Raise the Minimum Wage to $10 in 2010

By Holly Sklar

Let Justice Roll Living Wage Campaign, July 22, 2009

Also see the companion piece, Raising the Minimum Wage in Hard Times

> "It is but equity...that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, clothed and lodged."
> — *Adam Smith, The Wealth of Nations, 1776.*
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> "A self-respecting democracy can plead... no economic reason for chiseling workers' wages or stretching workers' hours. Enlightened business is learning that competition ought not to cause bad social consequences, which inevitably react upon the profits of business itself."
> — *Franklin D. Roosevelt, "A Fair Day's Pay for a Fair Day's Work," May 24, 1937.*
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> "Remember that almost every dime of these [minimum wage] workers' pay goes directly to local businesses for food, gas and clothing."
> — *Dan Gardner, commissioner of Oregon Bureau of Labor and Industries, 2007.*

Summary

- Recent minimum wage raises are too little, too late.
- The minimum wage is a poverty wage instead of an anti-poverty wage.
- The minimum wage sets the wage floor. A low minimum wage institutionalizes an increasingly low-wage workforce.
- A low minimum wage reinforces a growing gap between haves and have-nots.
- Workers are also consumers. The long-term fall in worker buying power is one reason we are in the worst economic crisis since the Great Depression.
- Minimum wage raises go directly to those who most need to spend their increased income on food, housing, healthcare, fuel and other necessities.
- Raising the minimum wage lifts workers, business and the economy.
- $10 in 2010 will break the cycle of too little, too late raises.
- $10 in 2010 will make up ground lost in minimum wage buying power since 1968.
- $10 in 2010 will bring us closer to the Fair Labor Standards Act "minimum standard of living necessary for health, efficiency and general well-being of workers."
- $10 in 2010 will strengthen the eroded foundation under our families, communities and economy.
- A job should keep you out of poverty, not keep you in it.

■ Recent minimum wage raises are too little, too late.

The decade between the federal minimum wage increase to $5.15 an hour on Sept. 1, 1997 and the July 24, 2007 increase to $5.85 was the longest period in history without a raise.

- Family health insurance, which cost half a year's minimum wage income in 1998, costs more than the total annual minimum wage today.

Recent minimum wage raises are so little, so late that even with the minimum wage increase on July 24, 2009 to $7.25, **workers will still make less than they did in 1956**, adjusting for the increased cost of living.[1]

- The 1956 minimum wage is worth $7.93 in today's dollars.

We cannot build a strong 21st economy on 1950s wages.

■ Workers have taken many steps back for every step forward since 1968.

The minimum wage reached its peak value in 1968. It would take a $9.92 minimum wage today to match the buying power of the minimum wage in 1968—four decades ago.

- In 2009 dollars, the 1968 hourly minimum wage of $9.92 adds up to $20,634 a year.
- The July 24, 2009 minimum wage of $7.25 comes to just $15,080 a year.

The two longest periods without a minimum wage increase both occurred in recent decades (between the raises on Jan. 1, 1981 and Apr. 1, 1990 and between those on Sept. 1, 1997 and July 24, 2007). To make matters worse, the minimum wage increases after the record-breaking periods without a raise were small compared to prior increases over shorter time spans.

It is immoral that the minimum wage is worth less now than it was in 1968, the year Dr. Martin Luther King was killed in Memphis while fighting for living wages for sanitation workers — and all workers.

> On March 18, 1968, days before his murder, Dr. King told striking sanitation workers in Memphis, Tenn., "It is criminal to have people working on a full-time basis…getting part-time income." King said, "We are tired of working our hands off and laboring every day and not even making a wage adequate with daily basic necessities of life."

$10 in 2010 will bring the minimum wage closer to the value it had in 1968, a year when the unemployment rate was a low 3.6 percent. The next year, unemployment was 3.5%.

■ Minimum wage does not provide a minimally adequate living standard.

The federal minimum wage was enacted in 1938 through the Fair Labor Standards Act, designed to eliminate "labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers."

When set too low, the minimum wage does the opposite of what the Fair Labor Standards Act intended by reinforcing detrimental labor conditions.

Setting minimum wage too low means people are continually juggling which necessities to go *without*. Will it be "heat or eat," rent or healthcare?

Setting minimum wage too low means more working people and families living in homeless shelters and cars. Setting minimum wage too low means more working people turning to overwhelmed food banks.

- According to the National Low Income Housing Coalition, there is no county in the country where a full-time worker making minimum wage can afford a one-bedroom apartment, (without spending more than 30% of their income on housing).
- The 2008 Conference of Mayors Hunger and Homelessness Survey found that 42% of persons requesting emergency food assistance were employed, as were 19% of the homeless.
- In the words of the Mayor's report, "Philadelphia writes, 'new people coming to food cupboards are people that are employed with children….' Gastonia, North Carolina reported, 'We are seeing more two parent households that are employed.' In Salt Lake City, the 'increased costs of housing, utilities, transportation and food force low-wage families to request food on a regular basis.'"

It is immoral that workers earning minimum wage, who care for children, the ill and the elderly, struggle to care for themselves and their families.

■ The minimum wage is a poverty wage instead of an anti-poverty wage.

You can't fight poverty with a poverty wage. Poverty rates are higher now than in the 1970s, thanks in part to the eroded value of the minimum wage.

Contrary to stereotype, the typical minimum wage worker is an adult over age 20. Most have high school degrees or beyond. They are healthcare aides who can't afford sick days, and childcare workers, retail clerks and farm workers. They are hospitality workers without paid vacation and security guards turning to overwhelmed food banks to help feed their families.

They are young adults trying to work their way through college on wages that have fallen far behind the rising cost of tuition, housing, food and fees.

- Between 1978-79 and 2008-09, adjusting for inflation, tuition and fees at public four-year colleges rose 119%. The inflation-adjusted value of the minimum wage dropped about 25% in the same period.

A low minimum wage gives a green light to employers to pay poverty wages to a growing share of the workforce.

More jobs are keeping people in poverty instead of out of poverty. As the wage floor has dropped below poverty levels, millions of workers find themselves with paychecks above the minimum—but not above the poverty line. More and more workers are in jobs with low wages and little or no benefits. More children of working parents are growing up in poverty.

■ A low minimum wage institutionalizes an increasingly low-wage workforce.

The minimum wage sets the wage floor. If the minimum wage had held the near-$10 value it had in 1968, it would have put upward pressure—rather than downward pressure—on the average worker wage.

If the minimum wage had held the near- $10 value it had in 1968, Wal-Mart and McDonald's, our nation's largest employers, couldn't routinely pay wages much lower.

- Wal-Mart's wages would be closer to Costco, which pays starting wages of $11 an hour plus much better benefits. Costco CEO Jim Sinegal has long asserted, *"Paying your employees well is not only the right thing to do, but it makes for good business."*
- McDonald's wages would be more like In-N-Out Burger, which has a starting wage of $10 an hour plus benefits and has long ranked first or second nationwide among fast food chains in overall excellence.

Most of the ten occupations projected by the Bureau of Labor Statistics to have the **largest employment growth during 2006-2016** have disproportionate numbers of minimum wage workers.

These include retail salespersons, fast food workers, home health aides and janitors. Raising the minimum wage is essential to them, their families and our economy.

■ Workers have not gotten "A fair day's pay for a fair day's work."

"As the productivity of workers increases, one would expect worker compensation to experience similar gains," a 2001 U.S. Department of Labor report observed. Workers used to share in the gains of rising worker productivity. In recent decades, worker productivity went up, but workers' wages went down. Increasingly, the gains have gone to owners and top executives.

- Between 1947 and 1973, worker productivity rose 104% and the minimum wage rose 101%, adjusted for inflation. The middle class grew.
- Between 1973 and 2008, productivity rose 87% and the minimum wage fell 16%, adjusted for inflation. Average worker wages fell 10%. The middle class shrunk.

Profits have gone up while worker wages have gone down.

- Between 1973 and 2008, domestic corporate profits rose 139%.
- Profits in the disproportionately low-wage retail industry increased even more: 187%.

Contrary to myth, **higher education does not protect workers from falling real wages.** Since 1973, the share of workers without a high school degree has plummeted and the percentage with at least four years of college has more than doubled. But the 2008 average hourly wage was 10 percent below 1973, adjusted for inflation.

- The inflation-adjusted wages of recent college graduates were lower in 2007 than in 2001.
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■ A low minimum wage reinforces a growing gap between haves and have-nots.

There has been a massive shift of income from the bottom and middle to the top. The richest 1% of Americans has increased their share of the nation's income to a higher level than any year since 1928—the eve of the Great Depression.

- In 1973, the richest 1% of Americans had 9% of national income. By 2006, they had 23%.

CEOs at big corporations make more in a couple hours than minimum wage workers make in a year—not counting CEO perks and benefits.

- In 1980, the average CEO at a big corporation made as much as 97 minimum wage workers.
- In 1997, the average CEO made as much as 728 minimum wage workers.
- In 2007 — the last year of the longest period in history without a raise in the minimum wage — CEOs made as much as 1,131 minimum wage workers.

It is immoral that some are paid so little their children go without necessities—while others are paid so much their grandchildren will live in luxury without having to work at all.

The minimum wage is not just about fair pay for workers. It is an essential part of the foundation of our economy and society. We can't build a strong economy with a widening gap between the top and bottom any more than we can have a strong apartment building with an ever more luxurious penthouse at the top and a crumbling foundation below.

■ A low minimum wage reinforces discrimination and union busting.

A disproportionate number of minimum wage workers are women and people of color. An unfair minimum wage compounds race and sex discrimination on and off the job. Union jobs typically pay higher wages. An unfair minimum wage compounds the widespread violations of workers' right to organize and union busting, which keeps unionization so artificially low.
"We know of no more crucial civil rights issue facing Congress today than the need to increase the federal minimum wage and extend its coverage," Martin Luther King told Congress in March 1966. "A living wage should be the right of all working Americans."

- The 1966 minimum wage was $8.46, adjusting for inflation—higher than it is today.

■ Raising the minimum wage does not increase unemployment.

Critics routinely oppose minimum wage increases in good times and bad, claiming they will increase unemployment, no matter the real world record to the contrary. The buying power of the minimum wage reached its peak in 1968. The unemployment rate went from 3.8% in 1967 to 3.6% in 1968 to 3.5% in 1969.

The next time the unemployment rate came close to those levels was after the minimum wage raises of 1996 and 1997. Contrary to what critics predicted when the minimum wage was raised, our economy had unusually low unemployment, high growth, low inflation, and declining poverty rates between 1996 and 2000. The unemployment rate fell from 5.6% in 1995 to 4% in 2000. Unemployment went down across the board across the country—including among people of color, teenagers, high school graduates with no college, and those with less than a high school education.[2]

As *Business Week* put it in 2001, "Many economists have backed away from the argument that minimum wage [laws] lead to fewer jobs."

States that raised their minimum wages above the long stagnant $5.15 federal level experienced better employment and small business trends than states that did not.

Recent studies by the Institute for Research on Labor and Employment (Univ. of CA, Berkeley), carefully controlling for non-minimum wage factors, further advance the extensive research, which shows that minimum wage raises do not cause increased unemployment. (See Raising the Minimum Wage in Hard Times, for more on studies refuting harmful employment and business effects from minimum wage increases.)

■ Raising the minimum wage boosts business and the economy.

Workers are also consumers. Consumer spending makes up about 70% of our economy.

Minimum wage raises go directly to those who most need to spend their increased income on food, housing, healthcare, fuel and other necessities. Minimum wage workers don't put raises into Wall Street's many Ponzi schemes, commodity speculation or offshore tax havens. They recycle their raises back into local businesses and the economy by buying needed goods and services.

According to the Economic Policy Institute's recent report, *A Stealthy Stimulus: How boosting the minimum wage is helping to stimulate the economy*:

- The first two minimum wage increases "will have generated an estimated $4.9 billion of spending by July 2009, precisely when our economy needed it the most."
- The July 24, 2009 increase is expected to generate another $5.5 billion over the following year.

In the months leading to passage of legislation to increase the minimum wage above $5.15, hundreds of business owners and executives—including the CEOs of Costco, the U.S. Women's Chamber of Commerce, and **small business owners from every state**—signed the Business for Shared Prosperity statement in support of raising the minimum wage. They said, "*We cannot build a strong 21st century economy when more and more hardworking Americans struggle to make ends meet.*"
Hundreds more have signed the statement since at www.BusinessforaFairMinimumWage.org.

In the words of the business leaders statement, "Higher wages benefit business by increasing consumer purchasing power, reducing costly employee turnover, raising productivity, and improving product quality, customer satisfaction and company reputation." Decent wages reinforce long-term business success.

■ A minimum of $10 in 2010 is needed for a minimum standard of living.

Original proposals for the Fair Labor Standards Act "Provided for a commission that would set the minimum wage after a public hearing and consideration of cost-of-living estimates provided by the Bureau of Labor Statistics (BLS). By this procedure, the wage would have been updated according to changes in the standard of living and inflation. The version of the FLSA that became law, however, left action on future increases to Congress and the president."[3]

Today, there is a great gap between the minimum wage and a minimum living standard.

In 2001, the *Raise the Floor* book and Ms. Foundation Raise the Floor project called for an $8 federal minimum wage based on a carefully researched *national average minimum needs budget* for a single adult (including housing, healthcare, food and other necessities, and taxes and tax credits). *Raise the Floor* research showed such a minimum wage would be not only affordable but also beneficial to business. A companion poll in 2002 found that 77% of likely voters favored increasing the minimum wage to $8 an hour. $8 in 2001 is worth $9.66 now.[4]

The official poverty measure has become so out of touch with reality that research shows you need about double the official poverty threshold to get a more realistic measure of what people actually need to afford necessities.

- For example, according to the Economic Policy Institute's online Basic Family Budget Calculator, the national median basic needs budget (including taxes and tax credits) for a one-parent, one-child family was $30,761 in 2007 while the Census Bureau's 2007 poverty threshold for a one-parent, one-child family was $14,291.[5]

According to the Economic Policy Institute, 30% of families have incomes less than adequate for a family budget meeting necessities. Among families with a full-time worker, 23% fall short of a Basic Family Budget. (EPI's data does not include single-person households.)

The minimum wage should be raised to $10 in 2010. That's a full-time annual wage income of $20,800.

Future minimum wage increases should reflect the updated cost of an adequate minimum living standard. **We should not repeat the error of the poverty measure and lock in an eroded minimum wage by indexing it to inflation from an inadequate base level.**

Adjusting for inflation means the minimum wage goes up as inflation goes up. It's like running in place instead of falling backwards. But it's not moving forward—sharing the gains of higher productivity and economic progress. It's not "A fair day's pay for a fair day's work." It does not strengthen the floor under our economy and society.

■ $10 in 2010 would be about half the average worker wage.

During the 1950s and 60s, the minimum wage averaged around half the average worker wage. The minimum wage was 53% of the average worker wage when it reached peak value in 1968. Before the increase from $5.15 to $5.85 in 2007, the minimum wage had eroded to a record low 30% of the average hourly wage.

- The June 2009 average hourly wage was $18.53. Minimum wage would now be $9.82 if it were 53% of that average hourly wage.

■ Average wages would be higher if the minimum wage floor had risen in value rather than fallen.

Today, more and more two-paycheck households struggle to afford a home, college, healthcare and retirement once normal for middle-class households with one paycheck.

Average wages would be higher now if the minimum wage had reinforced the linkage between wage and productivity growth instead of undermined it.

- Between 1968 and 2008, productivity rose 111%, the average wage fell 3% and the minimum wage fell 34%, adjusted for inflation

What if wages had kept rising with productivity? If the average wage — worth $18.68 in 1968 in 2008 dollars — had kept pace with productivity it would be more than $39 today. The minimum wage would be about $20.

■ Raising the minimum wage promotes the high road over the low road.

The U.S. is the only industrialized country in the OECD (Organization for Economic Cooperation and Development) where the wages of minimum wage workers have not at least kept pace with inflation since 1997. The U.S. has the biggest gap between the minimum wage and the average wage of full-time workers.

Paul Lightfoot, CEO of AL Systems and a productivity adviser to major retailers, wrote in the New York *Journal News*, “Unfortunately, businesses often make decisions contrary to their long-term profits, in this case driven by misplaced fears of competitive disadvantage. Shortsighted managers often can’t resist the mirage that paying lower wages is an easy and obvious tactic to lower costs. By increasing the floor on minimum wages, the playing field can be leveled, eliminating the mirage that currently seduces managers. Under such a policy, workers win with higher wages and stable employment. Employers win with higher productivity, lower turnover and a more robust consumer base for their products… Everyone wins with the higher economic growth that comes from a larger middle class and fewer poor.”

> “The high road is not only the better road, it is the only road for progress in the future. An America that doesn’t work for working people is not an America that works. We will not prosper economically or ethically in the global economy relying on low wages, outsourcing and debt in place of innovation and opportunity. We will not prosper in the global economy relying on disinvestment in place of reinvestment. We can’t succeed that way anymore than farmers can ‘compete’ by eating their seed corm….
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> “The United States is an increasingly shaky superpower with a hollowed-out manufacturing base, large trade deficit and growing debt held heavily by other countries. Households have propped themselves up in the face of falling real wages by maxing out work hours, credit cards and home equity loans… This is not a sustainable course… The low road is like a ‘shortcut’ that leads to a cliff.”
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> Holly Sklar and Paul Sherry,
> *A Just Minimum Wage: Good for Workers, Business and Our Future*, 2005.

In the book, *How We Compete: What Companies Around the World Are Doing To Make It In Today’s Global Economy*, Suzanne Berger reports the findings of MIT’s Industrial Performance Center study of more than 500 companies. She observes:

> “Contrary to the widely held belief of many managers, we conclude that solutions that depend on driving down costs by reducing wages and social benefits — in advanced countries or in emerging economies — are always dead ends…

> "Strategies based on exploiting low-wage labor end up in competitive jungles, where victories are vanishingly thin and each day brings a new competitor… As low-end firms that compete on price move from one overcrowded segment of the market to the next, there is virtually no chance of gaining any durable advantage. The activities that succeed over time are, in contrast, those that build on continuous learning and innovation."

If employers can't stay in business without keeping their workers in poverty, there's something wrong with their business models.

■ $10 in 2010 brings us closer to the day when all workers are paid a living wage.

We must break the cycle of too little, too late raises.

We must re-link the minimum wage to what people actually need to live on.

We can't build a strong economy on downwardly mobile wages and rising debt and insecurity.

$10 in 2010 will strengthen the foundation under our unstable economy.

Paying workers enough to live on should not be optional—in good times or bad.

Poverty wages are toxic to our families, our communities, our economy, and our democracy. It's time to end them.

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[1] Figures are adjusted for inflation using the Consumer Price Index, CPI-U, published by the U.S. Bureau of Labor Statistics. The BLS provides an online inflation calculator at http://www.bls.gov/data/inflation_calculator.htm. Full-year 2008 or latest month $2009 data are used as appropriate and available. Hourly wages are annualized by multiplying by 2080 (40 hours x 52 weeks).

[2] A Report by the National Economic Council, *The Minimum Wage: Increasing the Reward for Work*, March 2000, and Jennifer L. Martel and David S. Langdon, "The job market in 2000," *Monthly Labor Review*, February 2001.

[3] Michael Ettlinger, Economic Policy Institute, *Securing the Wage Floor*, October 12, 2006.

[4] Holly Sklar, Laryssa Mykyta and Susan Wefald, *Raise the Floor: Wages and Policies That Work For All of Us* (Ms. Foundation for Women/South End Press, 2001). January 2002 national poll of likely voters by Lake, Snell, Perry and Associates for the Ms. Foundation for Women. *Raise the Floor* developed national minimum needs budgets ranging from one-person households to two-adult, two-child households. More recent basic needs budget reports and online calculators generally start at two-person households or cover specific localities but not national estimates.

[5] The official poverty thresholds were originally developed in the 1960s by taking the price of a nutritionally inadequate lowest-cost food plan meant for "temporary or emergency use when funds are low" and multiplying by three—based on a 1955 survey finding that food cost about a third of a family budget. Now food is a much smaller share of family budgets while other necessities cost more so the basic formula does not cover the cost of healthcare, housing and other basic expenses. The Census Bureau's 2007 one-person poverty threshold is $10,590 (about half the annualized figure of $20,800 at $10 an hour). Numerous living wage campaigns base their wage rates on the family-of-four Census Bureau poverty threshold. The 2007 poverty threshold of $21,203 for a family of four comes to $10.19 an hour.

In response to growing concern over the official poverty measure, the Congress initiated an in-depth review undertaken by the National Research Council of the National Academy of Sciences (NAS) resulting in *Measuring Poverty: A New Approach* (1995). Recent developments include New York City's creation of an alternative poverty measure based on the NAS approach and the Measuring American Poverty Act introduced in Sept. 2008 by Rep Jim McDermott, chair of the House Committee on Ways and Means Subcommittee on Income Security and Family Support.