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THE IMPACT OF A \$15 MINIMUM WAGE ON POVERTY AMONG SAME-SEX COUPLES

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INTRODUCTION AND SUMMARY

Increases in the minimum wage are being proposed, debated, and passed across the United States. In 2016, New York State and California significantly increased their state minimum wage, and the new rate will reach \$15 per hour in 2022 in California, \$15 per hour in 2018 in New York City, and \$12.50 an hour in New York State in 2020.¹ Research in 2014 suggested that increases in the minimum wage could reduce poverty, including poverty among lesbian, gay, bisexual, and transgender (LGBT) people. This research brief predicts that raising the federal minimum wage from its current level of \$7.25 to \$15 an hour would reduce LGBT poverty by one-third for male same-sex couples and by almost one-half for female same-sex couples. Almost 30,000 people in same-sex couples would see their incomes rise above the federal poverty level.

In 2014, 14.8% of Americans were living on incomes that fell below the federal poverty line, and many LGBT people were also living on poverty-level incomes. Research has shown that LGBT people face a risk of being poor that is at best equal to that of non-LGBT people with similar characteristics and, at worst, much higher than that of non-LGBT people.² Lesbians in same-sex couples and African American LGBT people appear to have the greatest vulnerability to poverty.

METHODOLOGY

To predict how much LGBT poverty would fall with a higher minimum wage, we update figures from our 2014 study of same-sex couples using the same methodology.³ We use U.S. data on income and hours worked from the 2014 American Community Survey (ACS) to simulate what happens to families' incomes if the lowest wage earners see a

¹ For details see Economic Policy Institute, Minimum Wage Tracker, http://www.epi.org/minimum-wage-tracker/#/min_wage/, last accessed 8/25/16.

² See Randy Albelda, M.V. Lee Badgett, Gary Gates, and Alyssa Schneebaum, "Poverty in the Lesbian, Gay, and Bisexual Community," Williams Institute, March 2009; M. V. Lee Badgett, Laura Durso, and Alyssa Schneebaum, "New Patterns of Poverty in the Lesbian, Gay, and Bisexual Community," Williams Institute, May 2013.

³ For more details on the methodology, see M. V. Lee Badgett and Alyssa Schneebaum, "The Impact of a Higher Minimum Wage on Poverty Among Same-Sex Couples," Williams Institute, April 2014.

raise to \$15 an hour. The ACS has data on more than 9,000 people in same-sex couples⁴ as well as data on married and unmarried different-sex couples that allow us to make comparisons by sexual orientation. We use the official federal definition of poverty, which is having an income that falls below the federal poverty threshold. For example, the poverty line for a two-adult household in 2014 was \$15,379 and for a four-person household with two adults and two kids was \$24,008.

ACTUAL 2014 AND SIMULATED POVERTY RATES FOR COUPLES IN THE U.S.

The blue bars in Figure 1 show that poverty rates for all couples are lower than the national average of 14.5%, which reflects the fact that couples have potentially two incomes for the families to draw on. The patterns across couple type reflect the influence of gender and sexual orientation differences in earnings. For married male-female couples, 5.6% were living below the poverty line in 2014. Female same-sex couples, with the possibility of two incomes subject to the gender wage gap, were more likely to be poor than married different-sex couples, with a 6.9% poverty rate. Male same-sex couples, with the potential for two male incomes, had the lowest poverty rate, at 3.4%. Unmarried different-sex couples had the highest poverty rate at 12.9%, at least in part because they tend to be younger and have less education.

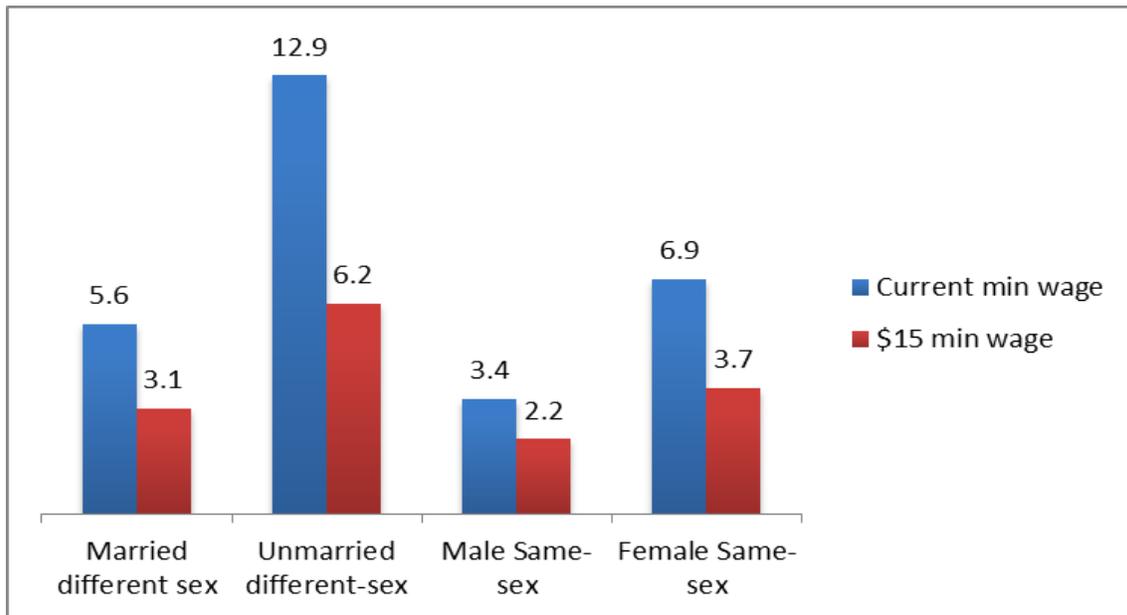


Figure 1: Actual 2014 and simulated poverty rates for couples in the U.S., percent of couples in each couple type

To estimate the impact of raising the minimum wage, we artificially raised the wages of the people earning less than \$15 an hour in 2014 to \$15 and recalculated the simulated poverty rates, presented in the red bars of Figure 1. The red bars show that poverty

⁴ The 2014 ACS has data on 4,576 people in same-sex male couples and 4,796 people in same-sex female couples. In California, we observe 738 people in male and 508 people in female same-sex couples, and in New York there are data on 330 people in male and 266 people in female couples.

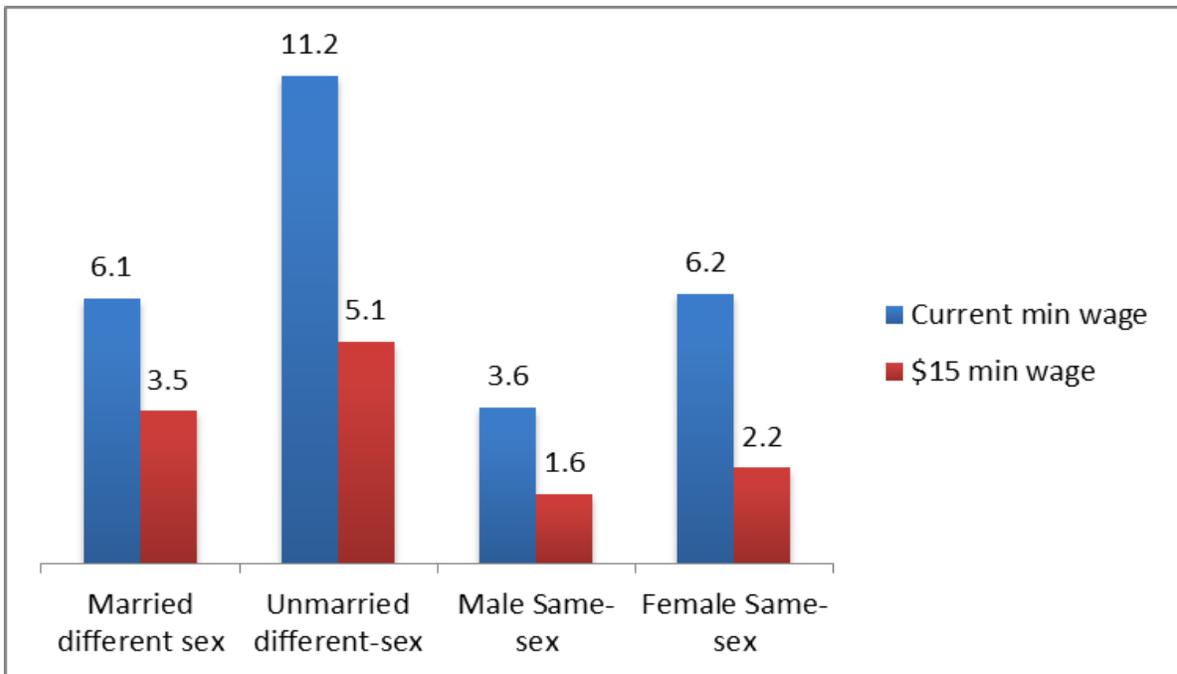
would fall dramatically for all four kinds of couples. The poverty rate for unmarried different-sex couples would be cut in half. Poverty for lesbian couples would fall by 46%, and the drop for gay male couples would be 35%. Even married different-sex couples would see a 45% fall in poverty in these simulations.

Note that these simulations assume that there would be no fall in employment for these workers.⁵ We also assume that there is no “spillover” of the higher minimum wage that leads to boosts in the wages of other workers who earn more than \$15 an hour.

We can also predict the number of people in same-sex couples who would no longer be in poverty. Multiplying the change in the poverty rate by the Census Bureau’s preferred counts of same-sex couples in the 2010 Census implies that 7,526 gay men and 21,305 lesbians who are in same-sex couples would be lifted above the poverty level—almost 30,000 people.

ACTUAL 2014 AND SIMULATED POVERTY RATES FOR COUPLES IN NEW YORK AND CALIFORNIA

In looking at New York and California, the patterns are very similar to the national patterns. Poverty rates fall dramatically for all four kinds of couples. Figures 2 and 3 split out same-sex couples living in New York State (Fig. 2) and California (Fig. 3) for the same simulations. The patterns are very similar to the national patterns. Poverty rates fall dramatically for all four kinds of couples.



⁵ A debate continues about whether and how much an increase in the minimum wage would affect the number of jobs. See the 2014 report for a longer discussion.

Figure 2: Actual 2014 and simulated poverty rates for couples in New York State, percent of couples in each couple type

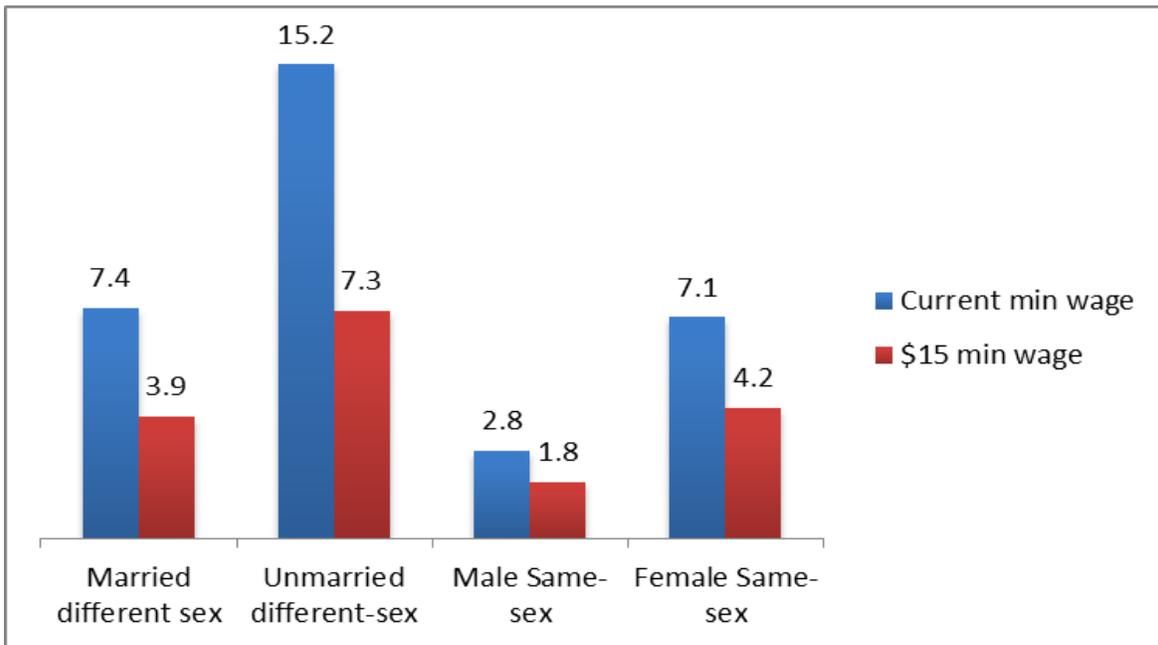


Figure 3: Actual 2014 and simulated poverty rates for couples in California, percent of couples in each couple type

Conclusion

Overall, raising the minimum wage to \$15 an hour is likely to dramatically reduce poverty for LGBT people, represented here by those in same-sex couples. For same-sex couples, the poverty rate dropped by more than a third, pulling 30,000 people above the poverty line. In addition, families headed by different-sex couples would see similar large decreases in the poverty rate. Two of the most populous states, New York and California, would see similar declines in poverty rates for the four family types studied here. Thus the minimum wage has the potential to be a powerful tool for reducing LGBT poverty across the United States.

About the Authors

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