Examining the Relationship Between Minimum Wage & Poverty
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Introduction
In the U.S., a worker is paid hourly and weekly according to federal and/or state minimum wages. The concept of minimum wage is like an insurance. Workers are guaranteed to earn the minimum wage only if they are qualified with the working requirements including whether a person has citizenship or not.

Research Question
Is minimum wage effective in reducing poverty?

Background

- **1938**: Minimum wage started through Fair Labor Standards Act (FLSA)
- **1947**: The FLSA was amendment by Portal-to-Portal Act
- **1961-1966**: Amendments greatly expanded the FLSA’s scope in the retail trade sector.
- **1966**: Congress further broadened coverage with amendments by lowering the enterprise sales volume test to $500,000, effective February 1967.
- **1967-1976**: The minimum wage went from $1.00 an hour to $1.60 an hour.
- **1974**: The minimum wage increased about 67.5% from 1974’s minimum wage.
- **1976**: The amendment increased the minimum wage to $4.75 an hour to $5.15 an hour.
- **1977**: Apply to State and local government employees.
- **1979**: The minimum wage increased.
- **1981**: The minimum wage increased.
- **1989**: The minimum wage increased. We assume that the years 1993-1997, the poverty rate decreased almost flat though minimum wage increased about 67.5% from 1974’s minimum wage.
- **1991**: The Tax Reform Act of 1986 by Reagan’s administration increased the tax rate significantly while minimum wage increased.
- **1993**: The poverty rate increased rapidly. The rate decreased suddenly during his second term. The Tax Reform Act of 1986 by Reagan’s administration increased the tax rate for the lower incomes. High tax rates resulted in more expenditures for lower income households and a rise in poverty.
- **1999**: The minimum wage increased.
- **2001**: The poverty rate for families kept increased until 2009. The reason why minimum wage increased. We assume the change is unstable due to President Reagan’s foreign policy and wars.
- **2006**: Web (.)

Findings

**The Correlation Between Minimum Wage and Poverty Rate**

- From 1959-69 during the terms of Presidents Eisenhower, Kennedy, and Johnson, the minimum wage increased slowly and steadily, resulting in a decrease in the poverty rate for families.
- From 1969-1974 during President Nixon’s term, though the minimum wage increased, the result was an increase in poverty rate for families. When President Nixon took his term, The United States had a high rate of inflation. In 1973, a Chilean coup d’état arose. Under the condition the Nixon administration and CIA supported Augusto Pinochet with multi million dollars resulting in the creation of a vulnerable economic and political condition in the United States.
- From 1974-1981 during the terms of Presidents Ford and Carter, poverty rate stayed almost flat though minimum wage increased about 67.5% from 1974’s minimum wage.
- From 1981-1989 during President Reagan’s first term, the poverty rate increased rapidly. The rate decreased suddenly during his second term. The Tax Reform Act of 1986 by Reagan’s administration increased the tax rate for the lower incomes. High tax rates resulted in more expenditures for lower income households and a rise in poverty.
- From 1989-93, during the elder President Bush’s term, the poverty rate increased along with minimum wage. This is arguably the result of President Bush dealing with the deficit left by the Reagan Administration.
- From 1993-2001 during President Clinton’s term, the poverty rate for families decreased significantly while minimum wage increased. According to the Clinton-Gore Administration A Record of Progress, President Clinton and Vice President Gore invested in education, training services, science, and research by eliminating budget deficits and focusing on fiscal discipline.
- From 2001-2009, during President George W. Bush’s term, the poverty rate for families increased until 2009. The 9/11 attacks and subsequent wars are a likely cause. The New York Mercantile Exchange closed about a week and 130,000 employees lost their jobs with 9 out 10 employees are fired according to www.trulia.com.

Results

- **2001**, during President Clinton’s term, the poverty rate for families decreased significantly while minimum wage increased. According to the Clinton-Gore Administration A Record of Progress, President Clinton and Vice President Gore invested in education, training services, science, and research by eliminating budget deficits and focusing on fiscal discipline.
- **2006**: Web (.)

Conclusion

The discussion on how minimum wage affect the poverty rate is important because there are no correlations between the increase in minimum wage and the reduction of poverty. It is important to state the ineffectiveness of minimum wage. In recent years the rate of poverty has increased in the United States. By all means, minimum wage does not directly impacts the poverty rate.

References