

CALIFORNIA'S MINIMUM WAGE

California is one of 17 states that raised its minimum wage this year. California's minimum wage will rise to \$7.50 per hour on January 1, and increase to \$8.00 per hour in 2008. In 2007, 28 states and the District of Columbia will have a minimum wage above the federal rate of \$5.15 per hour, and 10 of those states will also index their minimum wage to keep pace with the cost of living. The following outlines some key facts about the minimum wage in California.

KEY FACTS

- **Over 1.4 million workers in California earn at or near the minimum wage.**
- **A majority of workers who earn at or near the minimum wage are adults who work full-time.**

Approximately one out of every 10 California workers earned within a dollar of the state's minimum wage in 2004.

In 2004, 56.3 percent of California workers who earned within a dollar of the minimum wage were age 20 or older and worked at least 35 hours per week. Nearly six out of 10 (59.1 percent) low-wage workers of all ages worked a minimum of 35 hours per week.

Characteristics of California's Low-Wage Workers, 2004		
	Low-Wage Workers	All Workers
Age		
16 to 19	16.8%	4.2%
20 to 24	23.5%	11.6%
25 to 64	59.7%	84.2%
Gender		
Male	50.4%	53.8%
Female	49.6%	46.2%
Race/Ethnicity		
Latino	57.1%	32.1%
White	26.5%	47.2%
Other	16.4%	20.7%
Hours of Work		
Full-time (35 or more hours per week)	59.1%	82.0%
Part-time		
20 to 34 hours per week	28.1%	13.1%
1 to 19 hours per week	12.8%	4.9%
Industry		
Educational and Health Services	10.0%	20.2%
Leisure and Hospitality	25.5%	8.7%
Manufacturing	11.2%	11.9%
Wholesale and Retail Trade	22.2%	14.8%
All Others	31.1%	44.4%

Note: Includes working population age 16 to 64. Low-wage workers are those with an hourly wage between \$6.75 and \$7.74 per hour.

Source: CBP analysis of Current Population Survey data

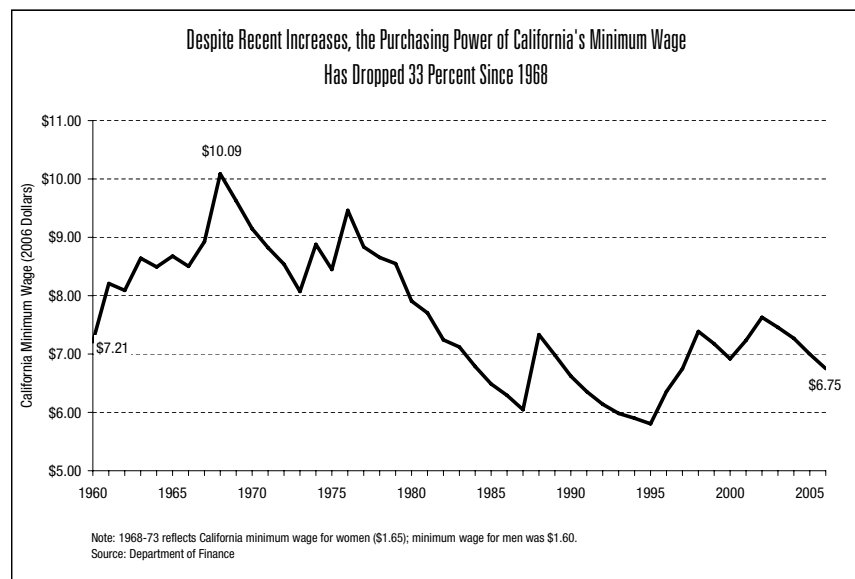
- **Few workers who earn at or near the minimum wage are teenagers.**
- **Modest increases in the minimum wage have had very little or no effect on employment.**
- **Many workers who have minimum wage jobs do not move on to higher paying jobs.**
- **The purchasing power of the minimum wage has declined over time.**

Approximately one out of every six (16.8 percent) low-wage workers in California were age 16 to 19 in 2004. In contrast, 59.7 percent of California's low-wage workers were age 25 or older.

This was the conclusion of the Council of Economic Advisers expressed in the 1999 Economic Report of the President. A series of studies conducted by economists David Card and Alan B. Krueger found no evidence of job loss following a minimum wage increase in California in 1988, in New Jersey in 1992, and nationally in 1990 and 1991.¹

A 2001 study by government economists estimated that more than one-fifth (21.0 percent) of workers nationally spend at least half of their first 10 post-school years in jobs that pay within one dollar of the minimum wage.² Furthermore, 12.2 percent spend all of their first 10 post-school years in jobs that pay within one dollar of the minimum wage.

Since 2002, the purchasing power of the state's minimum wage has dropped by \$0.88, an 11.5 percent decline. The inflation-adjusted value of the minimum wage is 33.1 percent lower than it was in 1968.



- **The current minimum wage is inadequate to support a single adult, let alone a family.**

At \$6.75 per hour, the state's minimum wage translates into an annual salary of \$14,040 for a full-time, year-round worker – \$11,827 below what a single adult in California needs to earn to pay for the most basic necessities such as housing, food, and health care.³ A minimum wage salary provides 26.0 percent of the income needed to cover the basic expenses of a family of three (one adult and two children) in California.

Alissa Anderson Garcia prepared this Policy Points. Support for this Policy Points was provided by the Rosenberg Foundation. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

¹ David Card and Alan B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage* (Princeton: Princeton University Press, 1995).

² William J. Carrington and Bruce C. Fallick, "Do Some Workers Have Minimum Wage Careers?" *Monthly Labor Review* 124 (2001): pp. 17-27.

³ California Budget Project, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (November 2005).