



IT IS TIME TO RAISE THE WAGE!

Minimum wage increase makes economic and moral sense

BY DENNIS KALOB, PH.D.

The U.S. minimum wage was first implemented in 1938. It was \$.25 an hour. It peaked (in terms of its buying power) in 1968, when it was \$1.60. Since then, despite occasional increases passed by Congress and signed by the President, it has lost a considerable amount of its value. It was last raised a decade ago (2009). Today's national minimum wage, if the 1968 rate had kept up with inflation, would be nearly \$12 per hour.¹

The minimum wage over time has also not kept up with worker productivity. For the first 25+ years following the Second World War, worker compensation and productivity increased in tandem. Then, beginning in 1973, pay stagnated while productivity continued to rise significantly. From 1973 to 2017, productivity grew 6.2 times more than pay.² In other words, what workers get paid has not kept up with the value of what they have produced.

A major argument against raising the minimum wage is its supposed negative impact on employment levels. Traditional economic thinking posits, quite simply, that as you raise the cost of labor for business, businesses will cut employment. Most contemporary research, however, has challenged this traditional assumption.³

Higher wages mean more than just additional money in the pocket of individual workers. For businesses, higher wages typically mean happier, more productive workers and lower turnover. It also means more business. When poor folks or

members of the working class get more money, they are likely to spend most of that money in the local economy. Increases in minimum wage, then, have a significant multiplier effect.

The bottom line is that contemporary research on the minimum wage—on balance—shows little, if any, net adverse impact on employment levels. In some specific cases, research has shown that hikes in minimum wage have actually increased employment by stimulating spending and growing the economy.⁴

Just this past fall, hundreds of business owners and executives in Missouri signed on to a statement supporting Proposition B, which was a ballot initiative to raise the minimum wage from \$7.85 to \$12 by 2023 (it ended up passing with 62% of the vote). In a press release, Lew Prince of Missouri Businesses for a Fair Minimum Wage stated, "raising Missouri's minimum wage makes good economic sense...higher wages put spendable dollars into the hands of customers. Increasing the minimum wage is a great way to boost businesses and the economy because low-wage workers spend their much-needed raises."⁵

Even if raising the minimum wage had a negative impact on employment, that would not negate its benefits. Minimum wage increases help millions nationally, and there are many other policies we can pursue to raise employment levels, such as increased infrastructure spending to name just one option.

Another argument against raising the minimum wage is its potential to cause prices to rise. The truth is more complicated and it can depend on many factors, including the size of the increase. However, evidence suggests that overall inflation is, on balance, little affected by increases in the minimum wage.⁶

The fact of the matter is that *ideology* drives much of the resistance to minimum wage increases. There are those who simply do not believe that government should regulate wages, and many of these ideologues would like to see the minimum wage abolished. Their arguments about the minimum wage causing unemployment or inflation are disingenuous—little more than distractions to help them gain an upper-hand in their ideological fight to discredit government action to address human needs.

Despite this ideological resistance to minimum wage increases, the movement for higher wages—like the “Fight for 15”—has been gaining traction. Many cities and states are not waiting for the federal government and they are passing increases of their own, but this can be difficult, particularly for local communities.

About half of the states have “preemption laws,” which take away local control over issues like minimum wage. These laws have been promoted by ALEC, the American Legislative Exchange Council, an organization of conservative businesspeople and legislators working to spread their pro-market ideology across the states.⁷

U.S. Federal Minimum Wage: \$7.25/hour
 (\$2.13/hour for those who rely on tips)

There are currently **29 states** with a higher minimum wage

Gulf States Minimum Wage:

Alabama	\$7.25	Mississippi	\$7.25
Florida	\$8.46	Texas.....	\$7.25
Louisiana.....	\$7.25		

States with the highest minimum wage: Washington, Massachusetts, and California at \$12 (in CA it is currently \$11 for small businesses). Washington, D.C. will reach \$14 beginning 7/1/19. Six states – New York, California, Massachusetts, New Jersey, Illinois and Maryland – along with D.C. – have set a path to \$15.⁸

The fight for a significantly higher minimum wage is an important social justice fight and one that is clearly supported by generations of Catholic social teaching.

As the U.S. Catholic Bishops state, “work has a special place in Catholic teaching. Work is more than just a job; it is a reflection of our human dignity and a way to contribute to the common good.” They continue, “[we] have long supported increases in the federal minimum wage to ensure that no full-time worker and their family lived in poverty. The federal minimum wage is not a living wage, and it is not a silver bullet to solve all economic problems, but it is one way to ensure workers are compensated fairly.”⁹

Tony Magliano in the *National Catholic Reporter* writes, “since Pope Leo XIII’s 1891 encyclical *Rerum Novarum* (‘On Capital and Labor’), popes have called for the right of all workers to receive wages sufficient to provide for their families.”¹⁰

Indeed, today’s minimum wage is not nearly enough to allow workers to provide for their families. A person working full-time (40 hours per week for 52 weeks per year) at the federal minimum wage makes an annual income of \$15,080, which is not enough to lift a family of two out of poverty.

To put things further in perspective, two full-time wage earners in a family each making \$10 per hour (\$2.75 above the federal minimum) would still seriously struggle to pay for a modest two-bedroom rental in the U.S.¹¹

It has been known for some time that low wages, poverty, job insecurity, and the stress that they create all contribute to poor health, including premature death. So, it is increasingly understood that raising the minimum wage is an important public health policy goal which could extend life expectancy in this country.¹²

Low income (and increasingly middle income) Americans are having trouble surviving here in the world’s richest economy. We need to embrace policies specifically designed to raise incomes. This includes raising, significantly, the minimum wage. It is the right thing to do because it promotes economic and human development, and is true to Catholic social teaching.

The economy must serve people, not the other way around.

--United States Conference of Catholic Bishops



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- ¹ Mary Baudouin is the Provincial Assistant for Social Ministries of the US Central and Southern Jesuit Province. She serves on the Encuentro Project Board of Directors and as a JSRI Associate.
- ² Through the Jesuit Refugee Service sponsored chaplaincy program, Fr. Garcia is one of two volunteer priests who celebrate Masses for hundreds of men and women every Friday at the El Paso ICE detention center.
- ³ Rohr, R. (2019, January 31). The Face of the Other. *Richard Rohr's Daily Meditation* at <https://cac.org/the-face-of-the-other-2019-01-31/>

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- ¹ The source of this estimate is the Bureau of Labor Statistics Inflation Calculator. I measured inflation from the effective start date of the \$1.60 minimum wage, which was February 1968 and ended with December 2018. Based on this calculation, the inflation-adjusted peak minimum wage would be \$11.75.
- ² Economic Policy Institute. (August 2018). *The Productivity-Pay Gap*.
- ³ Occasional research in recent years, such as a controversial CBO report (*The Effects of a Minimum-Wage Increase on Employment and Family Income*) from February 2014 still concludes that there are clear job losses associated with minimum wage hikes. However, the overwhelming contemporary evidence suggests otherwise. Here is just a sample: Jesse Rothstein. (April 27, 2017). *Do Minimum Wages Really Kill Jobs?* Econofact; Paul K. Sonn and Yannet Lathrop.

- ⁴ John Schmitt. (February 2013). *Why Does the Minimum Wage Have No Discernible Effect on Employment?* Center for Economic and Policy Research;
- ⁵ This press release was published in The Missouri Times on September 13, 2018, under the title *Business Support Grows for Raising the Minimum Wage: More than 400 Business Owners Endorse Statement Backing Prop B*. More than 700 business owners eventually signed on to the statement.
- ⁶ W.E. Upjohn Institute for Employment Research. *Does increasing the minimum wage lead to high prices?* Retrieved on February 5, 2019 from Upjohn.org. Arthur MacEwan. (July/August 2014). *The Minimum Wage and Inflation*. Dollars and Sense.
- ⁷ Economic Policy Institute. *Worker Rights Preemption in the US*. Retrieved February 5, 2019: <https://www.epi.org/preemption-map/>
- ⁸ National Conference of State Legislatures. (January 7, 2019). *State Minimum Wages / 2019 Minimum Wage by State*.
- ⁹ United States Conference of Catholic Bishops. (February 2014). *Just Wage and the Federal Minimum Wage*.
- ¹⁰ Tony Magliano. (February 3, 2014). *Raising the minimum wage an economic and moral necessity*. National Catholic Reporter.
- ¹¹ In a 2018 report titled "Out of Reach: The High Cost of Housing," the National Low Income Housing Coalition found that it takes an income of \$22.10 per hour to afford the average modest two-bedroom rental in the United States. Report accessed February 12, 2019: https://nlihc.org/sites/default/files/oor/OOR_2018.pdf.
- ¹² Kunal Sindhu. (January 23, 2019.) *Raising the Minimum Wage Would Save Lives*. Huffington Post; American Public Health Association. (November 1, 2016.) *Improving Health by Increasing the Minimum Wage*.

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