

Low-wage Workers: Still Older, Smarter, and Underpaid

By Cherrie Bucknor*

Most economists would agree that, on average, workers who are older and better educated should earn higher wages than younger workers with less education. This is because older workers usually have more work experience and on-the-job training, leading to more skills. Similarly, each additional year of education leads to an increase in workers' skills. These increases in skills, whether through education or work experience, should in theory be rewarded in the labor market with higher wages.

However, this has not been the case for low-wage workers. The minimum wage reached its peak value in 1968, when it was equal to \$9.54 in inflation-adjusted 2014 dollars.¹ Since then, the value of the minimum wage has continued to erode, and currently sits at \$7.25. This has happened despite the fact that low-wage workers today are older and better educated than low-wage workers of the past.

Table 1 below summarizes the characteristics of low-wage workers, where low wages are defined as wages that are less than or equal to \$10.58 per hour in inflation-adjusted 2014 dollars. This value is today's equivalent of \$12.00 per hour in 2020, the level of the minimum wage proposed by the Raise the Wage Act of 2015.

1 The nominal value of the minimum wage in 1968 was \$1.60. We adjust wages using the CPI-U-RS.



TABLE 1**Characteristics of Low-wage Workers, 1979 and 2014**

(percent)

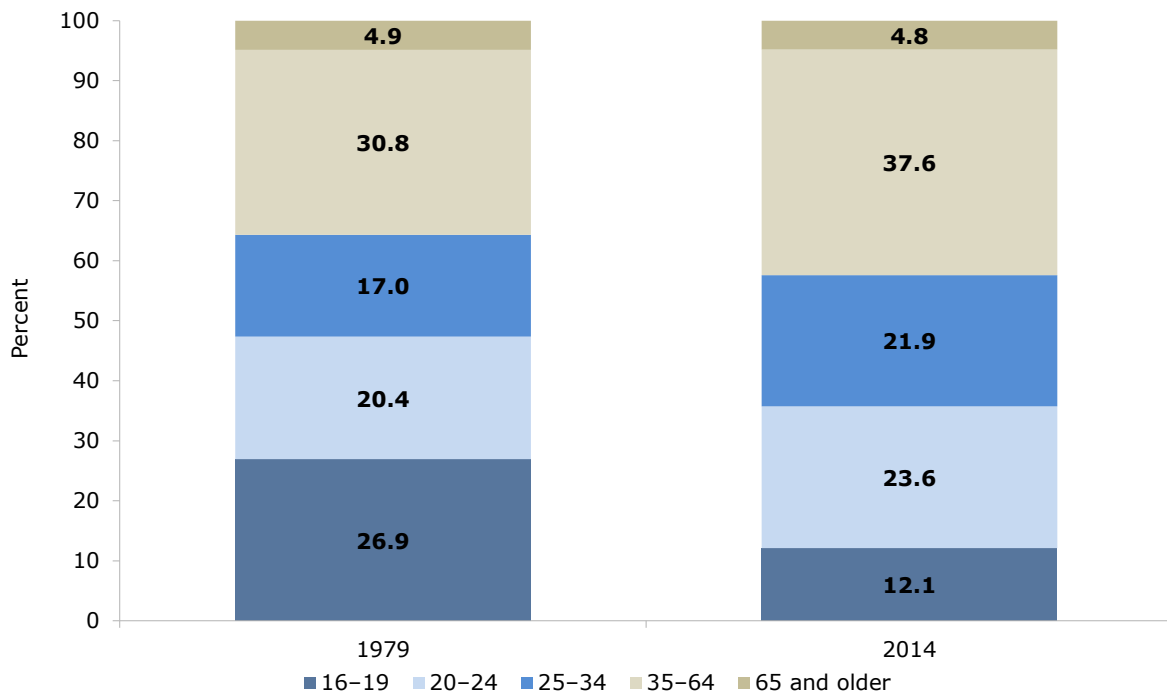
	1979	2014
<i>(a) Age</i>		
16–19	26.9	12.1
20–24	20.4	23.6
25–34	17.0	21.9
35–64	30.8	37.6
65 and older	4.9	4.8
<i>Average Age (years)</i>	32.4	35.1
<i>(b) Education</i>		
Less than high school	40.7	18.3
High school	34.7	36.8
Some college	19.0	34.1
Bachelor's degree or more	5.6	10.9
<i>(c) Gender</i>		
Female	65.5	56.4
Male	34.5	43.6
<i>(d) Race/Ethnicity</i>		
White	77.5	53.3
Black	13.6	15.9
Latino	6.6	24.4
Other	2.3	6.4
Of which, Asian	<i>n.a.</i>	5.2

Source and notes: CEPR Analysis of CEPR extract of CPS Outgoing Rotation Group. Low-wage workers defined as those earning less than or equal to \$10.58 per hour in constant 2014 dollars, using CPI-U-RS. This value is today's equivalent of what \$12.00 will be in 2020, using 2014 dollars, and assuming no changes to the wage distribution. "Asian" category not available in 1979, included in "Other."

Contrary to popular belief, low-wage workers are not typically teenagers who live at home with their parents. In fact, today, 87.9 percent of low-wage workers are 20 years or older, while in 1979, almost three-quarters (73.1 percent) were 20 years or older (see **Figure 1**). Between 1979 and 2014, the average age of low-wage workers increased from 32.4 to 35.1 years old. Much of this change was due to a 14.8 percentage point drop in the share of low-wage workers who are teenagers. During this same period, the share of low-wage workers between the ages of 25 and 64 increased by 11.7 percentage points.

FIGURE 1

Low-wage Workers By Age, 1979 and 2014

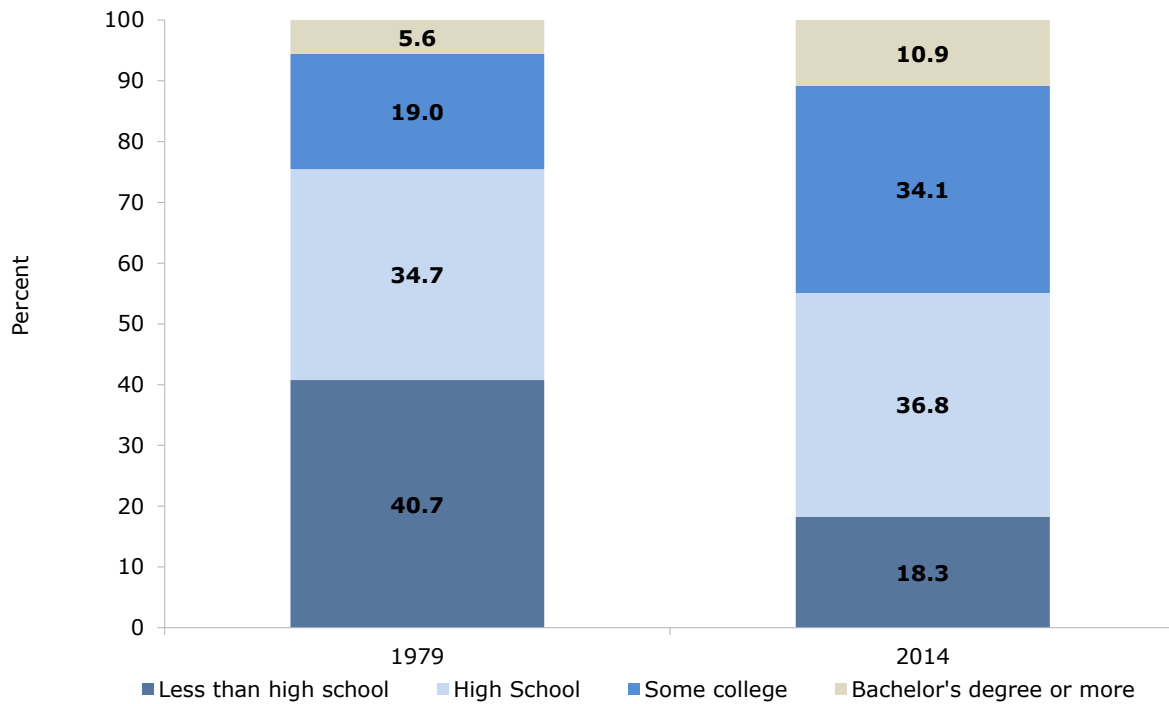


Source: CEPR analysis of CEPR extract of CPS Outgoing Rotation Group. Low-wage workers defined as those earning less than or equal to \$10.58 per hour in constant 2014 dollars, using CPI-U-RS. This value is today's equivalent of what \$12.00 will be in 2020, using 2014 dollars, and assuming no changes to the wage distribution.

In addition to being older, low-wage workers are also better educated today than they were in 1979 (see **Figure 2**). In 1979, 40.7 percent of low-wage workers had less than a high school degree, while in 2014, only 18.3 percent of low-wage workers had less than a high school degree. At the same time, the share of low-wage workers with more than a high school degree, but less than a bachelor's degree, increased by 15.1 percentage points (from 19.0 percent in 1979 to 34.1 percent in 2014). The percent of low-wage workers with a bachelor's degree or higher almost doubled from 5.6 percent in 1979 to 10.9 percent in 2014.

FIGURE 2

Low-wage Workers By Educational Attainment, 1979 and 2014



Source: CEPR analysis of CEPR extract of CPS Outgoing Rotation Group. Low-wage workers defined as those earning less than or equal to \$10.58 per hour in constant 2014 dollars, using CPI-U-RS. This value is today's equivalent of what \$12.00 will be in 2020, using 2014 dollars, and assuming no changes to the wage distribution.

Despite the fact that today's low-wage workers are older and better educated than their counterparts were 35 years ago, the federal minimum wage is stuck far below its historical peak value. On the contrary, the higher educational attainment and increased work experience of current low-wage workers should be rewarded with a minimum wage that is considerably higher than it was in the late 1970s.