

Hike in federal minimum wage long overdue

WASHINGTON – An increase in the federal minimum wage, its proponents would argue, is not only an idea whose time has come, but an idea whose time had come long ago.

The minimum wage was last increased in 1997. The 10-years-and-counting gap between increases is the longest since the minimum wage was instituted in 1938.

Its purchasing power also has dropped. According to Catholic Charities USA, it's now equal to \$3.95 in 1995 dollars – when the minimum wage was \$4.25.

The current federal minimum wage is \$5.15 an hour. The House Jan. 10 passed a bill calling for a minimum wage of \$7.25 by 2009; under the measure it would go to \$5.85 in 60 days, to \$6.55 a year later and then \$7.25 in two years. The Senate could take up the measure as early as Jan. 18.

The federal poverty line for a family of three is \$16,090, which is higher than the \$10,712 that a worker getting \$5.15 an hour would earn working 40 hours a week, 52 weeks a year.

Today, 29 states and the District of Columbia have higher minimum wages than the federal government mandates. Nine of those states authorized increases with ballot initiatives during the November elections.

At a Jan. 2 forum on the minimum wage sponsored by the Urban Institute, William Wascher, the Federal Reserve system's assistant director of its research and statistics division, said many minimum-wage workers "tend to come from higher-income families," suggesting they are teenage children.

Mr. Wascher added, though, that 2.5 percent of American workers make less than \$5.85 an hour, the first step in the minimum-wage hike if the House bill becomes law.

Georgetown University Public Policy Institute associate dean Harry Holzer discounted fears that minimum-wage increases would result in lost jobs, as some have argued.

“Employment loss is going to be modest ... perhaps 1 percent loss of employment for every 10 percent increase in the minimum wage,” he predicted. “An incredible number of surveys,” he added, found “zero impact” on employment.

An increase in the minimum wage, he said, would benefit more than just those making the lowest possible amount. “Another 5 (percent) to 6 percent of workers would be bumped up beyond” \$7.25, Mr. Holzer said. Another group also stands to benefit, he added: “young, black men (who) have been dropping out of the labor market” and finding more money in “illegal work.”

Elaine Maag of the Urban Institute’s Income and Benefits Policy Center, recalled that her first post-college job, from 1989 to 1991, didn’t pay much more than the minimum wage but with every increase in the federal minimum during her tenure in those years, her own pay was increased by the same amount. “I was a big fan of the minimum wage,” she said.

Jared Bernstein, director of the Economic Policy Institute’s living standards program, said the stepped increase in the minimum wage, first floated a year ago, already has less dollar value now because of inflation.

The two-step hike completed in 1997 affected 9 percent of the workforce, Ms. Bernstein said. If a similar two-stage increase had it been enacted in 2004 – as proposed by Sen. Ted Kennedy, D-Mass. – it would have affected 6 percent of the workforce, he estimated. The increase now under discussion in Congress would affect just 4 percent of all workers, he said. To affect 10 percent of the workforce, Bernstein said, the minimum wage should rise to \$8.50 per hour.

Another fear of Ms. Bernstein’s is that, while the House was acting solely on a minimum-wage bill, the Senate would be tempted to add tax-cut provisions.

“There is every reason to keep this bill clean,” he said. The benefits of the minimum wage will erode over time, while “tax cuts tend to be permanent ... and are not well-

targeted.” He added tax cuts fused onto the last minimum-wage hike, ostensibly to help small businesses, did not do what lawmakers said they would do.

“It is important that no unneeded or unnecessary tax or other provisions are added to the bill. It’s a matter of justice that low wage workers who’ve not seen a raise in 10 years receive an increase in wages. They must be the focus of this legislation,” Presentation Sister Richelle Friedman, director of public policy for the Coalition on Human Needs, told Catholic News Service.

Ms. Maag, at the Urban Institute forum, offered some ideas to keep the minimum-wage debate from spinning its wheels in the future. One would be to index the minimum wage to inflation. “That way we wouldn’t have this debate again in a few years,” she said, to which Mr. Bernstein chimed in to laughter, “Then what would we all do?” Other ideas of Ms. Maag’s involved increasing eligibility and reducing paperwork for both the earned income tax credit and the child tax credit, both of which are designed to be of major benefit to poorer Americans.

“Your child credit is getting smaller and eroding with inflation” over time, and minimum-wage workers can’t even take advantage currently of the Earned Income Tax Credit; they need to be making \$5.43 an hour to qualify, Ms. Maag said.

Sister Richelle concurred. “The federal social safety net has undergone significant erosion under the Bush administration and Congress since 2000,” she told CNS. “Unmet needs are growing – 250,000 child care slots have been lost since 2000, 17 states are facing shortfalls in 2007 in the State Children’s Health Insurance Program, 130,000 housing rental vouchers have been lost since 2004, and food stamp benefits average only \$1 per individual for a meal,” she said.

Ms. Maag noted at the forum that her 16-month-old son woke her up that morning at 5 a.m. with the demand, “Mommy, more!”

“I agree,” Ms. Maag said. “I think we could do more.”