

# The New York Times

December 20, 2006

## Raising the Floor on Pay

By [LOUIS UCHITELLE](#)

On the verge of controlling Congress, the [Democrats](#) are making a much-delayed increase in the minimum wage their signature attempt to lift incomes and quiet widespread economic anxiety. But the party's modest proposal does not catch up with what the states have already done to raise the wages of tens of millions of workers.

Putting a floor under wages was once the domain of the national government, a legacy of the New Deal that lasted for decades. As recently as 1984, only one state — Alaska — had a higher minimum.

By then, however, Congress no longer regularly increased the minimum. So the states stepped into the vacuum, one after another, everywhere but in the South. In the last election alone, voters in six states approved minimums higher than the federal level, and in some states cost-of-living clauses automatically increase the minimums — a step that Congress has never taken and that most Democrats still balk at.

Some advocates wonder whether Congress can regain the lead, or should. "I am very strongly in favor of populism at the national level, but it is not happening," said Gar Alperovitz, a political economist at the [University of Maryland](#) who supports and studies populist movements at the state and local level.

"The minimum wage is definitely a populist issue," he said, "but to go beyond the present modest effort in Congress, you have to build support state by state until there is a new national consensus as to what the minimum should be. That is a long slog."

The minimum wage is not the only issue in which the states have taken the lead from the federal government. California, for example, has pushed to limit the emission of [global warming](#) gases, and New York City has just enacted the first major ban on the use of trans fats in restaurant cooking.

When it comes to the minimum wage, the Democrats plan to introduce a bill in Congress next month that would increase the federal minimum for the first time in a decade — to \$7.25 an hour in the spring of 2009, reaching that level in three steps from the present \$5.15 an hour.

More than 13 million workers earning less than \$7.25 an hour today, or just above that, would get raises. The majority are adults working full time, mainly in the South and

Southwest. The 29 states that have jumped ahead of the federal government now have minimums that range from \$6.15 to \$7.63 an hour, lifting 70 percent of the nation's work force well above the federal level of \$5.15. Most of these state minimums have escalators built into them.

As a result, even in the unlikely event that none of the states took any further action, 12 of them, representing 33 percent of the work force, would still have minimums either equal to or above \$7.25 an hour in 2009, according to projections by the [Brennan Center for Justice](#) at [New York University](#) Law School.

Many of the state minimums were enacted over the last decade. Indeed, when the federal minimum rose to \$5.15 an hour in 1997, less than 5 percent of the work force enjoyed higher state minimums.

“What you have are a growing number of states more oriented toward workers than in the past,” said Richard B. Freeman, a Harvard labor economist, adding: “The left is uneasy about states' rights, but people are becoming more progressive at the local level. They can see what is happening to their neighbors, and they are more sympathetic toward the poor, whom they can also see.”

Starting in the early 1980s, after [Ronald Reagan](#) was elected president, increasing the federal minimum wage by more than token amounts ran into a buzz saw of opposition. Conservative economists contended that regular increases distorted the free supply and demand for workers. Citing longstanding economic research, they said it did more harm than good, prompting employers to drop marginal workers not worth the higher minimum.

That was still the prevailing view in the early 1990s when two labor economists, David Card, now at the [University of California](#), Berkeley, and Alan B. Krueger at Princeton, found that modest increases in low minimum wages had no impact on employment, and in fact might reduce turnover.

The states themselves became tests of this finding. As more of them increased their minimums without measurable effect on employment, the opposition faded. Even the chief critic of the Card-Krueger position, David Neumark, a labor economist at the University of California, Irvine, has softened his position, though he still sees little if any advantage in a higher minimum wage.

“A congressman once said to me, ‘Suppose you are right and the minimum wage reduces employment; does that mean we should not raise the minimum?’ ” Mr. Neumark said in an interview.

“And I said, ‘No, I don't know; it depends,’ ” he went on. “There is some cost to raising the minimum, but there may be some benefit. If I thought one guy would lose his job and a thousand would be lifted out of poverty, I would say that is a pretty good trade-off. But my research says there is no evidence you reduce poverty.”

Even the higher state minimums are often not enough to keep millions of workers out of poverty. Consider Elvia Rios, a 43-year-old college graduate from Panama who worked as an executive secretary there before immigrating to the United States three years ago. She earns the New Jersey minimum of \$7.15 an hour as a stockroom employee, working 40 hours a week at a large retail store in the center of the state.

Ms. Rios and her 2-year-old daughter are living in a homeless shelter run by the Interfaith Hospitality Network, a nonprofit organization. She gets help with her daily expenses, particularly child care, from charities as well as the state. When Ms. Rios moves into an apartment next month, the state will pay 70 percent of the \$1,200-a-month rent for two years. It will do so under an assistance program for women who are victims of domestic violence.

“The \$7.15 an hour is just not enough,” Ms. Rios said. “I don’t pay any rent right now, but I soon will and I will also have to buy what the child needs.”

How much income would be enough? At least \$9 an hour, she said, “to live not well but without falling into poverty.”

Trying to reach beyond that goal, Ms. Rios plans to enroll in a course that will train her by early spring to care for the elderly — work that in New Jersey pays \$12 or \$13 an hour, she says.

“The job I do now, I don’t like,” Ms. Rios said. “I prefer to take care of elderly people or ill people or children.”

The decades immediately after World War II were the heyday of the federal minimum wage. Without following any particular formula, Congress periodically ended up setting it at roughly one-half the average hourly pay of the nation’s production workers. That average is nearly \$17 an hour today; half would be \$8.50. By 2009 it is likely to be close to the \$9 that Ms. Rios seeks.

Spurred on by last month’s election results, the populist wing of the Democratic Party is calling for a return to the old standard. Sherrod Brown, newly elected to the Senate from Ohio, is in that group. So is the [A.F.L.-C.I.O.](#), which says that its success in getting out the vote this fall entitles it to a bigger voice in Democratic Party policy.

But they are meeting political resistance from the moderates in the party. Trying to push the populist case, the Economic Policy Institute, a labor-oriented research center, posted a statement in late November calling for an increase in the minimum to \$8 an hour in 2009 instead of the \$7.25 proposed by the party leaders. That recommendation was quickly withdrawn, however, under pressure from the leadership.

“Our friends on Capitol Hill said our statement would be heard as criticizing the Democrats,” said Ross Eisenbrey, the institute’s policy director. “It would not be perceived as encouragement to do more; it would be perceived as raining on the parade.”

In a second statement, issued this month, the Economic Policy Institute finally endorsed the increase to \$7.25, stipulating that once Congress approved this amount, a second bill should be introduced to raise it to a higher \$8 in 2009.

Senator-elect Brown and the A.F.L.-C.I.O. have taken similar stands, wanting more but nevertheless endorsing the bill that the Democratic leadership intends to introduce in the first 100 hours of the new Congress.

No Democrat has pushed harder in Congress for increases in the federal minimum wage than Senator [Edward M. Kennedy](#) of Massachusetts, the bill's author. He was the chief sponsor of the last increase, enacted a decade ago. He first tried to introduce the current proposal in 2004, but was unsuccessful in [a Republican](#)-dominated Congress.

Now he and other party leaders argue that they cannot go above a \$7.25 minimum wage without risking a presidential veto. Once it becomes law, Senator Kennedy plans to push for an increase beyond \$7.25. Still, he acknowledges that the initiative may indeed have passed to the states.

“States have always been the laboratories of democracy, and I am proud of the leadership they have shown on this issue,” Senator Kennedy said in a written response to a question. “Philosophically, are we O.K. with leaving the minimum wage in their hands?”

Liberal economists and policy makers are divided on this point. Mr. Alperovitz says there is no other choice but to go with the states. At the federal level, he argues, the Democrats are no longer a powerful source of progressive legislation.

They have lost their influence for three reasons, he said: the decline in union power; the defection of the South to the Republican Party; and the absence of a riveting economic crisis, like the Depression, that demands national solutions.

The problem with letting the initiative shift to the states, argues Ronald Blackwell, chief economist at the A.F.L.-C.I.O., is that the variety of state minimums encourages companies to shift jobs to the lower-wage states.

Mr. Freeman, the Harvard economist, argues in response that the various minimums are useful, reflecting different living costs across the country.

Mississippi, for example, like most Southern states, simply adheres to the federal minimum of \$5.15 an hour. If it were forced to go to a \$9 federal minimum, the drastic increase, even spread out over two or three years, would eliminate many of the low-end jobs that have migrated to the state, Mr. Freeman said.

On the other hand, that same \$9 an hour would be no problem for Washington State, where the minimum is already \$7.63 and will rise to \$7.94 next year.

“The fight at the federal level is really no longer over how high the minimum should go,” Mr. Freeman said, “but where the low end should be.”