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**THE MINIMUM WAGE DOES A LITTLE MORE TO HELP
THE POOR THAN IT USED TO**

The minimum wage debate has taken center stage as legislators look into ways to combat rising inequality and persistent poverty. A new study on the efficiency of the minimum wage in redistributing income to the poorest families reveals that although the minimum wage still remains relatively inefficient at delivering benefits to poor families, recent labor market changes mean that the minimum wage is slightly more beneficial for the poor than it used to be.

Author Sam Lundstrom finds:

- The share of increased incomes, owing to a higher minimum wage, that goes to poor families (what the author calls “target efficiency”) increased from 1999 to 2013. **The target efficiency of the federal minimum wage rose from 15.3% in 1999 to 18.8% in 2013.**
- At least three labor-market trends have emerged that have helped improve the target efficiency of the minimum wage from 1999 to 2013:
 - When non-poor workers earning minimum wages experience a decline in income, they may fall into poverty, thus increasing the target efficiency of the minimum wage. **In the years leading up to the Great Recession, the family income of near-poor minimum wage workers fell.** This trend was the largest contributor to the increase in the target efficiency of the minimum wage.
 - Since teens make up a significant share of non-poor minimum wage workers, a reduction in teen employment could also improve the target efficiency of the minimum wage. **Teen employment has fallen significantly since 1999 (a 43% decrease).** This trend contributed on a smaller scale to the improvement of the target efficiency of the minimum wage.
 - Further improvement in the target efficiency of the minimum wage was largely due to **stagnation in wages among poor, low-wage workers relative to the wages of non-poor, low-wage workers** following the onset of the recession.
 - “With all of these economic forces working to improve the target efficiency of the minimum wage, it improved by a modest 3.5 percentage points over the past 15 years. **Although the target efficiency of the minimum wage is still quite low, continued monitoring of these trends is important because they could lead to a stronger rationale for the minimum wage in the future.**”

Background on the Center for Economics and Public Policy:

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