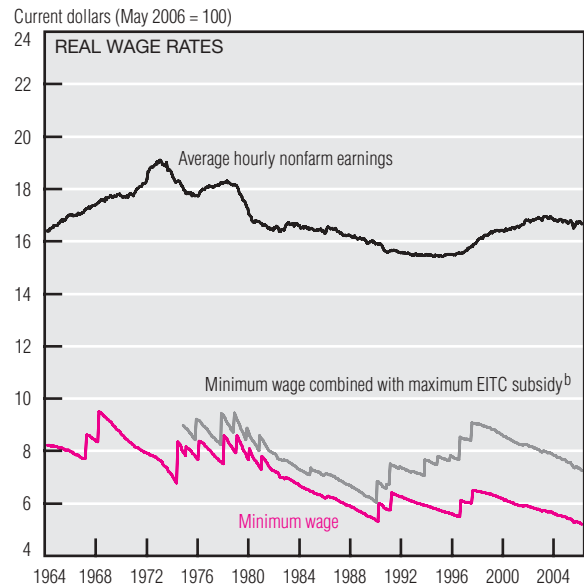
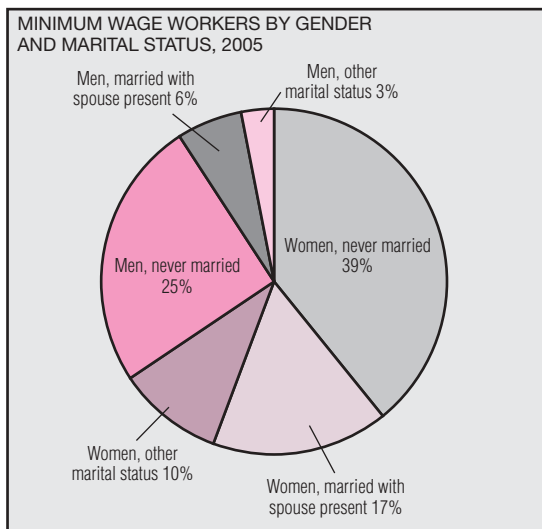
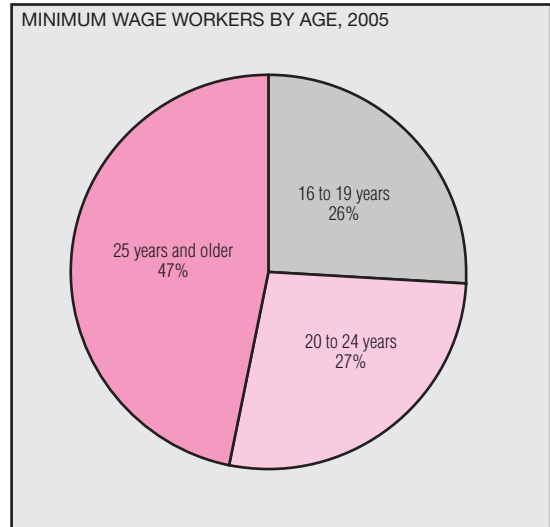
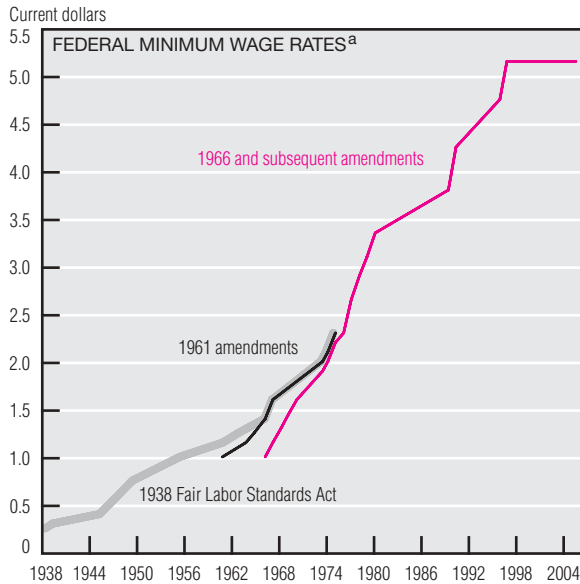


Low-Wage Workers



a. Overlaps represent extended coverage established by amendments.
 b. The maximum EITC subsidy is for a family with two or more eligible children.
 SOURCES: Department of Labor, Bureau of Labor Statistics and Employment Standards Administration.

Last year, nearly two million workers, or about 1½% of all wage and salary workers, earned the prevailing federal minimum wage of \$5.15 per hour—or less. Roughly half of them were under 25, and about one-fourth were teenagers; most worked part time, and most were in service occupations such as food preparation. Of the hourly workers who earned the prevailing minimum wage or less, 66% were women and about 40% were never-married women.

Studies suggest that raising the minimum wage by 10% will reduce employment among low-skilled workers by about 1% to 2%. However, studies also indicate that a higher minimum wage not only induces firms to substitute capital for unskilled labor, thereby laying off part-time and lower-wage workers, but also leads to reduced hours for those who remain. Thus, minimum wage increases, which are designed to aid low-wage workers, can actually lower their earnings because the pay increase is offset by a decrease in hours.

A more effective antipoverty policy is the Earned Income Tax Credit (EITC), a refundable tax credit that reduces or eliminates the taxes paid by low-wage workers. Studies suggest that the EITC does help families rise above poverty-level earnings and serves as a positive work incentive, which leads to higher earnings. The maximum EITC subsidy can boost effective wages for eligible workers by up to 40%.