

## The Public Cost of a Minimum Wage Below \$15 in Delaware

UC Berkeley Labor Center | April 2021

Though federal legislation to raise the minimum wage is at an impasse in the Senate, progress toward a \$15 minimum throughout the country continues. By executive order, the Biden Administration just mandated a \$15 minimum wage for federal contract workers, which will boost pay for hundreds of thousands of workers nationwide. In addition, eight states and the District of Columbia are on track for state-level \$15 minimum wages by 2025. Delaware is the latest state to pursue a \$15 state minimum wage. Its legislation, SB15, which would phase in a \$15 minimum by 2025, has been passed by the state's Senate and has come out of committee in the House.

In addition to improving the lives of Delaware minimum wage workers and their families, passage of SB15 would reduce the burden placed on federal and Delaware-funded public safety net programs, which working families turn to when their employers do not pay them enough to meet their basic needs.

This data brief estimates the public cost to Delaware and the federal government from the use of safety net programs among low-wage working families who would be directly affected by an increase in the minimum wage to \$15 an hour by 2025. **We find that just over half of these Delaware families (51%) are enrolled in at least one safety net program, at an annual cost of \$700 million.**

### Definitions and Data

We are examining working families' utilization of the five largest means-tested safety net programs for which data is available: Medicaid; Children's Health Insurance Program (CHIP); basic household income assistance under Temporary Aid for Needy Families (TANF); Earned Income Tax Credit (EITC); and Supplemental Nutrition Assistance Program (SNAP).

This analysis focuses on the families of year-round workers in Delaware who would receive a direct pay increase should SB15 pass. "Affected working family" is defined as a family where at least one member worked year-round (at least 45 weeks during the year) for at least 10 hours a week and earned less than \$13.49 per hour (in 2019 dollars). This wage is equivalent to \$15 in 2025 dollars. We exclude from the analysis those who work only part of the year, as well as those who would receive indirect pay increases due to wage-push caused by the higher minimum wage.

All amounts are adjusted to and reported as annual averages in 2019 dollars. Medicaid figures exclude aged, blind, and disabled enrollees. Our calculation method is described in the Appendix. The analysis reflects pre-COVID labor market conditions.

### Findings

We look first at enrollment in public safety net programs between 2015 and 2019 of low-wage working families who would be directly affected by passage of SB15. Among affected working families, there are 100,000 Delaware children and adults enrolled in the Medicaid and CHIP health programs.

***This translates into more than half (51%) of affected working families being enrolled in public safety net health programs in Delaware.***

Enrollment numbers for EITC and SNAP (food stamps) are below 100,000 and are not included in our analysis.<sup>1</sup>

Table 1 shows the annual combined Delaware and federal expenditures on all the public safety net programs together, the expenditures for affected working families only, and the share of the total expenditures that goes to affected working families. ***Forty percent (40%) of dollars spent on safety net programs in Delaware go to affected working families, at a cost of \$700 million.***

**Table 1. Annual Delaware and Federal Dollars Spent on All Programs Combined for Working Families Affected by SB15, 2015-2019 (2019 dollars)**

|  |               |
|--|---------------|
| Cost of all programs                     | \$1.7 billion |
| Affected Working Families' Cost          | \$700 million |
| Affected Working Families' Share of Cost | 40%           |

*Source: Authors' calculations based on the 2016–2020 March Current Population Survey and administrative data from Medicaid, CHIP, EITC, SNAP, and TANF programs*

## Conclusion

America’s public safety net programs provide a lifeline to families that need help to meet their basic needs. When firms pay workers too little to make ends meet on their own, they rely on these programs to help make up the difference. Passage of SB15 would move these Delaware working families in the direction of self-sufficiency and reduce their utilization of safety net programs. A \$15 state minimum wage would release some of the pressure on the safety net caused by low-wage industries, and allow state and federal dollars in Delaware to be more effectively targeted.

## Appendix: Methods

To calculate the cost to the federal government and Delaware of public safety net programs for low-wage working families (defined as having at least one family member who works 45 or more weeks per year and 10 or more hours per week, and earns less than \$13.49 per hour in 2019 dollars), we mainly rely on two sources of data: the March Supplement of the U.S. Bureau of Labor Statistics’ Current Population Survey (CPS), and administrative data from the Medicaid, CHIP, TANF, EITC, and SNAP programs. Medicaid figures exclude aged,

blind, and disabled enrollees. The March Supplement, also known as the Annual Social and Economic Supplement, asks respondents about receipts of cash and non-cash transfer payments during the past year and includes questions about the programs we examined in this analysis.

To create the enrollment estimates for each program and the cost estimates for EITC, TANF, SNAP, and CHIP, we re-weight the CPS so that its cost and enrollment totals match the administrative data. To create the Medicaid (for both adults and children) cost estimates we use the state-level per enrollee spending figures published by the Centers for Medicare and Medicaid Services (CMS) multiplied by the enrollment totals from the administrative data. We then sum the number of enrolled families (defined as having at least one family member participating in a program) and the cost of their benefits to obtain the total program enrollment and cost. We then repeat this process using only low-wage working families (defined as above) to obtain our total enrollment and cost for working families. As noted, enrollment in EITC and SNAP among Delaware families was lower than 100,000 and therefore was excluded from total enrollment numbers. For further detail see the earlier report *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry*.

## Endnotes

<sup>1</sup> Enrollment data for Medicaid and CHIP reflects individual enrollees, while enrollment data for EITC and SNAP reflects family enrollment. EITC and Children’s Medicaid/CHIP data are averaged over 2015–2018 only. Data source is authors’ calculations based on the 2016–2020 March Current Population Survey and administrative data from Medicaid, CHIP, EITC, and SNAP programs.