

The Minimum Wage is Rising, but a Living Wage is not yet in Sight

By Nick Gier, President, Idaho Federation of Teachers, AFT/AFL-CIO

By living wages, I mean more than a bare subsistence level.

I mean the wages of a decent living.

—Franklin D. Roosevelt

Ignoring all evidence, as it is prone to do on most issues, the GOP Congress refuses to consider President Obama's request for a \$10.10 federal minimum wage. Surprisingly, the private companies Wal-Mart and Target have taken the lead to raise wages to \$9 an hour, and former McDonald's CEO Don Thompson supports Obama's proposal.

In 27 states the minimum wage (MW) is higher than the federal level. These states have passed the most substantial increases: Washington (\$10.50, July 1); California (\$10, 2016); Massachusetts (\$11, 2017); Iowa (\$10.10, 2016); Minnesota (\$9.50, 2016); New York and Republican Nebraska (\$9, 2016); and Michigan (\$9.25, 2018).

Kentucky's Governor Steve Beshear just signed an executive order raising 800 state employee salaries to \$10.10 per hour. Calling their average \$15,000 annual salary a "disgrace," he said that his action was "a moral imperative." He challenged all employers in his state to "take a hard look at the facts." He added: "Paying our people a living wage isn't a fiscal backbreaker, and the impacts will be extraordinarily beneficial." The largest advantage is that it would dramatically reduce the amount of state assistance now allotted for those on poverty-level salaries.

Seattle, San Francisco, Chicago, and Many Others Lead the Way

The most dramatic rise in the MW is happening in the nation's cities. Companies in Seattle with more than 501 employees must pay \$15 per hour by 2017, and all other companies must comply by 2021. Tacoma will vote on a \$15 minimum in November. In California the following cities are leading the way: Emeryville (\$14.44 for most companies); Oakland (\$12.25); San Diego (\$11.50, 2017); San Francisco (\$15, 2018); and Los Angeles (\$15, 2020). In Chicago workers will make at least \$13 per hour by 2019. Mayor Bill De Blasio has proposed New York City go to \$15 by 2019.

Idaho, Bill Sali, and the Law of Gravity

Idaho has the dubious distinction of having the highest percentage of MW workers in the entire country. Idaho has also experienced the largest increase in the number of people using food stamps. The two are obviously related. Idahoans are not lazy; they are simply not paid enough to put food on their tables. If Idaho raised its minimum wage, 25 percent of Idaho workers would get a much needed pay hike, and they would be less reliant on government assistance.

In January 2007, during the debate on raising the federal minimum wage to \$7.25, one-term Idaho Congressman Bill Sali embarrassed himself again by proposing legislation to repeal the law of gravity. Sali foolishly believed that the law of supply and demand would rule the labor market just as infallibly as gravity keeps us from flying off the face of the earth.

Free market ideologues are so blinded by their “pure” economic theory that they routinely ignore overwhelming evidence that government intervention in the economy is not always bad. Insisting on a completely free labor market, which keeps workers at the lowest possible salary, has proved to be disastrous for workers’ lives as well as the economy as a whole.

Not Just Young Fast Food Workers Who Earn It

According to New York’s Governor Andrew Cuomo, who is proposing a \$10.50 MW for New York City, “73 percent of fast food workers are women, 70 percent are over the age of 20, more than two-thirds are the primary wage earners in their family, and 26 percent are raising a child.” Nearly two out of three MW wage earners are women and of those, more than half are older than 24. A great majority of all tipped workers are women, and the federal MW for them has been frozen at \$2.13 for 20 years. According to the Restaurant Opportunities Centers United, these employees “use food stamps at double the rate and are three times as likely to live in poverty.”

Raising the MW Does not Hurt Economic Growth

In the states that have raised their MW, there has been, according to the National Employment Law Project, a total increase in Gross State Product (GSP) of \$619 million. Idaho Governor “Butch” Otter boasts about Idaho’s economic growth, but our Washington neighbors, with the nation’s highest MW, have produced a much higher GSP per capita. In fact, six states with the highest MW have the highest GSP per capita. Most of the states with no MW, or just the federal rate, have the lowest GSP per capita. The ideologues are disproved.

A Higher MW Stimulates the Economy

In July 2007 the MW went to \$5.85/hour, and consumer spending rose \$1.7 billion. In July 2008 the new MW of \$6.55 added \$3.1 billion to the economy. The current \$7.25 went into effect in July 2009, and consumers spent \$5.6 billion over the next year. New York Governor Cuomo cites a study that shows that “every dollar increase for a MW worker results in \$2,800 in new consumer spending by household.”

In 2011 Congress failed to act on President Obama’s plea to boost the MW to \$9.50; and, according to a study by the Federal Reserve Bank of Chicago, at least \$60 billion over two years was lost to the economy at a critical time for its recovery. According to the Economic Policy Institute, a MW of \$10.10, which President Obama has now mandated for federal contract workers, would add \$22 billion to the economy and produce about 85,000 new jobs. According

to a study done by the Restaurant Opportunities Centers United, 58 percent of America's working poor would have been lifted out of poverty if a \$10.10 MW had been enacted in 2011.

The highest density of restaurants is found in Seattle, where the highest MW in the country is found. (Seattle and San Francisco have had the highest small business growth in the country.) Waiters there are not insulted by a low "tipped" wage, but draw a full minimum (or more) plus tips. By 2020 they will be earning \$15 per hour. Restaurant owners have protested every single MW increase, but the industry still thrives, and the dramatic decrease in restaurants and employees has always failed to materialize.

A Higher MW does Not Kill Jobs

An article published in the Review of Economics and Statistics demonstrated that job growth in states with higher MW is almost the same as those with the federal MW of \$7.25 or lower. New York Governor Cuomo states that "of the states that have increased the MW since 2014, including New York, all but one experienced employment growth.

The University of Chicago's Booth School of Business—dominated by freemarketeers—has done a survey of 38 leading economists. The response was—by a four-to-one margin—that the positives of raising the MW outweigh the negatives. Right-wingers who say that hamburgers would cost \$20 are, as usual, in La-La-Land. See below for what a Big Mac costs in Australia, which has the second highest MW in the world.

Raising the MW does Not Reduce Teen Employment

Three university economists have done an in-depth study of this reduction claim and have found that it is not supported by the facts. (See www.irle.berkeley.edu/working_papers/166-08.pdf.) Igor Volsky of Think Progress reports that "in 2009 researchers conducted a review of 64 minimum wage studies published between 1972 and 2007 measuring the impact of minimum wages on teenage employment and when they graphed 'every employment estimate contained in these studies (over 1,000 in total), weighting each estimate by its statistical precision, they found that the most precise estimates were heavily clustered at or near zero employment effects.'"

Higher MW Wage Reduces Welfare Rolls and Food Stamps

A higher MW moves people out of poverty and off government assistance. Kai Filion of the Economic Policy Institute states: "One of the biggest problems during a recession is the decrease in consumer demand. When consumers cut back on spending, employers respond by cutting back on jobs. Reducing the wages of already low-wage workers will only make this problem worse, and will hurt those who are least well off." Why should businesses risk the loss of customers so poor that they cannot buy their goods?

Kurt A. Gardiner at the *Huffington Post* explains that increased consumer spending "will have a ripple effect throughout the economy (this is known by economists as the multiplier

effect), unlike, say, tax cuts for the nation's wealthiest." Gardiner continues: "Raising the minimum wage by just \$2.85 an hour to \$10.10 would push nearly 5 million of the working poor out of poverty and would push many of them off government assistance programs, which they still qualify for despite working full-time jobs." New York's Governor Cuomo estimates that eliminating \$6,800 a year that his fast food workers collect in state assistance would save his state \$700 million per year.

Since the Reagan administration, real wages have been flat, and the federal MW would be \$10.71 if it had been pegged to inflation. In stark contrast, corporate profits and the stock market are at an all-time high. If the MW had grown at the same rate as wages for the top 1%, it would now be \$28.34 per hour.

In his recent state-of-the-union speech, President Obama challenged America's businesses to give their employees a raise. They can afford it, and it is only fair to do so. If they would pay their employees a living wage, then a government mandate would not be necessary. Businesses should also add paid sick and maternity/paternity leave as well, because many states are starting to require it.

Minimum Wage in Brazil, Australia, and Switzerland

As America's middle class shrinks, it is growing, sometimes, dramatically, in other countries. Brazil, for example, has reduced its poverty rate from 40 to 25 percent over eight years, and 52 percent of Brazilians can now call themselves middle class. One of the reasons for this remarkable success was a significant rise in the MW.

At \$16.42 per hour Australia now has the second highest MW in the world. (Switzerland is tops at \$24.) Adjusting for cost of living and taxes, Australian MW workers have the most take-home pay of any comparable employees in the world. A study done by CNN Money showed that Canada, New Zealand, and seven European welfare states were ahead of the U. S. in this regard. American workers were much better off in states where the MW exceeds the federal \$7.25.

Australia was one of the few countries that sailed through the Great Recession with nary a hiccup. As of June 6, 2015, its quarterly growth rate was 3.8 percent (compared to the U.S. at -0.8 percent) and its unemployment rate is 6.2 percent (U. S. at 5.4). The current government is led by conservatives, who have not kept their promise to reduce budget deficits, but the economic performance of 2007-2013 was achieved under a Labor (read Socialist) government.

According to Rep. Markwayne Mullin (R-OK), an Australian Big Mac should cost \$20, right? Wrong, it costs \$4.32, which is 47 cents less than an American one. With the strongest currency and highest cost of living in the world the Swiss will charge you \$7.54 for one, still a far cry from Mullin's wild, Sali-inspired guess.

600 Economists Support \$10.10 MW

In a letter to congressional leaders, 600 Ph.D.-holding economists urge them to increase the federal MW to \$10.10. Here is an excerpt: “The weight of evidence now show[s] that increases in the minimum wage have had little or no negative effect on the employment of minimum wage workers. . . . Research suggests that a minimum wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front.”

Poll shows 71 percent in favor of Higher MW

A January 8, 2014 Quinnipiac poll showed that 71 percent of those polled supported raising the MW. Even a majority of Republicans agreed by a margin of 52-45. The pollster gave the following options and results: 18 percent wanted a MW higher than \$10.10; 33 percent was in favor of \$10.10; 18 percent desired a rate higher than \$7.25, but not \$10.10; and 27 percent opposed a MW increase.

\$15 per Hour is Still Not a Living Wage (unless you want to live in your car)

According to a 2014 report from the Department of Housing and Urban Development, a person would have to earn \$18.92 per hour to afford a 2-bedroom apartment at its “fair market rate.” In San Diego, where a quarter of its 8,000 homeless are families, two adults working minimum wage would pay half their earnings on housing. In Los Angeles a single person, earning \$15 per hour and allowing one-third of her salary for rent, could not find a one-bedroom apartment anywhere in the city.

A Marketplace report (June 10, 2015) on housing in California’s Marin County revealed that two to three poor families are sharing apartments. Many end up homeless or living in their cars. (Some are “couch surfing,” and one fellow was living in his storage unit.) There was a 10 year waiting list for subsidized housing, but George Lucas had just started a \$100 million low-income housing project on 100 acres that he owns in the county. With housing costs rising dramatically, the Seattle City Council is considering a bill that would charge “linkage fees” for any new construction and apply them to building 50,000 new affordable housing units.

In 1967 a single adult working minimum wage could support a family of three above the poverty line. Now, according to the *Wall Street Journal* (May 6, 2015), this person would have to work 8 times more hours a week than a comparable Australian to stay above the poverty line. Shame on us for not offering a living wage and decent housing for all of our citizens.

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