

Sixteen for '16 - Number 9: A Living Minimum Wage
By [Salvatore Babones](#), [Truthout](#) | Op-Ed

In his 2014 State of the Union address, President Barack Obama embraced the movement for a \$10.10 minimum wage. Two weeks later, he went even further, issuing an executive order that set \$10.10 an hour as the minimum wage for all federal contractors, effective January 1, 2015.

As President Obama put it in his SOTU address, this executive order requires "federal contractors to pay their federally funded employees a fair wage of at least \$10.10 an hour - because if you cook our troops' meals or wash their dishes, you shouldn't have to live in poverty."

This new federal contractor minimum will be indexed to inflation going forward. The statutory minimum wage that applies to all American employers is not indexed to inflation. As a result, its real value has declined steeply over the years.

Does the president's \$10.10 an hour represent a fair wage? Maybe. A living wage? Hardly. No one can really support a family on minimum wage employment, even if the minimum is raised to \$10.10 an hour. At \$10.10 an hour, it's hard even to support yourself.

The problem isn't just the low wage. Few minimum wage workers can find full-time employment; few minimum wage workers are able to find work year-round, and all workers get sick sometimes, or have to care for sick children, or (God forbid) need a day off.

But in the end, the problem is the low wage. The proposed \$10.10 minimum isn't based on any real analysis of what it costs to live in 21st century America. It is carefully calibrated to meet the sensitive political criterion of raising families out of poverty.

It has been very carefully calibrated indeed. The current 2014 federal poverty threshold for a family of three is \$19,790 a year.⁽¹⁾ The current Federal Reserve inflation target is 2 percent inflation per year. ⁽²⁾ Since the federal poverty thresholds are indexed to inflation, the anticipated poverty threshold for 2015 is \$20,186 a year for a family of three.

At \$10.10 an hour a person working 40 hours a week, 52 weeks a year - minus 10 unpaid federal holidays - would earn \$20,200 a year, exactly \$14 more than the poverty threshold. Ten dollars an hour wouldn't do it. Not even \$10.09. You need exactly \$10.10 an hour to pass the threshold.
⁽³⁾

So the magic number of \$10.10 an hour lifts the spouse and (one) child of a full-time, year-round worker out of poverty. The president's executive order indexes the \$10.10 minimum wage for federal contractors to inflation, so no worker on a federally-funded project need ever live in poverty again.

It's all very neat, and of course there's nothing wrong with a modest raise for some of the worst-paid victims of government outsourcing. But make no mistake: It is modest. And it does not represent a living wage.

The problem is that the federal poverty threshold of \$19,790 a year is calibrated to supply a "subsistence" living wage for a family of three in 1963, updated to reflect increases in food prices until 1969, and thereafter updated to reflect increases in prices overall based on the Consumer Price Index (CPI). (4)

Our current official poverty thresholds thus represent the standard of living that prevailed more than half a century ago.

At the time, the poverty threshold was linked to the CPI in 1969, 12.1 percent of Americans lived under the poverty line. Today, the equivalent figure is 15.0 percent. (5) A greater proportion of Americans live in poverty today than did 45 years ago.

It is important to stress that the 1969 poverty thresholds and today's poverty thresholds are the same thresholds. We use the same standards for poverty determination as we did in 1969. The thresholds have been updated for inflation, but they have not been updated to account for any improvements in living standards since the 1960s.

The fact that the proportion of Americans living in 1969-style poverty is higher now than it was in 1969 is all the more shocking when you consider that real US national income per person (adjusted for inflation) has more than doubled since 1969.(6)

If the poverty rate has gone up at the same time as total income per person has more than doubled, you can bet that something is wrong. That something is the minimum wage.

In 1969, the minimum wage for most private sector workers was \$1.60 an hour.(7) That is equivalent to \$10.24 in today's money, adjusted for inflation using the CPI. The actual federal minimum wage today is only \$7.25 an hour - and has been since 2009.

The president's preferred minimum wage of \$10.10 an hour would come close to restoring the minimum wage that prevailed in 1969, adjusted for inflation. But 1969 was a long time ago. More than 60 percent of Americans alive today were born after 1969. (8)

If the minimum wage had grown in lock-step with growth in national income per person since 1969, it would have reached \$16.88 an hour in 2013. (9)

Assuming that GDP per capita continues to grow at a modest 2.5 percent per year in 2014 and 2015, the equivalent figure for 2015 would be a minimum wage of \$17.73 an hour. That's quite a bit higher than President Obama's proposed increase to \$10.10 in 2015.

The \$17.73 an hour figure is not some kind of socialist dream number pulled from thin air. It is the minimum wage we would have today if we had indexed the minimum wage to overall economic growth all those years ago.

A \$17.73 an hour minimum wage would be a living wage for the 2010s. In fact, it is almost exactly equal to the \$15 living wage demanded by the 2012-2013 fast food industry protests, once you add in 10 paid sick days, 10 paid vacation days, and 10 paid holidays.

The 2012-2013 fast food protests were coordinated by community groups like Fast Food Forward in New York and Fight for 15 in Chicago, with support from the Service Employees International Union and other pro-worker organizations.

Only one city in the country has actually passed a \$15 minimum wage law: SeaTac, Washington, home of Seattle-Tacoma International Airport. The law does not apply to all industries, and due to a legal dispute, currently does not apply to the airport itself.

No other jurisdiction in the country has mandated a \$15 living wage, but the current situation is not all gloom and doom. In line with the president's plea to increase the minimum wage for all workers, Connecticut and Maryland have raised their minimum wages to \$10.10 an hour, effective in 2017 and 2018, respectively. California is due for an increase to \$10 an hour in 2016. In fact, 20 states currently have minimum wages that are higher than the nationwide federal minimum of \$7.25 an hour.⁽¹⁰⁾ Many cities also have minimum wage laws, including San Francisco (\$10.74, indexed to inflation), Santa Fe (\$10.66, indexed to inflation), and Washington, DC (\$8.25, rising to \$11.50 in 2016).

But the federal minimum wage remains stuck at \$7.25 an hour; the president's executive order raising the minimum to \$10.10 an hour in 2015 only applies to federal contractors, and no one believes that a living wage of \$15 an hour is politically realistic anywhere except tiny SeaTac, Washington.

Politics aside, the \$7.25 minimum wage is a national disgrace, and even \$10.10 an hour is inadequate to carry the "progressive" label. Progressive policies must do more than restore gains made in the last century and since lost. Progressive policies must move our country forward toward liberty and justice for all.

There is no liberty in the freedom to be exploited, and there is no justice in exploitation. There is no law of economics that says that the market wage must be a living wage. But a democratic society can and should have laws that are higher and nobler than the laws of economics.

Long before Barack Obama was born, an earlier president giving an earlier State of the Union address looked "forward to a world founded upon four essential human freedoms": freedom of speech, freedom of worship, freedom from want, and freedom from fear.

President Franklin Roosevelt died 70 years ago. He did more than any other president to save American freedoms from the twin threats of depression and dictatorship. He maintained that the four freedoms were "no vision of a distant millennium" but a "definite basis for a kind of world attainable in our own time and generation."

Roosevelt's two "freedoms of" we have. They are liberties that we all take for granted. No politician, conservative or progressive would ever question Americans' freedom of speech and freedom of worship.

Roosevelt's two "freedoms from" we still lack. They are calls for justice that have gone completely unheeded for the last 40 years. And a living wage is the cornerstone of both freedom from want and freedom from fear.

The "distant millennium" of which Roosevelt spoke has come and gone, and many Americans still live in want of a decent income and in fear of losing their low-wage jobs. President Obama's call for a \$10.10 minimum wage is better than nothing, but it is hardly a call for justice.

A living wage for all - that would be justice. And if President Obama can get us to \$10.10 an hour, the next President should forget about indexing it to inflation. A minimum wage indexed to inflation would mean a 1969 poverty wage for the rest of eternity.

A living wage means a minimum wage that rises to meet the higher living standards of each new generation. It must be a living threshold, not a dead hand of the past freezing real wages for all eternity. The progressive agenda should include a truly living minimum wage benchmarked not to 1969 or 2016 but to our hopes for a brighter future still to come.

Notes:

1. Department of Health and Human Services, 2014 Poverty Guidelines, 2014 Poverty Guidelines for the 48 Contiguous States and the District of Columbia.
2. Board of Governors of the Federal Reserve System, Monetary Policy Press Release, January 25, 2012.
3. Somewhat amusingly, the president's speechwriters did not bother to factor in a minor adjustment due to the fact that the calendar year actually consists of 52 weeks plus one day (two in leap years).
4. Gordon M. Fisher, 1992, The Development of the Orshansky Thresholds and Their Subsequent History as the Official US Poverty Measure, United States Census Bureau.
5. Bureau of the Census, Historical Poverty Tables - People, Table 2: Poverty Status of People by Family Relationship, Race, and Hispanic Origin, 1959 to 2012.
6. Calculation based on BEA, National Income and Product Accounts, Table 7.1.

7. Department of Labor, Wage and Hour Division, History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938-2009.
8. Calculation based on Bureau of the Census, Age and Sex Composition in the United States: 2012, Table 1.
9. Calculation based on BEA, National Income and Product Accounts, Table 7.1.
10. Department of Labor, Wage and Hour Division, Minimum Wage Laws in the States - January 1, 2014.