

Climbing the Wage Ladder: UPDATE

Background

The Family Income Study's December 1994 issue brief, **Climbing the Wage Ladder** found that women who had worked at least three months in any year during the five-year study period (1988-1992) climbed the wage ladder.

This paper updates that analysis, and reports the 1994 equivalent wages. The national Consumer Price Index was used to adjust wages in the study period to 1994 dollars.

Family Income Study Findings

- **The more consecutive years that women worked, the greater the likelihood of receiving a wage increase, and the higher the amount of the increase.**

*For those who worked in **two** consecutive years, 55 percent of the women received a wage increase; the median increase (in 1994 dollars) was \$1.35 per hour.*

*For those who worked in **five** consecutive years, 66 percent of the women received a wage increase; the median increase (in 1994 dollars) was \$2.73 per hour.*

- **Most women (77 percent) worked for wages for at least three months in one year of the five-year study period. Their median starting wage (in 1994 dollars) was \$5.84 per hour.**
- **For those with work experience, 19 months was the median length of time worked during the five-year study period.**

Discussion

A woman's wage rate is an important factor in enabling her to leave and stay off welfare. Although the median starting wage was relatively low (\$5.84), this analysis found that most women who had steady work experience, and who worked in several consecutive years, received wage increases.

*If a woman had worked in **five** consecutive years, a median hourly wage (in 1994 dollars) of \$8.57 (\$5.84 + \$2.73) would have been possible. At this hypothetical wage, a woman working full time, for a full year, could have had annual pre-tax earnings of approximately \$17,688. As a point of reference, the federal poverty guideline for a family of three was \$12,324 in 1994, and inflation was low.*

However, few women worked full time for a full year; part time work for part of the year was a more common pattern. Only *12 percent* of the women had worked in **five** consecutive years.

The Earned Income Tax Credit (EITC) has become an important factor in increasing family income of women who work at low wages. In 1993, a single mother with two children who was employed full time at \$5.84 would have been eligible for an EITC of \$2,408. If she was employed full time at \$8.57, she would have been eligible for an EITC of \$1,445. The EITC increased greatly in 1994.

Although education and job skills training continue to be very important, this analysis suggests that helping women who receive AFDC to stay in the labor market and to apply for the EITC could be part of a successful welfare-to-work policy.

Definitions

AFDC sample: a random sample of women respondents in households receiving AFDC in March 1988.

Work: at least three months of paid employment in any one year during the five-year study period.

Wage increase: an increase of at least \$.25 per hour; increases **of less** than \$.25 per hour were not included.

Annual earnings: calculated by multiplying the hourly wage by 40 hours/week x 4.3 weeks/month x 12 months/year.

Inflation: During the study period the average annual Consumer Price Index increase was 4.3 percent.

If you have any questions, please call Carol Webster or Greg Weeks at the Institute.

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