



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Minimum Wage Increase Would Have Greater Impact on Food System Than on Overall Economy

Karen S. Hamrick
(202) 694-5426
khamrick@econ.ag.gov

Increasing the minimum wage would affect the food system more than the overall economy. The food system provides a large number of jobs, particularly entry-level jobs for workers with few skills or experience. Because of this large share of low-wage, low-skill jobs, an increase in the minimum wage would disproportionately affect the employers and workers in the food system.

The minimum wage is currently \$5.15 an hour. A proposal to increase it to \$6.15 failed in the Senate in 1998, but demands to increase it still remain. This article examines which workers would be affected by a minimum wage increase while the next article examines how the increase would affect prices of food away from home.

In order to understand how a minimum wage increase would affect the food system, we must first know about the food system workers and their jobs. Here a demographic profile of all food system workers and the characteristics of food system jobs are presented.

Understanding the demographics and jobs characteristics provide insight into how the minimum wage will affect employment and income among food system workers. Next, a look at the demographics and job characteristics of those workers who would be directly affected by a minimum wage increase is presented.

The Food System Is a Large and Growing Employer

In 1997, 13.6 million wage and salary workers were in the food system, 11 percent of all U.S. wage and salary workers. Of those, 12.6 million were employed with food system jobs as their primary jobs, and 1 million were unemployed but worked in the food system on their last job. An additional 880,000 workers had second, "moonlighting" jobs in the food system.

Four sectors comprise the food system—manufacturing of food and kindred products (12.9 percent of workers), eating and drinking places (50.9 percent), wholesale food trade (7.9 percent), and retail food trade (28.3 percent).

The 16.5-percent growth in the number of wage and salary food system workers since 1987 about matches that of the U.S. wage and

salary workforce, 15 percent. Growth among the food sectors, however, varied. Eating and drinking places, wholesale food, and retail food all increased by about 20 percent between 1987 to 1997, while food manufacturing declined by 5 percent, or 84,000 workers.

The unemployment rate among food system workers in both 1987 and 1997 was higher than that experienced by the overall U.S. wage and salary workforce. Unemployed food system workers are those who were unemployed when surveyed (See box, "Methodology") and had their last job in the food system. Among the food sectors, eating and drinking places workers experienced the highest unemployment rate in 1997, almost 9 percent, almost twice the national rate of unemployment.

Demographic Profile of Food System Workers

The average age of a food system worker was 32 years old in 1997, with 20 percent of the workers under 20 years old (table 1). Eating and drinking place workers had the youngest average age, 29 years old, and one-quarter of their workers were under 20 years old. Food sys-

Hamrick is an economist with the Food and Rural Economics Division, Economic Research Service, USDA.

Methodology

Data used in this article are from the Current Population Survey (CPS) earnings files. The CPS is a monthly survey conducted by the Bureau of the Census for the Bureau of Labor Statistics, U.S. Department of Labor. It provides detailed information on the labor force, employment, unemployment, and demographic characteristics of the U.S. labor force. The CPS derives estimates based on interviews of a national sample of about 47,000 households that are representative of the U.S. civilian noninstitutional population 16 years of age and over. Labor force information is based on respondents' activity during 1 week each month.

The earnings data are drawn from the outgoing rotation of respondents in the monthly CPS, about one-quarter of the total sample. These respondents are asked about the usual earnings on their sole or primary job. The CPS earnings file consists of all records from the monthly quarter-samples of CPS households that were subject to having these questions on hours worked and earnings asked during the year.

Most of the estimates in this article are from the 1997 CPS earnings file. Except for the estimates on food system moonlighters, the food system estimates include workers who reported their primary job in the food sectors, or, if unemployed, reported their last job in the food sectors. The U.S. estimates include all employed and unemployed wage and salary workers, age 16 and older, in the civilian labor force.

The 1987 data are from the 1987 CPS earnings file. All of these estimates are for wage and salary workers only, age 16 and older.

The 1987 and 1997 CPS surveys are not strictly comparable in that a redesigned survey was introduced in January 1994. The new survey is thought to more accurately measure those persons on layoff, job search

methods used by the unemployed, the number of hours at work, the reasons for working part time, occupation and industry of the respondent, and earnings of the respondent. In addition, new data on multiple jobholding and usual hours worked are now being collected. Changes in the survey, however, are unlikely to have fundamentally affected the trends reported here.

Hourly earnings are computed by dividing usual weekly earnings by usual weekly hours; included are tips, overtime, and commissions. Since the minimum wage was \$4.75 at the start of 1997, and was raised as of September 1, 1997, to \$5.15, the range of \$4.75-\$5.15 is considered the 1997 minimum wage for this analysis.

The 11 education and training categories from the Office of Employment Projections, BLS, were applied to the CPS data by the author. The categories are:

- First professional degree (for example, law, medicine, dentistry, and clergy).
- Doctoral degree.
- Master's degree.
- Work experience plus bachelor's or higher degree (mostly managerial occupations that require experience in a related nonmanagerial occupation).
- Bachelor's degree.
- Associate's degree.
- Postsecondary vocational training (these occupations require a training program and may also require a licensing exam).
- Work experience in a related occupation (some occupations are supervisory or managerial occupations, but also others require skills and experience gained in other occupations such as police detectives, who are selected based

on their experience as police patrol officers).

- Long-term on-the-job training (occupations that usually require more than 12 months of on-the-job training or combined work experience and formal classroom instruction before workers develop the skills needed for average job performance, such as electrician, bricklayer, and machinist, that normally require apprenticeships lasting up to 4 years);
- Moderate-term on-the-job training (workers can achieve average job performance after 1 to 12 months of combined job experience and informal training, such as dental assistants, drywall installers and finishers, and machine operators); and
- Short-term on-the-job training (workers usually can achieve average job performance in just a few days or weeks, such as cashier, bank teller, and messenger).

The author combined the last three categories—long-term, moderate-term, and short-term on-the-job training—to define low-skill occupations. The combination of these three education and training requirements categories is defined as low-skill since these occupations do not have formal training or experience as a requirement. For more information on the education and training categories, see U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Projections and Training Data*, Bulletin 2501, January 1998.

Estimates on job tenure are from the February 1996 CPS supplement on Displaced Workers, Job Tenure, and Occupational Mobility. This supplement is done every 2 years. Only wage and salary workers 16 years or older are included; for the food system estimates, only workers who reported their primary job in the food system are included.

tem workers were considerably younger than the entire U.S. wage and salary workforce, which had an average age of 38, with only 6 percent under 20 years old. Due partly to its relative youth, the food system workforce was less educated than the U.S. workforce; only a third of the workers had any college, versus over half in the U.S. workforce. But education levels were lower for food system workers even looking only at those age 25 or older—almost two-thirds of food system workers had at most a high school diploma, versus 44 percent nationwide.

Food system workers were located around the United States in roughly the same proportions as all wage and salary workers. For example, 35 percent of food system workers lived in the South in 1997, the same proportion of all wage and salary workers in the South. An interesting exception is that 37 percent of food manufacturing workers lived in nonmetropolitan areas. Since nonmetro areas account for about 20 percent of all U.S. wage and salary workers, food manufacturing workers were disproportionately located in nonmetro areas. Since manufacturing is an important employer in nonmetro areas, this nonmetro concentration of food manufacturing workers is not surprising.

Slightly over half of all food system workers in 1997 were male, the same as in the U.S. wage and salary workforce. However, gender composition differs among the food sectors. Both eating and drinking places and retail food sectors were more than half female, while food manufacturing was two-thirds male, and wholesale food, three-quarters male.

The demographic composition of food system wage and salary workers has changed little between 1987

and 1997. Food system workers have aged, on average, but so has the U.S. wage and salary workforce. Other measures of food system workers have remained the same over time.

The 1 million unemployed food system workers were younger, on average, than all food system workers and consequently had lower education levels. The average time food system workers had been searching for a job when surveyed, 15 weeks, was about the same as for all industries, 14 weeks. However, the proportion who had been looking 15 weeks or more was considerably longer for food system unemployed, 31 percent versus 17 percent for all industries.

Job Characteristics and Earnings of Food System Workers

Only 64 percent of food system employees usually worked a full-time schedule, 35 or more hours a week (table 2). This is considerably less than for U.S. wage and salary employed, of which 82 percent worked full time. There is a distinct split among the food sectors—almost 90 percent of food manufacturing and wholesale food workers had full-time schedules, while only 54 percent of eating and drinking places workers and 61 percent of retail food workers had full-time schedules. In addition, about 80 percent of food system employees were paid on an hourly basis, versus 62 percent in all of U.S. wage and salary employed. These figures are little changed from 1987.

About 5 percent of food system workers held two or more jobs during the survey week. This percentage is about the same as the 6-percent share of U.S. wage and salary employed.

Union membership in the food system has declined from 14 percent in 1987 to 11 percent in 1997, an absolute decline of about 167,000 food system workers. Among the food sectors, the wholesale food sector declined the most in union membership, falling from 21 percent in 1987 to 12 percent in 1997, although this change represents only about 51,000 workers. Eating and drinking places had the smallest percentage decline, from 2.1 percent in 1987 to 1.5 percent in 1997; this represents 104,000 workers. These declines in union membership followed a nationwide trend down from 17 percent in 1987 to 14 percent in 1997.

Earnings for food system employees are considerably lower than for other U.S. wage and salary employed. Food system employees had a median hourly earnings of \$7.08 in 1997, whereas across U.S. wage and salary employees the median hourly earnings were \$11.00. Although food system hourly earnings were lower than the U.S. median, there has been a gain—in 1987 the food system median was 60 percent of the U.S. wage and salary median, and in 1997 it had risen to 64 percent.

Median hourly earnings vary considerably among the food sectors. Wholesale food wage and salary employees had the highest median, \$11.84, about the same as the median for all wholesale sector wage and salary employees. Food manufacturing employees earned \$10.45 per hour, high relative to other food system employees, but lower than the total manufacturing wage and salary median of \$12.10 per hour. Eating and drinking places and retail food employees had the

lowest medians, \$6.25 per hour and \$7.00 per hour, respectively. Both of these sectors are part of total retail trade, and their medians are less than the median hourly earnings for all retail wage and salary employees, \$7.25.

Why are earnings so low in the food system? Part of the explanation is due to the relative youth of the workers, the low education levels, the low union membership, and the large share of part-time schedules.

In addition, over 75 percent of the jobs in the food industry are in occupations that are characterized by low-skill requirements, whereas only 54 percent of the U.S. wage and salary workforce are in low-skill occupations. Clearly these factors are related—low union membership may result in fewer full-time jobs, and younger workers who have attained less education are going to be hired for lower-skill jobs.

Low job tenure is an additional factor contributing to the low earnings of food system workers. Generally employees' earnings increase with seniority. In 1996, the most current data available, employed food system workers had been working for their employer on average 4.7 years, versus a 6.9-year average for the United States. Eating and drinking places workers had the shortest average job tenure, 3.0 years, while food manufacturing had the highest,

Table 1
Demographic Characteristics of Food System Workers

Item	1987	1997					1997
	Total food	Total food	Food manufacturing	Eating and drinking places	Wholesale food	Retail food	U.S. workforce (all industries)
<i>Thousands</i>							
Number of workers	11,665	13,591	1,754	6,918	1,077	3,842	124,745
Employed	10,678	12,561	1,630	6,321	1,015	3,596	118,883
Unemployed	987	1,030	125	597	62	246	5,862
<i>Percent</i>							
Unemployment rate	8.5	7.6	7.1	8.7	5.8	6.4	4.7
<i>Years</i>							
Average age	31.0	32.2	38.5	29.1	39.0	33.0	38.1
<i>Percent</i>							
Less than 20 years old	20.5	19.9	3.8	26.4	3.2	20.4	5.9
Male	50.9	51.7	65.8	46.5	75.6	47.8	53.0
Race:							
White	84.9	82.7	78.8	81.0	87.4	86.2	83.7
Black	11.5	12.0	16.1	12.8	9.3	9.6	11.9
Other	3.6	5.3	5.1	6.3	3.3	4.3	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hispanic	9.1	14.9	18.1	15.7	18.0	11.1	10.4
Education level:							
Less than high school	23.5	29.5	24.7	34.1	18.1	26.4	13.8
High school diploma	43.1	37.6	43.2	33.9	37.6	41.6	32.4
Some college	25.6	24.8	20.4	25.5	26.9	24.9	28.4
College degree or more	7.7	7.1	9.5	5.6	15.2	6.3	25.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Continued—

8.1 years. Fifty-five percent of food system workers had been on their jobs less than 3 years, compared with only 40 percent for all U.S. wage and salary employed (fig. 1). Three years of employment is considered necessary to attain employer- and industry-specific skills that translate into higher earnings. Even looking only at workers age 25 or older, food system workers still have shorter tenures, 6.6

years versus 7.8 years for all U.S. wage and salary workers.

The shorter tenures of food system workers are associated with the higher unemployment rates of the food industries compared with the U.S. wage and salary unemployment rate. With shorter tenures come more attrition and job changing, so the food system would have higher frictional unemployment, that is, unemployment due to the

difficult matching process between workers and employers, and to new entrants coming into the labor force with workers leaving it. Frictional unemployment is not usually regarded as a policy concern, unlike structural unemployment (unemployment due to occupational or regional mismatches), and cyclical unemployment (unemployment associated with the business cycle).

Table 1
Demographic Characteristics of Food System Workers—Continued

Item	1987		1997				1997 U.S. workforce (all industries)
	Total food	Total food	Food manu- facturing	Eating and drinking places	Wholesale food	Retail food	
	<i>Percent</i>						
Education level, age 25 and older only:							
Less than high school	19.4	20.5	23.7	23.5	17.5	15.4	10.8
High school diploma	48.3	43.4	42.5	41.5	36.8	49.4	32.8
Some college	21.7	24.0	20.6	24.0	26.4	25.1	27.5
College degree or more	10.7	12.1	13.2	11.0	19.3	10.1	29.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Region:							
Northeast	18.2	18.2	13.8	17.2	19.9	21.6	19.5
Midwest	27.3	24.5	27.9	25.1	19.9	23.1	24.2
South	34.0	35.3	36.0	35.5	31.6	35.6	34.8
West	20.5	22.1	22.5	22.2	28.6	19.8	21.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nonmetro	22.7	20.9	36.8	17.6	16.7	20.9	18.0
Of those unemployed:							
Weeks looking for a job (weeks)	12.7	14.9	17.5	15.3	16.0	12.6	14.4
Percent looking 15+ weeks (percent)	24.7	31.2	37.1	31.5	38.7	26.5	17.3
Average age (years)	28.5	27.8	34.4	25.7	35.3	28.0	33.5
Less than 20 years old (percent)	21.5	30.6	11.8	37.0	7.9	30.3	14.5
Education level (percent)							
Less than high school	31.2	40.9	41.0	43.8	38.1	34.2	29.2
High school diploma	42.3	36.7	40.9	31.9	34.0	47.0	35.5
Some college	21.7	19.1	14.1	20.8	18.0	18.0	24.0
College degree or more	4.8	3.3	3.9	3.5	9.9	0.8	11.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Source: 1987 and 1997 CPS Earnings files, age 16 and older. Only wage and salary workers who reported primary job in the food sectors, or if unemployed, reported their last job in the food sectors, are included in the first six columns. All civilian wage and salary workers, age 16 and older are included in the U.S. workforce estimates (all industries included). Wage and salary unemployed are unemployed workers who last worked at a wage and salary job. Totals may not add to 100.0 due to rounding. Hispanics may be of any race.

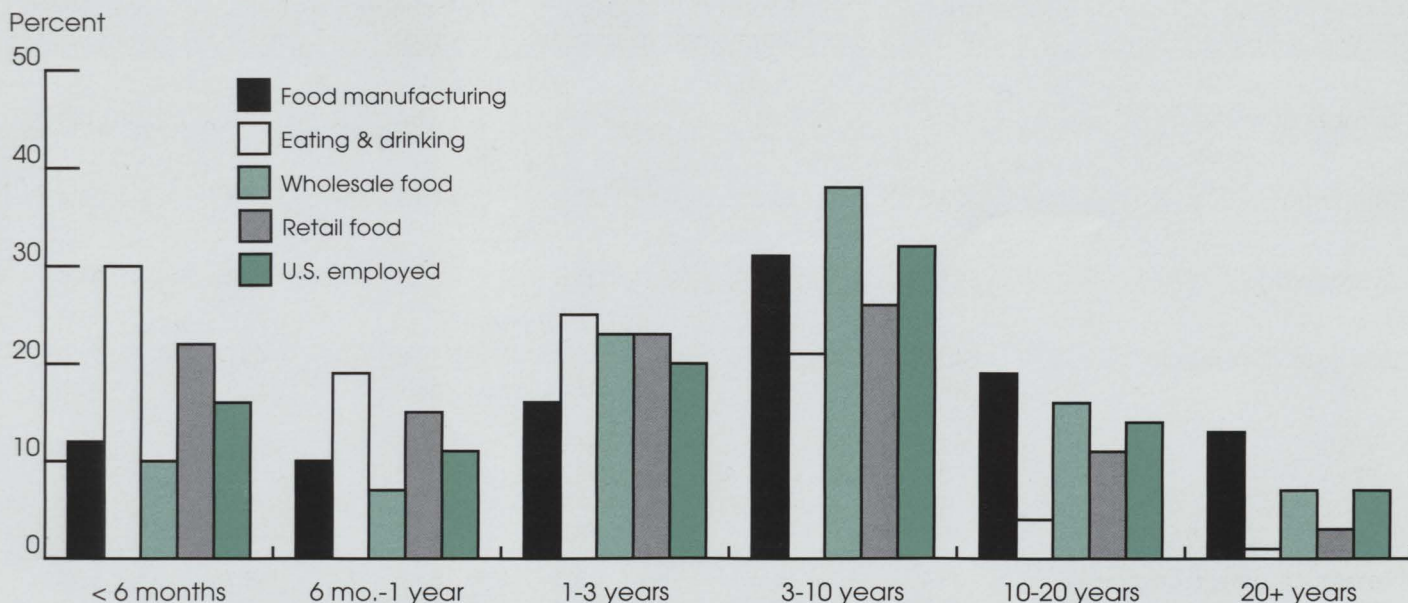
Table 2
Job Characteristics and Earnings of Food System Employees

Item	1987 ¹	1997					1997 U.S. wage and salary employed (all industries)
	Total food	Total food	Food man- facturing	Eating and drinking places	Wholesale food	Retail food	
<i>Thousands</i>							
Employed	10,678	12,561	1,630	6,321	1,015	3,596	118,883
<i>Percent</i>							
Full time	62.1	63.5	89.1	54.5	86.7	60.9	82.0
Usual hours worked:							
0-20	20.4	16.9	1.9	22.3	3.7	18.1	8.5
21-34	17.5	14.0	3.0	17.2	3.5	16.3	7.3
35-39	9.0	7.9	4.3	9.9	3.4	7.3	6.0
40	36.0	34.9	59.6	25.6	51.0	35.3	51.1
41-49	7.0	5.3	9.6	3.6	7.8	5.6	6.9
50+	10.1	10.9	14.8	9.3	23.6	8.3	12.9
Varies—							
Full time	na	5.7	6.0	6.0	6.1	4.7	5.0
Part time	na	4.5	.8	6.1	.9	4.4	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hourly status	80.2	80.5	75.5	83.5	53.6	84.9	61.8
Multiple jobholder	na	5.1	3.5	5.9	4.6	4.6	6.1
Union member	13.9	10.7	23.8	1.5	12.2	20.5	14.1
Low-skill occupations	87.2	78.0	75.4	79.9	69.2	78.1	54.1
<i>Dollars</i>							
Median hourly earnings	4.77	7.08	10.45	6.25	11.84	7.00	11.00
<i>Percent</i>							
Distribution:							
< \$4.75	-	7.0	1.6	9.9	2.2	5.7	3.6
\$4.75-\$5.15 (minimum wage)	-	11.1	2.9	14.5	4.1	11.0	4.5
\$5.15-\$6.15	-	20.1	5.9	24.2	4.6	23.6	7.8
\$6.15-\$10.00	-	33.9	33.7	34.9	26.9	34.1	26.4
\$10.00-\$15.00	-	17.8	32.7	12.1	34.2	16.3	25.4
\$15.00+	-	10.2	23.2	4.4	28.1	9.3	32.2
Total	-	100.0	100.0	100.0	100.0	100.0	100.0

Notes: ¹Earnings distribution is not presented for 1987 because the minimum wage was \$3.35. na indicates not available. Source: 1987 and 1997 CPS Earnings files, age 16 and older. Only wage and salary employed who reported primary job in the food industries are included in the first six columns. All civilian wage and salary employed, age 16 and older are included in the U.S. employed (all industries). A full-time schedule is 35 or more hours a week. Hourly earnings computed by dividing usual weekly earnings by usual weekly hours; included are tips, overtime, and commissions. The minimum wage was \$4.75 at the start of 1997, and then was raised to \$5.15 as of September 1, 1997. Since this data span the year, hourly earnings for the range of \$4.75-\$5.15 are considered working at the minimum wage.

Figure 1
Job Tenure, 1996

Eating and drinking places have the largest share of employees with fewer than 3 years tenure



Source: ERS calculations based on the February 1996 Current Population survey supplement on Displaced Workers, Jobs tenure, Occupational Mobility.

Moonlighters

A small group of 880,000 workers had a second, "moonlighting" job in the food system in 1997. About 20 percent of these moonlighters also had their primary job in the food system. The rest of the moonlighters had primary jobs in other industries. The average food system moonlighter was 33 years old, with only 9 percent under 20 years old, and half of the moonlighters were male. Not surprisingly, 85 percent of moonlighters worked a part-time schedule on their second job. However, a very busy 4 percent worked two full-time jobs.

One-Third of Food System Employees at or Just Above Minimum Wage

As presented above, low earnings characterize the food system. While only 11 percent of food system employees earned the minimum wage in 1997—which was raised from \$4.75 to \$5.15 an hour on September 1, 1997—an additional 20 percent of food system employees earned between the minimum wage and a \$6.15 level recently considered by Congress. These workers earning \$4.75-\$6.14 an hour would most likely be directly affected by an increase in the minimum wage. This constitutes almost one-third, 3.9 million, of all food sector employees, considerably greater than the 12 percent of U.S. wage and salary employees in these same earnings groups. Clearly a minimum wage increase would have greater effect on the food system than on the overall economy.

Of these workers, 43 percent were male, 40 percent were under 20 years old, and 47 percent lived with a parent (table 3). Over 90 percent of the jobs were in low-skill occupations, and two-thirds were part-time jobs.

A small number of food system employees earned less than the minimum wage in 1997. These workers may have been in jobs not covered by the minimum wage, they may have been paid illegally less than the minimum wage, or they may have misreported either their usual weekly earnings or usual weekly hours when surveyed (see box, "Minimum Wage Coverage.") A minimum wage increase would not directly affect these workers or if misreported, is not measurable.

One argument against a minimum wage increase is that those most likely to benefit are young workers in nonpoor households who do not support a household. Proponents of the increase argue

Table 3
Food System Employees with Hourly Earnings of \$4.75-\$6.14, 1997

Item	Total food	Food manufacturing	Eating and drinking places	Wholesale food	Retail food	U.S. employed (all industries)
<i>Thousands</i>						
Number of workers	3,815	141	2,380	84	1,210	13,140
<i>Percent</i>						
Nonmetro	23.6	43.8	20.7	18.8	27.3	23.4
<i>Years</i>						
Average age	27.0	35.9	25.6	35.4	28.0	31.9
<i>Percent</i>						
Less than 20 years old	40.1	6.2	43.2	7.8	40.1	22.9
Male	43.2	65.4	43.7	68.1	39.9	40.5
Race:						
White	82.5	63.1	81.3	76.2	87.6	79.6
Black	12.7	25.4	13.7	19.4	8.8	15.7
Other	4.7	11.4	4.9	4.5	3.6	4.7
Hispanic	16.8	28.8	18.4	40.5	10.7	18.5
Reference person or spouse	38.1	64.0	35.3	63.7	38.7	53.0
Child of reference person	46.9	19.6	48.4	13.9	49.3	33.1
Other relationship	15.0	16.4	16.3	22.4	12.0	13.9
Household income distribution:						
< \$12,499	24.8	33.1	27.0	22.7	19.5	24.1
\$12,500-\$14,999	5.5	6.6	5.5	2.8	5.3	6.2
\$15,000-\$19,999	7.3	9.5	6.9	15.4	7.4	8.3
\$20,000-\$24,999	8.6	14.9	7.8	11.7	9.0	9.4
\$25,000-\$39,999	20.9	17.5	20.1	17.6	23.2	21.4
\$40,000+	33.0	18.3	32.5	29.7	35.4	30.6
Education level:						
Less than high school	46.6	46.4	48.5	51.8	42.6	35.0
High school diploma	31.9	40.6	29.7	31.5	35.3	34.7
Some college	19.0	9.7	19.7	12.1	19.1	24.7
College degree	2.1	1.3	1.8	4.1	2.5	4.6
Advanced degree	.4	2.0	.3	.4	.4	1.1
Low-skill occupations	91.3	88.7	90.2	97.4	93.4	82.0
Multiple jobholder	4.5	2.9	5.1	2.0	3.9	5.4
Full time (schedule)	35.4	85.8	33.8	81.0	29.6	54.8
Usual hours worked:						
0-20	30.3	5.3	31.1	13.2	32.8	27.5
21-34	20.0	8.9	19.0	5.9	24.3	17.6
35-39	9.8	6.7	11.6	7.1	6.8	9.0
40	22.2	72.5	18.8	66.7	20.0	39.2
41-49	1.3	2.2	1.3	3.7	1.2	2.5
50+	2.1	4.4	2.1	3.5	1.6	4.1
Varies—						
Full time	-	-	-	-	-	-
Part time	14.3	-	16.2	-	13.2	-

Note: Source: 1997 CPS Earnings file, age 16 and older. Only wage and salary workers who reported their primary job in the food industries are included here in the five food industry columns; all civilian wage and salary employed, age 16 and older in the civilian labor force earning \$4.75-\$6.14 are included in the sixth column. A full-time schedule is 35 or more hours a week. Hourly earnings computed by dividing usual weekly earnings by usual weekly hours; included are tips, overtime, and commissions. Median hourly earnings were applied to those workers whose hours varied for food system workers in order to retain those observations. Consequently, hours-vary workers are included in the food system figures but not in the civilian labor force figures. The minimum wage was \$4.75 at the start of 1997, and then was raised to \$5.15 as of September 1, 1997. Since this data span the year, hourly earnings for the range of \$4.75-\$5.15 are considered working at the minimum wage. Reference person or spouse used as a proxy for head of household.

that the beneficiaries indeed support a household or are in a household below the poverty threshold. Support for both arguments can be seen in the food system.

The characterization of teenagers earning the minimum wage or just above in after-school jobs is especially true in the eating and drinking places and retail food sectors. Almost half of the workers in these

two sectors who would most likely be affected by the proposed increase in the minimum wage lived with a parent, about 40 percent were teenagers, and only one-third were working full-time jobs. Over two-thirds of these workers were in households with a total household income level of \$15,000 or more. At the same time, however, about one-third of low-wage eating and drink-

ing place workers and one-quarter of low-wage retail food workers were in households with incomes under \$15,000, which is under the poverty threshold for a family of four. In addition, 35 and 39 percent respectively were the reference person or the spouse of the reference person (the CPS no longer uses the designation "head of household"), meaning that these workers' house-

Minimum Wage Coverage

The Fair Labor Standards Act (FLSA) establishes the minimum wage, along with overtime pay, recordkeeping provisions, and child labor standards. The FLSA was enacted in 1938 with a minimum wage of \$0.25 an hour. Currently the minimum wage is \$5.15 an hour, effective September 1, 1997. According to U.S. Department of Labor, 79.4 million wage and salary workers, 64.9 percent of all wage and salary workers, were covered by the minimum wage in 1996.

Enterprises that have an annual gross sales volume of \$500,000 are covered by FLSA. In addition, enterprises that are engaged in interstate commerce or in production, handling, selling, or otherwise working on goods or materials that have been moved in or produced for interstate commerce are covered by FLSA. This includes employees who work in transportation or communications, or employees who regularly use the mails or telephone for interstate communications. Hospitals and related institutions, elementary or secondary schools, institutions of higher education, and Federal, State, and local government agencies are required to pay the minimum wage to employees.

Generally domestic workers are covered by FLSA. Day workers, housekeepers, chauffeurs, cooks, and full-time babysitters are covered by FLSA if they receive at least \$1,000 in a calendar year from one employer or they work more than 8

hours a week for one or more employers.

Employers of tipped employees—those who regularly receive more than \$30 a month in tips—are required to pay the minimum wage, however, the employer can claim a tip credit against the minimum wage obligation. The employer's direct wage obligation is not less than \$2.13 per hour. If the employee's tips and the employer's wage do not reach the minimum wage, then the employer must make up the difference. A restaurant or fast food business is subject to the FLSA if it has gross sales of at least \$500,000 from one or more establishments. In addition, any employee who is engaged in interstate commerce, which includes handling a credit card transaction, would be covered by the minimum wage. In 1996, the Wage and Hour Division of the Employment Standards Administration targeted the eating and drinking places industry along with several other industries for FLSA compliance because of having a history of above-average FLSA violations.

Industrial homeworkers are covered by the minimum wage even if they are paid by the piece or by the job.

A subminimum wage of \$4.25 can be paid to employees under 20 years of age during their first 90 consecutive calendar days of employment with an employer. Employers are prohibited from fully or partially displacing current employees in

order to hire youth at the subminimum wage. Certain categories of workers—full-time students, student learners, apprentices, and workers with disabilities—may be paid less than the minimum wage under special certificates granted by U.S. Department of Labor to employers.

Not covered under the minimum wage are workers who are executive, administrative, and professional employees, including teachers and academic administrative personnel in elementary and secondary schools; outside sales employees; and certain skilled computer professionals. Other exemptions include employees of certain seasonal amusement or recreational establishments, employees of certain small newspapers, switchboard operators of small telephone companies, seamen employed on foreign vessels, employees engaged in fishing operations, employees engaged in newspaper delivery, farm workers employed by anyone who used no more than 500 "man-days" of farm labor in any calendar quarter of the preceding calendar year, and casual babysitters and persons employed as companions to the elderly or infirm.

In States with minimum wage laws providing for a higher minimum wage than the FLSA minimum wage, the higher standard applies.

For more information on the minimum wage, see the web site of the U.S. Department of Labor's Employment Standards Administration: <www.dol.gov/dol/esa/>.

holds are being supported on low earnings. Increasing the minimum wage could make a difference in the standard of living of these households.

Workers with hourly earnings of \$4.75-\$6.14 in food manufacturing, however, had a very different profile from the rest of the low-wage workers in the food system. They were older—the average age was 36 years old, with only 6 percent under 20 years old in 1997. Most were male (65 percent) and they were disproportionately rural—44 percent live in nonmetro areas. Two-thirds were the reference person or spouse, while only 20 percent were living with a parent. The great majority—86 percent—were working full-time schedules. Forty percent lived in households with incomes less than \$15,000. Again, an increase in the minimum wage could benefit these

individuals who are working yet live below the poverty level.

One possible result of a minimum wage increase is that employers would lay off employees, reduce employees' hours, or reduce hiring in response to higher labor costs. The negative employment effect is estimated to be small as long as the minimum wage is relatively low. (See Hamermesh, Kennan, and Brown for recent literature reviews of research.) Were the minimum wage to be increased modestly during an economic expansion and with tight labor markets such as the economy has seen in the last 3 years, the negative employment effects would likely be negligible.

References

Brown, Charles. "Minimum Wage Laws: Are They Overrated?" *Journal of Economic Perspectives*. Vol. 2, No. 3, Summer 1988, pp. 133-145.

Hamermesh, Daniel S. *Labor Demand*. Princeton University Press, Princeton, New Jersey, 1993.

Kennan, John. "The Elusive Effects of Minimum Wages," *Journal of Economic Literature*. Vol. 33, No. 4, Dec. 1995, pp. 1950-1965.

U.S. Department of Labor, Bureau of Labor Statistics. *Monthly Labor Review*, Nov. 1997, or <<http://stats.bls.gov/emphome.htm>>.

U.S. Department of Labor, Bureau of Labor Statistics. *Career Guide to Industries*. Bulletin 2503, Jan. 1998.

U.S. Department of Labor, Employment Standards Administration. "Minimum Wage and Overtime Hours Under the Fair Labor Standards Act: 1998 Report to the Congress Required by Section 4(d)(1) of the Fair Labor Standards Act," June 1998, or <<http://www.dol.gov/dol/esa/>> under the Wage and Hour Division. ■