high school diploma as of 2005 earned under \$7.25 an hour. If, instead, hourly workers ages 25 and older are examined (not shown in **Table 5**), thereby limiting the sample to persons more likely to have completed their schooling, the proportion of workers without a high school diploma earning below \$7.25 an hour drops to 21.6%.⁸ In other words, perhaps one of every five “permanently” low-skilled adults paid on an hourly basis might gain from the proposed \$2.10 rise in the federal minimum wage.

Occupation

Most hourly workers employed in jobs that paid less than \$7.25 an hour in 2005 were clustered in two occupational groups. As shown in the middle panel of **Table 6**, the single largest concentration (46.2%) were employed in service occupations (e.g., food preparation, building cleaning, health care support, personal care, and protective support). Another 19.2% of low-wage workers were employed in sales and related occupations (e.g., retail and personal services sales workers). Both these figures were much larger than the occupational groups’ presence among all hourly paid workers (22.2% and 10.1%, respectively). Although total employment was relatively small (an estimated 623,000 hourly workers), the only other occupational group considerably overrepresented among low-wage hourly workers were farming, fishing, and forestry occupations (2.1% versus 0.8% for all hourly workers).

According to CRS estimates (not shown in **Table 6**), one of every two hourly workers employed in food preparation and service occupations was paid less than \$7.25 an hour in 2005. Half of these workers may be tipped employees (e.g., waiters, waitresses, hosts, and hostesses) who under the FLSA must be paid at least \$2.13 an hour provided they receive at least \$3.02 an hour in tips — for total hourly pay of at least \$5.15.⁹ Those tipped employees who currently earn less than \$7.25 an hour in wages and tips would likely benefit directly from an increase in the basic minimum wage to \$7.25 an hour. Tipped employees who currently receive more than \$7.25 an hour in wages and tips may not benefit.

A much above-average share of hourly workers in sales occupations might benefit if the basic federal minimum wage increased to \$7.25 an hour. For example, based on CRS estimates (not shown in **Table 6**), about two in five cashiers and a similar share of counter and rental clerks might see their pay increase if the basic minimum wage is raised by \$2.10 an hour. An increase of this size also might affect

⁸ Data discussed in the text of this report that are not shown in the tables are available from the authors upon request.

⁹ The \$3.02 amount is commonly called a “tip credit.” Some states allow a smaller tip credit; others do not allow a credit. For more information on the tip credit, see CRS Report RL33348, *The Tip Credit Provisions of the Fair Labor Standards Act*, by William G. Whittaker.

three in ten retail salespersons, door-to-door sales workers as well as news and street vendors, and telemarketers.

Table 6. Distribution of Hourly Workers by Occupation and Hourly Wage, 2005

Occupation	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
Management, business, and financial	3,902	146	22	124	3,756
Professional and related	10,366	470	51	419	9,895
Service	16,751	5,279	1,394	3,885	11,472
Sales and related	7,612	2,196	142	2,055	5,415
Office and administrative support	13,318	1,156	98	1,058	12,161
Farming, fishing, and forestry	623	235	14	221	388
Construction and extraction	5,828	261	18	242	5,568
Installation, maintenance, and repair	3,449	104	15	89	3,345
Production	7,658	639	47	592	7,019
Transportation and material moving	6,103	936	80	855	5,167
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Management, business, and financial	5.2	1.3	1.2	1.3	5.9
Professional and related	13.7	4.1	2.7	4.4	15.4
Service ^a	22.2	46.2	74.1	40.7	17.9
Sales and related ^a	10.1	19.2	7.5	21.5	8.4
Office and administrative support	17.6	10.1	5.2	11.1	18.9
Farming, fishing, and forestry	0.8	2.1	0.8	2.3	0.6
Construction and extraction	7.7	2.3	1.0	2.5	8.7
Installation, maintenance, and repair	4.6	0.9	0.8	0.9	5.2
Production	10.1	5.6	2.5	6.2	10.9
Transportation and material moving	8.1	8.2	4.3	9.0	8.0
Percent by Occupation					
Total	100.0	15.1	2.5	12.6	84.9
Management, business, and financial	100.0	3.7	0.6	3.2	96.3
Professional and related	100.0	4.5	0.5	4.0	95.5
Service	100.0	31.5	8.3	23.2	68.5
Sales and related	100.0	28.9	1.9	27.0	71.1
Office and administrative support	100.0	8.7	0.7	7.9	91.3
Farming, fishing, and forestry	100.0	37.7	2.3	35.4	62.3
Construction and extraction	100.0	4.5	0.3	4.2	95.5
Installation, maintenance, and repair	100.0	3.0	0.4	2.6	97.0
Production	100.0	8.3	0.6	7.7	91.7
Transportation and material moving	100.0	15.3	1.3	14.0	84.7

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

a. Service occupations include food preparation, building cleaning, health care support, personal care, and protective support occupations. Sales and related occupations include sales representatives and retail sales workers, such as cashiers and counter and rental clerks.

Full-Time and Part-Time Status

It is widely thought that workers employed part-time, even when they hold jobs similar to full-time workers (i.e., persons employed for 35 or more hours a week), are paid at a lower rate. As a result, part-timers should have a greater propensity for low-wage employment. As shown in the bottom panel of **Table 7**, part-time workers were four times more likely than full-time workers to have earned under \$7.25 per hour in 2005 (35.1% compared to 8.8%). About 6.4 million part-timers, or over one-half of persons paid below \$7.25 an hour, might have gotten a pay raise had the federal minimum wage under consideration been effective in 2005. (See the top and middle panels of the table.)

Table 7. Distribution of Hourly Workers by Full-Time or Part-Time Status and Hourly Wage, 2005

Full-Time or Part-Time	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
Full-time	57,385	5,031	752	4,279	52,354
Part-time	18,225	6,392	1,130	5,261	11,833
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Full-time	75.9	44.0	39.9	44.9	81.6
Part-time	24.1	56.0	60.1	55.1	18.4
Percent by Full-Time or Part-Time					
Total	100.0	15.1	2.5	12.6	84.9
Full-time	100.0	8.8	1.3	7.5	91.2
Part-time	100.0	35.1	6.2	28.9	64.9

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Union Membership

Because workers represented by labor unions usually enjoy a wage advantage over nonrepresented workers, unionized workers should be less prone to low-wage employment. Indeed, union members were less likely to have earned under \$7.25 an hour in 2005 than were nonmembers (4.3% compared to 16.7%). (See the bottom panel of **Table 8**.) In other words, comparatively few workers represented by labor unions stand to gain from the proposed increase in the federal minimum wage.

Table 8. Distribution of Hourly Workers by Union Status and Hourly Wage, 2005

Union Member	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	75,609	11,422	1,882	9,540	64,187
Union	9,755	418	51	367	9,337
Nonunion	65,854	11,005	1,831	9,173	54,850
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Union	12.9	3.7	2.7	3.8	14.5
Nonunion	87.1	96.3	97.3	96.2	85.5
Percent by Union Status					
Total	100.0	15.1	2.5	12.6	84.9
Union	100.0	4.3	0.5	3.8	95.7
Nonunion	100.0	16.7	2.8	13.9	83.3

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Characteristics of the Families of Low-Wage Workers

While the first part of this report examined characteristics of individual low-wage workers, the remainder looks at characteristics of the families of low-wage workers.¹⁰ In this report, 82.7% of workers who earned less than \$7.25 an hour in 2005 lived in families, where a family is defined as a group of two or more related people living together.¹¹ Families thus could include a husband and wife with or without children, a single parent with one or more children, and siblings living with a grandparent. The remaining 17.3% of low-wage hourly workers examined in this report lived alone or with unrelated individuals in 2005.

Proponents of a higher minimum wage argue that raising the federal standard will improve the financial situation of low-income working families.¹² Opponents assert that raising the minimum wage is not the most effective way to assist these

¹⁰ The data in **Tables 1** through **8** are monthly averages for calendar year 2005 (i.e., an estimated 75.6 million hourly workers). The 2005 family information in **Tables 9** through **15** is for hourly workers in March 2006 (i.e., an estimated 73.8 million hourly workers). See the **Appendix** for an explanation of the data and methodology used in this report.

¹¹ A majority of workers who earned \$7.25 or more an hour lived in families in 2005 (77.7%).

¹² For example, see Economic Policy Institute, *EPI Issue Guide: Minimum Wage*, available at [http://www.epi.org/issueguides/minwage/epi_minimum_wage_issue_guide.pdf], p. 6.

families because many low-wage workers do not live in low-income families.¹³ In addition, an increase in the federal minimum wage will not raise the incomes of low-income families that have no earners — unless the higher wage standard entices members of these families to enter the labor force and obtain employment.¹⁴ Some argue, however, that a higher minimum wage could harm low-wage workers and their families by causing job loss or reducing the rate of low-skilled job creation.¹⁵

Family Income and Poverty Status

Over one-half of workers paid less than \$7.25 an hour lived in families with incomes of \$40,000 or less.¹⁶ (See the middle panel of **Table 9**.) According to CRS estimates (not shown in **Table 9**), about one-fourth (25.9%) of low-wage workers in families with incomes of \$40,000 or less were spouses in married-couple families (with or without children). Some 13.4% were single parents.¹⁷ Another 11.9% were teenagers.

At the other end of the spectrum, 12.9% of workers who earned less than \$7.25 an hour lived in families with annual incomes of more than \$100,000. Over one-half of the low-wage workers in these high-income families were teenagers (55.7%), according to CRS estimates. Another 13.5% was comprised of husbands or wives in married-couple families, while just 1.0% were single parents.

¹³ For example, see Richard V. Burkhauser and Joseph J. Sabia, *Raising the Minimum Wage: Another Empty Promise to the Working Poor*, Washington: Employment Policy Institute, August 2005, pp. 6-9.

¹⁴ CRS estimates that, in 2005, about one-half (50.7%) of people ages 16 and older in the civilian noninstitutional population who lived in poor families (i.e., below the poverty income level) lived in families with no wage earners. Some 28.4% of people at least 16 years old who lived in near poor families lived in families that lacked wage earners. A near poor family is a family with income between 1.00 and 1.99 times the poverty level. These poor families may not have had wage earners because the members were retired, younger members were in school, working-age members were unemployed, or for other reasons.

¹⁵ For different perspectives, see David Neumark and William Wascher, *Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research*, NBER Working Paper No. 12663, available at [<http://www.nber.org/papers/w12663>], November 2006 and Liana Fox, *Minimum Wage Trends: Understanding Past and Contemporary Research*, EPI Briefing Paper No. 178, available at [<http://www.epi.org/briefingpapers/178/bp178.pdf>], October 2006.

¹⁶ Family income includes wages and salaries, self-employment income, Social Security benefits, Supplemental Security Income, pension payments, interest, dividends, rent, unemployment compensation, public assistance payments, veterans' benefits, workers' compensation, alimony, and child support. It excludes fringe benefits and in-kind transfers (e.g., for food, housing, or health care). U.S. Census Bureau, *Current Population Survey, 2006 Annual Social and Economic (ASEC) Supplement*; [<http://www.census.gov/apsd/techdoc/cps/cpsmar06.pdf>], pp. 9-3 to 9-4.

¹⁷ A single parent is defined here as an unmarried head of a "primary" family with at least one child under the age of 18. See the **Appendix** for a discussion of primary families.

Table 9. Distribution of Hourly Workers by Family Income, 2005

Family Income	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,799	10,210	1,717	8,493	63,589
\$20,000 or less	11,005	2,931	680	2,251	8,074
\$20,001 to \$40,000	17,117	2,648	455	2,194	14,469
\$40,001 to \$60,000	15,163	1,635	180	1,455	13,529
\$60,001 to \$80,000	11,452	986	91	895	10,466
\$80,001 to \$100,000	7,320	694	89	605	6,626
Over \$100,000	11,742	1,317	223	1,094	10,425
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
\$20,000 or less	14.9	28.7	39.6	26.5	12.7
\$20,001 to \$40,000	23.2	25.9	26.5	25.8	22.8
\$40,001 to \$60,000	20.5	16.0	10.5	17.1	21.3
\$60,001 to \$80,000	15.5	9.7	5.3	10.5	16.5
\$80,001 to \$100,000	9.9	6.8	5.2	7.1	10.4
Over \$100,000	15.9	12.9	13.0	12.9	16.4
Percent by Family Income					
Total	100.0	13.8	2.3	11.5	86.2
\$20,000 or less	100.0	26.6	6.2	20.5	73.4
\$20,001 to \$40,000	100.0	15.5	2.7	12.8	84.5
\$40,001 to \$60,000	100.0	10.8	1.2	9.6	89.2
\$60,001 to \$80,000	100.0	8.6	0.8	7.8	91.4
\$80,001 to \$100,000	100.0	9.5	1.2	8.3	90.5
Over \$100,000	100.0	11.2	1.9	9.3	88.8

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

The income data in **Table 9** do not take into account family size, which can greatly affect living standards at a given income level. In contrast, Census poverty income levels vary both by family size and composition. For example, in 2005 the poverty level for a family of three with one child under age 18 was \$15,720. For a two-person family with a child under age 18, the poverty level was \$13,410.¹⁸

Table 10 shows the relationship of family income to the poverty level of income. As shown in the table's middle panel, hourly workers who earned less than \$7.25 an hour in 2005 were more likely to live in poor families compared to workers paid at least \$7.25 an hour (18.1% versus 6.0%). Hourly workers who earned less than \$7.25 an hour also were more often "near poor" than higher paid workers: 28.9% of workers who earned under \$7.25 an hour lived in families with incomes

¹⁸ U.S. Census Bureau, *Poverty Thresholds 2005*, available at [<http://www.census.gov/hhes/www/poverty/threshld/thresh05.html>].

between 1.00 and 1.99 times the poverty level; relatively fewer (16.6%) higher paid workers lived in near poor families.

Many poor and near poor families might be affected directly by an increase in the basic federal minimum wage. If the pay of hourly wage workers rises to \$7.25 an hour, 32.7% of workers in poor families might benefit. Similarly, 21.9% of workers in near-poor families stand to gain. (See the bottom panel of **Table 10**.)

Table 10. Distribution of Hourly Workers by Family Poverty Status, 2005

Ratio of Family Income to Poverty Level	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,799	10,210	1,717	8,493	63,589
Below Poverty	5,655	1,849	374	1,476	3,806
1.00 to 1.99	13,515	2,954	569	2,385	10,561
2.00 to 2.99	13,977	1,936	350	1,586	12,041
3.00 to 3.99	12,685	1,183	78	1,104	11,502
4.00 to 4.99	9,742	802	133	669	8,940
5.00 and over	18,225	1,486	213	1,273	16,739
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Below Poverty	7.7	18.1	21.8	17.4	6.0
1.00 to 1.99	18.3	28.9	33.2	28.1	16.6
2.00 to 2.99	18.9	19.0	20.4	18.7	18.9
3.00 to 3.99	17.2	11.6	4.6	13.0	18.1
4.00 to 4.99	13.2	7.9	7.7	7.9	14.1
5.00 and over	24.7	14.6	12.4	15.0	26.3
Percent by Poverty Status					
Total	100.0	13.8	2.3	11.5	86.2
Below Poverty	100.0	32.7	6.6	26.1	67.3
1.00 to 1.99	100.0	21.9	4.2	17.6	78.1
2.00 to 2.99	100.0	13.9	2.5	11.3	86.1
3.00 to 3.99	100.0	9.3	0.6	8.7	90.7
4.00 to 4.99	100.0	8.2	1.4	6.9	91.8
5.00 and over	100.0	8.2	1.2	7.0	91.8

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Primary and Secondary Earners¹⁹

As shown in the middle panel of **Table 11**, relatively more low-wage than high-wage hourly workers were the secondary earners in their families (59.1% and 37.1%, respectively) — which is not surprising given the previously discussed age and gender composition of hourly workers earning below \$7.25 an hour. But, a substantial proportion of workers paid less than \$7.25 an hour were the sole earners in their families: the paychecks of 32.4% of low-wage hourly workers accounted for all of their families' earned income. Some of these sole-earner families might have income from other sources, however. For example, workers ages 65 or older (who previously were mentioned as being overrepresented among low-wage workers) may receive Social Security retirement benefits or private pension payments.

Table 11. Distribution of Hourly Workers by Primary and Secondary Earner Status, 2005

Earner Status	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,032 ^a	9,965	1,667	8,299	63,066
Primary Earner	43,724	4,081	808	3,273	39,643
<i>Sole Earner</i>	27,664	3,232	662	2,570	24,432
Secondary Earner	29,308	5,885	858	5,026	23,423
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Primary Earner	59.9	40.9	48.5	39.4	62.9
<i>Sole Earner</i>	37.9	32.4	39.7	31.0	38.7
Secondary Earner	40.1	59.1	51.5	60.6	37.1
Percent by Primary and Secondary Earner					
Total	100.0	13.6	2.3	11.4	86.4
Primary Earner	100.0	9.3	1.8	7.5	90.7
<i>Sole Earner</i>	100.0	11.7	2.4	9.3	88.3
Secondary Earner	100.0	20.1	2.9	17.2	79.9

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

a. The number of workers in this table is less than the number of workers in other tables in this section of the report because some hourly workers in March 2006 did not have earnings in 2005.

¹⁹ Primary earners are defined as workers whose wages make up more than half of a family's earnings. Sole earners are primary earners who are the only earners in their families. Secondary earners receive less than half of a family's earnings.

Health Insurance Coverage

As noted earlier, individual earnings and family income do not include fringe benefits. Employer-provided health insurance is a large share of employee compensation (i.e., wages and benefits) and government-provided health insurance and health care services are a large share of public expenditures (e.g., for Medicare and Medicaid). For low-wage workers who buy their own health insurance or pay for health care out-of-pocket, the high cost may consume much of their income.

Lower-paid workers are less likely than higher-paid workers to have health insurance coverage. Over one-third of hourly workers who earned less than \$7.25 an hour were uninsured throughout 2005, compared to almost one-fifth of workers with higher hourly wage rates. (See the middle panel of **Table 12**.) Because some of the workers classified in the table as being insured might only have been covered during part of the year, the percentage without insurance at a particular point in 2005 might have been greater than shown below.

Table 12. Distribution of Hourly Workers by Health Insurance Coverage and Hourly Wage, 2005

Health Insurance Coverage	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,799	10,210	1,717	8,493	63,589
Insured	58,465	6,617	1,015	5,603	51,848
Uninsured	15,334	3,593	703	2,890	11,741
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Insured	79.2	64.8	59.1	66.0	81.5
Uninsured	20.8	35.2	40.9	34.0	18.5
Percent by Health Insurance Coverage					
Total	100.0	13.8	2.3	11.5	86.2
Insured	100.0	11.3	1.7	9.6	88.7
Uninsured	100.0	23.4	4.6	18.9	76.6

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Sources of Family Income

Income can come from sources other than work. It may come from one's savings and investments in the form of interest and dividends. Other assets can provide rental income to their owners. The government also provides income support for many individuals and families. Still other forms of income are related to past or current work such as private or public pension payments, unemployment compensation, and workers' compensation.

As shown in the middle panel of **Table 13**, the share of low-wage hourly workers who received welfare was about twice that of workers paid at least \$7.25 an hour (1.7% versus 0.8%). Workers were classified as having receiving welfare if they received public assistance payments such as Temporary Assistance for Needy Families (TANF) or general assistance.

One-fourth of hourly workers who lived in families that received welfare earned under \$7.25 an hour. Although these workers might benefit from a \$2.10 an hour increase in the federal minimum wage, some might have their families' welfare benefits reduced or eliminated as a result of the pay raise. (See the bottom panel of **Table 13**.)

Table 13. Distribution of Hourly Workers by Family Receipt of Welfare, 2005

Income	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,799	10,210	1,717	8,493	63,589
Received Welfare	707	175	15	159	532
Did Not Receive Welfare	73,092	10,036	1,702	8,334	63,057
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Received Welfare	1.0	1.7	0.9	1.9	0.8
Did Not Receive Welfare	99.0	98.3	99.1	98.1	99.2
Percent by Family Receipt of Welfare					
Total	100.0	13.8	2.3	11.5	86.2
Received Welfare	100.0	24.7	2.2	22.5	75.3
Did Not Receive Welfare	100.0	13.7	2.3	11.4	86.3

Source: Calculated by CRS from the CPS.

Notes: Details may not add to totals because of rounding. "Received welfare" means receipt of Temporary Assistance for Needy Families (TANF) or general assistance.

In contrast, the wage rate that a worker earned per hour made little difference in their families' relative receipt of unemployment compensation and workers' compensation. Specifically, 6.1% of hourly workers paid under \$7.25 an hour lived in families that received unemployment compensation in 2005, compared to 6.2% of higher-paid workers. (See the middle panel of **Table 14**.) Similarly, 1.5% of hourly workers who earned below \$7.25 an hour and 1.5% of those who earned at least \$7.25 an hour lived in families that received workers' compensation in 2005. (See the middle panel of **Table 15**.)

**Table 14. Distribution of Hourly Workers
by Family Receipt of Unemployment Compensation (UC), 2005**

Income	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,799	10,210	1,717	8,493	63,589
Received UC	4,586	625	55	571	3,961
Did Not Receive UC	69,213	9,585	1,662	7,922	59,628
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Received UC	6.2	6.1	3.2	6.7	6.2
Did Not Receive UC	93.8	93.9	96.8	93.3	93.8
Percent by Family Receipt of UC					
Total	100.0	13.8	2.3	11.5	86.2
Received UC	100.0	13.6	1.2	12.4	86.4
Did Not Receive UC	100.0	13.8	2.4	11.4	86.2

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

**Table 15. Distribution of Hourly Workers
by Family Receipt of Workers' Compensation, 2005**

Income	Total Hourly Workers	Under \$7.25 an Hour			\$7.25 and above
		Total Under \$7.25	\$5.15 or less	\$5.16 to \$7.24	
Number (thousands)					
Total	73,799	10,210	1,717	8,493	63,589
Received Workers' Compensation	1,111	151	61	90	960
Did Not Receive Workers' Compensation	72,688	10,059	1,656	8,403	62,629
Percent by Hourly Wage					
Total	100.0	100.0	100.0	100.0	100.0
Received Workers' Compensation	1.5	1.5	3.6	1.1	1.5
Did Not Receive Workers' Compensation	98.5	98.5	96.4	98.9	98.5
Percent by Receipt of Workers' Compensation					
Total	100.0	13.8	2.3	11.5	86.2
Received Workers' Compensation	100.0	13.6	5.5	8.1	86.4
Did Not Receive Workers' Compensation	100.0	13.8	2.3	11.6	86.2

Source: Calculated by CRS from the CPS.

Note: Details may not add to totals because of rounding.

Appendix: Data and Limitations

Current Population Survey

CRS derived the data in this report from the Current Population Survey (CPS), a Census Bureau survey of households. The monthly CPS is the source of the monthly national unemployment rate and of other labor market information. The CPS sample is representative of the civilian noninstitutional population ages 16 and older. It does not include persons on active duty in the Armed Forces or persons in institutions such as nursing homes or correctional facilities. In March 2006, about 54,000 households were interviewed for the basic CPS.²⁰

Each month, one-fourth of the CPS sample is asked questions about current earnings. Hourly wages are wages paid by the employer and do not include tips or fringe benefits.²¹ Hourly wages are wages before taxes and other deductions. The data in **Tables 1 through 8** are averages for the twelve months of calendar year 2005. Thus, the number of hourly workers shown in **Tables 1 to 8** (i.e., 75.6 million) is a monthly average for 2005.

Each year, the Annual Social and Economic (ASEC) supplement to the basic CPS asks questions about individual and family earnings and income for the previous year. Thus, in the 2006 supplement, the survey collected information on individual and family earnings and income for 2005. **Tables 9 through 15** provide family information for 2005 for hourly workers in the March 2006 basic survey. In March 2006, there were an estimated 73.8 million hourly workers.

Limitations

The CPS has certain limitations for analyzing the impact of an increase in the federal minimum wage. First, the FLSA includes a number of exceptions and exemptions from the minimum wage. The CPS does not ask respondents if they are covered by the FLSA. Thus, some people who are paid less than \$7.25 an hour may not be covered by the FLSA and may not receive an increase in their hourly wage when the federal minimum wage is raised. Second, the FLSA allows for lower minimum wage rates for tipped employees, certain new hires under the age of 20, full-time students who work part-time, handicapped persons, and others. A higher basic minimum wage may not affect these workers.²²

²⁰ U.S. Census Bureau, *Current Population Survey, 2006 Annual Social and Economic (ASEC) Supplement*, available at [<http://www.census.gov/aprd/techdoc/cps/cpsmar06.pdf>], p. G-2.

²¹ U.S. Census Bureau, *Basic Monthly Survey Interviewer's Manual*, available at [<http://www.bls.census.gov/cps/intmantc.htm>], chap. 5, section B.2.

²² In addition, estimates based on a sample of households are subject to nonsampling and sampling error. Examples of nonsampling error include information that is misreported (e.g., some respondents may round off their earnings) and errors made in processing information that is collected. Sampling error occurs because a sample, and not the entire (continued...)

A limitation of the methodology in this report pertains to annual earnings and family income in 2005 of hourly workers in March 2006. In March 2006, hourly workers may have been earning either more or less than they earned in 2005. Some workers may not have had any earnings in 2005 (e.g., they may have been new to the labor force in March 2006). As a result, the wages of hourly workers in March 2006 may not be the same as their hourly wage in 2005. Similarly, some workers who had earnings in 2005 may not have been employed or they were salaried, and not hourly, workers in March 2006; therefore, they are not included in the analysis of annual earnings or family income for 2005.

Another limitation of the methodology is that, in the CPS, a primary family may include what the CPS calls a “related subfamily.” For example, an unmarried mother with a dependent child may be living with her parents or a married couple may be living with relatives. In the CPS, the income of persons in a related subfamily is included in the total income of the primary family. This could have a tendency to understate the number of low-wage workers living in low-income families (i.e., because the incomes of related subfamilies are included in the incomes of primary families). On the other hand, unmarried couples (who are not living with relatives) are treated either as separate individuals or, if they have children, as a primary family and an unrelated individual. This could have a tendency to overstate the number of low-income households (i.e., because the incomes of unmarried couples are treated separately rather than together).

²² (...continued)

population, of households is surveyed.