

News Article

Minimum Wage Reform Gains Steam with Long Road Ahead

by Michelle Chen ([bio](#))

Anti-poverty activists say raising the "wage floor" will provide a crucial boost to some households and the economy, but they also note current increase proposals will not change the face of poverty in America.

Jun 13 - Hoping to give the poorest workers a modest boost, anti-poverty activists are pushing for minimum wage increases on the state and federal levels, with the long-term aim of turning the issue into a platform for broader policies to stem inequality.

The Fair Minimum Wage Act of 2005, proposed in the US Senate by Senator Ted Kennedy (D-Massachusetts), would increase the federal minimum wage for the first time since 1997, from \$5.15 to \$7.25 per hour, phased in over two years.

The increase, according to analysts at the Economic Policy Institute (EPI), a progressive think tank, would impact 7.3 million workers, or nearly 6 percent of the labor force. Currently, an adult receiving the minimum wage at a full time, year-round job makes an annual income of \$10,700, or a little over half the poverty level for a family of four, according to EPI.

Generally, state and federal minimum wage laws are not automatically adjusted for inflation, so unless legislators amend the law, the actual value tends to erode in relation to the rest of the economy. The frozen wage floor now hovers at one-third of the average hourly wage. According to the labor federation AFL-CIO, had the minimum wage of 1968 been indexed to inflation, it would today be closer to \$9.00 per hour.

"The minimum wage falling in real terms is a significant factor in why inequality has been growing over the last few decades," said EPI economist Jeff Chapman.

The 7.3 million workers who stand to benefit from a higher minimum wage mirror the demographics of the populations hardest hit by inequality. While single mothers with children under eighteen constitute only 5 percent of the total labor force, they would account for over 10 percent, or 760,000, of those affected by the wage hike. Blacks and Hispanics would also benefit at rates higher than their representation in the general workforce.

EPI pointed out an additional "spillover effect" of the policy: a higher base wage would probably bump up an additional 8.2 million people who are presently at the next lowest wage level, where payments fall within a dollar of the federal minimum.

While the business lobby has campaigned against minimum wage hikes by arguing that they undercut employers and would give pay raises to people who do not need them, recent research reveals that

many minimum wage earners are not teenagers working for pocket money, but impoverished adults mired at the bottom of the pay scale.

The EPI reported that approximately 44 percent of minimum wage laborers work full time, and a minimum wage worker is responsible for more than half of his or her total household income, on average. The group projected that most of the increase in income resulting from the policy would be concentrated in the lowest income strata.

The Fiscal Policy Institute (FPI), a think tank focusing on New York State policy issues, challenges the arguments made by the business community that a higher minimum wage would negatively impact employers. The Institute found that following an increase in New York's minimum wage in January to \$6 per hour, two industries with among the highest concentrations of minimum wage workers – restaurant and retail businesses – showed strong job growth in recent months that actually improved over last year and outpaced the overall rate in the state.

FPI economist James Parrott also contended that conceivably, a minimum wage increase could even foster economic growth. Since the low-income people who would benefit are more likely to spend than to save, he said, "in effect, you're redistributing money from business owners or from higher-income consumers... to lower-wage residents who are going to spend every dollar of that, [and] you can get a net positive economic effect out of that."

Activists Focus on Bottom But Aim Higher

Activists pushing for higher minimum wage standards suggest that years of inaction on the federal level has spurred state governments to revise their own minimum wage policies. Although most state minimum wage levels match the federal law, sixteen states and the District of Columbia have set a higher base wage, with Wisconsin implementing the most recent raise, to \$5.70 an hour.

Jen Kern, an organizer with the grassroots anti-poverty coalition ACORN, said, "Now, we're starting to see just a rash of state minimum wage campaigns, which we think are really important, given that there's really very little chance that Congress will do anything on this issue."

In those states where legislators have proven more resistant to public pressure for a minimum wage hike, she said, "we're taking it directly to the voters," with ballot measures slated for the November 2006 elections in Michigan, Ohio and Arizona.

Kern sees minimum wage ballot initiatives as a tool "to excite people to participate in the democratic process" in the underserved communities ACORN advocates for.

She explained, "It's an excellent way to engage low- and moderate-income, maybe infrequent voters ... [T]hey'll get out there to vote for a minimum wage increase, and then they will cast the vote for candidates in important races."

Experts Identify Problems Beneath Wage Floor

Analysts caution that while raising the minimum wage could provide some relief to the poor, it would only dent the problems that push people into poverty and keep them there.

If the proposed federal minimum wage increase were enacted, the EPI estimates that the income boost, combined with the Earned Income Tax Credit, a federal tax program that supplements the incomes of the working poor, could lift many families above the poverty line. Still, \$7.25 is nearly two dollars less than the hourly wage required to bring a single-income, four-person household to the poverty threshold without other supports.

A modest adjustment in the minimum wage would furthermore fail to lift a working family toward what economists call the "self-sufficiency standard" -- the income at which a household can cover essential needs. Though this standard varies according to the local cost of living, EPI has calculated that to achieve self-sufficiency, a family of four in Baltimore, Maryland would need an income of about \$34,700 per year.

In 2000, a New York State research committee on the self-sufficiency standard calculated that a single parent living in lower Manhattan with two young children would need to be paid about \$35 per hour to make ends meet.

A study released last month by the Center on Economic Policy and Research (CEPR), a progressive Washington think tank, indicated that for many workers toiling around the base of the economic scale, opportunity for real advancement remains far out of reach.

Parsing employment data from 1992 to 2003 for workers aged 25 to 54 making up to \$6.15 an hour, the study revealed that after a three-year period, over one-third of workers in low-wage jobs were still receiving low -wages, and one in four had shifted downward from low-wage work to unemployment.

CEPR's analysis showed that more than 40 percent of women stayed in low-paying jobs, compared to 34 percent of men. Running counter to the image of upwardly mobile immigrants, nearly half of immigrant workers stagnated at low wage levels, compared to 36 percent of native citizens. The workers most likely to stay put or become unemployed were those with less than a high school education.

The study found that workers in states with minimum wages higher than the federal standard were somewhat less likely to remain in low-wage jobs. But Heather Boushey, the author of the study, commented that overall, an extra two dollars an hour for some of the poorest workers "won't necessarily help people move up the job ladder. And I think for that you need a whole different set of policies."

Observing that the high employment rates of the late 1990s coincided with relatively high rates of job advancement, Boushey recommended aggressive government strategies to help people obtain and maintain jobs. Even basic supports like better healthcare access would also encourage upward transition for poor households, she said, because low-wage jobs tend to lack health benefits.

But rather than strengthening employment prospects for the working poor, said Boushey, the current administration has enacted "cutbacks in the types of programs that make it easier for low-wage workers to stay employed," like Medicaid and educational assistance programs.

CEPR's research also relates to more systemic issues of inequality that color economic opportunity. Boushey remarked that the overrepresentation of the foreign-born and women among those whose situation did not improve could indicate discrimination, while lower rates of advancement among non-union workers could reveal the value of structural supports for labor. "It is clear that it's harder for those folks to move up," she said. "So, doing what we can do to break some of the barriers, I think, is also very important."

For Many, Minimum May Never Be Enough

Activist campaigns have drawn attention to the workers who are either officially or informally left out of state and federal minimum wage standards. For example, the federal minimum wage does not apply to domestic and agricultural workers. Workers' rights advocates also point to frequent violations of minimum wage laws by employers, especially those that hire undocumented immigrants. The current legislation in Congress does not contain any provisions for strengthening the enforcement of minimum wage law or extending its coverage.

Advocacy organizations are therefore working to push the political dialogue over the minimum wage beyond the question of how high the lowest rung of the labor force should be.

Activists in several states have launched campaigns for a living wage, a special local mandate for higher pay for certain groups of workers that exceeds the legal minimum. Living wage policies typically apply to government workers or employees working under a negotiated public contract. Currently, 130 cities and counties have passed living wage ordinances.

One of the most recently passed living wage policies, affecting workers in Syracuse, New York hired through major government contracts and subcontracts, provides a base wage of \$10.08 per hour, or \$11.91 per hour for jobs without health benefits.

Not content to settle for a simple pay raise, ACORN has campaigned for state and local minimum wage ballot initiatives to include policies that protect workers who challenge employers on wage issues, impose stiff penalties for wage violations, and facilitate union organizing on worksites.

Nonetheless, grassroots organizers are proceeding cautiously in their advocacy. ACORN advocates have in some cases refrained from attempting to broaden minimum wage laws to cover more types of workers in order to avoid alienating legislators. "It's all sort of about who's at the table," said Kern, "and whether we think that we can ... beat back the kind of opposition that we're going to get."

In pressing for reforms to raise the wage floor, both activists and policy analysts are tempering their calls for better working conditions with forward-looking realism. Amy Hanauer, a policy analyst at the think tank Policy Matters Ohio, who has helped push forward a minimum wage proposal in the state legislature, acknowledges that in terms of addressing the struggles of the working poor, the minimum wage, no matter how high, is still just a bare minimum.

"It doesn't replace having a strong career ladder or having training in place to help workers advance in

the workplace," she reflected. "It simply is sort of a base floor under which you don't want people to fall."

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Online sources used in this news article:

CEPR: "[How Prime-Age Workers Get Trapped in Minimum Wage Jobs](#)" 

EPI: "[Minimum Wage Issue Guide](#)" 

ACORN: "[Living Wage Resource Center](#)" 
