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Executive Summary

Background

Poverty among full-time low-wage U.S. workers remains a significant policy problem. The federal minimum wage has been static since 2009, though many states raised theirs between 2010–2023. There is conflicting data about whether raising the minimum wage significantly lowers poverty, despite the ongoing legislative debate. This creates uncertainty for policymakers who want to know whether wage increases help workers who are already attached to the labor force. This study examines whether higher state minimum wages reduce poverty among full-time workers aged 18–64, and why impacts could vary by state and how participation in aid programs, demographics, and economic conditions may influence the size of poverty reduction.

Methods

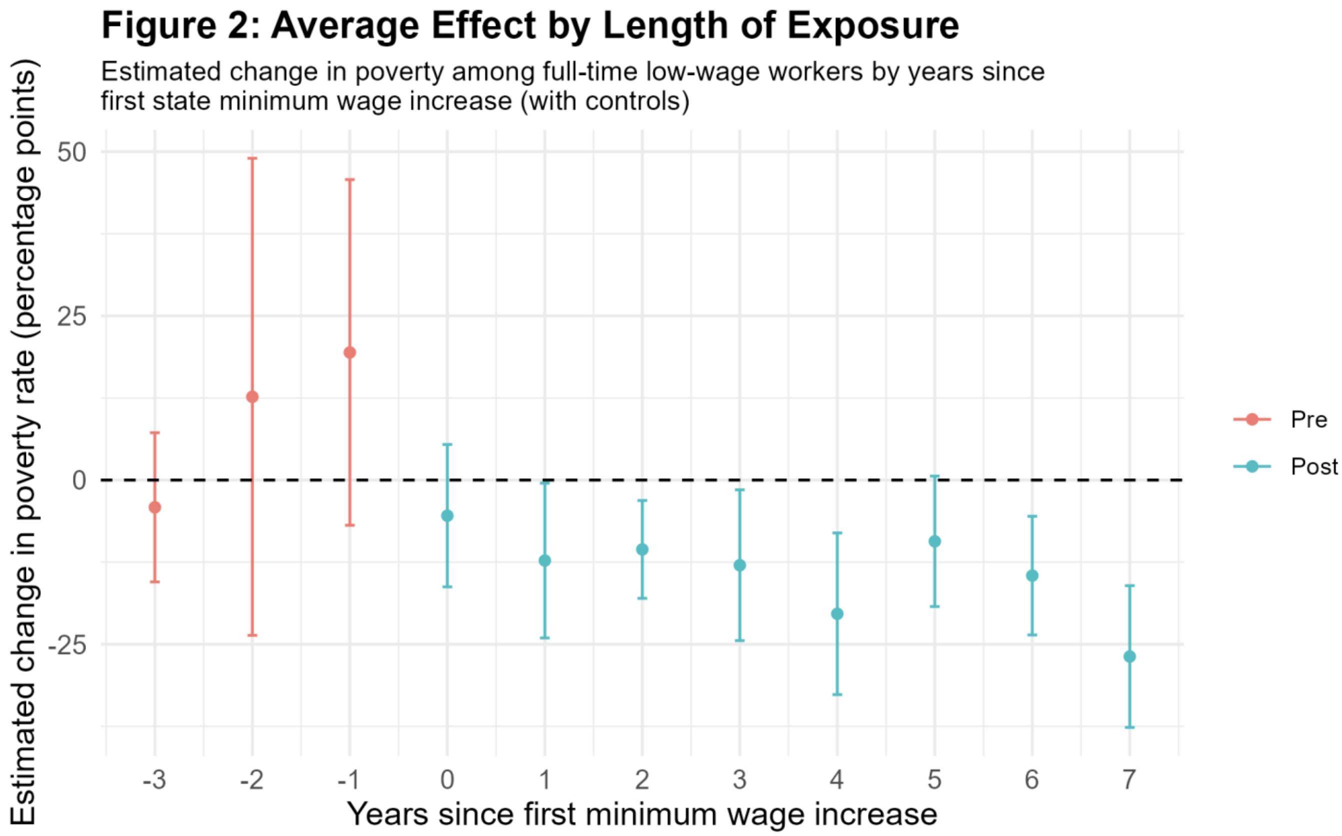
Using administrative minimum wage schedules, BEA income measurements, Bureau of Labor Statistics unemployment rates, and ACS microdata, the research creates a state year dataset from 2010 to 2023. Adults who worked at least 50 weeks a year and 35 hours a week are included in the sample. The study determines these workers' yearly poverty rates and connects them to the state's economic situation and the timing of increases to the minimum wage. The staggered Difference-in-Differences approach from Callaway and Sant'Anna's was applied to compare states, accounting for policy timing, programs, and demographics.

Key Findings

- States that raised minimum wages saw a significant poverty decline among full-time low-wage workers. After accounting for demographic and economic factors, the predicted impact is a 14-percentage point decrease.
- Poverty declines peak two to three years after wage hikes
- No meaningful differences appeared between treated and control states prior to the increases
- State differences stem from labor markets, SNAP reliance, income, and demographics.

Recommendations

Raising the minimum wage should be taken into consideration by policymakers as one part of a larger plan to lessen poverty among individuals who are continuously engaged in the workforce. States should assess impacts over several years, not immediately. Examining how wage increases interact with programs like SNAP and Medicaid may also be beneficial for states, as the combined effect may affect how much poverty declines following an increase in minimum wage. Further state-level research can assist customizing policy design to the economic circumstances and low-wage workforce characteristics of each state.



Each point shows how poverty among full time low wage workers changed in states that raised their minimum wage, compared with that never did. Values to the left of zero represent years before the first increase and remain close to zero, which suggests that states followed similar trends before the policy took effect. Beginning at year zero, when the minimum wage increases, the estimates become progressively more negative, showing that poverty declines over time. By two to five years after the increase, states display sizable reductions in poverty for full time low wage workers. Vertical bars represent 95 percent confidence intervals.