

## WHAT YOU CAN DO

For more information on the Arizona Minimum Wage Coalition, call Michael Frias at 602-300-9381. To contact your senator regarding support of the Fair Minimum Wage Act, call toll-free 1-888-355-3588 and ask to be connected to your senator's office. Call Interfaith Worker Justice at 773-728-8400, ext. 13, for a minimum wage toolkit to help you organize a powerful delegation that can influence members of Congress to support a fair raise in the federal minimum wage.

## TALES FROM THE TRENCHES

Story and photos by Catherine J. Rourke

### MINIMUM WAGE, MAXIMUM SHAME

*Arizona incomes trail the rest of the nation*

*No business that depends for existence on paying less than living wages to its workers has any right to continue in this country. – Franklin D. Roosevelt*

The gaping hole between the have-more and the working poor grew even wider last month when a story in *The New York Times* reported: “In Manhattan, the Poor Make 2 Cents for Each Dollar to the Rich.”

Riddled with alarming statistics, the article claims that the bottom fifth of the working hierarchy earns 52 times less than the top fifth, which is also predominantly white and male. Citing a massive increase in Wall Street incomes, the story attributes the disparity to a decrease in wages for low-income workers, more than half of whom fork over their income to their landlords.

And that's just in Manhattan. But what Sedona, Arizona, where wages and housing costs remain vastly disproportionate?

#### More or less

One month ago, the lead headline on an *Arizona Republic* front page read: “Arizona wages trail nation's by 7%.” According to the Bureau of Labor Statistics, Arizona's increasingly cheap labor pool has exerted downward pressure on wages

across the state. Even attorneys and financial analysts earn less here than in other regions, and retail salespeople – the largest number of Arizona workers – average \$23,930 annually. While real estate brokers top the chart at \$118,470, food servers rank lowest in wages, at \$14,710.



*Qwest workers in Phoenix protest wage freezes*

Meanwhile, in Sedona, a recent report exuberantly boasted that, on a certain day, there were more than 200 local job “opportunities” posted at the Arizona Department of Economic Security’s Arizona Workforce Connection office in Cottonwood. But are they, indeed, all they’re cracked up to be?

Those who are college-educated or in search of a decent income need not apply. Only a handful of the jobs required a degree or vocational certification: emergency medical technician, court reporter, registered nurse and three resort management positions. A couple of jobs in the trades, such as plumbers, HVAC technician, electrician’s apprentice and water system superintendent, held some vague hope of a prosperous future.

Otherwise, what might appear to be livelihoods on the DES list turned out to be “stifling-hoods” for the most part, or abysmally low-paying, vocational dead ends. Multiple listings abounded for cashiers, counter attendants, custodians, day care workers, dog bathers, hostesses, housekeepers, groundskeepers, laborers, laundry workers, line cooks, janitors, parking lot attendants, pizza delivery drivers, receptionists, retail clerks, school bus drivers, warehouse loaders and, of course, a plethora of food service jobs.

While these positions average \$8.37 an hour, some were posted at the federal minimum wage of \$5.15 per hour and others at sub-minimum wage, or \$2.13 an hour – all hovering on the federal poverty threshold and a far cry from economic security.

### **Land of opportunity?**

The first minimum wage rate of 25 cents an hour was established in 1938. It rose to \$1 in 1956, and slowly but steadily climbed until slamming to a halt at \$5.15 in 1997. In 67 years, the wage has increased a whopping \$4.90.

In 2004, more than 7.3 million Americans earned the federal minimum wage and 1.6 million received wages below the minimum. Another 28 million workers earned less than \$9 per hour, and only 25.2 percent of U.S. workers have jobs that pay at least \$16 an hour with health insurance and a pension.

Minimum-wage earners are mostly adults whose wages provide more than half of their household income. Many are minorities and more than 60 percent are women, including 760,000 single mothers. They earn \$206 weekly, or \$10,712 annually, before taxes – \$8,650 less than the amount needed to lift a family of four out of poverty. They pay a 7.65% combined Social Security and Medicare tax on every dollar earned, in addition to other state and city taxes.

Approximately half of the nation’s minimum-wage earners work at restaurants, an industry that employs more than 12 million people, making it the largest private sector employer in the U.S. In addition, the Fair Labor Standards Act allows employers to pay food servers a sub-minimum wage of \$2.13 per hour, even when performing non-tipped cleaning and set-up duties that should mandate a minimum wage.

To make matters worse for restaurant workers, in 1996, Congress passed the Minimum Wage Increase Act, with an amendment excluding food servers from any future hourly wage increases. Therefore, their \$2.13 an hour wage has remained frozen for more than 14 years. In Sedona, with more than 60 percent of the city’s workforce employed in this industry, most food servers surveyed said they earn the sub-minimum wage. Based on eight hours, a day’s pay yields \$17.04 in wages, before taxes.

Meanwhile, according to *The New York Times*, pharmaceutical czar Sidney Taurel, CEO of Eli Lilly, earned \$12.5 million last year, the equivalent income of 1,167 minimum-wagers, while fellow drug lord Raymond Gilmartin, CEO of Merck, made a paltry \$5.9 million, or the collective income of 551 minimum-wage workers.

In Arizona, more than 50,000 people earn a minimum or sub-minimum wage. Household income fell \$1,329 between 2000 and 2003, and nearly a quarter of a million residents live in poverty. In that same time period, personal bankruptcies rose more than 54 percent, and Arizona has lost almost 50,000 jobs. More than 75 percent of American workers are struggling in jobs that don’t provide a middle-class wage, let alone a pension or health insurance.

“Today more than 30 million working people in this country have jobs that pay poverty wages and provide few, if any, benefits,” said James Kimes, a Prescott community activist and the 2004 Democratic candidate for the District 1 House of Representatives seat. “Arizona salaries are among the lowest in the nation: 14 percent of Arizonans live in poverty, and 1.7 million Arizonans have no health insurance, with 200,000 of that number being children.”

### **The new Great Depression**

In an article entitled “Power and Money,” U.S. Sen. Jon Corzine (D.-N.J.) stated: “No family gets rich from earning the minimum wage. In fact, the current minimum wage does not even lift a family out of poverty.”

Indeed, the government’s failure to raise the minimum wage since 1997 has resulted in the lowest buying power of Americans since the Great Depression. Adding insult to injury is the Bush administration’s elimination of overtime pay for 8 million workers in 2004 while a frightening 45 million Americans, mostly workers, remain without health care insurance.

Welcome to the new Great Depression – an emotional as well as a financial one. For many low-wage workers, terrorism lurks not just in subways or skyscrapers but in their paychecks and at the pumps. With gasoline prices hovering around \$3 per gallon, it takes approximately one hour of work, after taxes, for minimum-wage earners to purchase that gallon. Furthermore, it requires more than a day’s labor to fill a 14-gallon tank.

Since more than half of Sedona’s workforce commutes from Cottonwood, many low-wage workers who average \$7 to \$9 an hour are spending a significant amount of their earnings on gas. What does that leave them for housing?

Gov. Janet Napolitano addressed these and other concerns while speaking to the local chapter of the National Association of Women Business Owners in Sedona on Sept. 27. “We need to be thinking: What kind of Arizona will we have 10 years from now,” she said.

The governor proposed that bringing in higher-wage, high-tech industries, along with tax credits for small businesses, would create better jobs. Above all, she said, was the need for an educated workforce. “There’s a direct correlation between level of education and level of income,” she said. “As we build educational levels, we can build wages.” That is, if low-wage workers can afford the rising cost of college tuition for their children.

#### **A housing or a wage issue?**

If the governor is right, Sedona’s already educated workers – administrators, office managers, health-care personnel, journalists, educators, accountants and other professionals – need a better explanation for their low wages. Not only do they earn far less than their counterparts in other areas of the nation but, according to the Sedona Housing Commission, they fall short of the \$80,000+ income bracket necessary to afford a home here.

How do we explain the fact that many earn between \$20-30,000 annually as salaried employees exempt from overtime pay? Perhaps, as some economists suggest, the issue in Sedona isn’t affordable housing – it’s about educated professionals lacking a decent wage.

The fact remains that low-wage workers are more highly educated than ever before. The job market prerequisite for a college degree that began with the baby boomers in the ‘70s has resulted in a significant increase in the widespread pursuit of higher education across all socioeconomic levels, with a correlating decrease in the high-school dropout rate.

In addition, if more people achieve the educational levels that the governor proposes, who’s going to do the landscaping, dig ditching, restroom cleaning and hash slinging in Sedona? After we spend our tax dollars to educate our youths, they head for greener pastures in large metropolitan areas to earn salaries that can offset their college loans and to enjoy urban amenities, such as more affordable housing and some nightlife. With so little to earn by day and so little to do at night, is it any wonder that meth use is on the rise here?

According to Charles Grantham, author of *The Future of Work* and co-founder of the Work Design Collaborative, a Prescott-based think tank widely recognized as the leading source of information related to the transformation of work, the answer lies in “socially responsible business.” He claims that municipalities that ensure living wages help create sustainable communities.

“In order to be a sustainable community, Sedona must encourage diversity; it can’t rely on tourism, art and recreation alone because they create a low economic base,” he said. “Plus, the local talent pool is

largely disenfranchised from the political leadership. Sedona needs to refresh its leaders with those who can identify, organize and train a new workforce. It cannot solve its economic problems without doing so. Community leaders are still using old solutions to address new challenges.”

### **The case against minimum wage**

Many restaurants, retailers and other businesses oppose higher minimum wages. They say such laws will raise consumer prices, put them out of business and ultimately eliminate jobs. In addition, some fear that a minimum-wage increase is bad for Sedona’s economy.

“A minimum-wage hike forces price hikes on menus,” said one local restaurateur. “The burden not only threatens the bottom line, it threatens the survival of many restaurants.”

In particular, opponents of minimum-wage increases claim that these raises are the cause of weak labor markets, especially in the form of high unemployment rates. Furthermore, a report from the Employment Policies Institute, which is funded by employer groups such as the National Restaurant Association, estimates the loss of 7,500 jobs as a result of a minimum-wage increase.

Some political leaders advocate elimination of the minimum wage altogether. “Literally, if we took away the minimum wage, if conceivably it was gone,” said Sen. Michele Bachmann (R-Minn.), “we could potentially wipe out unemployment completely because we would be able to offer jobs at whatever level.”

According to economic experts, the issue isn’t about the wage itself. Rather, it’s about the number of workers businesses will be willing and able to hire at different wages and the number who will get laid off when higher wages reduce the demand for labor.

Employers also cite other payroll expenses, such as FICA, unemployment insurance and workers comp, in addition to company benefits, such as health insurance and paid sick days, as contributing to their ever-increasing financial burden.

### **Weighing the facts**

In the book *Myth and Measurement: The New Economics of the Minimum Wage*, researchers David Card and Alan Krueger present compelling evidence demonstrating that minimum-wage increases don’t cause job losses, nor do they harm businesses. In addition, a comprehensive study by the Economic Policy Institute found that costs are offset by the benefits of higher employee productivity, lower recruiting and training expenses, decreased absenteeism and increased worker morale. It pointed that higher state minimum wages fail to correlate to poor labor market outcomes. Rather, much more dominant forces, such as the decline in manufacturing employment, better explain state economic circumstances.

According to a 1999 study by the Jerome Levy Economics Institute, the last increase in the minimum wage did not affect the overwhelming majority of small businesses. Nine out of 10 (89.1 percent) of the small businesses surveyed said the last increase did not have an effect on their employment or hiring decisions.

The Economic Opportunity Institute also reports that “...every state that has increased the minimum wage during the past five years has seen a rise in employment. The predictions of job loss, inflation and bankruptcy of small businesses have never come true with previous wage increases.

“An increase in the minimum wage may not have a substantial impact on employment because workers are being paid less than what they are really worth economically to the firm. Rather than cause job loss, minimum wage increases would therefore correct a market imbalance by forcing employers to pay a fair wage. A higher minimum wage is the next step in welfare reform and is necessary for the health and well-being of workers.”

### **Raising Arizona**

Arizona is just one of six states, including Alabama, Louisiana, Mississippi, South Carolina and Tennessee, that have no minimum wage law whatsoever; therefore, it adheres to the federal standard.

A proposal to raise the minimum wage, in March 2005, failed in Congress while it elected its own \$27,000 pay increase. To that, former president Bill Clinton remarked: “You need to know that a member of Congress who refuses to allow the minimum wage to come up for a vote made more money during last year’s one-month government shutdown than a minimum-wage worker makes in an entire year.”

Sen. Ted Kennedy's Fair Minimum Wage Act failed to win congressional approval by just four votes on October 19. It will be reintroduced in 2006 during the second half of the 109<sup>th</sup> Congress. In addition, a Republican minimum-wage amendment that would have caused millions of workers to lose their eligibility for minimum wage and overtime pay, as well as weakening the 40-hour work week rule on overtime pay, also failed to pass.

"Most businesses that want quality workers will pay more than the minimum wage," said Mike Vespoli, community affairs director for United Food and Commercial Workers Local 99 in Phoenix, which represents Safeway and Fry's employees in the Verde Valley. "But increasing the minimum wage needs to be indexed in baby steps. Ultimately, businesses will benefit by raising wages because the more people earn, the more they spend. Bankers, real estate brokers and insurance agents don't sell many goods and services to minimum-wage earners."

Vespoli serves on the core committee of the Arizona Minimum Wage Coalition, a statewide campaign comprised of business, labor, political and interfaith leaders who support a minimum-wage increase. As an alternative to a possible legislative failure, the organization is preparing to place the issue on the 2006 ballot. If successful, they say the effort would do much to improve the lives of low-wage earners across the state

"It's not just about labor – it's about helping all people and all workers," Vespoli said. "We need to take care of our kids, our elderly and our working poor."

A recent federal poll indicates that approximately 86 percent of American voters approve an increase in the minimum wage. But raising the minimum wage in Arizona is directly linked to undocumented workers, immigration reform and other workforce issues.

"More than 36 million Americans are impoverished today and it's a national disgrace that our minimum wage is so low," said former senator Jon Edwards during a recent Phoenix rally on behalf of the AMWC. "I've met single mothers who work two full-time jobs yet they struggle to pay the bills, let alone build assets for a family crisis. One stroke of bad luck could send them and their families over the cliff."

#### **The bottom line**

The question of whether minimum-wage increases have any significant impact – positive or negative – on the labor market continues to be debated.

It's a sad day in Sedona when we hear of parents competing with their children for a job that pays seven bucks an hour and when residents celebrate the opening of a new, big-box chain store with the hope of landing a job that pays \$8 an hour – maybe. Yet just 76 cents an hour gives full-time workers more than \$1,500 a year and, for some, that goes a long way.

Perhaps filmmaker Morgan Spurlock ("Supersize Me") summed it up best in his recent documentary "30 Days on Minimum Wage." Highlighting the struggle to pay his rent, bus fare, health care and other living expenses on a weekly net pay of \$178.47, he said: "In 1974, I made \$7.50 an hour with benefits. A quarter of a century later, I'm making \$5.15 an hour, now without medical insurance. It's like living on the edge of a knife each and every day."

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