



A JUST MINIMUM WAGE

Good for Workers, Business and Our Future

By Holly Sklar
and The Rev. Dr. Paul H. Sherry

FOREWORD BY
THE REV. DR. JAMES A. FORBES JR.

PRODUCED BY THE *AMERICAN FRIENDS SERVICE COMMITTEE*
AND THE *NATIONAL COUNCIL OF CHURCHES USA* IN SUPPORT OF THE
LET JUSTICE ROLL LIVING WAGE CAMPAIGN

Faith and
Community Voices
Against Poverty
Let Justice Roll

A Just Minimum Wage: Good For Workers, Business and Our Future

Produced by the American Friends Service Committee and the National Council of Churches USA in support of the Let Justice Roll Living Wage Campaign

October 2005

ISBN 0-9771820-1-0

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Foreword

By The Rev. Dr. James A. Forbes Jr.

In recent times of calamity, our fellow Americans have amazed us with the speed and overwhelming magnitude of sacrificial giving in response to the Southeast Asian tsunami, the Gulf Coast hurricanes, floods, earthquakes and devastations from other natural disasters around the world. When we watch the vivid details of death, destruction and dislocation, we shudder with horror. These tragic events touch us deeply as they reveal to us how vulnerable we human beings are to sudden catastrophe. Those who are spared the direct impact of disaster somehow sense that “but for the grace of God,” we could be numbered among the departed or the bereaved.

Why do we respond so generously, almost compulsively? There is a feeling that it is the most natural thing to do. As fellow members of the human family, we are obligated to do something. Not doing what we can would mark us as undeserving of the benefits we derive from our inclusion in the community of kindred souls. Who knows when we may find ourselves on the list of the lost, the injured, the bereaved or the dispossessed. Indeed, some people who provided refuge and relief during and after Hurricane Katrina found themselves in need of refuge and relief during and after Hurricane Rita.

Thus, disaster relief verifies our awareness of the web of mutuality that binds us together in a network of interdependent brothers and sisters. Such is the heart’s logic and mandate that together we stand in the hour of need with compassionate care for those who cry out for our help.

In contrast to such outpourings of compassion in high-visibility tragedies is the pattern of benign neglect, indifference or programmed unawareness of perilous problems all around us. Conditions we would consider intolerable if the consequences broke out in a flash of sudden mass destruction we tend to ignore when they occur in disaggregated tricklings of slow death here and there. The stroke or the heart attack we surely notice, but not necessarily the silent killers like blood pressure or the accumulation of plaque in the blood vessels.

Poverty is one of the silent killers in the life of our nation. Its cumulative effect is as devastating as earthquakes, floods, forest fires and hurricanes. More people die each year from poverty-related causes than the combined casualties from war, natural disasters and homicide. The daily death toll from poverty-related diseases of body, mind and spirit points to an epidemic in slow motion. Yet the impoverishing process has been at work so long and in so many places that the fatal manifestations advance with the fierceness of a tidal wave. The impact of poverty, while less dramatic, less visible and rarely reported, is nonetheless lethal. It puts the lie to all our notions of equal opportunity, denies us the unimpeded creative potential of families and neighborhoods, and leaves in its wake costly social consequences, which ultimately affect the fabric of the whole community.

Poverty is a weapon of mass destruction in our midst. It is a weapon of mass destruction we can eliminate.

The Let Justice Roll Living Wage Campaign and *A Just Minimum Wage* have issued an urgent call to our nation to address the poverty challenge with the assurance that fair wages will narrow the immoral gap between the rich and the poor, and are vital for workers, business and the future of our nation. It was my pleasure to travel across the United States with the Let Justice Roll Campaign sponsored by the National Council of Churches, the Center for Community Change and a range of faith and community-based groups during 2004. In interfaith gatherings, we highlighted the fact that all our faith traditions call us to show compassion for the poor and do justly toward our neighbors. Our conversations also gave us the opportunity to come to a better understanding of why it is so difficult to make poverty a higher priority on our national agenda.

The prophet Amos provided the spirit and the theme for our campaign:

“Let justice roll down like waters and righteousness like an overflowing stream.” (Amos 5:24)

In his words we found the mandate for our efforts to place poverty in a prominent place in the national debate and to encourage local, state and federal efforts to lift the minimum wage in anticipation of the day when nothing less than a living wage would be the national standard for just compensation for work.

The prophetic perspective is desperately needed in our national consciousness. We should not have to wait for cataclysmic events to awaken our sense of responsibility for our less fortunate neighbors. Nor should we require blood and debris or mass graves to motivate us to make a sacrifice for the homeless, the ill person without health care, or the father or mother who cannot make enough money to provide for their children.

The prophet sees what our TV cameras might miss. The prophetic sensitivity can see the fully developed malaise before the disease produces its initial disturbing symptoms. The prophetic consciousness connects the dots so that what affects impoverished people and communities will be followed to its impact on the neighborhoods of the middle class and high enclaves of affluence. Religious leaders, community activists, politicians and businesspeople all need to have their understanding awakened by the lived realities of workers and the wisdom of the prophets. Together, we can all act to protect society from the silent killers of the dream of democracy and justice.

In the fall of 2005, the Dalai Lama and his team of international peace seekers met at The Riverside Church in New York for a peace rally. One of the most impressive moments of the evening was when representatives of 12 different faith traditions read the text from their sacred scriptures that admonished the faithful to live by the Golden Rule.

If you are economically comfortable—can you imagine how you would feel if, after working two or three jobs, you still could not earn enough money to make ends meet or provide the basic subsistence necessities for your family? This is the question the Golden Rule would require us to answer.

The Golden Rule would press us to take such actions on behalf of others as would make possible for them what we desire for ourselves and our families. Those who are responsive to its

challenge would experience poverty as a disturbing crisis. There would be no need to wait for the next natural disaster or a terrorist strike. We would already be digging out from the rubble of policies and practices, which have buried the hopes and aspirations of fellow Americans in the deadly grip of impoverishment.

There is a place of human awareness deep inside us, designed to help us hear the cry of human voices in desperate need. But sometimes we are so preoccupied with our own affairs that we are prevented from picking up the distress signals from fellow citizens who also call the United States of America their beloved country. When we do not know their plight we may be able to forgive ourselves for our inattention to their needs.

During the hurricane season of 2005, our nation was given stark evidence that, even if we were not aware of it, poverty is a disaster at work everyday. The hurricanes that struck the Gulf States and Central America in such devastating succession served as a CAT scan revealing the malignancy of poverty in our society, with more in common with our neighbors in Central America than some imagined. Let us not ignore the lessons these events would teach us. We close our eyes and our hearts at our own peril.

A Just Minimum Wage reveals truths about poverty and work that could actually set us free from ignorance or inertia and help us see the depth of the crisis before the health of our nation is further compromised. But it does more. It helps us see that a good starting place toward a more just and decent society is finding the compassion, courage and good sense to make a national commitment to guaranteeing our working people a living wage—for God's sake and for ours.

Introduction

“Speak out, judge righteously, defend the rights of the poor and the needy.”

Proverbs 31:9.

“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*, 1776.¹

Wages are a bedrock moral issue. Wages reflect our personal values and our nation’s values. Wages reflect whether we believe workers are just another cost of business—like rent, electricity or raw materials—or human beings with inherent dignity, human rights and basic needs such as food, shelter and health care.

The minimum wage is where society draws the line: This low and no lower.

Our bottom line is this: A job should keep you out of poverty, not keep you in it.

The federal minimum wage was enacted through the Fair Labor Standards Act of 1938, which also set standards for overtime pay and restrictions on child labor. The Fair Labor Standards Act was 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.”²

The federal minimum wage has been stuck at \$5.15 an hour since September 1997. That’s more than eight years at \$5.15 as the cost of living rises. Set too low, the minimum wage is doing the opposite of what the Fair Labor Standards Act intended. It is reinforcing “labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers.”

Today’s minimum wage is not a fair wage—economically or ethically. It is not good for workers, business or our nation’s future.

American Dream Reversed

The \$5.15 minimum wage is lower in value than the minimum wage of 1950—which would be worth more than \$6 now, adjusting for inflation. The minimum wage buys less today than it did when Wal-Mart founder Sam Walton opened his first Walton’s 5 and 10 in Bentonville, Arkansas in 1951.

Most people remember the 1963 March on Washington for Jobs and Freedom as the occasion where the Rev. Dr. Martin Luther King Jr. gave his famous “I Have a Dream” address. A key demand of the march was “a national minimum wage act that will give all Americans a decent standard of living.” The 1963 minimum wage is worth more than \$8 in today’s dollars.

The real minimum wage—the wage adjusted for inflation—reached its highest point in 1968. It would take more than \$9 to match the minimum wage peak of 1968, adjusting for inflation.

The year 1968 is so long ago that most Americans living today were not even born yet. The costs of housing, health care and higher education have all risen dramatically since then. College tuition (public or private), for example, costs more than twice what it did in 1968, adjusting for inflation.³ But the minimum wage has 43 percent less buying power than it had in 1968—and that buying power keeps shrinking as the minimum wage goes without a raise.

The cost of health insurance has risen so much that family coverage now costs more than the entire annual income of a full-time worker at minimum wage.

- In 1991, family health coverage cost one-fourth of the yearly income of a minimum wage worker.
- In 1998, it took about half the yearly minimum wage.
- By 2005, family health coverage cost \$10,880, and a full-time minimum wage was just \$10,712.⁴

Dr. Martin Luther King did not dream that in the year 2005, the minimum wage would not have the buying power of 1950. He did not dream that in this new millennium we would be debating whether to “raise” the minimum wage to the level employers paid in the 1960s.

We are living the American Dream in reverse.

“Shreveport, La.—...It was early April, and [46-year-old] Ms. Williams was dressed in the dark blue uniform that she wears at her first job, caring for the aged and infirm at a nursing home. Atop that was the gray apron she dons for her second job, cleaning offices at night. The place where she works as a nursing assistant, Harmony House, was paying her \$5.55 an hour—barely above the minimum wage—even though she has been there more than 10 years...and completed college courses to become certified. The cleaning job, which she took up because she couldn’t make ends meet, pays right at the federally mandated minimum: \$5.15 an hour...

‘You think you’re moving forward,’ adds Ms. Williams, ‘but you’re just moving backwards.’”

Rick Wartzman, *Wall Street Journal*, July 19, 2001.

Work Ethic

Contrary to stereotype, the typical worker paid minimum wage is an adult, not a teenager living with parents. Most have high school degrees or more.

Think of women working in garment sweatshops and chain stores.

Think of farmworkers, fast food workers and cannery workers who depend on food banks to help feed their families.

Think of janitors and housekeepers cleaning the homes, offices and hotel rooms of people who make more in a day than they make in a year.

Think of security guards without economic security.

Think of child care workers who don't make enough to make ends meet, much less save for their own children's education.

Think of health care aides taking care of our parents or grandparents—without health benefits, paid sick days or paid vacation.

Think of workers in New York going without heat and health care to keep food on the table.

Think of caregivers in California struggling to care for their own families.

Think of workers in New Orleans with no car or money to escape a hurricane.

Hurricane Katrina exposed depths of poverty and inequality many Americans were shocked to see, and many people around the world were shocked to see in America. If the cataclysm is to bring lasting positive change, it won't be found in windfall profits for politically connected corporations. It won't be found in the rollback of already inadequate labor, environmental, and health and safety standards.⁵

One key to healthy change will be this simple recognition: To protect lives we must shore up the livelihoods upon which people depend everyday—and not just in emergencies. Raising the minimum wage is an urgent priority—and a moral one.

As *Congressional Quarterly* observed: “In the Lower Ninth Ward and other impoverished neighborhoods of New Orleans, people have long waged battle to make ends meet...That was a nearly unattainable goal in a city where many of the jobs were in hotels and restaurants that paid around the federal minimum wage of \$5.15 an hour.”

Moreover, “widespread poverty also prompted many poor New Orleans families to absorb relatives, creating large, extended families under one roof. This phenomenon actually disguised the number of people unable to support themselves and created a class of what demographers call ‘hidden homeless.’” Yet compared to many other places, New Orleans “was not a particularly expensive place to live.”⁶ Nor was it the most impoverished.

Although one out of four people in New Orleans lived below the official poverty line before Hurricanes Katrina and Rita, New Orleans didn't make the top ten of cities ranked by people living in poverty (with a population of 250,000 or greater). It was tied with Cleveland for 12th place, behind cities as varied as Baltimore, Memphis, Philadelphia, Buffalo, Milwaukee, Long Beach (CA), Atlanta, Newark, Miami, El Paso and Detroit, ranked No. 1 with one out of three people below the poverty line.⁷

No one should be trapped in poverty by low wages. It's time to stop keeping hardworking Americans down and raise the minimum wage.

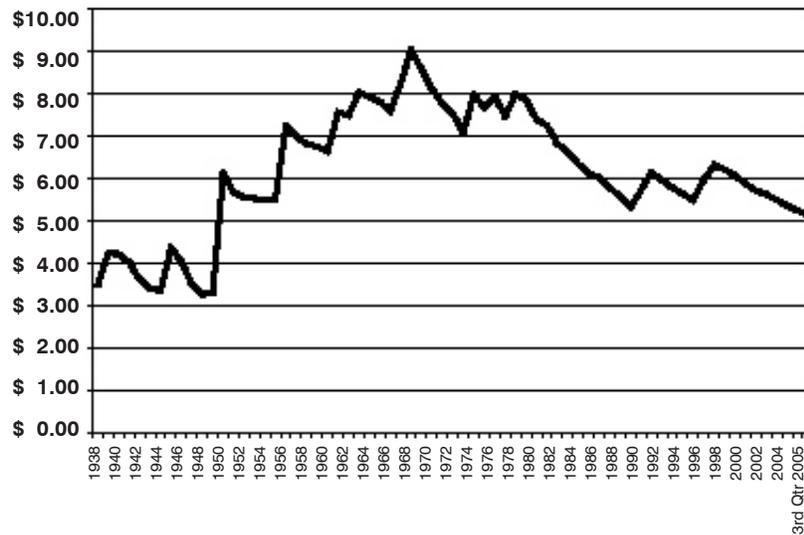
Polls show that Americans strongly back a higher minimum wage.⁸ Most people know that a \$5.15 minimum wage—\$10,712 a year—just doesn't add up. A single parent with one child would need to work more than two full-time minimum wage jobs to make ends meet. It takes more than three jobs at minimum wage to support a family of four.

It is time for a just minimum wage, not a minimum wage that just doesn't add up. We need a wage ethic to go with our work ethic.

Figure 1

Real Value of Minimum Wage, 1938-2005

2005 Dollars



Note: Adjusting for inflation as of 3rd Quarter 2005, the minimum wage was \$3.49 in 1938, \$4.25 in 1939, \$6.12 in 1950, \$5.68 in 1951, \$8.04 in 1963, \$9.05 in 1968, \$7.40 in 1980, \$5.72 in 1990, \$6.31 in 1997 and \$5.15 in 2005 (including key dates mentioned in the text).

Source: U.S. Bureau of Labor Statistics.

1 Working Poorer

“If we would have had our druthers,’ acknowledges Murray Weidenbaum, the chairman of Mr. Reagan’s first Council of Economic Advisers, ‘we would have eliminated [the minimum wage].’ However, because that would have been such a ‘painful political process,’ Mr. Weidenbaum says that he and other officials were content to let inflation turn the minimum wage into ‘an effective dead letter.’”

Wall Street Journal, July 19, 2001.

The minimum wage has become a poverty wage instead of an anti-poverty wage. This has ripple effects through our workforce and society far beyond minimum wage workers and their families.

The minimum wage sets the wage floor. 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. Millions of workers are working hard, but can’t make ends meet.

As *Business Week* observed in a 2004 cover story on the growing ranks of the working poor, “More than 28 million people, about a quarter of the workforce between the ages of 18 and 64, earn less than \$9.04 an hour, which translates into a full-time salary of \$18,800 a year—the income that marks the federal poverty line for a family of four.”⁹

We have gone so far backwards that one out of four workers makes the \$9-and-change-equivalent of the minimum wage of 1968. This includes nearly one out of three women workers, one out of three black workers and more than one out of three Latino workers.

Poverty rates are higher now than in the 1970s thanks in part to the falling minimum wage. Nearly one in three children living below the official poverty line lived in families where someone worked full time year round in 2003—an increase of 75 percent since 1991.¹⁰

Cycle of Poverty Wages

If poor Americans were a nation, the population would top Louisiana, Mississippi, Alabama, Georgia, Arkansas, Iowa, Kansas, Nebraska, New Hampshire, New Mexico, West Virginia and Washington, DC combined. And that’s using the Census Bureau’s poverty count of 37 million Americans for 2004, which is based on poverty thresholds that are increasingly outdated and unrealistic.¹¹

Millions more Americans can’t afford adequate health care, housing, utilities, child care, food, transportation and other basic expenses above the official poverty thresholds. Here are some of the official poverty thresholds for 2004:

- \$9,827 for a person under 65
- \$9,060 for a person 65 and older

- \$13,020 for an adult and child
- \$15,205 for two adults and one child
- \$19,157 for two adults and two children.¹²

Nationally, on average, households need about twice the level of the official poverty line to meet basic expenses (including minimally adequate housing, utilities, health care, food, child care, transportation, clothing and other personal and household necessities, and taxes—factoring in tax credits such as the Earned Income Credit and Child Tax Credit). The \$5.15 minimum wage—\$10,712 a year full time—is inadequate for even a single person, much less a family.¹³

According to the Economic Policy Institute’s Basic Family Budget Calculator, the national median basic needs budget (including taxes and tax credits) for a one-parent, one-child family was \$27,948 in 2004. (Half are below the median, half are above.) Looking at more than 400 U.S. communities, budgets for a one-parent, one-child family ranged from \$19,536 in rural Nebraska to \$49,848 in Boston, which has the nation’s highest housing costs. The national median for a two-parent, two-child family was \$39,984; budgets ranged from \$31,080 in rural Nebraska to \$64,656 in Boston.¹⁴ To put the inadequacy of the Census Bureau thresholds and the minimum wage in further perspective, the table below compares them with the Economic Policy Institute (EPI) Basic Family Budgets for low-cost rural Nebraska and national medians.

Table 1.1

**Comparing Basic Family Budgets,
Official Poverty Thresholds and Minimum Wage**

	EPI Basic Family Budgets 2004		U.S. Census Bureau 2004		Full-Time Minimum Wage*
	Rural Nebraska**	National Median	Poverty Threshold	Twice Poverty Threshold	
Person under 65	NA***	NA	9,827	19,654	10,712
1 adult/1 child	19,536	27,948	13,020	26,040	10,712
2 adults/1 child	26,628	33,816	15,205	30,410	21,424
2 adults/2 children	31,080	39,984	19,157	38,314	21,424

* One or two adults working full time at 52 weeks, 40 hours.

** Lowest out of 435 communities.

*** Not available.

Sources: Economic Policy Institute Basic Family Budget Calculator; U.S. Census Bureau.

The official poverty thresholds are far too low for low-cost rural Nebraska, much less as national yardsticks. The Census Bureau reports that 91 million people—nearly one out of three Americans—were below twice the official poverty line. (See table in Appendix.)

Paychecks You Can't Live On

Around the country, minimum wage earners and other low-paid workers have turned increasingly to food banks and homeless shelters, which cannot keep up with the rising demand. In its 2004 *Hunger and Homelessness Survey*, the U.S. Conference of Mayors found:

- Requests for emergency food increased an average of 14 percent during the past year and 20 percent of the requests went unmet.
- Requests for shelter increased 6 percent and 23 percent of the requests went unmet.
- Among the homeless, 17 percent were employed, as were 34 percent of adults requesting emergency food assistance.¹⁵

“The face of hunger is changing. An increasing number of working people are not able to provide for their basic needs. About 20 of these hard-working Americans visit the Trinity Episcopal Soup Kitchen in Bethlehem each day... They play by the rules. They contribute to the economy. And yet, they do not have enough to eat.”

Rev. Elizabeth Miller, “Raise the minimum wage,”
The Morning Call (Pennsylvania), September 1, 2005.

“A lot of families that come to us have parents working two or three minimum-wage jobs and are still unable to make ends meet,” said Tarri Williams, economic justice coordinator for Greater Birmingham Ministries. “Many of our homeless work but can’t afford to put a roof over their heads. That is why it is crucial that we establish a living wage in Birmingham.”

Birmingham News (Alabama), September 4, 2005.

“As a [study by the National Low Income Housing Coalition] shows, a full-time worker earning just the minimum wage can afford to rent a one-bedroom apartment and pay utilities in only four of the nation’s 3,066 counties [without spending more than 30 percent of their wages on rent].

That’s hardly a moral construct in a nation which claims to want to lift working people out of poverty, but which instead has gratuitously lavished obscenely excessive tax cuts on the superwealthy over the past few years while the minimum wage...has declined dramatically in purchasing power... The obvious result has been to lock increasingly more people into poverty while the richest individuals and corporations get bigger and bigger tax breaks...

It’s well past time for Congress to show some concern about low-wage workers.”

Editorial, *Chattanooga Times Free Press* (Tennessee), January 6, 2005.

“Poverty and hunger are rapidly becoming a workplace issue,” says John Challenger, chief executive officer (CEO) of the employment consulting firm Challenger, Gray & Christmas, which finds more working families living at or below the poverty line. “It should be a very large concern for employers, if for no other reason than the fact that an employee who is worried about where his or her next meal will come from is not going to be very productive.”¹⁶

Past minimum wage increases reduced hunger and food insecurity. Researchers found that “even after controlling for the link between the 1990s economic expansion and food security, the October 1996 and September 1997 increases in the federal minimum wage raised food security and reduced hunger.”¹⁷

The U.S. Conference of Mayors adopted a resolution in 2005, calling for an increase in the minimum wage to “better enable minimum wage job holders to support themselves and their families.” The mayors also observed that “the minimum wage is one factor in wide income disparities, as minorities work disproportionately in minimum wage jobs.”

In the words of the National Urban League, raising the minimum wage “provides long overdue economic relief for millions of low-wage workers. It is also one important strategy towards closing the poverty gap that threatens American ideals of fairness and equality.”¹⁸

If the “minimum wage” doesn’t cover necessities, it’s not a minimum wage—it’s a minus wage. No matter what job you have, you shouldn’t have to choose between eating or heating, child care or health care.

“As providers of a broad variety of services to people in need, we know that hunger is increasing among low-income working families, and the lack of health care coverage and soaring prices for housing are undermining their well-being...

Our concept of justice holds that no person who works should be impoverished.”

National Council of the Churches of Christ in the USA,
Rev. Dr. Robert W. Edgar, “NCC General Secretary’s
Statement Asking Minimum Wage Hike,” March 7, 2000.

“The Torah instructs us to treat workers with justice... Jewish tradition recognizes the importance of wages to a worker’s sustenance. We are taught that ‘one who withholds an employee’s wages is as though he deprived him of his life’ ([Talmud] *Baba Metzia 112a*). Based on these teachings, the [Union of American Hebrew Congregations] has long advocated measures that would insure every worker willing and able to work ‘a wage which makes possible a decent standard of living’ (*The Eradication and Amelioration of Poverty, 1968*).”

Resolution on Living Wage Campaigns, Adopted by the General Assembly, Union of American Hebrew Congregations, December 1999.

A Daily Toll: Lost Health, Lost Lives

Poverty and inequality take a daily toll seldom seen on television. Louisiana and Mississippi were tied for the nation's highest infant mortality rate before Hurricanes Katrina and Rita. U.S. infant mortality rates are now getting worse instead of better.

"The infant mortality rate in the United States compares with that in Malaysia—a country with a quarter the income," says the 2005 *Human Development Report*. "Infant death rates are higher for African American children in Washington, DC, than for children in Kerala, India."¹⁹

When it comes to an often-overlooked standard of living—how long and healthy you live—many other countries do better. The United States does worse than 36 countries in child mortality under age five—well behind South Korea and Singapore.²⁰ The United States is just No. 29 in the World Health Organization healthy life expectancy ranking. We lag behind Canada by nearly three years and Japan by nearly six.

In the words of Dr. Christopher Murray of the World Health Organization, "Basically, you die earlier and spend more time disabled if you're an American rather than a member of most other advanced countries."²¹

Lack of health insurance kills people every day in the United States. As the Institute of Medicine documents, uninsured Americans get about half the medical care of those with insurance. They receive too little care and receive it too late. As a result, they tend to be sicker and die sooner. For example:

- Uninsured women with breast cancer have a 30 percent to 50 percent higher risk of dying than insured women.
- Uninsured car crash victims receive less care in the hospital and have a 37 percent higher mortality rate than privately insured patients.²²

Low-paid workers are less likely to have health benefits and less able to afford to buy insurance. Many low-income workers don't even have paid sick days.

- Nearly 46 million Americans—one out of six people—had no health insurance, public or private, during the entire year 2004.
- Nearly one out of five full-time workers and one out of two full-time workers below the official poverty line have no health insurance.²³

The safety net is full of large and growing holes when it comes to health care, housing, food, child care or other assistance. For example, while most children in low-income families are eligible for the State Children's Health Insurance Program, many go without. In recent years many states have frozen enrollment, lowered eligibility levels or required families to pay monthly premiums to receive health services.

For low-income adults, the Medicaid safety net is more like a mirage. "Contrary to popular belief," explains Families USA, "Medicaid does not provide coverage to most workers in low-wage jobs. Medicaid income eligibility levels are set by each state. A parent in a family of three who works full time all year at the federal minimum wage (\$5.15 an hour) earns too much to qualify for Medicaid in half the states... A parent working full time and earning \$7.50 an hour...

would be ineligible for Medicaid in 36 states. In 42 of 50 states, adults without dependent children are ineligible for Medicaid—even if they have no income at all.”²⁴

“If one sacrifices ill-gotten goods, the offering is blemished...

The bread of the needy is the life of the poor; whoever deprives them of it is a murderer.

To take away a neighbor’s living is to commit murder; to deprive an employee of wages is to shed blood.”

Sirach (Ecclesiasticus) 34: 21-27.

2 Work Ethic Without Wage Ethic

“As the productivity of workers increases, one would expect worker compensation to experience similar gains.”

U.S. Department of Labor Wage and Hours Division, 2001.

The federal minimum wage was enacted during the Great Depression at a time when one out of five workers was still out of work. The minimum wage was meant to assure workers “a fair day’s pay for a fair day’s work.” It was also meant to strengthen the depressed economy by increasing consumer purchasing power and generating new jobs to meet rising demand; stimulate economic development in lagging regions of the country; and stop the original “race to the bottom” of employers moving to cheaper labor states in a downward spiral.

A fair minimum wage helps compensate for the lack of bargaining power low-wage workers have in negotiating fair wages from employers—bargaining power that is especially weak at times of higher unemployment. An unfair minimum wage compounds race and sex discrimination on and off the job. An unfair minimum wage is a green light for employers to hire workers at unfair pay in good times and bad.

The United States was defined for decades after World War II by a growing middle class and decreasing poverty and inequality. Since the 1970s, however, there has been deepening concentration of income at the top.

The share of national income going to wages and salaries is at the lowest level since 1929—the year that kicked off the Great Depression. The share going to after-tax corporate profits is at the highest level since 1929. Most working Americans receive most of their income through wages and salaries. Growing corporate profits tend to benefit those with the highest incomes, through increased dividends and capital gains.²⁵

Look at the upward shift in income between 1979 and 2003:

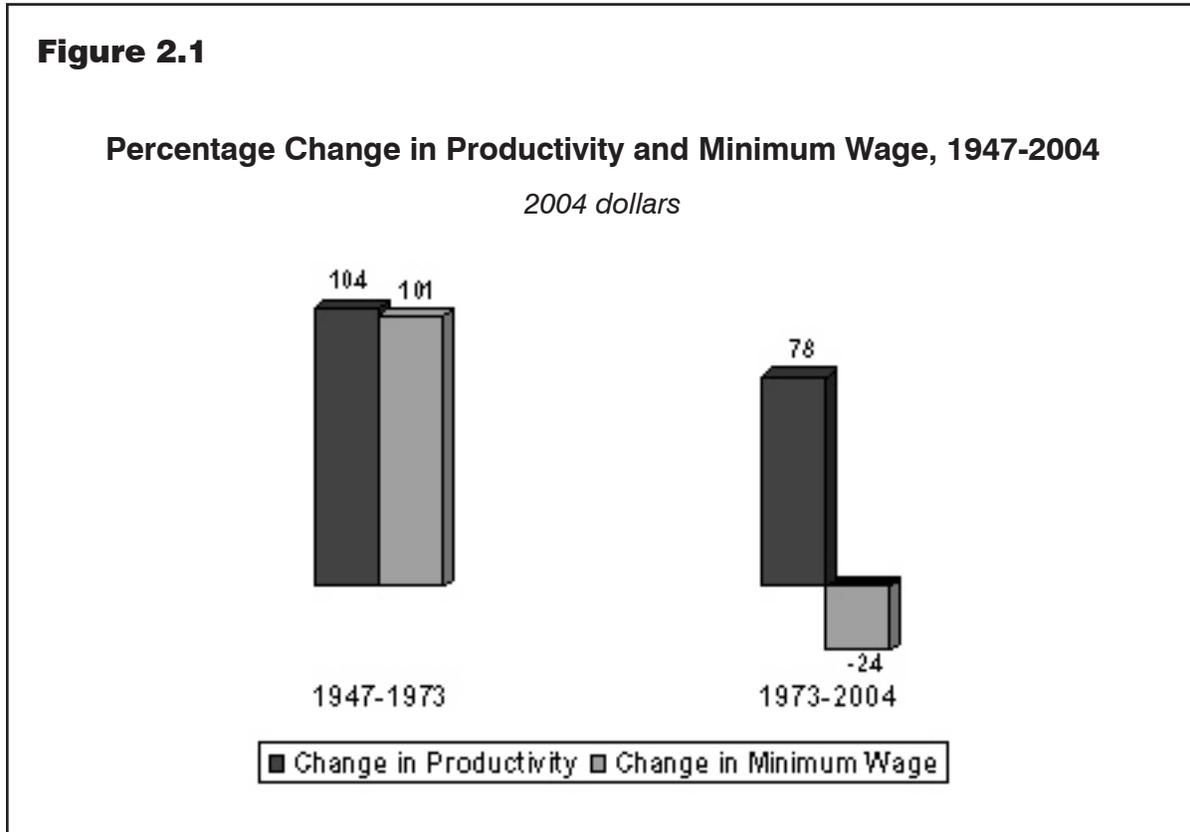
- In 1979, the bottom third of taxpayers had more than twice as much combined income as the top tenth of 1 percent.
- In 2003, it was the other way around: The top tenth of the richest 1 percent of taxpayers had more income than the bottom third of taxpayers combined.²⁶

Productivity and Profits Up, Worker Pay Down

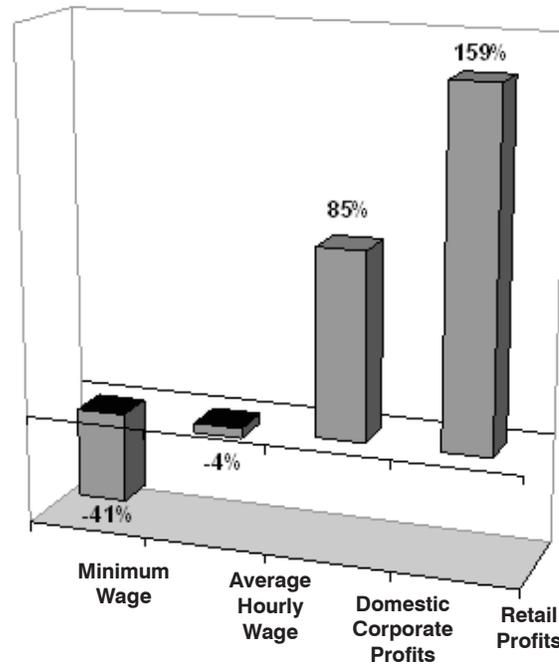
Workers have not been getting their fair share of the benefits of rising worker productivity. Worker productivity is the measure of output produced by an hour of labor. Rising productivity means that the same amount of labor time produces more goods and services—and the cost of producing each unit of output declines.

For decades after World War II, the benefits of rising productivity were widely shared. Between 1947 and 1973, worker productivity rose 104 percent while the minimum wage rose 101 percent, adjusting for inflation. Income and wealth inequality decreased.

Since then, productivity has gone up, but worker pay has not. Income and wealth inequality have increased. Between 1973 and 2004, worker productivity rose 78 percent, but the real minimum wage fell 24 percent. For average workers (production and nonsupervisory workers, about 80 percent of the employed private workforce), hourly wages fell 11 percent, adjusting for inflation.



In the words of a 2001 U.S. Department of Labor report, “profits recorded significant gains” in recent decades “and the real value of the minimum wage declined.”²⁷ Between 1968 (when the real value of the minimum wage was highest) and 2004, domestic corporate profits climbed 85 percent while the minimum wage fell 41 percent and the average hourly wage fell 4 percent, adjusting for inflation. In the retail sector, which employs large numbers of workers at or near minimum wage, profits rose 159 percent in the same period.

Figure 2.2**Percent Change in Profits and Wages, 1968-2004**

Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis, National Income and Products Accounts.

CEO Pay Up, Worker Pay Down

Many U.S. CEOs have put American factory workers, software designers and engineers in a race to the bottom with workers around the world while keeping themselves in a rigged race to the top.

The pay gap between CEOs and average workers has grown much wider over the last two decades. In 1980, CEOs of major U.S. corporations made on average 45 times the pay of average full-time production and nonsupervisory workers. By 1991, CEOs made 140 times as much as workers. That's when pay expert Graef Crystal said the imperial CEO "is paid so much more than ordinary workers that he hasn't got the slightest clue as to how the rest of the country lives."²⁸ The gap has more than doubled since then. CEOs made more than 300 times as much as average workers in 2004.

The gap between CEOs and minimum wage workers has become a vast gulf:

- In 1980, the average CEO made as much as 97 minimum wage workers.
- In 2004, the average CEO made as much as 952 minimum wage workers.

While workers are having a tougher time making ends meet, CEOs are getting perks worth more than worker paychecks—such as lifetime use of company jets, chauffeured cars, company apartments, club memberships, sports tickets, financial planning, personal assistants and more.

CEO pay averaged \$10.2 million in 2004 among the 500 largest U.S. companies, counting salary, bonus and other compensation such as exercised stock options and vested stock grants. Full-time worker pay averaged just \$32,594. According to the *Forbes* executive pay survey, the highest-paid CEO in 2004 was Yahoo's Terry Semel, who hauled in \$230.6 million. William McGuire of UnitedHealth Group, the nation's leading insurer, was the third-highest paid CEO on the *Forbes* list. His pay of \$124.8 million could cover the average health insurance premiums of nearly 34,000 people. George David, CEO of United Technologies, hauled in \$88.7 million.²⁹ As one commentator observed:

David pocketed just a little less than the \$89.1 million we pay all the top executives running the three branches of our federal government. In other words, for around the same amount United Technologies shareholders paid for their CEO last year, taxpayers got: one president, a vice president, 535 lawmakers on Capitol Hill and nine Supreme Court justices.³⁰

While worker pensions are increasingly unavailable, unreliable or a promise betrayed, CEO retirement gives new meaning to "the golden years." With the help of cozy corporate boards, CEOs are increasingly enriching themselves with guaranteed pensions, deferred compensation, guaranteed consulting fees—no actual consulting necessary—and other postretirement perks and compensation to avoid shareholder scrutiny and sidestep the new rule for companies to treat stock options as expenses. As Lucian Bebchuk and Jesse Fried, co-authors of *Pay Without Performance*, explained in a 2004 report, "camouflaged compensation" generates less outrage, is less tied to performance and "allows executives to reap benefits at the expense of shareholders."³¹ Making matters worse, CEOs earning more than their fair share are being rewarded with huge tax cuts.

British CEOs make just 28 times as much as workers. You'd think the British were the ones who rebelled against royalty—not Americans.

U.S. companies are busily outsourcing workers when it's the CEOs who are way too expensive. European and Japanese CEOs run many of the world's leading companies for a lot less pay than Americans. U.S. CEOs make five times as much as CEOs in Japan, four times as much as CEOs in Spain and three times as much as CEOs in the United Kingdom, France, Italy and the Netherlands.³²

Pay for the top five executives at companies takes more than double the bite out of company earnings than it did a decade ago. Looking at data for thousands of publicly traded companies, Lucian Bebchuk and Yaniv Grinstein found that top-five executive pay more than doubled from 4.8 percent of aggregate net company income during 1993-1995 to 10.3 percent of aggregate net income during 2001-2003.³³ That's a huge redistribution of income to executives.

Overpaying CEOs and underpaying workers is bad business as well as bad ethics. Compensation experts Joseph Blasi and Douglas Kruse analyzed executive pay at more than 1,500 major U.S. companies from 1992 to 2002. Corporations with significantly higher than average shares

of employee stock options going to the CEO and the next four top executives had *lower* average total shareholder returns for the decade.³⁴ Other studies have found that lavishing stock options on chief executives increases the incentive to engage in fraudulent activities, and increases the likelihood companies will cook their books, default on debt and go bankrupt.³⁵

“I am old enough to have known both the CEOs of 20 years ago and those of today. I can assure you that we CEOs of today are not 10 times better than those of 20 years ago. What happened? Sadly, all too many members of the inner circle of the business elite participated in the over-expansion of executive compensation. It was justified by a claimed identity between the motivation of executives and shareholder value. It is reasonably clear now that this theory has left a large number of poorer shareholders, especially including employee stockholders, not only unconvinced, but understandably disillusioned and angry.

The policy of vastly increasing executive compensation was also...terribly bad social policy and perhaps even bad morals. Looked at from the vantage of the second great commandment, Love they neighbor as thyself, there are some clear questions. Is not my fellow worker my neighbor? Are not other members of the community, such as the widows and orphans of 9/11 victims my neighbors? Are not the homeless my neighbors?”

William J. McDonough, then president and CEO of the Federal Reserve Bank of New York, speaking at Trinity Church, New York, on the anniversary of 9/11, September 11, 2002.

Weaker Economic Growth

The redistribution of income from wages to corporate profits, owners and executives is hurting the economy. Evidence is mounting from the 2001 recession and lousy recovery. The 2001 recession lasted from March to November 2001 according to the National Bureau of Economic Research. The Congressional Budget Office (CBO) reports that the labor force participation rate, which measures the percentage of the adult population that is employed or actively looking for work, fell from 67.2 percent to 66.6 percent during the recession, and continued to fall during the recovery that began in late 2001 to a low of 65.8 percent in early 2005.

The CBO says, “Although it is not unusual for growth of the labor force to slow during recessions...both the magnitude and persistence of the decline during the past several years are unprecedented.” Businesses “created new jobs at a much slower rate than they did after the 1990-1991 recession.” The CBO observes, “The fact that real average hourly compensation (including benefits) grew more slowly than did real hourly output [productivity] from 2001 to 2004 points strongly toward weak demand rather than insufficient supply” of available workers.³⁶ The minimum wage went up during the 1990-1991 recession, boosting demand, in contrast with the recent recession and recovery.

Economic performance has been unusually weak both since the last business cycle peak in March 2001 and since the last recovery began in November 2001. As the Center on Budget and Policy Priorities reports, gross domestic product (GDP), consumption, investment, net worth

and employment have all grown less rapidly than during other comparable periods since the end of World War II. Wages and salaries have grown at less than half the annual average rate of other recoveries since the end of World War II.

“The sole exception to the current period’s lackluster performance has been the growth of corporate profits,” says the Center. Corporate profits have experienced annual average growth of 15.1 percent in the current period, as compared with an average of 9.5 percent for other recoveries. Measured from the last business cycle peak, the gap is even wider. Profits have grown 12.1 percent compared to a post [World War II] average of 4.3 percent.³⁷

“Fair wages are not only an economic or legislative imperative, but a moral one. As Pope John Paul II stated, ‘In every case, a just wage is the concrete means of verifying the justice of the whole socioeconomic system.’”

John Wertheim, “Congress at fault for keeping minimum wage flat,”
Albuquerque Journal, June 29, 2005.

Downwardly Mobile America

The United States is becoming a downwardly mobile society instead of an upwardly mobile society. The middle class is shrinking, not growing. Poverty has become more entrenched.

Median household income fell for an unprecedented fifth year in a row to \$44,389 in 2004—down from \$46,129 in 1999, adjusting for inflation. This is the first time since 1967 (earliest year for comparable data) that median household income has failed to increase for five consecutive years.³⁸

Household income would look much worse, if not for the increase in household work hours, especially by women. Focusing on married-couple families in which both partners were under age 55, Boston Federal Reserve economists Katharine Bradbury and Jane Katz write, “The popular perception—that families needed to work ever more hours even to tread water—is confirmed. And the greatest part of this increase in hours came from wives.” At the beginning of the 1970s, married women worked in paid employment “fewer than 600 hours a year, on average, while at the end of the 1990s they averaged nearly 1,400 annual work hours.” Bradbury and Katz point out that “many families with children lost ground despite added work hours.”³⁹

Mobility has declined along with the minimum wage. A study of father-son pairs, comparing income and occupations, found that nearly 70 percent of the sons in 1998 had remained either at the same level or were doing worse than their fathers had in 1979. Only 10 percent of sons whose fathers were in the bottom quarter had made it to the top quarter by 1998. That’s a big reversal from the 1960s when 23 percent of sons of fathers at the bottom level made it to the top quarter.⁴⁰ A Federal Reserve Bank of Boston study “found that the chances that poor Americans would stay stuck in their strata had increased vs. the 1970s.”⁴¹

“When you hire, compensate the workers and treat them fairly.”

Prophet Muhammad.

Workers More Educated, Less Compensated

We often hear that increased pay inequality is due to the economy’s demand for a more educated, more skilled workforce. The reality is that workers are more educated than past generations, but pay is falling behind. The reality is that high-tech workers are losing ground as well.⁴² The reality is that most of the 20 occupations expected to produce the most jobs in the future don’t require higher education and don’t pay high wages. (See Table 2.1.)

The largest number of workers paid at or below minimum wage come from retail trade, leisure and hospitality, and education and health services. The occupations with the largest percentage of workers paid at or below minimum wage are:

- Food preparation and serving related occupations—19 percent at or below \$5.15 and 66 percent under \$8.50 in 2004.
- Personal care and service occupations—6.7 percent at or under \$5.15 and 48 percent under \$8.50.
- Farming, fishery and forestry occupations—3.5 percent at or under \$5.15 and 56 percent under \$8.50.⁴³

Most of those occupations are among the occupations projected by the Bureau of Labor Statistics to produce the largest job growth between 2002 and 2012. Only 5 out of the 20 top job producers (see table below) have median hourly pay that is higher than the overall median hourly wage of \$13.84 for 2004. The rest are lower. Seven of the 20 occupations pay at or below \$9.04, about the value of the minimum wage of 1968, adjusting for inflation.

While most high school graduates go on to college, most of the 20 top job-producing occupations don’t require a college degree—although jobs such as home health aides require significant skill and dedication. If pay tracked skill, child care workers wouldn’t be paid less than coatroom attendants and doctors wouldn’t make less in their lifetimes than CEOs make in a year.

Most minimum wage workers have high school degrees or more. One of our nation’s most repeated principles is equality of opportunity. As a society, we should highly value education and truly commit to assuring equal opportunity from preschool to higher education.

But a job should keep you out of poverty, not keep you in it, whether you have a college degree or not. A job should keep you out of poverty, whatever job you are in, whether registered nurse, farmworker or retail salesperson.

Table 2.1

20 Occupations Producing the Most New Jobs, 2002-2012

Occupation	2002	2012	Change		2004 Median hourly wage*	Education
	<i>in thousands</i>					
All Occupations					13.84	
Registered nurses		2,284	2,908	623	25.16	Associate degree
Postsecondary teachers		1,581	2,184	603	**23.60	Doctoral degree
Retail salespersons		4,076	4,672	596	8.98	Short-term on-the-job training
Customer service representatives		1,894	2,354	460	12.99	Moderate-term on-the-job training
Combined food preparation and serving workers, incl. fast food		1,990	2,444	454	7.06	Short-term on-job training
Cashiers, except gaming		3,432	3,886	454	7.81	Short-term on-job training
Janitors and cleaners, except maids and housekeeping cleaners		2,267	2,681	414	9.04	Short-term on-job training
General and operations managers		2,049	2,425	376	37.22	Bachelor's or higher degree, plus work experience
Waiters and waitresses		2,097	2,464	367	6.75	Short-term on-job training
Nursing aides, orderlies and attendants		1,375	1,718	343	10.09	Short-term on-job training
Truck drivers, heavy and tractor-trailer		1,767	2,104	337	16.11	Moderate-term on-the-job training
Receptionists and info. clerks		1,100	1,425	325	10.50	Short-term on-job training
Security guards		995	1,313	317	9.77	Short-term on-job training
Office clerks, general		2,991	3,301	310	10.95	Short-term on-job training
Teacher assistants		1,277	1,571	294	***9.33	Short-term on-job training
Sales reps., wholesale and mfg., except technical and scientific products		1,459	1,738	279	21.83	Moderate-term on-the-job training
Home health aides		580	859	279	8.81	Short-term on-job training
Personal and home care aides		608	854	246	8.12	Short-term on-job training
Truck drivers, light or delivery services		1,022	1,259	237	11.80	Short-term on-job training
Landscaping and groundskeeping workers		1,074	1,311	237	9.82	Short-term on-job training

* Half earn under the median, half earn above it. Occupations with median pay higher than the national median for all occupations are in bold.

** 2002 annual median divided by 2080 hours.

*** Computed from 2004 \$19,410 annual median.

Sources: U.S. Bureau of Labor Statistics, Table 4: Occupations with the Largest Job Growth, 2002-2012; "BLS Releases 2002-12 Employment Projections," February 11, 2004; Occupational Employment and Wages, May 2004 (May 26, 2005); Occupational Projections and Training Data 2004-05 Edition, Table 1-4, March 2004.

Business Week: “Working...and Poor”

“[Two out of three families below the official poverty line include one or more workers.] And the majority possess high school diplomas and even some college—which 30 years ago would virtually have assured them a shot at the middle class. Now, though, most labor in a netherworld of maximum insecurity, where one missed bus, one stalled engine, one sick kid means the difference between keeping a job and getting fired, between subsistence and setting off the financial tremors of turned-off telephones and \$1,000 emergency-room bills that can bury them in a mountain of subprime debt.

At any moment, a boss pressured to pump profits can slash hours, shortchanging a family’s grocery budget—or conversely, force employees to work off the clock, wreaking havoc on child-care plans. Often, as they get close to putting in enough time to qualify for benefits, many see their schedules cut back. The time it takes to don uniforms, go to the bathroom, or take breaks routinely goes unpaid...

Traditional buffers don’t help low-end workers as much anymore. While labor unions were largely responsible for creating the broad middle class after World War II...that’s not the case today. Most U.S. employers fiercely resist unionization, which, along with other factors, has helped slash union membership to just 13% of the workforce, vs. a midcentury peak of more than 35%.

The federal minimum wage, too, long served as a bulwark against low pay by putting a floor under the bottom... At \$5.15 an hour, it remains [less] than it was in 1968, after inflation adjustments...

Add to all this the fact that a college degree, the time-tested passport to success, is today less available to those without family resources...

The U.S. has long tolerated wider disparities in income than other industrialized countries, mostly out of a belief that anyone with enough moxie and hustle could lift themselves up in America’s vibrant economy. Sadly, it seems that path is becoming an ever steeper climb.”

Michelle Conlin and Aaron Bernstein, “Working...and Poor,”
Business Week, May 31, 2004.

3 Minimum Wage Myths and Realities

“To support the wage floor over the long term, the minimum would need to be linked to some measure of national living standards, such as inflation or average wages, to keep many families from simply slipping back into working poverty after a few years. Yet trying to hike the minimum wage always sparks a monumental battle in Washington.”

Business Week, May 31, 2004.

The federal minimum wage faced fierce opposition in the 1930s, and opponents predictably try to block raises in the minimum today. Opponents stereotype minimum wage workers as teenagers who don't need or deserve higher wages. Opponents claim business can't afford a higher minimum wage. They claim a higher minimum wage will destroy small business, increase unemployment, harm less educated workers, fuel inflation and aggravate poverty. Real world experience shows the claims are wrong.

Most Minimum Wage Workers Are Adults

As if to justify miserly pay, minimum wage critics often stereotype minimum wage workers as teenagers living with their families and working for fun money. In fact, the typical minimum wage earner is an adult woman, not a teenager.

- Three out of four minimum wage workers are age 20 and older.
- While women make up just under half the total workforce, two out of three minimum wage workers are women.
- Most minimum wage workers have high school degrees or more, including 7 percent with a bachelor's degree or higher.⁴⁴

Women hold a disproportionate share of low-paid jobs, and a low minimum wage exacerbates the problem of employment discrimination. In the Gulf States, for example, gender as well as racial discrimination contributes to the widespread poverty brutally spotlighted by Hurricane Katrina. Nationally, women working full time made just 76 cents for every dollar earned by full-time working men in 2004. In the Gulf States, the gap was even wider. Compared with their male counterparts, women made about 68 cents on the dollar in Louisiana, 72 cents in Mississippi and 73 cents in Alabama.⁴⁵

As For Teenagers

Teenagers shouldn't be paid less for doing the same job as an adult whether they are in the Army or working at a gas station. Many teenage minimum wage workers are already out of school and working for a living.

More than a third of people who graduated high school within the past year were not enrolled in college. The United States does not provide universal public college education. While most high school graduates go on to college, a significant number can't afford to, however good their academic record. A U.S. Department of Education study, which followed a group of students since the 8th grade, provides fresh evidence of the link between socioeconomic status and higher education: The worst scoring students from high socioeconomic status families complete college as frequently as the best students from low socioeconomic status families.⁴⁶

“The cost of college has exploded, leaving fewer than 5% of students from bottom-earning families able to get that all-important diploma... Columbus Harris, 50, a \$6.75-an-hour driver for the elderly in Pine Bluff, Ark, couldn't help his kids with college. So his middle son Christopher joined the Army to get an education.”

“Working...and Poor,” *Business Week*, May 31, 2004.

Many teenagers are working minimum wage jobs in order to pay for college. They shouldn't be penalized twice: first by the low wages their parents are paid and second by their own meager minimum wage.⁴⁷ The lower the minimum wage, the more hours students have to work at jobs while attending high school and college. As the Fayetteville, NC, *Observer* reported:

Ashley Harrison, who is 17, works at Subway to save money for college, she said. Rising tuition makes work a requirement for many students in high school, she said.

Since the last minimum wage increase in 1997, the annual tuition and fees at Fayetteville State University has risen from \$1,460 to \$2,521 [the national average is more than \$5,000], according to the University of North Carolina System.

Ashley said she would probably attend school in Fayetteville because she could not afford room and board. Ashley lives with her mother, who can only do so much to help her afford college. Ashley saves much of her money—the last things she brought for herself were two T-shirts around Christmas.⁴⁸

More Jobs, Less Poverty After Last Minimum Wage Hikes

The minimum wage was last raised in two steps: increasing from \$4.25 to \$4.75 an hour in October 1996 and then to \$5.15 in September 1997. In the words of a 2000 report by the Clinton administration's National Economic Council, “Since the 1996-97 increase in the minimum wage, the American economy—and labor markets in particular—have continued to perform very strongly. Between September 1996 and February 2000, 10.2 million jobs were created... even stronger growth than in the previous 2 years. In retail trade, which has a large concentration of minimum wage workers, there were 1.4 million new jobs.”⁴⁹

Contrary to what minimum wage critics predicted, 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. As the Department of Labor *Monthly Labor Review* summed it up, 2000 ended with the overall unemployment rate at 4 percent, the lowest rate since 1969. “Every census region and geographic division attained its lowest quarterly unemployment rate on record in 2000.” Looking more closely at fourth quarter 2000, the teenage unemployment rate of 12.9 percent was the lowest since 1969. “The unemployment rates for Hispanics (5.6 percent) and blacks (7.5 percent) declined to record lows in 2000, whereas the rate for whites (3.5 percent) was unchanged from the prior year’s 3-decade low.”⁵⁰

The higher minimum wage reduced poverty, including among teenagers and high school dropouts—two demographic groups that opponents asserted would be disproportionately harmed by such an increase.⁵¹

In short, between 1996 and 2000, the economy had unusually high growth, low inflation, low unemployment and declining poverty rates—until the Federal Reserve purposefully slowed economic growth by repeatedly raising interest rates during 1999 and 2000. The economy broke the record for the longest expansion in U.S. history in February 2000. (The economic expansion officially lasted ten years from March 1991 until March 2001, although the stock market bubble burst in March 2000.)

In a classic Catch-22, minimum wage critics who earlier insisted that raising the minimum wage would end the economic boom, then said that the minimum wage couldn’t go up because the boom was over. In reality, the minimum wage had been raised during the 1990-91 recession with positive effects.⁵²

Recent unemployment rates are higher than in 2000 and much higher than the late 1960s, when minimum wage peaked in real value. The official unemployment rate of 4 percent in 2000 was the lowest rate on record since 1968 and 1969, when the rates were 3.6 and 3.5 percent respectively. The official 5 percent unemployment rate in the third quarter of 2005 was still 25 percent higher than the rate in 2000.

“Many economists have backed away from the argument that minimum wage [laws] lead to fewer jobs.”

Rochelle Sharpe, *Business Week*, May 28, 2001.

“[One of the bills vetoed by Maryland] Gov. Bob Ehrlich (R) would have raised the minimum wage to \$6.15. Ehrlich, in his message to the Assembly: ‘Raising the minimum wage reduces employment opportunities for those who need it most.’”

The Hotline, June 23, 2005.

“New research on the minimum wage has swayed a substantial part of the economics profession over the past decade towards support for a higher minimum wage,” the Keystone Research Center observes.⁵³ In 2004, 562 economists, including four Nobel Prize winners in economics, endorsed a statement in support of raising the minimum wage. “The minimum wage has been an important part of our nation’s economy for 65 years,” the economists said. “It is based on the principle of valuing work by establishing an hourly wage floor beneath which employers cannot pay their workers... The minimum wage is also an important tool in fighting poverty.”⁵⁴

Job Trends Better in States with Higher Minimums

A growing number of states have raised their state minimum wages above the federal level. Oregon has the second-highest state minimum (see table below). Dan Gardner, commissioner of Oregon’s Bureau of Labor and Industries, says, “Overall most low-wage workers pump every dollar of their paychecks directly into the local economy by spending their money in their neighborhood stores, local pharmacies, and corner markets. When the minimum wage increases, local economies benefit from the increased purchasing power.”⁵⁵

States with higher minimum wages have shown stronger employment trends than the other states, including for retail businesses and small businesses (discussed in the next chapter). The Fiscal Policy Institute looked at the 11 states—Alaska, California, Connecticut, Delaware, Hawaii, Maine, Massachusetts, Oregon, Rhode Island, Vermont, Washington—and the District of Columbia (DC) that had higher wages than the federal level by 2004. The Institute reports:

- Total employment in the states with a higher minimum wage increased by 6.2 percent from January 1998 to January 2004, 50 percent greater than the combined job growth of 4.1 percent for states where the federal minimum wage prevailed.
- Retail employment grew by 6.1 percent in the states with higher minimums versus 1.9 percent in the other states.⁵⁶

Oregon has the second-highest minimum wage after the state of Washington. The Oregon Center for Public Policy analyzed employment in the restaurant and agricultural sectors, which have large numbers of minimum wage workers. The Center found that contrary to predictions of job losses, “Oregon’s restaurants and farms have been adding jobs more rapidly than employers generally since Oregon voters raised the minimum wage and established annual cost of living adjustments.”⁵⁷

At this writing, 17 states and the District of Columbia (DC) have state minimum wage rates set higher than the federal minimum wage. Most states have minimum wages that are equal to or less than the federal minimum. Where federal and state laws differ, the higher minimum wage applies. The six states with no state minimum wage are Alabama, Arizona, Louisiana, Mississippi, South Carolina and Tennessee. The two states with lower minimums are Ohio at \$4.25 and Kansas at a pittance of \$2.65.

Table 3.1

States With Higher Minimum Wage, 2005

State	Minimum Wage as of September	Scheduled Increase
Alaska	\$7.15	
California	6.75	
Connecticut	7.10	\$7.40 on 1/1/06 and \$7.65 on 1/1/07
Delaware	6.15	
DC	6.60	\$7.00 on 1/1/06
Florida	6.15	
Hawaii	6.25	\$6.75 on 1/1/06 and \$7.25 on 1/1/07
Illinois	6.50	
Maine	6.35	\$6.50 on 10/1/05
Massachusetts	6.75	
Minnesota	6.15	
New Jersey	6.15	\$7.15 on 10/1/06
New York	6.00	\$6.75 on 1/1/06 and \$7.15 on 1/1/07
Oregon	7.25	\$7.50 on 1/1/06, annual inflation adjustment
Rhode Island	6.75	
Vermont	7.00	\$7.25 on 1/1/06, annual inflation adjustment
Washington	7.35	\$7.63 on 1/1/06, annual inflation adjustment
Wisconsin	5.70	\$6.50 on 10/1/05

Note: In 2004, Nevada voters approved a minimum wage increase to \$6.15 with inflation indexing, but since the measure requires a constitutional amendment, it must go before voters again in 2006.

As a fallback measure, some minimum wage opponents have said that if the federal minimum wage is raised, states should be able to opt out and substitute their own lower minimum at or above the current \$5.15. That would destroy the national floor under workers. Many states would keep the minimum wage at \$5.15 as inflation wore it away. Back in the 1930s, when southern congressmen asked for lower minimum wages for their region, International Ladies Garment Workers Union leader David Dubinsky suggested lower pay for southern congressmen.⁵⁸

A decent national minimum wage floor was essential in the 1930s, and it's essential today. States should be encouraged to opt up, but not out, of the federal standard.

In 2004, voters in Florida and Nevada approved ballot measures to raise their state minimum wage. “The minimum wage measures won in every county in both states. In conservative Escambia and Santa Rosa counties in the Florida Panhandle, where military bases and retired military veterans dominate the political culture, more than two-thirds of voters supported the wage boost, about the same margins they gave Bush. In Nevada’s richest county, Douglas, near the Lake Tahoe resort area, where Bush garnered 63.5 percent of the vote, 61.5 percent of voters supported raising the minimum wage.”

Peter Dreier and Kelly Candaele, “A Moral Minimum Wage,” *The Nation*, December 20, 2004.

Living Wage Laws Foster Smarter Economic Development

Communities around the nation have put their economic and ethical values into action by enacting living wage laws. They provide strong evidence that the minimum wage can be raised significantly without negative effects. Living wage ordinances typically require that businesses subcontracting with a city, county or university pay their employees a wage set substantially above the minimum wage. Some ordinances also include city workers and/or businesses receiving tax abatements, grants, infrastructure improvements and other economic development subsidies. Living wage laws reflect the principle that public dollars should promote decent wages.

Despite strong opposition from many of the same forces who oppose a higher minimum wage, some 130 living wage laws have been enacted around the country. Campaigns are underway in about 120 communities and universities. Most of the current ordinances mandate wage floors of over \$9 an hour with employer health benefits and over \$10 without employer health benefits. For example, Lincoln, Nebraska has a wage of \$9.30 with health benefits and \$10.23 without. Bozeman, Montana, has a wage of \$9.73 with health benefits and \$10.05 without. The highest rates at this writing are \$13 in Fairfax, California with employment health benefits and \$15.52 in Burlington, Vermont without employment health benefits.⁵⁹

In a comprehensive study examining the impact of living wage laws after implementation, city officials reported that “most contracts increased little, if any, in cost.” Moreover, “For city business subsidy programs, local officials reported that they could still attract desired business development, and that living wage laws often reinforced smarter economic development focused on creating higher quality jobs.” Building on these positive results, “some economic development agencies have extended living wage requirements to subsidy projects not actually covered by their local [living wage] ordinances.”⁶⁰

Business Week reported in 2000, studies find that “employers learn to live with [living wage laws] by trimming profit margins and finding efficiency gains from improved morale and lower turnover.”⁶¹ A 2005 study of Boston’s living wage law (with an \$11.57 wage) found no evidence that the ordinance reduced employment or increased use of part-time work at firms covered by the law. On the contrary, average employment expanded and firms increased their use of full-time staff.⁶²

In an older study of Baltimore’s living wage, first enacted in 1994, “contractors interviewed about the living wage gave generally positive responses. From bus companies to temporary agencies to janitorial services, the prevailing opinion offered was that the living wage ‘levels the playing field’ and relieves pressure on employers to squeeze labor costs in order to win low-bid contracts.”⁶³

A few localities have gone beyond narrower living wage laws and adopted citywide minimum wages. Santa Fe, New Mexico and San Francisco, California, have the highest citywide minimum wages in effect at this writing. Both took effect in 2004. San Francisco’s citywide minimum wage is \$8.62 as of 2005, adjusted annually for inflation. Santa Fe’s \$8.50 minimum wage is scheduled to rise to \$9.50 in 2006 and \$10.50 in 2008, when it will be indexed to inflation. A review of Santa Fe’s economic performance in 2004 “found no evidence of adverse effects” from the higher minimum wage. Unemployment dropped, gross receipts in the retail

sector significantly outpaced inflation and hundreds of new jobs were added in the retail and hospitality sectors, which includes restaurants.⁶⁴ A survey of restaurants (the sector with the highest share of minimum wage workers) before and after the minimum wage came into effect in San Francisco found that pay increased significantly at affected restaurants without employment loss.⁶⁵

“In the United States, we have always promised people that if they work hard, they will be able to take care of themselves and their children.

For many low-wage workers in Memphis, this promise does not ring true. The proposed living wage ordinance...asks our community to live up to that American dream.

Consider what it would mean to raise a family on the wages of a child care worker, one of the fastest growing occupations in our area. The entry-level wage for such workers is an average of \$5.88 an hour... Could you pay for rent, utilities, groceries, gas, clothing and child care on such a wage?...

Those who work for a living should be able to make a living. This is especially true for jobs that are subsidized by taxpayer dollars...

It is immoral to ask people to work full time but pay them so little that they remain mired in poverty. As a person of faith, I believe that God asks us to respond to poverty not just by generous charitable giving, but also by ensuring the jobs in our local economy pay enough to meet a family’s basic needs.

In addition to being a moral imperative, a living wage ordinance is also a sound business practice...

The living wage ordinance would reward businesses that compete based on innovation and quality products, instead of rewarding those that undercut competitors with poverty pay.

Opponents charge that the living wage proposal is an unnatural intervention in the market, but society already shapes markets in many ways to achieve certain moral and economic ends. Human slavery and child labor were banned because, no matter how profitable, they were and are immoral. The very existence of tax abatements for selected companies is an intervention in the market, for the stated purpose of economic development.”

Rev. Rebekah Jordan, executive director of Mid-South Interfaith Network for Economic Justice, “Fight Poverty: Pass living wage ordinance,” *Commercial Appeal* (Memphis, TN), January 22, 2004.

4 Spotlight On Small Business

“Fair wages are good for business.”

Joel Marks, national director of the American Small Business Alliance, 2004.⁶⁶

“All our businesses pay well above the federal minimum wage. We know that today’s minimum wage shortchanges workers and undermines the long-term health of businesses, communities and the economy.”

Small-business owners Tim Styer, Judy Wicks and Hal Taussig, *Philadelphia Inquirer*, June 21, 2000.

Opponents of minimum wage increases—including big business representatives—typically claim that small businesses will be unable to compete. They will have to lay off workers and maybe close their doors if the minimum goes up. When’s the last time you heard a chain store executive worry that their new store would drive the local mom and pop store out of business?

In reality, small businesses can absorb and benefit from a minimum wage increase just as big businesses can. In reality, minimum wage hikes haven’t destroyed small businesses, but mass merchandisers have.

Studies show that mass merchandiser expansion has resulted in small business closures, net job loss, lower wages and a lower tax base over the long term. Take Wal-Mart’s expansion in Iowa, for example. Iowa experienced heavy small business closures between 1983, when Wal-Mart first came, and 1993, a decade later. In that period, Iowa had a net loss of 555 grocery stores, 298 hardware stores, 293 building material stores, 292 apparel stores, 161 variety stores, 153 shoe stores, 116 drug stores and more.⁶⁷ Other research found that the destruction of small, locally owned businesses reduces the civic leadership of local businesspeople and may reduce civic capacity.⁶⁸

“In the debate over whether to raise the minimum wage, opponents of an increase typically hold up small businesses as poster children, suggesting they will be unduly hurt from such a move...

‘The common knee-jerk reaction that a minimum wage hike hurts small entrepreneurs is not a calculated economic response,’ says Kathryn Wylde, president of Partnership for New York City, a powerful nonprofit group of CEOs founded by David Rockefeller. The Partnership recently broke with tradition of many business-advocacy groups and came out supporting an increase of New York’s minimum wage. Ms. Wylde cites turnover and training as key reasons why entrepreneurs are under greater pressure to pay more than minimum wage...

‘This churning of workers is their single biggest expense,’ she says. What business owners might save in payroll expenses, they are losing in the ‘cost of recruitment, human resources and lost investment in training people.’”

Gwendolyn Bounds, *Wall Street Journal*, July 27, 2004.

More Small Business Growth in States With Higher Minimums

The Fiscal Policy Institute study cited in the previous chapter found that small-business employment was better in states with higher minimum wages than the other states. Among businesses with fewer than 50 employees:

- The number of establishments increased by 3.1 percent for the states with higher minimum wages between 1998 and 2001 (the latest year for appropriate data) compared to 1.6 percent for the other states.
- The number of employees in small establishments grew by 4.8 percent, nearly 50 percent faster than the 3.3 percent growth in other states.
- Among small businesses in the retail industry, the number of establishments increased by 0.6 percent for the states with higher minimum wages compared to 0.3 percent for all other states.
- The number of retail employees increased by 3.7 percent in the states with higher minimum wages, 54 percent more than the 2.4 percent growth in the other states.⁶⁹

Minimum Wage Raise Is Affordable

Research conducted for *Raise The Floor* calculated the direct cost to employers of raising the \$5.15 minimum wage to \$8, the indirect “ripple effect” of increasing the wages of workers paid at or slightly more than \$8, and the additional costs to the employer of employee benefits and taxes. (Costs for a raise to \$8 were based on 1999-2000 data; \$8 has the buying power of more than \$9 now.) The cost of an increase to \$8 was very affordable. It represented:

- Less than 1 percent of receipts minus payroll and benefits.
- Less than 1 percent of the cost of goods sold (the direct costs incurred in producing goods and providing services, including costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and certain overhead expenses, such as rent, utilities, supplies, maintenance and repairs).

These figures actually overstate the cost. This cost calculation assumes that there are no exemptions from minimum wage legislation (unlike today) and does not account for positive effects from higher wages such as reduced turnover and training costs, enhanced productivity and increased worker purchasing power, which in turn can increase sales revenues.⁷⁰

Raise The Floor research also shows that small businesses would not be disproportionately affected by a minimum wage increase. For example, the cost of raising the minimum wage to \$8 in relation to a firm’s total receipts minus total payroll and benefits did not vary significantly by firm size across most sectors. In the few sectors where firm size made a difference, the impact was sometimes greater for large and medium firms.⁷¹

Minimum Wage Does Not Cause Business Closings

Contrary to predictions by minimum wage critics, business closing and failure rates went down, not up, after past minimum wage hikes.⁷² The reality is that U.S. business is very volatile.

A Small Business Administration (SBA) study found that more than half of businesses started in 1992 ceased operations within five years.⁷³

Many factors are more significant than labor costs, and many closings are voluntary. “Research economists at the SBA report that only one out of seven businesses ceasing operations actually fails. They cite a broad range of factors to explain why firms cease operations, including entrepreneurial preferences, new opportunities, retirement, and personal and health reasons.”⁷⁴ Even among businesses that fail, the reasons vary widely. In a survey of businesses that filed for bankruptcy, debtors cited a variety of reasons for filing including:

- Outside business conditions, e.g., new competition, increases in rent, insurance or other costs of doing business, declining real estate values, declining farm prices, etc..
- Financing, e.g., high debt service, loss of financing or the inability to get financing.
- Inside business conditions, e.g., admitted mismanagement, a decline in production, a bad location, the loss of major clients and the inability to collect accounts receivable.
- Tax problems with the IRS, state or local agencies.
- Disputes with a creditor, e.g., foreclosures, lawsuits, contract disputes, collection disputes, etc.
- Personal reasons, e.g., illness or divorce.
- Calamities, e.g., fraud or theft by an outsider, natural disasters, industrial accidents and restricted access to the business such as road work.⁷⁵

Looking at business closing rates over a 30-year time period, researchers concluded, “There seems to be no discernible correlation between minimum wage increases and a rise in business failures, either in the year the increase occurred or in the following year. If anything, the evidence leans the other way.”⁷⁶

“Raising Nevada’s minimum wage would not only increase worker productivity and loyalty, but it is the ‘right thing’ to do, several local businessmen said...”

‘It is a positive way for our minimum wage earners to help their families meet expenses and inflation that we are all subjected to,’ John Iorio, the owner of Pumi, said during the news conference sponsored by the Nevada Small Business Alliance at his Henderson restaurant. ‘And it is another avenue for us to keep qualified employees.’...

The business group also argued that it is essential to have an even playing field where all businesses are held to the same baseline salaries.”

Emily Kumler, “Some small businesses back wage boost,”
Las Vegas Review-Journal, October 30, 2004.

5 Fairer Wages are Better Business

“Paying your employees well is not only the right thing to do but it makes for good business.”

Costco CEO James Sinegal, *Business Week*, April 12, 2004.

Successful businesses, large and small, show that good wages are good business. Higher wages increase consumer purchasing power, which increases sales. Low-income workers by necessity spend more of their increased wages than those with higher incomes and spend it largely at businesses in their local communities. Increased demand for goods and services results in increased employment in a multiplier effect that generates additional purchasing power and business revenues.

As shoe store owner Rob Yeganeh said in support of raising New York’s state minimum wage, “At the end of the day, it’s something that will bring more money into the community, more money into the store, more money into the web site.”⁷⁷

Higher wages make it easier for employers to recruit and retain entry-level workers, leading to reduced employee turnover and absenteeism as well as lower costs associated with training and recruitment. Higher wages improve morale and productivity. Moreover, businesses report improvements in the quality of products and services.⁷⁸

As we saw earlier, underpaying workers while overpaying top executives is bad business as well as bad ethics. More equitable compensation helps the bottom line.

“Too many boards of directors think that only the top executives make a difference in the company’s value, and the rest of the employees are just static factors of production like machinery,” observe Joseph Blasi and Douglas Kruse. “But a growing body of evidence shows that regular employees can really make a difference.” Research shows that “broad-based stock option plans, employee ownership plans, and profit sharing plans are associated with future improvements in total shareholder return.”⁷⁹

Valuing Work

The fast-food industry is notoriously low wage, but it certainly doesn’t have to be low wage to be profitable. Family-owned In-N-Out Burger—home of the nation’s first drive-through hamburger stand—has long ranked first or tied for first nationwide among fast food chains in overall excellence, food flavor, quality and customer service. The owners “have succeeded by rejecting just about everything the rest of the fast food industry has done... The chain pays the highest wages in the fast food industry.”⁸⁰ Their entry-level wage is about \$4 above the minimum wage.

In-N-Out promotes its pay and benefits on its website: The starting wage is “a minimum of \$9.00 an hour for one simple reason...you are important to us!” Benefits include “paid vacations, free meals, comprehensive training, and a 401k plan. For our full-time Associates, we provide

a benefits package that also includes medical, dental, vision, life and travel insurance coverage.” In-N-Out has one of the lowest turnover rates in the industry, spends little on advertising, and its average single-store sales not only beat McDonald’s—with a much narrower menu—but are more than double the industry average.⁸¹

Higher wages are essential for residents of low-income communities and good for business. Since 1999, the Initiative for a Competitive Inner City (ICIC) and *Inc.* magazine have produced the annual Inner City 100, a national listing of 100 successful, fast-growing companies located in economically distressed urban areas. The 2005 Inner City 100 created more than 9,500 jobs between 1999 and 2003. Their median number of full-time employees was 52; the median number of part-time employees was 2. The Inner City 100 have an average annual employee turnover significantly lower than the national average. Their average hourly wage, excluding benefits, is \$14.91, nearly triple the minimum wage. Their average annual salary is \$45,664 compared with \$39,000 for U.S. metropolitan areas generally. Their employer-subsidized benefits are well above average: 95 percent offer health insurance, 79 percent offer a bonus plan, 68 percent offer a 401(k) retirement plan, 40 percent offer tuition reimbursement and 56 percent provide flextime.⁸²

“Why a Higher Minimum Wage is Good for Small Business”

“I’m a small business owner, and those so-called ‘pro-business groups’ [the National Federation of Independent Business and Employment Policies Institute] don’t speak for me. Like many small business owners across the state, I support a higher minimum wage.

Why do I support a higher minimum wage? Because I have a conscience, to begin with. I believe that in America, people who are willing to work full time should be able to provide for themselves and their children. But full-time work at today’s minimum wage is...not enough to support a single adult, let alone someone with children.

But raising the minimum wage makes sense from a business perspective, too.

The most important asset I have as a business owner is my employees. Their skills, their energy and their commitment make all the difference in the world. It’s well worth it to pay for those qualities—that’s why I pay well above the legal minimum.

Meanwhile, I have to compete against businesses that pay starvation wages. Worse yet, they are rewarded by the government for doing so. Because I pay a decent wage, my workers aren’t eligible for anti-poverty programs like food stamps or Medicaid. But low-wage workers are—Wal-Mart even hands out instructions for applying to these programs to new employees.

As a business owner, I support a minimum wage increase... It’s both good business sense and the right thing to do.”

Bill Hilliker, owner of American Images in South Buffalo, NY, *Buffalo News*, June 7, 2004.

6 Low Road vs. High Road

“Wal-Mart has benefited from the president’s opposition to raising the minimum wage, since some employees make less than \$7 an hour, and from the Republican-controlled Congress’s reluctance to make it easier for workers to unionize.”

Bloomberg News, July 20, 2004.

A low minimum wage gives a green light to employers to pay poverty wages to a growing share of the workforce—not just workers at the minimum, but above it. Low-wage employers rely on taxpayers and charitable groups to subsidize them by providing a safety net, however inadequate and full of holes, for workers who don’t earn enough to support themselves and their families. Low-wage employers shift health insurance costs to other businesses that provide family health plans. By underpaying workers, they undermine the tax base of local communities, leading to reduced public services from schools to road repairs. They shift income from workers and taxpayers to the business’s owners and stockholders. They increase inequality and undermine long-term economic and social progress.

Setting the Pace With Discount Wages

The pacesetter for our increasingly low-wage, downwardly mobile America is Wal-Mart, the world’s largest company measured by jobs and revenues (\$288 billion in 2004). Wal-Mart is the largest private employer in the United States and the world. “One out of every 115 workers in the United States now works for Wal-Mart,” says Interfaith Worker Justice.⁸³ And the company is expanding rapidly.

- Wal-Mart has nearly four times as many employees (1.7 million, including 1.3 million in the United States) as McDonald’s (438,000), the second-largest U.S. private employer.
- It has 63 times as many employees as the Fortune 500 median (26,950) among U.S. companies.⁸⁴

Retail Forward, a global consulting and market research firm, projects that by 2010, Wal-Mart sales will top \$500 billion and the typical consumer products manufacturer could have more than 35 percent of its sales going through Wal-Mart.⁸⁵

“By the company’s own admission,” the *Los Angeles Times* reports, “a full-time worker might not be able to support a family on a Wal-Mart paycheck.”⁸⁶

Let’s reflect on that again: By its own admission, “a full-time worker might not be able to support a family” working at our nation’s largest employer. If we had accepted that standard from the largest U.S. employers in the past, the classic American Dream of a home, car and college for the kids would have been a pipe dream for even the middle class.

Controlling for other determinants of poverty, researchers found that “the presence of Wal-Mart unequivocally raised family poverty rates in U.S. counties during the 1990s relative to places that had no such stores.”⁸⁷

Most Wal-Mart workers earn less than \$19,000 a year.⁸⁸ That puts most Wal-Mart workers:

- At or below the level of minimum wage workers in 1968, adjusting for inflation.
- Below the official poverty line for a family of four.
- Below the EPI Basic Family Budget for a one-parent, one-child family in low-cost rural Nebraska.
- About \$9,000 below the national median Basic Family Budget for a one-parent, one-child family. (See Table 1.1.)

A decent minimum wage would set a decent floor for Wal-Mart, the nation’s largest employer.

“Kelly Gray, the chief breadwinner for five children, lost her job as a Raley’s grocery clerk last December after Wal-Mart expanded into the supermarket business here. California-based Raley’s closed all 18 of its stores in the area, laying off 1,400 workers. Gray earned \$14.68 an hour with a pension and family health insurance. Wal-Mart grocery workers typically make less than \$9 an hour.

‘It’s like somebody came and broke into your home and took something huge and important away from you,’ said the 36-year-old. ‘I was scared. I cried. I shook.’”

Abigail Goldman and Nancy Cleeland, “The Wal-Mart Effect,” first of three-part series, *Los Angeles Times*, November 23, 2003.

Wal-Mart says its “average hourly wage for regular full-time associates in the U.S. is \$9.68 an hour.”⁸⁹ At 34 hours, which Wal-Mart considers full time, that comes to an average of just \$17,114 a year.

Wal-Mart’s *average* wage for full-time workers isn’t much higher than In-N-Out Burger’s lowest *entry* wage for any worker. Wal-Mart’s full-time average hourly wage is:

- 40 percent less than the \$16.18 average hourly wage for all production and nonsupervisory workers
- 21 percent less than the \$12.33 hourly average for retail (as of September 2005).⁹⁰

If the minimum wage had kept up with the cost of living, Wal-Mart could not start workers below \$9, much less below \$7, as they do now. In Albuquerque, New Mexico, for example, Wal-Mart pay starts at \$6.25 an hour.⁹¹ Unless the minimum wage is raised significantly to pull Wal-Mart wages up, Wal-Mart will pull wages down for more and more of the workforce.

“The single most important step we can take to expand prosperity and opportunity in New Mexico is to raise the minimum wage,” says Gerry Bradley, research director for New Mexico Voices for Children. “Nobody who works full time should live in poverty.”⁹²

Discount clothes, toasters and televisions don’t compensate for discount wages too low to cover the big-ticket items like housing, health care, child care and college tuition, much less finance retirement savings. The cost of trips to the hospital put people into bankruptcy, not trips to the supermarket. And, often forgotten in the “low price” picture is that lower prices often mean lower quality, causing you to pay more in the end for items that wear and break quickly.

Squeezing Suppliers and Taxpayers

Wal-Mart relentlessly pressures suppliers in the United States and abroad to cut their prices again and again—as if time were going backward instead of forward. That pressure results in even lower wages, more inhumane working conditions, increased outsourcing—and higher profits for Wal-Mart, at least in the short term.

In the words of the *Los Angeles Times*, “By squeezing suppliers to cut wholesale costs, the company has hastened the flight of U.S. manufacturing jobs overseas. By scouring the globe for the cheapest goods, it has driven factory jobs from one poor nation to another.” In Bangladesh—where more than one out of three people struggle to survive on less than \$1 a day and four out of five people struggle on less than \$2 a day—“factory owners say Wal-Mart and other retailers have asked them to cut their prices by as much as 50 percent in recent years.”⁹³ When retailers squeeze suppliers, workers pay a terrible price.

The *Washington Post* reports, “More than 80 percent of the 6,000 factories in Wal-Mart’s worldwide database of suppliers are in China.” Wal-Mart accounted for nearly one-eighth of all Chinese exports to the United States in 2003. If Wal-Mart “were itself a separate nation, it would rank as China’s fifth-largest export market, ahead of Germany and Britain.” Labor activists in China “argue that as Wal-Mart pits suppliers against one another and squeezes them for the lowest price, the workers suffer. ‘Wal-Mart pressures the factory to cut its price, and the factory responds with longer hours or lower pay,’ said a Chinese labor official, who declined to be named for fear of punishment.”⁹⁴

Wal-Mart’s low wages are part of a low-road business model featuring intensive union busting, illegal unpaid overtime, child labor violations, environmental damage, direct and indirect taxpayer subsidies, and race and gender discrimination. Wal-Mart became the defendant in the largest workplace-discrimination lawsuit in U.S. history when in 2004 a federal court permitted a class action to go forward covering about 1.6 million women.⁹⁵

The report, *Shopping for Subsidies*, documents more than \$1 billion in state and local government subsidies to Wal-Mart, including tax breaks and credits, sales tax rebates, free or reduced-price land, infrastructure development, job training and worker recruitment funds, tax-exempt bond financing and outright grants. “The actual total is certainly far higher, but the records are scattered in thousands of places and many subsidies are undisclosed.”⁹⁶

A congressional report, *Everyday Low Wages: The Hidden Price We All Pay For Wal-Mart*, documents a wide array of harmful practices and thousands of dollars in taxpayer health care, housing and other subsidies for underpaid workers. The report says a 200-person Wal-Mart store may result in a yearly cost to federal taxpayers of about \$2,100 per employee.⁹⁷ A growing list of states are documenting how Wal-Mart shifts employee health costs to taxpayers. For example:

- A state survey in Georgia, where Wal-Mart is the largest employer, looked at enrollment in PeachCare, which provides health insurance to children in low-income families. It found that Wal-Mart had one child in PeachCare for every four employees. The ratio for the next ranked company, Publix, was one child in PeachCare for every 22 employees.
- In Florida, Wal-Mart, “which is getting millions of dollars in state incentives to create jobs...has more employees and family members enrolled in Medicaid than any company in the state.”
- In Arizona, “close to one of every 10 Wal-Mart employees is getting health insurance paid for by Arizona taxpayers” through the Arizona Health Care Cost Containment System (AHCCCS), which provides coverage for people below the federal poverty level. “By contrast, other retailers in the top 15 list of private employers had rates of AHCCCS enrollment among their workers about half that of Wal-Mart’s.”
- In New Jersey, six of ten of the largest employers have no one in Family Care, the State Children’s Health Insurance Program. But Wal-Mart, “the eighth largest employer in New Jersey, has more employees and employees’ family members in the state health program than any other.”
- In Iowa, where Wal-Mart has received millions of dollars in taxpayer economic subsidies, it leads employers in the number of workers on Medicaid.
- In Tennessee, one out of four Wal-Mart employees gets health coverage through the TennCare program.⁹⁸

As Wal-Mart and other low-wage employers shift costs to taxpayers, states are cutting back their health programs, adding to the growing health coverage crisis.

Supersized Wealth From Always Low Wages

While Wal-Mart workers are among the poorest, Wal-Mart heirs and executives are among the very richest. Wal-Mart CEO H. Lee Scott Jr. made \$23 million in 2004, including stock option compensation—more than twice the average for CEOs of the 500 largest U.S. companies. Sam Walton’s heirs hold five of the top ten spots on the 2005 Forbes 400 of richest Americans (Wal-Mart co-founder Bud Walton’s heir ranks No. 116).⁹⁹

The Waltons’ yearly dividend income from Wal-Mart stock comes to about \$1 billion, says *USA Today*, and Bush administration dividend tax cuts will save the family as much as \$51 million in 2005.¹⁰⁰ That billion dollars in yearly dividend income matches the combined pay of more than 58,000 average full-time Wal-Mart workers in the United States. The \$51 million in tax savings alone matches the combined pay of 2,980 U.S. Wal-Mart workers.

Wal-Mart and the Walton family are using their vast fortune—supersized by low wages—to back candidates and groups who support policies squeezing workers and helping the richest get richer even faster. Wal-Mart money supports legislation to limit overtime pay, undercut labor rights, provide more tax breaks for offshore holdings, cut taxes on dividends and abolish the estate tax.¹⁰¹ The Waltons inherited their fortune mostly tax-free and they want to pass it on tax-free to their heirs in perpetuity.¹⁰² By contrast, Bill Gates and Warren Buffett, first and second on the Forbes 400, oppose estate tax repeal. The Wal-Mart model of downsized wages and supersized wealth is undermining our economy and our democracy.

“Throughout his life, Dr. Martin Luther King Jr. made vital connections between the struggle for civil rights, freedom, economic justice and equality. Dr. King’s 1967 ‘Poor People’s Campaign’ was a heroic effort to bring all these issues together with a powerful call for family-supporting wages that could build ladders from poverty to prosperity.

It was the dogged pursuit of that vision that motivated sanitation workers in Memphis to fight for a living wage by forming a union. When Dr. King was assassinated, he was supporting those striking workers...

Dr. King’s lessons still resonate, with sometimes painful relevance today... [Wal-Mart] Supercenters are being built where productive factories once stood, and middle-class workers are now competing for jobs as all-night cashiers, making a fraction of their former wages...

Throughout our history, African Americans have all too often endured backbreaking jobs with low wages, long hours, no benefits, little respect and even less hope for the future. That is exactly why Dr. King and many other civil rights leaders have fought for our right to good jobs that pay enough for us to support our families...

Wal-Mart can afford to pay a living wage and offer decent health benefits. But they will only do so if we stand up together to make them accountable.

Jesus said, ‘The laborer deserves his wages.’... If we are going to follow through on Dr. King’s dream, we can’t settle for any jobs, we have to demand good jobs.”

Rev. James M. Lawson Jr., president of the Southern Christian Leadership Conference, Los Angeles and Clergy and Laity United for Economic Justice, AlterNet, March 9, 2005.

Costco’s Higher Road

Low-wage businesses are no bargain. Shoppers pay much more than the price at the cash register. Discount prices don’t compensate for the discounted American Dream. There are better business models.

Wal-Mart’s chief competitor, Costco, takes a high-road approach, with very favorable results. Costco is the nation’s leading warehouse retailer, with about half the market, compared to

second place Wal-Mart Sam's Club, which has 40 percent of the market. Sam's Club has more stores than Costco, but on average Costco's stores have much higher sales.

Costco's average pay is \$17 an hour—76 percent higher than Wal-Mart's. A Costco cashier can make more than \$40,000 annually within four years. Most Costco employees have health insurance, including dental, and 401(k) plans with rising company contributions.¹⁰³ Costco's entry level wage of about \$10 is higher than Wal-Mart's average wage, and nearly twice as high as the current minimum wage. Costco is featured on the *Labor Day List: Partnerships That Work*, for showing how “treating employees well is good for business.”¹⁰⁴

“A single parent with a GED, [Mary] Graham is no stranger to the lowest (legal) rungs of the economy. She’s been a part-time receptionist for \$7 an hour, no benefits; a waitress at a franchise diner where she had to share meager tips and couldn’t afford the health-care plan. At 44, she has, as a service assistant in Costco’s Issaquah [Washington] food court, her first taste of the American dream.

‘...I can afford a car. I can afford my kid’s school clothes without help. I don’t have to go to the food bank. I’m not on welfare. I appreciate it. I’ve never been able to do that before.’

She took a first-ever vacation at the beach with her kids last summer... She’s even started saving in a 401(k) retirement account—which Costco contributes to, even if she doesn’t...

She doesn’t even consider leaving. ‘Because of the pay and benefits. I’m a Costco lifer.’”

Lynda V. Mapes, “Good business: Two local companies are proving it pays to do well by workers,” *Seattle Times*, January 31, 2005.

“On Wall Street, they’re in the business of making money between now and next Thursday,” says Costco CEO James Sinegal. “We want to build a company that will still be here 50 and 60 years from now.”¹⁰⁵ Costco, not Wal-Mart, has delivered higher returns to shareholders over the last decade.¹⁰⁶

Comparing the two, *Business Week* reported, “Costco’s high-wage approach actually beats Wal-Mart at its own game on many measures... We found that by compensating employees generously to motivate and retain good workers, one-fifth of whom are unionized, Costco gets lower turnover and higher productivity.”

“The larger question here is which model of competition will predominate in the U.S.,” *Business Week* observes. “The cheap-labor model turns out to be costly in many ways. It can fuel poverty and related social ills and dump costs on other companies and taxpayers, who indirectly pick up the health-care tab for all the workers not insured by their parsimonious employers. What’s more, the low-wage approach cuts into consumer spending and, potentially, economic growth.”¹⁰⁷

“Many of the savviest business leaders in America have recognized that an adequate minimum wage actually helps businesses and workers, and promotes economic growth... As a productivity adviser to major retailers, I see first hand how low wages can create a vicious cycle of high turnover and low productivity... Instead of running their businesses, managers spend a disproportionate amount of time hiring, training and managing new workers and temps...

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.”

Paul Lightfoot, CEO of AL Systems, *Journal News* (New York), June 16, 2004.

7 Shoring Up The Economy From Below

“Intel will be okay no matter what. We can adjust to do our R&D and manufacturing wherever it is most economically advantageous to do so. But in addition to being chairman of Intel, I am also a grandfather, and I wonder what my grandchildren are going to do.”

Intel chairman Craig Barrett.¹⁰⁸

“The opportunities to create wealth are all taking advantage of public goods—like roads, transportation, markets—and public investments. None of us can claim it was all personal initiative. A piece of it was built upon this infrastructure that all have this inherent moral obligation to keep intact...”

“We are all standing on the shoulders of all who came before us, and creating a society for our children and those who come after us. We have obligations as part of that.”

Jim Sherblom, venture capitalist and former chief financial officer of the biotech firm, Genzyme.¹⁰⁹

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 any more than farmers can “compete” by eating their seed corn.

As *Business Week* put it in a special issue on China and India, “China's competitive edge is shifting from low-cost workers to state-of-the-art manufacturing. India is creating world-class innovation hubs, and its companies are far better performers than China's.”¹¹⁰ The United States will not succeed by shifting increasingly from state-of-the art manufacturing and world-class innovation hubs to low-cost workers.

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, and relying where possible on help from parents and grandparents who earned enough to support their families and save for the future.

This is not a sustainable course. Former Reagan trade negotiator Clyde Prestowitz writes:

The U.S. economy is a bit of a Potemkin village. GDP growth is high, unemployment appears to be low, and household wealth appears to be increasing. But a closer look reveals a more sobering reality. America's growth is in part borrowed from the future... U.S. consumers are consuming, but with borrowed

money as they have mortgaged their homes to maintain living standards. Yet because investment and production have not kept pace with consumption, more of this borrowed money is flowing overseas to pay for imports... At the same time, the country's net international debt is high and rising rapidly...

As for unemployment, it's easy to keep it low if you put 2 percent of all the men in the country in jail and don't count them as unemployed, which the United States currently does. Further, we only count as unemployed those receiving unemployment benefits or who tell poll takers they are actively seeking a job... The real story of the U.S. economy is rising hours worked, rising debt, and job creation largely restricted to low-paying categories like retail sales and fast food restaurants. This is not a formula for long-term prosperity.¹¹¹

The odds of a "hard landing" are growing.¹¹² The low road is like a "shortcut" that leads to a cliff.

Endangered Infrastructure and Innovation Ecosystem

A growing number of analysts are stressing the importance of an "innovation ecosystem," in which a strong manufacturing base is an essential element along with advanced infrastructure, education, flexible research and development (R&D) and so on. In Clyde Prestowitz's words, "There is a link between the factory floor and the research lab." As the President's Council of Advisers on Science and Technology (PCAST) explains, the "research to manufacturing process is not sequential in a single direction, but results from an R&D-manufacturing ecosystem consisting of basic R&D, precompetitive development, prototyping, product development and manufacturing" operating together so that "new ideas can be tested and discussed with those working on the ground."¹¹³

Unlike Canada and European countries, which have done more to nourish their "innovation ecosystem" while maintaining much stronger wage and other labor standards than the United States, Washington is doing almost everything wrong:

- It gives a green light to business to pay low wages and treat workers as disposable rather than building strong career ladders and nourishing innovation.
- It rewards U.S. companies for disinvesting in the United States.
- It subsidizes highly profitable drug and insurance companies instead of investing in humane and cost-effective universal health care.
- It subsidizes highly profitable oil companies instead of undertaking the transformation to sustainable energy independence, which would be a major engine of innovation, job creation and national security.
- It gives tax cuts to the wealthy at the expense of investment in infrastructure, research and development, training and education.
- It stimulates private and public debt instead of long-term economic progress.

Our national infrastructure is being hollowed out like our manufacturing base. Our public health services are even less ready for avian flu than New Orleans was ready for Hurricane Katrina. The infrastructure built by earlier generations of taxpayers has eroded greatly, undermining the economy as well as health and safety. As the *New York Times* reports:

More than a thousand miles of levees stretch east from San Francisco Bay. They protect the cities and the farmland in the Sacramento-San Joaquin delta of California and keep salt from the bay out of the drinking water of millions of people. But those levees are deteriorating, experts say, raising the odds of a Katrina-like disaster for the nation's most populous state.

The delta and its maze of levees are high on the list of public infrastructure considered to be subpar. That list—which also includes highways, dams, ports and bridges—is growing as government outlays for repair lose out to budget cutting.¹¹⁴

The American Society of Civil Engineers 2005 *Report Card for America's Infrastructure* gives the nation's infrastructure an overall D. The report warns that public transit, roads, bridges, rail, dams, waterways, sewage, drinking water systems, school buildings and the electrical grid are in need of major repair and modernization. There is a long backlog of toxic waste sites needing clean up. There is plenty of essential work to do that can't be offshored and requires a wide range of skills all around the country.

A core component of our long-term economic progress will be building a sustainable 21st century energy system. For example, the Apollo Alliance, a labor, environmental, business coalition, calls for achieving “energy independence in one generation” with a plan that renews the economy, energy and the environment. “Mobilizing public and private investment in clean energy technologies such as solar and wind power, hydrogen fuel cells and highly efficient American made cars,” says the report, *New Energy For America*, “will create a new generation of high wage manufacturing and construction jobs, capture growing markets of the future, reduce our dependence on foreign oil imports, create a resilient energy system, strengthen our cities and rural communities, bolster national security, and clean up our environment.” The Perryman Group, a Texas-based economic analysis firm with major corporate and governmental clients, says the Apollo plan would add more than 3 million jobs, save \$284 billion in energy costs and generate \$1.4 trillion in new gross domestic product, \$953 billion in personal income and \$324 billion in retail sales.¹¹⁵

Many of the same outsourcers and downsizers who milked the United States like a cash cow—and pretended the high-tech information economy was the solution to lost manufacturing jobs and upward mobility—are now telling us more students need to go into math, science and engineering, but they can't expect to earn as much as those careers pay today. In the words of a *Fortune* feature on outsourcing and U.S. competitiveness in the global economy:

Low-cost countries—not just China and India but also Mexico, Malaysia, Brazil, and others—are turning out large numbers of well-educated young people fully qualified to work in an information-based economy...

The result is that many Americans who thought outsourcing only threatened factory workers and call-center operators are about to learn otherwise... With 76% of its jobs in services, America's economy is the most service-intensive of any major country's...

[The] value of outsourced jobs is steadily rising... American computer programmers who made \$100,000 a year or more are getting fired because Indians and Chinese do the same work for one-fifth the cost or less...

The downward pressure on U.S. wages could be more immediate and severe than you might imagine... The mere threat of moving jobs offshore is enough to hold wages down.¹¹⁶

It is time to acknowledge that the race to the bottom—facilitated by the falling real value of the minimum wage—is not a good economic strategy, but a terrible one. The minimum wage has fallen in value since the 1960s and the average wage has fallen in value since the 1970s. Now the downward shift in wages is moving higher up the career ladder.

Accountants, radiologists and engineers have more in common with downsized factory workers and minimum wage cashiers than they thought. Instead of accelerating offshoring, squeezing workers, increasing inequality and decreasing smart economic development, the United States needs to shore up the economy from below.

“The Task Force on the Future of American Innovation, a group of academic societies, high-tech companies, and industry associations, concludes in a recent report that ‘the United States still leads the world in research and discovery, but our advantage is rapidly eroding and our global competitors may soon overtake us... Industrial R&D continues to increase, but 71% of that spending is on development, not the kind of basic research that created the transistor and the laser. Federal funding of research in the physical sciences has been declining as a percentage of GDP for 30 years...

Incredible as it seems, America's InfoTech infrastructure is no longer world-class. We rank only 12th globally in the number of broadband connections per 100 inhabitants. Look closer and the situation is even worse. South Korea is not only more wired (No.1 globally) but its connections are far faster than ours and are available not just through wires but also through virtually every cellphone. And speaking of our cellphone infrastructure—please don't. Anyone who travels globally knows it's awful by world standards.”

Geoffrey Colvin, “Can Americans Compete? Is America the 97-Pound Weakling?”

Fortune, July 25, 2004.

Strength In Shared Prosperity

Compared with other rich industrialized nations in the Organization For Cooperation and Development (OECD), the United States has greater income inequality and poverty, and less

mobility out of poverty. “Low-wage workers and low-income households are almost universally worse off” than their OECD counterparts, the Economic Policy Institute reports. Real wages went up, not down, for low-wage workers in most other OECD countries. Belgium, France, Germany, Ireland, Italy, the Netherlands and Norway exceeded U.S. productivity in 2002. Americans work more than 200 hours more a year than the average work year in the rest of the rich OECD countries and have less social supports such as universal health care and paid family leave.¹¹⁷

Contrary to myth, the high-equity Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) have shown there is enduring strength in widely shared prosperity. They are much better positioned for the future than the United States. The powerful World Economic Forum—whose members represent, among others, the world’s 1,000 leading companies—ranks the Nordic countries high in global competitiveness, with Finland No. 1. The World Economic Forum reports, “The Nordic countries are characterized by excellent macroeconomic management—they are all running budget surpluses...and their private sectors are on the forefront of technological innovation.”¹¹⁸ The United States’ technology slippage is beginning to show as it dropped from No. 1 to No. 5 in the World Economic Forum’s global information technology rankings. The top four spots are held by Singapore, Iceland, Finland and Denmark, with Sweden in the sixth spot.¹¹⁹

Nordic countries are staying strong economically with the world’s highest or near-highest labor standards, unionization rates, workforce skill, environmental sustainability, comprehensive social services, universal health care and free higher education. The Nordic countries also top the World Economic Forum’s Gender rankings—while the United States lags far behind in women’s economic participation, economic empowerment, political empowerment and health and well-being. The World Economic Forum observes, “Countries that do not capitalize on the full potential of one half of their societies are misallocating their human resources and undermining their competitive potential.”¹²⁰ The Nordic countries exemplify the high road to success. While pretending the problem is overpaid workers, the United States is accelerating its movement in the opposite direction.

No Strength On a Shaky Foundation

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 have a strong economy built on a widening gap between top and bottom any more than we can have a strong apartment building with an ever more luxurious penthouse at the top and a sinking foundation below. Further weakening that foundation—the direction we are headed—will make things much worse, not better.

“Woe to him who builds his house by unrighteousness, and his upper rooms by injustice; who makes his neighbors work for nothing, and does not give them their wages; who says, ‘I will build myself a spacious house with large upper rooms,’ and who cuts out windows for it, paneling it with cedar, and painting it with vermilion.

Are you a king because you compete in cedar?

Did not your father eat and drink and do justice and righteousness?

Then it was well with him.

He judged the cause of the poor and needy; then it was well.

Is not this to know me? Says the Lord.”

Jeremiah 22: 13-16.

Eileen Appelbaum and Annette Bernhardt, co-editors of *Low-Wage America: How Employers are Reshaping Opportunity in the Workplace*, emphasize the importance of the minimum wage in reinforcing advancement for workers, businesses and the economy: “A low wage floor creates incentives for employers to take the easy way out and cut wages to enhance profits. But a higher wage floor...pushes firms to invest in new technology, modern management practices, better training and better ways of delivering services in order to raise productivity and profits.”¹²¹

Instead of knocking down the real value of the minimum wage at home and stimulating downward mobility, the United States should be raising the floor here and internationally. It should be advocating for trade rules to advance livable wages around the world instead of setting a bad example at home and encouraging companies like Wal-Mart to drive down wages globally. Everyone has the right to a fair day’s pay for a fair day’s work whether in the United States, Mexico, South Africa, South Korea, Egypt, Vietnam, China, India or anywhere else. That means dividing revenues more fairly among owners, investors, executives and workers instead of accelerating profits and increased polarization between top and bottom. (In the 2005 ranking of Forbes Global 2000 leading companies in the world—with 66 million employees—total sales rose 13 percent while profits jumped a much-higher 71 percent.)¹²²

The low road, with its low minimum wage, is fiscally, socially and environmentally irresponsible, and morally bankrupt. We have to change course. The high road is an economic and ethical imperative.

“We have ample evidence that other ways are possible, that good wages and worker satisfaction make for a healthy and vibrant economy, that socially responsible business can be both beneficial and profitable, that cooperation is at least as important as competition, that harmonizing standards in an upward manner can take place at a national, regional and international level, that nonviolence is an economic and not just a moral imperative, and that dignity and economic rights can and must lie at the heart of the global economy.

The vision of our Working Party is clear: a world in which everyone’s inherent dignity is respected and everyone has the opportunity to exercise their economic rights—including the right to a decent standard of living and meaningful education, work and service in a sustainable environment. Achievement of this vision requires the commitment of individuals, the socially responsible behavior of businesses and restructuring of government policies.”

American Friends Service Committee, Working Party on Global Economics, *Putting Dignity & Rights at the Heart of the Global Economy: A Quaker Perspective*, 2004.

8 Golden Rule Economics

“Do to others as you would have them do to you.”

The Golden Rule.

Prophets have been calling through the millennia for economic justice. The scriptures devote passage after passage to concern for the impoverished and exploited, and challenge us—indeed, demand us—to stand for justice. Jesus began his ministry proclaiming, “The Spirit of the Lord is upon me, because he has anointed me to bring good news to the poor.” (Luke 4:14) The Holy Quran (11:85) teaches, “And O my people! Give just measure and weight, nor withhold from the people the things that are their due.”

The words of Isaiah (65: 20-23) call out to us today:

“No more shall there be in it an infant that lives but a few days, or an old person who does not live out a lifetime... They shall build houses and inhabit them; they shall plant vineyards and eat their fruit. They shall not build and another inhabit; they shall not plant and another eat; for like the days of a tree shall the days of my people be, and my chosen will long enjoy the work of their hands. They shall not labor in vain, or bear children for calamity, for they shall be offspring blessed by the Lord.”

Moral arguments were central to the fight to end slavery here in the United States. According to the Africana website, the first abolitionist publication was Quaker George Keith’s 1693 pamphlet, in which he listed five reasons to oppose slavery.¹²³ The first is the Golden Rule: “Do to others as you would have them do to you.”

The Golden Rule—the Ethic of Reciprocity—is the most universal moral value, religious and secular. Economics can be immoral: Those with the gold, rule. Do to others anything you can get away with. Or economics can be moral, in keeping with the Golden Rule.

Variations On The Golden Rule

Hinduism

“This is the sum of the Dharma (duty): Do naught unto others which would cause you pain if done to you.”

Mahabharata 5:1517

Buddhism

“Hurt not others in ways that you yourself would find hurtful.”

Udana-Varga, 5:18

Confucianism

“Do not do to others what you do not want them to do to you.”

Analects 15:23

Judaism

“What is hateful to you, do not to your fellow man. This is the law: All the rest is commentary.”

Talmud, Shabbat 31a

Christianity

“In everything do to others as you would have them do to you; for this is the law and the prophets.”

Jesus, Sermon on the Mount, Matthew 7:12

Islam

“Not one of you truly believes until you wish for others that which you wish for yourself.”

Prophet Muhammad, Hadith

Congress Gives Itself Raises, Not Workers

Members of Congress have had seven pay raises between 1997—when the minimum wage increased to \$5.15—and 2005. Minimum wage workers had none. In January 2005, congressional pay rose to \$162,100—way up from \$133,600 in 1997. The cumulative 1997-2005 congressional pay *raise* of \$28,500 is more than the *total yearly paychecks* of two workers at minimum wage. And unlike minimum wage workers, members of Congress receive good health benefits, pensions and perks, and many have substantial personal wealth—with millionaires making up more than a fourth of the House and half the Senate, according to financial disclosure records.

“Mr. Speaker, I will tell you something: Members of this House have families. They have two homes, in most cases. Some members are living in their offices, because they cannot afford a second residence... I am not making excuses or apologizing, it is difficult to raise a family and serve in Congress under these conditions... [My] wife and my children sacrifice enough.”

Rep. Tom DeLay (R-TX), who then earned \$133,600 a year, advocating an “inflation adjustment” for members of Congress.

Source: *The New Republic*, October 20, 1997.

The Fair Minimum Wage Act of 2005, sponsored by Senator Ted Kennedy (D-MA) in the Senate and Rep. George Miller (D-CA) in the House, would raise the minimum wage to \$7.25 an hour in three steps over two years. In Kennedy’s words, “It’s a travesty that a family of three earning the minimum wage works five days a week all year round yet still lives below the poverty line. What does that say about us as a country? ... Nearly seven and a half million workers will directly benefit from the minimum wage increase. More than eight million more [earning up to \$8.25] will benefit indirectly. That’s fifteen and a half million workers who will get a raise.”¹²⁴

Raising the minimum wage to \$7.25 an hour means an additional \$4,370 a year for minimum wage earners. Nearly one in eight children lives in a household with at least one minimum wage worker. A raise to \$7.25, an additional \$364 a month, could provide a mother and two children with enough added income for almost a month of child care or half the monthly housing costs.¹²⁵

A \$7.25 minimum wage is an important step toward a livable income, making a real difference for millions of Americans. Yet it is not sufficient: \$7.25 is worth 20 percent less than

the minimum wage of 1968, adjusting for inflation, and will erode further over the two years indicated to implement it. We will need to raise the minimum wage more to reach a livable income.

In 1968, members of Congress earned nine times the pay of minimum wage workers. Now, they earn 15 times as much. That widening pay gap reflects a growing democracy gap between the rhetoric and reality of government of the people, by the people and for the people. Imagine if congressional pay raises were linked to the minimum wage, and both adjusted regularly for inflation. Going back to 1968's nine-to-one ratio would mean a minimum wage of about \$9.

Congress Does Unto The Wealthy

In addition to rewarding themselves with raises, Congress has showered the wealthy with tax cuts. In a cycle of inequality, many wealthy beneficiaries of tax cuts donate money to politicians and groups who block minimum wage hikes and work for more tax cuts for the rich.

Between 2001 and 2005, the richest 1 percent of taxpayers will have saved nearly \$183,000 in cumulative tax cuts on average (costing \$242 billion in lost tax revenue). Top 1 percent taxpayers will save, on average, more than 17 times what minimum wage workers make in a year. Taxpayers in the bottom 20 percent, by contrast, will “save” a total of \$392 on average.¹²⁶ They are losing far more than that to shriveled wages, cutbacks in public services, their increased share of the national debt, and rising state and local taxes and fees, which disproportionately hit people with low incomes. In 2004, the richest 1 percent (with an average cash income of \$978,000) paid just 8.2 percent of their income in total state and local taxes while those in the bottom fifth (with an average cash income of \$10,400) paid 11.8 percent.¹²⁷

Huge tax cuts for the wealthiest Americans are exacerbating already obscene levels of wealth and income inequality. Among major world economies, only Mexico and Russia have greater income inequality than the United States. “The Bush tax cuts, which included a reduction in the top tax rate, as well as reductions in taxes on estates, capital gains and dividends,” the *Wall Street Journal* reported, “helped bolster the fortunes of the fortunate.”¹²⁸

“It is no secret that the gap between the rich and the poor has grown, but the extent to which the richest are leaving everyone else behind is not widely known,” observes *New York Times* tax expert David Cay Johnston. He examined the income reported on tax returns of the top 0.1 percent of income earners—the 145,000 taxpayers with annual incomes of at least \$1.6 million—and of the top 0.01 percent—about 14,000 households with at least \$5.5 million in income:

- While the top 0.1 percent share of income has more than doubled since 1980, the share of income in the bottom 90 percent fell.
- From 1950 to 1970, for every additional dollar earned by the bottom 90 percent, those in the top 0.01 percent earned an additional \$162.
- From 1990 to 2002, for every extra dollar earned by those in the bottom 90 percent, each taxpayer at the top brought in an extra \$18,000.¹²⁹

A recent IRS report illuminates the growth in the fortunes of the fortunate in 2003 at the expense of everyone else. As Johnston sums it up, “The share of income going to the richest

slice of Americans—the top tenth of 1 percent [the 129,000 taxpayers with reported incomes of \$1.3 million or more]—grew significantly in 2003 while the share going to 99 percent of Americans fell... At the same time, the effective income tax rates paid by the top tenth of 1 percent fell sharply.”¹³⁰

More tax cuts are in the pipeline for wealthy Americans who can afford the \$17,000 watch, \$160,000 coat and \$10 million helicopter on the 2005 *Forbes* Cost of Living Extremely Well Index. More budget cuts are in the pipeline for Medicaid, food stamps and other safety net programs essential to people who already can't afford necessities.

Total 2003 federal tax revenues, says the Center on Budget and Policy Priorities, were “a smaller share of the economy than in any year since 1959, a time when Medicare, Medicaid, most federal aid to education, most child care and environmental programs, and anti-poverty programs such as food stamps did not exist.”¹³¹

We cannot have a strong 21st century nation built on 1950s tax revenues and 1920s wealth and income inequality.

“The eighth and most meritorious degree of charity is to anticipate charity by preventing poverty.”

Maimonides, codifier of Jewish law in the 1100s.

“Let the sense of kinship inspire us to unceasing efforts toward a social order free of violence and oppression, in which no one's development is hindered by meager income, insufficient education, or too little freedom in directing his or her own affairs. Friends are advised not only to minister to those in need, but also to seek to know the facts of social and economic ills so as to work for the removal of those ills.”

Philadelphia Yearly Meeting of the Religious Society of Friends (Quakers), *Faith & Practice*, adopted 1955, revised 1972, Advices.

Valuing Everyone

There are plenty of economic reasons to increase wages, as we have seen. But ultimately, it comes back to values.

“A self-supporting and self-respecting democracy can plead no justification for the existence of child labor, no economic reason for chiseling workers' wages or stretching workers' hours,” said President Roosevelt when he sent the Fair Labor Standards Act to Congress. He said, goods produced “under conditions that do not meet a rudimentary standard of decency should be regarded as contraband and ought not to be able to pollute the channels of interstate commerce.”¹³²

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

“We know that deep, persistent poverty is unworthy of our nation’s promise... Where there is suffering, there is duty. Americans in need are not strangers, they are citizens; not problems, but priorities, and all of us are diminished when any are hopeless... Many in our country do not know the pain of poverty. But we can listen to those who do. And I pledge our nation to a goal: When we see a wounded traveler on the road to Jericho, we will not pass to the other side.”

President George W. Bush, Inaugural Address, January 2001.

“A true revolution of values will soon cause us to question the fairness and justice of many of our past and present policies. We are called to play the good Samaritan on life’s roadside; but...one day the whole Jericho road must be transformed so that men and women will not be beaten and robbed as they make their journey through life. True compassion is more than flinging a coin to a beggar; it understands that an edifice which produces beggars needs restructuring...”

There is nothing to prevent us from paying adequate wages to school-teachers, social workers and other servants of the public... There is nothing but a lack of social vision to prevent us from paying an adequate wage to every [American] whether he be a hospital worker, laundry worker, maid or day laborer. There is nothing except shortsightedness to prevent us from guaranteeing an annual minimum—and livable—income for every American family.”

Martin Luther King Jr., *Where Do We Go From Here: Chaos or Community?*, 1967.

Denying workers a fair minimum wage violates the Fair Labor Standards Act’s commitment to eliminate “labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers.”

Denying workers a fair minimum wage violates the Universal Declaration of Human Rights, which was adopted by the United Nations General Assembly on December 10, 1948 to advance a better world after the horrors of World War II. “Recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,” states the Universal Declaration of Human Rights. “Everyone has the right to a standard of living adequate for the health and well-being of [themselves and their] family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond [their] control.” Furthermore, “Everyone, without any discrimination, has the right to equal pay for equal work. Everyone who works has the right to just and favorable remuneration... Everyone has the right to form and join trade unions for the protection of

[their] interests. Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.”

“The problems we face today, violent conflicts, destruction of nature, poverty, hunger, and so on, are human-created problems which can be resolved through human effort, understanding and the development of a sense of brotherhood and sisterhood. We need to cultivate a universal responsibility for one another and the planet we share. Although I have found my own Buddhist religion helpful in generating love and compassion, even for those we consider our enemies, I am convinced that everyone can develop a good heart and a sense of universal responsibility with or without religion.”

The 14th Dalai Lama, Nobel Peace Prize Acceptance Speech, December 10, 1989.

Let us be clear.

It is immoral that people work full time, but have to choose between paying the rent and paying for child care.

It is immoral to have wages so low that people working in the food industry depend on food banks to help feed their families.

It is immoral that health care aides can't afford health insurance.

It is immoral that the children of child care workers can't afford college.

It is immoral that many CEOs make more in a year than workers make in a lifetime.

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

It is immoral to cut taxes at the top when the richest 400 Americans have as much wealth as the 50 million households at the bottom.

It is immoral for corporations to violate worker rights and get rich off poverty wages whether in the United States, Mexico, China or anywhere else.

It is immoral to reward selfishness over social responsibility.

It is immoral that the minimum wage keeps people in poverty instead of out of poverty.

“Massive poverty and obscene inequality are such terrible scourges of our times—times in which the world boasts breathtaking advances in science, technology, industry and wealth accumulation—that they have to rank alongside slavery and apartheid as social evils...

Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings.

And overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life.

While poverty persists, there is no true freedom.”

Nelson Mandela, speaking in support of the global campaign to “Make Poverty History,” Trafalgar Square, London, February 3, 2005.

“The Hebrew Scriptures and the New Testament do not just frown upon poverty, but call for a moral fight against it—to uproot its causes; to create the social frameworks and conditions of covenant and community; to support the work of all God’s children to promote the common good,” says the Rev. Felix Carrion, pastor of the Euclid Avenue Congregational Church of the United Church of Christ in Cleveland. “Raising the minimum wage is the minimum that we can do at this point in our collective journey to uphold an inclusive and equitable vision of relationships that is creative and fulfilling for all the people of our country.”

Raising the minimum wage is an economic imperative for the enduring strength of our workforce, businesses, communities and economy.

Raising the minimum wage is a moral imperative for the very soul of our nation.

Let us stand with the prophets for justice.

Let us make the fight against poverty wages the abolition movement of our time. A 21st century sweatshop that pays workers less than a living is no more defensible today than a 19th century plantation built on the unpaid labor of slaves.

Let us stand for justice on the shoulders of the abolitionists.

Let us stand for justice as did Frances Perkins—the first female Cabinet member—in making sure Roosevelt would back her in fighting for a minimum wage before agreeing to become his Secretary of Labor.

Let us stand for justice as Dr. Martin Luther King stood with the sanitation workers—and all workers.

Let us stand for justice as Cesar Chavez stood with the farmworkers—and all workers.

Let us stand with working people, businesspeople, community activists and public servants throughout the nation committed to a decent minimum wage.

Join us in the cause to abolish poverty wages once and for all.

Appendix Table A**Percent of People Under Official Poverty Line
and Twice Official Poverty Line, 2004**

	Percent Under Official Poverty Line	Percent Under Twice Poverty Line
All People	12.7	31.2
Under 18 years	17.8	39.2
People in Families	11.0	28.3
Male	11.5	28.9
Female	13.9	33.5
White alone, not Hispanic	8.6	23.7
Under 18 years	10.5	26.7
Black alone	24.7	48.7
Under 18 years	33.6	60.5
Hispanic (of any race)	21.9	52.2
Under 18 years	28.9	62.2
Asian alone	9.8	26.1
Under 18 years	10.0	29.4

Source: U.S. Census Bureau, POV01: Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2004, Below 100% and 200% of Poverty.

Notes

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 When the Social Security Administration sought to adjust the poverty thresholds by adopting food costs based on 1965 revised USDA food plans and increasing the multiplier, to reflect food’s reduced percentage within family budgets, the Office of Statistics Standards of the Bureau of the Budget overruled the revised thresholds. Mollie Orshansky of the Social Security Administration stated that the 1969 decision by the Office of Statistics Standards effectively froze the poverty line “despite changes in buying habits and changes in acceptable living standards.”
 Basic needs such as housing and medical care costs have increased much more rapidly than food costs. Yearly inflation adjustments raise the thresholds incrementally every year, but they don’t change the original underlying food cost formula, which completely understates the real cost of living. Moreover, the official poverty measure ignores changes in family needs such as greater child care and transportation expenses due to women’s increased labor force participation and increased family work hours, for example.
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Let Justice Roll Living Wage Campaign

**“Let justice roll down like waters
and righteousness like an overflowing stream.”**

Amos 5:24

The LET JUSTICE ROLL Living Wage Campaign, a nonpartisan program of more than fifty faith-based and community-based organizations, works in support of federal legislation to increase the federal minimum wage and state legislation to increase the minimum wage in selected states. The Campaign conducts an ongoing educational and action program to inform people of the severity of conditions facing low-wage working people and what must be done to bring about constructive change.

For information about the Campaign and how you can become involved, please visit the Campaign website, www.letjusticeroll.org.

Or contact Paul H. Sherry, Coordinator
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Organizations Signed On To Date

ACORN

ACORN, Cleveland, Ohio

African American Ministers Leadership
Council (People for the American Way)

American Friends Service Committee

Arizona Ecumenical Council

Arkansas Interfaith Conference

California Church Impact

Catholic Committee of the South

Center for American Progress

Center for Community Change

Center of Concern

Church in the World Department, Central
Southeast Assoc. of the Ohio Conference,
UCC

Dunk the Vote

Ecumenical Ministries of Oregon

Evangelical Lutheran Church in America

Families United for Racial Economic
Equality--FUREE

Interfaith Worker Justice

Joint Religious Legislative Coalition
(Minnesota)

Just Harvest

Just Peace Institute/Living Wage Initiative	Progressive National Baptist Convention
Kansas Ecumenical Ministries	Protestants for the Common Good
Kentucky Council of Churches	Social Concerns Network at Candler School of Theology
Lehigh Valley Interfaith Mobilization	South Carolina People's Agenda
Let Justice Roll--Rochester	Southern California Ecumenical Council
Lutheran Office of Governmental Ministry in New Jersey	The Episcopal Church, USA
Minnesota Council of Churches	The Interfaith Alliance
Muslim American Society Freedom Foundation	Union for Reform Judaism
National Council of Churches Of Christ in the USA	Unitarian Universalist Association
NETWORK: National Catholic Social Justice Lobby	Unitarian Universalist Service Committee
New Hampshire Council of Churches	United Church of Christ, Justice & Witness Ministries
New Jersey Council of Churches	United Methodist Church, General Board of Church and Society
New Mexico Conference of Churches	Virginia Interfaith Center for Public Policy
North Carolina Council of Churches	Voices of the Electors (V.O.T.E.)
Ohio Council of Churches	Washington Association of Churches
Pennsylvania Council of Churches	Welfare Engine
Philadelphia Unemployment Project	West Virginia Council of Churches
Presbyterian Church, USA	WHALE Center
Progressive Christians Uniting	Wisconsin Council of Churches

www.letjusticeroll.org

About the American Friends Service Committee and the National Council of Churches

American Friends Service Committee

The American Friends Service Committee (AFSC), a co-recipient of the 1947 Nobel Peace Prize, is a Quaker organization that includes people of various faiths who are committed to social justice, peace and humanitarian service. The Community Relations Unit works to eliminate poverty and promote human rights in the United States and on the Mexico-U.S. border, and directs AFSC participation in the Let Justice Roll Campaign.

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National Council of Churches USA

The National Council of Churches USA is the leading ecumenical body in the United States and represents 35 member denominations including mainline Protestant, historically African American, Orthodox and Peace churches. National Council of Churches member denominations have approximately 45 million congregants in more than 140,000 churches nationwide.

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Holly Sklar is a widely published op-ed columnist and author. She is co-author of *Raise The Floor: Wages and Policies That Work For All Of Us* (www.raisethefloor.org). Sklar's other books include *Streets of Hope: The Fall and Rise of an Urban Neighborhood*, the widely taught story of how the Dudley Street Neighborhood Initiative is rebuilding a long impoverished Boston community as a dynamic urban village.

The Rev. Dr. Paul H. Sherry

The Rev. Dr. Paul H. Sherry is the coordinator of the Let Justice Roll Living Wage Campaign. He is also the coordinator of the anti-poverty program of the National Council of Churches and a consultant to the Center for Community Change. Dr. Sherry is the former president of the United Church of Christ.

The Rev. Dr. James A. Forbes Jr.

The Rev. Dr. James A. Forbes Jr. is the first African American to serve as senior minister of one of the largest multicultural congregations in the nation, The Riverside Church in New York City. The Riverside Church is known for its interdenominational, interracial and international character, and its history of speaking truth to power. Dr. Forbes was recognized by *Newsweek* as one of the 12 "most effective preachers" in the English-speaking world.

Excerpts From *A Just Minimum Wage*

“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

“The minimum wage is where society draws the line: This low and no lower. Our bottom line is this: A job should keep you out of poverty, not keep you in it.

...

The minimum wage buys less today than it did when Wal-Mart founder Sam Walton opened his first Walton’s 5 and 10 in Bentonville, Arkansas in 1951.

...

We are living the American Dream in reverse.

...

The minimum wage has become a poverty wage instead of an anti-poverty wage. A low minimum wage gives a green light to employers to pay poverty wages to a growing share of the workforce—not just workers at the minimum, but above it. Workers have not been getting their fair share of the benefits of rising worker productivity.

...

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 any more than farmers can ‘compete’ by eating their seed corn.

...

Raising the minimum wage is an economic imperative for the enduring strength of our workforce, businesses, communities and economy. Raising the minimum wage is a moral imperative for the very soul of our nation.”

“Fair wages are good for business.”
Joel Marks, national director of the American Small Business Alliance

“Paying your employees well is not only the right thing to do but it makes for good business.” James Sinegal, CEO Costco

“Do to others as you would have them do to you.” The Golden Rule

“Let justice roll down like waters and righteousness like an overflowing stream.”
Amos 5:24



\$5.00