

Some Good News from the New American Community Survey

The 2007 American Community Survey reports on income and poverty were released last week. Most attention was focused on the modest progress (or no progress) made by many California and U.S. families in terms of earnings growth and poverty reduction.

But two important stories got less attention even though both have critical implications for public policy.

The Minimum Wage and Poverty

2007 marked the first of two years in which the minimum wage was increased in both California and the nation. California's minimum wage increased from \$6.75 an hour in 2006 to \$7.50 in 2007 and increased again on January 1, 2008 to \$8.00 an hour. The national minimum wage was increased after a decade of no growth from \$5.15 an hour in 2006 to \$5.85 in 2007 and \$6.55 an hour in 2008.



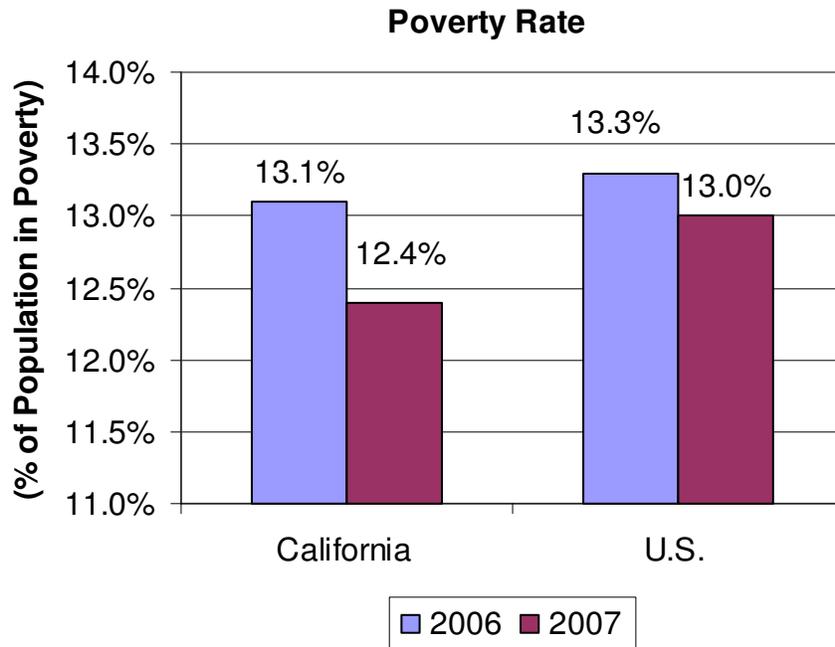
Previous increases in the minimum wage were associated with declines in the poverty rate and 2007 was no exception.

While earnings for many families barely kept pace with inflation, earnings for minimum wage earners will increase sharply between 2006 and 2008. The California increase of \$1.25 an hour is an 18% increase over 2006 levels and equals \$2,500 a year for a full-time minimum wage worker. The U.S. increase of

\$1.40 an hour is a 27% increase over 2006 levels and equals \$2,800 a year for a full-time minimum wage earner.

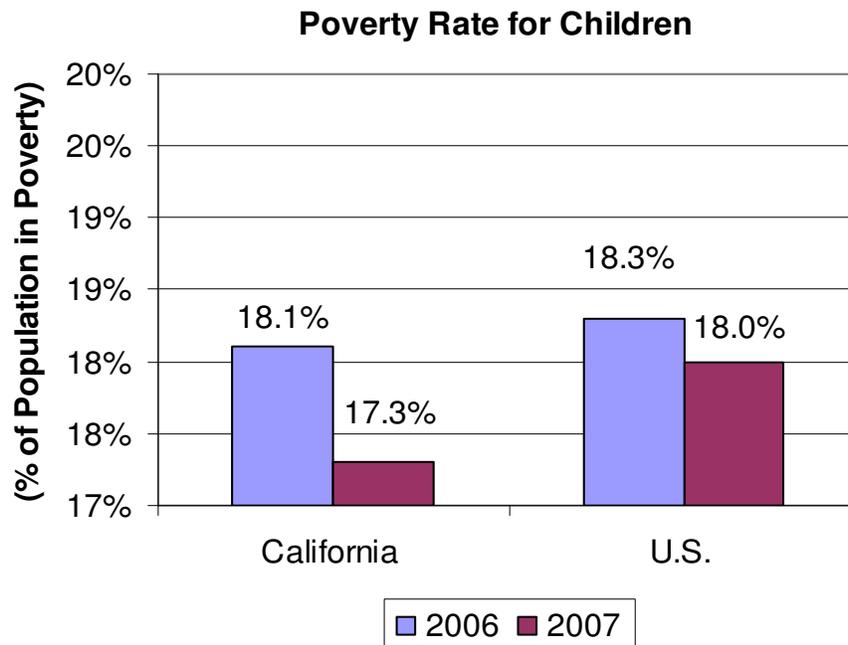
These income gains helped push some families above the poverty line in 2007 as California's poverty rate fell from 13.1% to 12.4%. It should also be noted that in both 2006 and 2007 California's poverty rate was below the national average.

And, while 2008 is likely to be a bad year for overall earnings, the second part of the minimum wage increase may keep the poverty rate from rising.



The high poverty rate for children continues to be a source of concern in the state and nation. The poverty rate for children is well above the overall poverty rate. Still, the minimum wage increase helped to reduce poverty among children in 2007 according to the American Community Survey data.

The poverty rate for children in California fell from 18.1% in 2006 to 17.3% in 2007. Not only is California's poverty rate for children below the national average but it fell more in the state than in the nation last year.



These data show why many policy analysts and community leaders support indexing the minimum wage to inflation. Having the minimum wage at least keep pace with inflation would increase the power of the minimum wage as one policy tool to help fight poverty.

Poverty and Immigration

Last year's (2006) ACS data showed that both the number of immigrants and the share of immigrants in poverty decreased in California between 2000 and 2006. These trends are likely to continue in 2007 based on the estimates of poverty among Latinos in California and the nation.

The Latino poverty rate in California fell from 19.1% in 2006 to 17.8% in 2007. The national Latino poverty rate fell from 21.5% to 20.7%.

It is noteworthy that California's Latino poverty rate is well below the national rate despite California having welcomed hundreds of thousands of Latino immigrants since 2000.

These data reinforce what economists all know. Trends in poverty rates and unemployment depend on broad economic trends, not on trends in immigration. Poverty and unemployment go up when the economy stops producing jobs. Immigration responds to economic trends, not the other way around.

California can have lower poverty rates than the nation and lower Latino poverty rates than the nation despite having a large and growing immigrant population.

Poverty Rate for Latinos

