

# **RAISE**

# **THE**

# **FLOOR**

**WAGES AND POLICIES THAT  
WORK FOR ALL OF US**

**Holly Sklar  
Laryssa Mykyta  
Susan Wefald**

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**ms. foundation for women**

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**AFTERWORD BY Marie C. Wilson**

**WITH RESEARCH BY Solutions for Progress, Inc.  
AND Social Research Corporation**

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# Overview



**T**hey work five days a week, often more.

They work full time in the richest nation on earth, yet they can't make ends meet.

They can't make ends meet because their wages are too low.

They are health care aides who can't afford health insurance.

They work in the food industry, but depend on food banks to help feed their children.

They are child care teachers who don't make enough to save for their own children's education.

They work at vacation resorts, but they have no paid vacation.

They care for the elderly, but they have no pensions.

They work hard.

They work at the backbreaking work of picking lettuce and tomatoes, peaches and strawberries.

They work in the meatpacking plants at jobs so grueling and dangerous they call out for a sequel to *The Jungle*.

They work in fast food places and the finest restaurants where wealthy executives write off lavish meals as business expenses.

They work ringing up purchases at discount stores and luxury boutiques.

They work cleaning the homes and hotel rooms of people who make more in a day than they make in a year.

They work hard and they can't make ends meet in the richest nation on earth.

Most Americans think that's wrong.

Most Americans think work should pay enough to support workers and their families. If you work full time, you should not be poor. It's as simple as that. No one should be working poor.<sup>1</sup>



**S**hreveport, 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, is a union member 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.*

## Moving Backward

**D**espite a decade of record-breaking economic boom, millions of Americans are working poor on punitively low wages. Today's minimum wage is lower than the level of 1950, adjusting for inflation. The share of Americans without health insurance is higher than it was a decade ago. The official poverty rate is higher than it was three decades ago.

One out of six children is growing up poor, according to the official measure—which actually understates poverty, as we'll see in Chapter One. One out of three black and Latino children are poor, by official count, in the richest nation on earth.

There is a strong link between child poverty rates and the percentage of full-time workers paid low wages. The United States has the highest child poverty and highest percentage of low-paid workers among 14 industrialized nations. Moreover, a study by the United Nations Children's Fund looking at the United States, Ireland, Spain, the United Kingdom, Germany and Hungary shows, "American children are less likely to move out of the bottom of the income distribution than children elsewhere, something which challenges common perceptions about mobility and opportunity in the US."<sup>2</sup>

The economic booms of the last three decades left many Americans behind. Average workers make less, adjusting for inflation, than their counterparts did during the long-ago Nixon administration. For families headed by people under age 55, median net worth (assets minus debt)

**M**r. Valles earns his living serving hamburgers at a McDonald's restaurant in downtown Los Angeles. He's a family man. He and his wife, Lily, have two children...

"I make \$5.75 an hour. That's about \$240 a week. One hundred ninety dollars after taxes. You can't really live on that. Lily works in a fast-food place, too. She makes the same as me. Two weeks of my pay and two weeks of her pay every month goes for rent. Then you have to pay the fare to go back and forth to work. You gotta pay for your food. You have bills. We're still paying on the sofa..."

I asked if they ever went on vacation. He looked at me as if I'd asked if his children could fly. "No," said Mr. Valles quietly. "There is no money for vacation."

*Bob Herbert, New York Times, August 21, 2000.*

was lower in 1998 than in 1989, according to the latest figures available from the Federal Reserve Survey of Consumer Finances. (Half the families have net worth below the median, half above it.) The median net worth of families earning less than \$50,000 was lower in 1998 than in 1995. Lower real net worth means households had less real wealth to draw on for children's college educations, dealing with unemployment or health crises, or building on for retirement than when the boom began.

The racial wealth gap is wide. White non-Hispanic families had a median net worth of \$94,900 in 1998, while nonwhite or Hispanic families had a net worth of \$16,400—only a sixth as much as whites. That's counting home equity.<sup>3</sup>

"For the typical household, rising debt, not a rising stock market, was the big story of the 1990s," observed the Economic Policy Institute in the *State of Working America 2000-2001*.<sup>4</sup> Nearly one out of five families has zero or negative net worth.<sup>5</sup>

## Consequences

**P**overty wages and growing inequality have consequences. With an abundance of low-paying jobs, lack of affordable housing and huge cutbacks in the welfare and food stamp rolls, so many people are seeking emergency food and shelter that our homeless shelters and food banks are overwhelmed.

Low-income workers are turning increasingly to food banks, which, like homeless shelters, cannot keep up with the rising demand. In its

**W**e 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 schoolteachers, 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 citizen 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.*

2000 survey of 25 cities, the U.S. Conference of Mayors found that requests for emergency food increased an average of 17 percent during the past year; 13 percent of the requests went unmet. Two-thirds of those requesting food assistance were parents and children. One out of three adults requesting food assistance were employed.<sup>6</sup>

We are the richest nation on earth, but many of our children die young because they are poor. If the U.S. government were a parent, it would be guilty of child abuse. Globally, the United States ranks first in wealth and military might, and 32nd in child mortality under 5 years old. The United States is tied with Cyprus and Cuba and behind Canada,

Western Europe, Australia, Israel, Singapore and South Korea.<sup>7</sup>

The United States spends more of its gross domestic product on health care than any other country, but millions of our people don't reap the benefits. We are the richest nation on earth, but we are the only major industrialized nation not to assure health care for all its citizens, whether through a public, private or mixed system. In many other nations, health care is a right. Here it is an increasingly expensive privilege. Here, millions of people don't have health insurance of any kind—public or private.

Many people believe that access to health care is not a major problem for the uninsured. Here's the reality: In the words of the American College of Physicians, "No health insurance? It's enough to make you sick."

The uninsured are at much higher risk for disease, disability and death. Lack of health insurance typically means lack of health care or second-rate treatment. People can't afford to see doctors for preventive screening or illness, fill their prescriptions or get proper care at hospitals (where you may have a "wallet biopsy" checking for health insurance or credit cards before treatment). Uninsured people may be up to three times more likely than privately insured people to experience adverse health outcomes.<sup>8</sup>

Lack of health insurance is generally associated with a 25 percent higher risk of death (adjusting for physical, economic and behavioral factors).<sup>9</sup> Sometimes the risk is much higher. Uninsured women are 49 percent more likely to die than women with insurance during the four to seven years following an initial diagnosis of breast cancer.<sup>10</sup>

Inequality is a matter of life and death—and not just for the poor. In

**TABLE 0-1**

## **If the 100-member U.S. Senate Were a Microcosm of the Nation**

**51 SENATORS WOULD BE WOMEN**

**49 WOULD BE MEN**

**71 WOULD BE WHITE**

**12 WOULD BE BLACK**

**12 WOULD BE LATINO**

**4 WOULD BE ASIAN OR PACIFIC ISLANDER**

**1 WOULD BE AMERICAN INDIAN, ESKIMO OR ALEUT**

**15 WOULD HAVE NO HEALTH INSURANCE**

**12 WOULD BE BELOW THE OFFICIAL POVERTY LINE**

**23 WOULD EARN LESS THAN \$8 AN HOUR**

**13 WOULD GET PARTIAL TAX REBATES**

**26 WOULD GET NO TAX REBATE**

**1 WOULD HAVE NEARLY AS MUCH WEALTH AS 95 OTHERS COMBINED**  
**THE TYPICAL SENATOR WOULD HAVE HOUSEHOLD INCOME OF ABOUT \$41,000**

**N**o matter how many individual and anecdotal exceptions there may be, the fact remains that the children of the poor simply do not have the same opportunities as the children of the non-poor. Whether measured by...health and survival rates, educational achievement or job prospects, incomes or life expectancies, those who spend their childhood in poverty of income and expectation are at a marked and measurable disadvantage...

The poverty bar may not be written into the laws and institutions of the land; but it is written into both the statistical chances and the everyday realities of millions of children who happen to be born into the poorest strata.

*United Nations Children's Fund,  
A League Table of Child Poverty in Rich Nations, June 2000.*

the view of a growing number of health experts, inequality (among countries, states and metropolitan areas) is bad for your health. The United States, the richest country in the world, ranks only 20<sup>th</sup> when it comes to life expectancy, "lagging behind poorer countries such as Costa Rica, Greece and Spain."<sup>11</sup>

A report in the *American Journal of Public Health* found that higher income inequality is associated with increased mortality at all per capita income levels. "Given the mortality burden associated with income inequality," the report concludes, "business, private, and public sector initiatives to reduce economic inequalities should be a high priority."<sup>12</sup>

Most Americans believe that work should not mean poverty, and poverty should not mean homelessness, malnutrition, lack of health care or shortchanged education. Most Americans support much more comprehensive health care, child care and other needed social programs.

We can create the society we deserve. In the following pages we present:

- national minimum needs budgets, reflecting the minimum income necessary for individuals and families to meet their basic needs;
- a realistic \$8 federal minimum wage that would lift millions of workers and their families out of poverty;
- policies to supplement wages in assuring that people can meet their basic needs.

What follows is a summary.<sup>13</sup> If you don't want a preview of findings, we invite you to go right to Chapter One.

## EXECUTIVE SUMMARY

### National Minimum Needs Budgets

Many Americans living above the official poverty line cannot meet their basic needs. There is a growing gap between what the government says you need to get by and what it actually costs.

People should not have to choose between eating or heating, health care or child care. Our proposed minimum needs budget covers these kind of necessities. It is designed to help us in using the minimum wage and other federal policies such as the Earned Income Tax Credit to set a national floor under wages and living standards.

The minimum needs budget includes the average cost of minimally adequate housing (including utilities), health care, food, child care, transportation, clothing and personal expenses, household expenses, telephone and taxes—factoring in tax credits such as the Earned Income Credit and Child Tax Credit. We present minimum needs budgets for six household compositions: single adult, two adult-no children, single parent-one child, single parent-two children, two adult-one child and two adult-two children. For each of these households, we present budgets with and without some form of employment-provided health coverage. Because most low-income workers do not have employment-based health insurance we present

**I**t is common, among the nonpoor, to think of poverty as a sustainable condition—austere, perhaps, but they get by somehow, don't they? They are "always with us." What is harder for the nonpoor to see is poverty as acute distress. The lunch that consists of Doritos or hot dog rolls, leading to faintness before the end of the shift. The "home" that is also a car or a van. The illness or injury that must be "worked through," with gritted teeth, because there's no sick pay or health insurance and the loss of one day's pay will mean no groceries for the next. These experiences are not part of a sustainable lifestyle, even a lifestyle of chronic deprivation and relentless low-level punishment. They are, by almost any standard of subsistence, emergency situations. And that is how we should see the poverty of so many millions of low-wage workers—as a state of emergency.

*Barbara Ehrenreich, Nickel and Dimed, 2001.*



minimum needs budgets without employment health benefits in the summary table below.

The minimum needs budgets substantially exceed official federal poverty thresholds. A single person without employment health coverage would need about 190 percent of the federal poverty threshold to meet their minimum needs budgets. Families would need more than double the official poverty level to meet their basic needs. Single-parent families would need double the poverty threshold even if they had employment-based health insurance coverage.

Our budget is based on average national costs, which, by definition, average out higher and lower costs around the country. To provide context, especially for those readers living in atypically high- or low-cost areas, we calculated minimum needs budgets for five sample high-, medium- and low-cost metropolitan areas: New York City; Los Angeles; Des Moines, Iowa; Kansas City, Missouri; and Gadsden, Alabama. While the minimum needs budgets for Kansas City and Des Moines are close to the national budgets, Gadsden's budgets are much lower while New York City's are much higher.

Our focus is on setting a national floor through national policies such as the federal minimum wage and Earned Income Tax Credit. We emphasize the word floor. Today, many states and localities have higher minimum wages and living wage ordinances and higher eligibility thresholds for social services. States should be encouraged to reach higher than the federal standard, but not allowed to engage in a "race to the bottom," by opting out of the federal minimum wage, for example, as President Bush has advocated.

**TABLE 0-2**

## Minimum Needs Budgets Without Employment Health Benefits

1999 dollars

<b>MINIMUM NEEDS BUDGET</b>	<b>SINGLE ADULT</b>	<b>TWO ADULT</b>	<b>SINGLE PARENT, ONE CHILD</b>	<b>SINGLE PARENT, TWO CHILDREN</b>	<b>TWO ADULTS, ONE CHILD</b>	<b>TWO ADULTS, TWO CHILDREN</b>
Annual Income Needed	16,549	23,522	28,796	32,999	31,255	35,637
Hourly Wage*	7.96	11.30	13.84	15.86	15.03	17.13

Note: The term "without employment health benefits" refers to workers whose employers do not pay any portion of the employee's health insurance costs. The minimum needs budgets "without employment health benefits" reflect the amount these households would pay to purchase health insurance in the private market.

\* The hourly wage necessary for one full-time, full-year worker to earn the respective minimum needs budget or the combined wage for two adult workers.

Source: Solutions for Progress.

## The Minimum Wage Fell While Productivity, Profits and CEO Pay Climbed

The minimum wage used to bring a family of three with one full-time worker above the official poverty line. Now it doesn't bring a full-time worker with one child above the line. The minimum wage has become a poverty wage instead of an anti-poverty wage.

The minimum wage is well below our minimum needs budget for even a single person—with or without employment health benefits. A full-time, year-round worker earning the current minimum wage of \$5.15 per hour makes \$10,712 annually (or \$21,424 for a full-time two-earner family). Only households with two adults working full time, no children, and employment health benefits can meet their minimum needs budget at this wage. If “minimum wage” doesn't cover necessities, it's no minimum.

The federal minimum wage, enacted in 1938, was meant to put a firm floor under workers and their families, strengthen the economy by increasing consumer purchasing power, create new jobs to meet rising demand, foster economic development in lagging regions of the country—principally the South—and prevent the original “race to the bottom” of employers moving to cheaper labor states in a downward spiral.

Today's minimum wage workers earn a third less in real wages than their counterparts did a third of a century ago. The real value of the minimum wage peaked in 1968 at \$7.92 per hour (in 2000 dollars). Now at \$5.15, the real value of the minimum wage is 35 percent lower than it was in 1968.

When workers are not paid “a fair day's pay for a fair day's work” they are not just underpaid—they are subsidizing employers, stockholders and consumers. For decades now, workers have been shortchanged in good times and bad. Government let the minimum wage floor drop, dragging down average worker wages as employers followed—and encouraged—the government's stingy lead.

**Worker productivity went up, but wages went down.** Productivity grew 74.2 percent between 1968 and 2000, but hourly wages for average workers in 2000 were 3 percent lower, adjusting for inflation. Wages for minimum wage workers were 35 percent lower.

What if wages had kept rising with productivity, and were 74.2 percent higher in 2000 than they were in 1968? The average hourly wage would have been \$24.56 in 2000, rather than \$13.74. That's a difference of nearly \$11 an hour—or about \$22,000 a year for a full-time, year-round worker.

The minimum wage would have been \$13.80 in 2000—not \$5.15—if it had kept pace with productivity since 1968. That's a difference of \$8.65 an hour, or nearly \$18,000 for a full-time year-round worker.



**Profits went up, but wages went down.** When we look at real domestic corporate profits, we see a dramatic rise in profits compared with workers' earnings. Adjusting for inflation, looking back to 1968—the minimum wage peak—we see that profits rose 64 percent while average earnings dropped 3 percent and the minimum wage fell 35 percent.

The retail trade industry employs more than half the nation's hourly employees paid at or below minimum wage. Retail profits jumped even higher than profits generally. During the 1990s, retail profits skyrocketed 196 percent. Since 1968, retail profits have risen 158 percent.

If the minimum wage had kept pace with domestic profits during 1968-2000, it would be \$13.02. If it had kept pace with retail profits, it would be \$20.46.

**CEO pay went up, but wages went down.** The CEO-average worker wage gap has grown ten times wider over the last two decades. In 1980, CEOs made 45 times the pay of average production and non-supervisory workers. In 2000, CEOs made 458 times as much. The gap between CEOs and minimum wage workers has become a grand canyon. In 1980, the average CEO made as much as 97 minimum wage workers. In 2000, they made as much as 1,223 minimum wage workers.

## **Minimum Wage Critics are Wrong**

As if to justify miserly pay, minimum wage opponents often claim that most minimum wage workers are teenagers living with their families. In fact, the typical minimum wage earner is an adult woman, not a teenager. Two out of three minimum wage workers are adults. While women make up just under half the total workforce, two out of three minimum wage workers are women. Only one out of three minimum wage workers is a teenager under age 20—and many of them are already out of school and working for a living. The United States does not provide universal public college education and a significant number of high school graduates cannot afford to go on to college even if they want to. In 1998, more than a third of people who graduated high school within the past year were not enrolled in college.

Many economic and political leaders opposed the minimum wage when it was first enacted, and it is still opposed by many today who predictably try to block raises whenever they are proposed. Opponents argue business can't afford higher minimum wages and that they fuel inflation, increase unemployment, harm low-skill, low-wage workers, and aggravate poverty. Real world recent experience shows the critics are wrong.

We've seen how worker productivity and business profits have greatly—and unjustifiably—outpaced wages. The minimum wage was last raised from \$4.25 to \$4.75 an hour in October 1996 and to \$5.15 in