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Effect of minimum-wage hike would vary

By Ellen Simon

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Two months into her minimum-wage job at Target Corp., Tara Dennis realized she and her three children would be better off if she were unemployed and on food stamps. So she quit.

"As a single mom, minimum wage isn't going to get me ahead. It's not even going to get me caught up," said Dennis, who lives in Missoula, Mont.

A proposed hike that would bring the federal minimum wage to \$7.25 would give workers like Dennis their first raise since the federal minimum increased to \$5.15 in 1997.

But some low-income workers and their advocates say the wage increase won't affect many workers and is not a way out of poverty for minimum-wage workers.

Since the last increase, wages for most of the lowest-paid workers have risen above the federal minimum wage, while prices for necessities such as housing and transportation have grown faster.

"We should be aware that this is an extremely moderate proposal," said Jared Bernstein, senior economist of the Economic Policy Institute.

The minimum-wage increase, which Democrats have put at the top of their agenda when the next Congress convenes in January, would affect 1.9 million hourly workers who make minimum wage and workers who get tips, who can make less than minimum wage. It would raise wages for an estimated 6.5 million workers or 4 percent of the work force — janitors, waiters and waitresses, security guards, cashiers and store clerks — according to the Economic Policy Institute.

Adjusting for inflation, the minimum wage of \$5.15 is at its lowest level since 1955. By 2009, a \$7.25 minimum wage would have the spending power of \$6.75 today, Bernstein calculated using Congressional Budget Office projections.

Not a poverty solution

But the proposed increase "is not a solution to poverty," said Matt Fellowes, a scholar at the Brookings Institute. "This is, for the most part, a symbolic effort," he said.

Twenty-eight states, including Arizona, and the District of Columbia will have 2007 minimum wages above the federal level. The highest minimum wage in the nation is Washington state's \$7.63 an hour, which is set to increase to \$7.94 on Jan. 1. A minimum-wage worker in the state working full time would make \$16,515 a year before taxes. The federal poverty threshold for a family of three is \$16,600.

local angle

- If Congress passes a higher federal minimum wage next year — and if the president signs it — that will complicate Arizona's new, \$6.75 per hour minimum, scheduled to take effect Jan. 1

Employers would need to pay the higher minimum wage, said Larry Etchechury, head of the Industrial Commission of Arizona. But Arizona's law requires an annual cost-of-living adjustment that could bump the state minimum above the federal minimum after a year or two.

Another complication is that the new state law didn't adopt the federal Fair Labor Standards Act as a guide for exceptions to the minimum-wage law. Some businesses not mandated to pay a minimum wage by the federal government, such as programs that pay a few dollars an hour to severely disabled people, now will be required to pay \$6.75 in Arizona, Etchechury said.

The real-life math of the minimum wage is even more complex.

Dennis, the Montana mom, is 23 and has three children. She said she lost her food stamps when she went to work. Her family lives in subsidized housing and when her income increased, her rent did, too. Plus, she got a bill for previous months at the higher rate. Then there were the day care costs.

"It got to the point where if I wasn't working there, I could be with my kids and pay my bills," said Dennis.

Montana was among states that passed minimum-wage increases in the November election, along with Arizona, Colorado, Missouri, Nevada and Ohio.

Herman "Mack" McCowan, 61, of Cleveland, was active in the Ohio office of Let Justice Roll, an organization that advocated for a higher minimum wage. In Ohio, the minimum wage increased from \$5.15 to \$6.85 and will now be indexed to inflation.

"At \$5.15 an hour, you can't really extend yourself; you only exist," he said. McCowan worked for four years as a day laborer, making \$5.15 an hour, before landing a \$6 an-hour job at a community center.

With the roughly \$80 a week a full-time worker would have after the federal wage hike, "You're able to afford a telephone, able to pay your light bill on time, able to pay your rent," he said. "You will be able to relieve a lot of the stress."

Threat of homelessness

Stagnating wages for unskilled workers coupled with increased housing costs have put more working people at risk of being homeless. For instance, about 28 percent of homeless adults in Louisville, Ky., homeless shelters are working, according to the Louisville Coalition for the Homeless.

One-quarter of hourly workers who make minimum wage are teenagers, but about half are older than 25, according to the Bureau of Labor Statistics.

For some workers, a job near minimum wage is their only option. Paula Berrios, 66, helps support her daughter and grandchildren in El Salvador working as a janitor for \$7.18 an hour. Berrios, who lives in Alexandria, Va., does not speak English.

"I'm desperate," she said, speaking through a translator. "That's all I can get."

A jump to \$7.25 would make a two-bedroom apartment affordable to families with two minimum-wage earners in all but 19 states, said Danilo Pelletiere, research director at the National Low Income Housing Coalition.

"If you're a single mom or dad with a kid, who can't sleep in one room, you're still out of luck," he said.

In some areas, especially where the cost of living is high, pay for low-skill jobs has already surpassed \$7.25 an hour.

"Eight dollars an hour is a starting wage for a dishwasher," said Paul Turley, owner of Turley's Restaurant in Boulder, Colo. "The minimum wage in Colorado is really a nonissue."

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- *Becky Pallack*

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