

The Minimum Wage

The Challenge:

The federal minimum wage of \$7.25, adjusted for inflation, is now \$2.75 lower than it was in 1968, when worker productivity was about half what it is today. While Americans have experienced a steady decline in real wages, large corporations, which run on the backs of workers earning minimum wage or near it, have enjoyed massive profits. Executive salaries, along with prices, have soared, while worker salaries stagnated or declined.

USA Today gave several examples of 2010 CEO pay scales. Here are a few, rounded to the nearest million, with salaries and benefits: Viacom, \$84M; Occidental Petroleum, \$76M; Directv, \$33m; Stanley Black and Decker, \$33M; Walt Disney, \$28M; IBM, \$25M; Starbucks, \$22M; Johnson and Johnson, \$22M, AT & T, \$20M; Abbott Labs, \$20M; 3M, \$20M. Note: If you make \$20M a year, working 40 hours a week for 50 weeks, that's \$10,000 an hour.

As Ralph Nader asks, “How much political courage does it take to stand up for guys making \$7.25 an hour while the head of Wal-Mart is making \$11,000 an hour? What medieval period had that kind of wealth disparity?”

In spite of this—and in large part because of it--the current minimum wage is not enough to keep working families from meeting their most basic needs, such as cost of housing and food, health care, education, and child care. Low income families are mired in poverty, while the income gap between lower and upper classes continues to expand.

A minimum wage worker working full time year round earns about \$12,000. Thus at current minimum wage, such a person earns 63% of the poverty guideline of \$19,090 for a family of three. That's the good news: A new analyses from the Center on Budget and Policy Priorities shows that for well over a million households, many with children, there exists a hardship of epic magnitude: The number of U.S. households living on less than \$2 per person per day — which the study terms “extreme poverty” — more than doubled between 1996 and 2011, from 636,000 to 1.46 million. The number of children in extremely poor households also doubled, from 1.4 million to 2.8 million.

In 2010, 15.1 percent of all people in the U.S. lived in poverty. This is the highest poverty rate since 1993. Delving further, this masks variations between racial and ethnic subgroups. Poverty rates for blacks and Hispanics greatly exceed the national average. That same year, 27.4 percent of blacks and 26.6 percent of Latinos were poor. Poverty rates are highest for families headed by single women, particularly if they are African-American or Latino. During 2010, 31.6 percent of households headed by single women were poor. Children also represent a disproportionate share of the poor: At 24 percent of the total U.S. population, they represent 36 percent of the poor. Do we really want 16.4 million of our children living in poverty? It is even worse for African-American children, with 38% of them living in poverty.

In 2009, approximately 3.6 million people earned the minimum wage or less. Of that number, 2.6 million earned less than the minimum wage because they're excluded from the 1938 Fair Labor Standards Act. Examples would be home health workers, who provide invaluable care to the elderly and disabled – allowing them to live with dignity in their own homes, but are still excluded from minimum wage and overtime protections under the so-called "companionship exemption."

In addition to this grinding poverty for our own citizens, taxpayers are forced to shell out more for public assistance in food stamps, homeless shelters, crime prevention, drug control, and worse: a future of unprepared and desperate adults.

Responses of Democrats and Republicans:

President Obama promised to raise the federal minimum wage, declaring "people who work full-time should not live in poverty." Obama proposed raising the minimum wage to \$9.50 by 2011. Even had this campaign promise been kept, the adjusted wage for inflation would merely be restored to its 1968 purchasing power. Not that it matters: Neither the White House nor Congress has done anything toward making it happen.

Various other officials and lawmakers are now proposing "recovery strategies," such as cutting taxes for the rich and slashing budgets for social services, which would leave millions of Americans not just behind, but on a local street corner. Many are already there, as you may have noticed. Mitt Romney promised to help with minimum wage, indexing it to inflation. Even that caused a backlash from other conservatives. It might also be noted that there is nothing about minimum wage on Romney's website as of this writing, March 17, 2012.

Rocky Anderson's Approach Toward a Solution:

President Franklin D. Roosevelt's New Deal responded to the Great Depression by establishing a safety net to alleviate poverty and help the economy recover. He established a minimum wage to provide a "minimum standard of living necessary for health, efficiency and general well-being."

Raising the federal minimum wage would be one small step in helping low-income families. (Other income-boosting measures like the Earned Income Tax Credit and dependent care tax credits will be considered as well.) **Anderson proposes boosting the minimum wage to no less than \$10.00 an hour, with future increases to be tied to the rising cost of living**, as a vital step to ensure that low wage earners can better bridge the gap between income and expenses.

Raising the minimum wage would be a small step to restoring dignity for millions of workers, enabling many ordinary Americans to become part of the economic recovery, rather than its collateral damage.

According to the Economic Policy Institute, every dollar increase in wages for a worker on the bottom rung of the pay scale creates more than \$3,500 in new spending after one year, actively greasing the wheels of the economy overall.

Some 70 percent of the public supports raising the minimum wage. The call to raise the minimum wage is not only a matter of economic justice; it is a practical one as well. The infusion of tens of billions of dollars into the hands of the working class would increase tax revenue, open up new jobs, and lift consumer spending, creating a ripple effect that puts significant money back into the economy.

American businesses take in trillions of dollars every year. Rocky Anderson believes it is not too much to ask that they share a small part of that wealth with the people largely responsible for it. A few dollars extra per hour for the minimum-wage workers seems a small and proper measure, as we close the appalling gap between the rich and the poor, offer a few rays of hope for millions, and work together as a country for economic justice.