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## Dems eyeing \$2 raise for minimum earners

**WASHINGTON (AP)** -- Imagine what it would be like to work without a pay raise for nearly 10 years.

That's been the plight of some workers who for almost the past decade have been earning the federal minimum wage. Their last pay increase -- to \$5.15 an hour -- came in 1997.

There could be some relief in sight.

When the Democrat-controlled 110th Congress convenes in early January, a top priority is boosting the federal minimum wage to \$7.25 an hour. The increase is likely to be phased in, perhaps over 26 months. ([Watch why some say a minimum wage hike is long overdue](#) )

Alice Laguerre is among the millions of workers now earning less than \$7.25 an hour.

She makes \$6.55 an hour driving cars headed for the auction blocks in Orlando, Florida, and says a boost in the federal minimum wage would help her build a nest egg for emergencies.

"I would be able to save more," says Laguerre, a part-time worker. "I've always been thrifty with money. When I was young, I'd take a nickel and stretch it five ways."

That can be tough these days, acknowledges Laguerre, 53, after paying the monthly rent and utilities on her two-bedroom apartment and after recently buying a car -- a blue 1994 Buick Century.

### Employers could feel squeeze

On the other side of the minimum wage debate is employer Wayne Reaves, president of Manna Enterprises Inc., in Anniston, Alabama, who says he may boost menu prices and cut workers' hours at his fast-food restaurants, which serve up hamburgers, fried chicken, gravy and biscuits and other fare, if the federal wage is lifted.

The average hourly rate for his workers is around \$6.39. All of his workers are paid above the current \$5.15 minimum, he says. The lowest hourly rate is around \$5.50, while a recently hired biscuit maker fetched \$8 an hour.

"The market is working. My position is let market forces drive wages. But it isn't going to happen because this is a political issue now," Reaves laments. "This will have a negative impact on the people it is supposed to help."

The federal minimum wage is like a national wage floor, though some people can be paid less under certain circumstances. States can set minimum wages above the federal level; more than two dozen states plus the District of Columbia do.

The last time the federal minimum wage went up was in 1997. That's the longest stretch without an increase since the minimum wage was established in 1938. Inflation has eroded the minimum wage's buying power to the lowest level in about 50 years.

Organized labor and other supporters of boosting the minimum wage contend it will help the working poor.

Business groups and other opponents counter that it could lead to higher prices for goods and services or force companies, especially smaller ones, to fire some entry-level, low-skilled workers or hire fewer such workers. Companies' profits also could be crimped.

### The demographics

People who are paid the minimum wage tend to be young -- under age 25 -- never married, more likely to be female, a minority and work part time, according to a recent analysis of 2005 data by the Labor Department.

Workers making minimum wage tend to be in the service sector, especially food preparation, bars and restaurants and other food services as well as in the leisure and hospitality industry, the analysis said. Minimum wage workers also can be found on janitorial, landscaping and maintenance crews, at beauty shops, retail stores and elsewhere.

Some opponents say teenagers would mostly benefit from a boost in the minimum wage; supporters disagree.

If the federal wage does rise in a few years to \$7.25 an hour, about 5.6 million people -- 4 percent of the workforce -- who make less than this would be directly affected, according to the Economic Policy Institute, a liberal leaning group. But millions more would benefit indirectly as raising the floor would ripple through the work force, the group says.

That means higher payroll costs for employers.

"Every dollar that goes to a minimum wage worker comes out of the customer's pocket or the employer's pocket. It is not magic money," says Bill Dunkelberg, chief economist for the National Federation of Independent Business, which opposes a federal increase.

Brendan Flanagan, vice president of federal relations at the National Restaurant Association, says that his industry cut 146,000 jobs and postponed plans to hire another 106,000 after the last federal boost almost 10 years ago. Another increase would produce a similar impact, he predicted.

"The people who advocate for this treat it as if it is found money and it doesn't have any costs," says Marc Freedman, director of labor policy at the U.S. Chamber of Commerce.

Business groups say that people earning minimum wage tend to be young, entry-level, low-skilled workers who tend to get raises after about a year on the job. Raising the federal wage could reduce job and training opportunities for such workers, they say.

### Unions on board

Unions support a minimum wage boost on philosophical grounds even though their members mostly make more. There's also a belief that a rising tide lifts all boats.

"The minimum wage stands for the principle that the government has a role to play in setting basic labor standards ... particularly in protecting the most vulnerable workers from unchecked corporate power," says Bill Samuel, legislative director at the AFL-CIO.

Recent attempts to boost the federal minimum wage had failed when Republicans had control of Congress. Prospects changed after the November 7 midterm elections, when voters -- upset with the Iraq war and President Bush's leadership -- put Democrats in charge of both the House and Senate.

Just days later, Bush signaled a readiness to consider Democratic priorities such as raising the federal minimum wage. On Wednesday, Bush reaffirmed his support for pairing a wage boost with "targeted tax and regulatory relief" to help businesses stay competitive.

Incoming House Speaker Nancy Pelosi of California intends to get this accomplished in the first 100 hours of legislative business. In the Senate, Harry Reid, the Nevada lawmaker who will become majority leader, also says he wants to move quickly on the minimum wage.

Business groups plan to lobby against a federal increase, but they also acknowledge that it will be difficult to beat back. Many want the pot sweetened -- perhaps faster depreciation or other tax breaks -- to help take some of the sting out of higher labor costs.

"The dynamic has changed. It is a more challenging environment to make our case," says Rob Green, vice president of government and political affairs at the National Retail Federation.

### No answer to poverty

Supporters and opponents agree that a boost in the federal minimum wage to \$7.25 won't necessarily lift people out of poverty. A full-time worker paid \$7.25 an hour would earn just more \$15,000 a year. The average poverty threshold for a family of three last year was \$15,577. For a family of four, it was \$19,971.

Samuel called the proposal "an important increase," but said it wouldn't be sufficient to lift people out of poverty so there will have to be another increase "soon."

"It used to be in most of its history, starting in 1938, that the minimum wage was about one-half the average hourly wage in America. Today that would be about \$8.30," he said.

Energized by the new Congress, supporters would like to see the minimum wage move higher than \$7.25 and have it automatically indexed to inflation. Business groups oppose that.


Harry Holzer of the Georgetown Public Policy Institute doubts there will be jolting price increases that would change Americans' behavior. In terms of fast food, people will spend a bit more if need be, he says, adding that he didn't believe "we are all going to start packing our lunches from home."

Says Laguerre, who had spent most of her working life in various restaurant jobs: "If I got to \$7.25, I'd be all right. I'd be able to keep money in the bank for emergencies. It would be a big help to me. I'd feel more independent."

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