US Senate rejects increase in minimum wage

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On Wednesday, the US Senate rejected a proposal to raise the national minimum wage from its current level of $5.15 per hour. As a result, it is unlikely that the minimum wage will be raised this year, making 2005 the eighth straight year in which the wage has remained unchanged.

By a largely party-line vote, the Senate rejected a very meager Democratic-supported amendment to a spending bill that would have raised the minimum wage to $6.25 over 18 months. Also voted down was a Republican-sponsored alternative supported by the Bush administration that would have raised the wage by the same rate, but would have tied the raise to various cuts in business taxes and a loosening of regulations on overtime pay.

The last time the federal minimum wage was raised was in September 1997. Since then, inflation has reduced its real value by some 17 percent. A minimum wage job is not enough to raise a family above the official poverty line. As a result, many minimum wage workers are forced to work multiple jobs.

The Economic Policy Instituted reported on September 1, “Since the inception of the minimum wage [in 1938], there has been only one other period (from 1981 to 1990) in which the minimum wage has remained unchanged from more than eight years.” Over the same period that the minimum wage has remained stagnant, the Senate has voted itself seven pay increases, worth $28,000.

An estimated 500,000 Americans earn the federal minimum wage. Several states have their own minimum wages set slightly higher than the federal minimum.

The paltry character of the Democratic proposal, supported by the AFL-CIO bureaucracy, was indicated by the figures given by its principal sponsor, Senator Edward Kennedy. According to Kennedy, a single worker earning the $5.15 minimum wage brings home $10,700 a year, which is $4,500 below the government’s poverty line for a single-parent, two-child family. At $6.25 an hour, the same worker would earn only $13,000, still $2,400 below the poverty line.

In reality, the federal poverty level is a very poor indicator of the income needed to sustain a family. According to a recent report by the California Budget Project, a California family with two working parents and two children requires an annual income of $71,377 to achieve a modest standard of living. This is over three times the income brought home if both parents work at minimum wage jobs. The two wages, totaling $21,400, would bring the family’s income just above the official federal poverty level of $18,850 for a family of four.

A report from the AFL-CIO notes, “The inflation-adjusted value of the minimum wage is 26 percent lower today than it was in 1979 and in real dollars... If the minimum wage had just kept pace with inflation since 1968 when it was a $1.60 an hour, the minimum wage would be $8.88 an hour in 2005.”

The Senate’s refusal to raise the minimum wage came one week after the government reported that consumer prices rose in September at the fastest rate in 25 years. The Labor Department reported that the consumer price index (CPI) increased 1.2 percent, the largest monthly increase since 1980.

In the 12 months ending in September, the CPI rose 4.7 percent, the largest annual increase since 1991. The sharp increase is due largely to soaring energy prices, which rose 12 percent in September alone, the largest ever recorded monthly increase. The government began tracking such figures in 1957.

Prices at the wholesale level rose 1.9 percent in September, the largest increase in 15 years. Food prices, particularly for basic necessities such as eggs and vegetables, were sharply up. The “core” wholesale inflation rate, which excludes both food and energy, rose 0.3 percent, higher than expected.

Real wages have been falling for months, and will fall even more steeply as a result of the spike in prices. An October 15 article in the *Washington Post* notes, “After taking inflation into account, average weekly wages for production and non-managerial workers—who make up more than 80 percent of the workforce—fell 1.2 percent last month, the Labor Department said in a separate report. Those earnings bought 2.7 percent less than they did a year earlier, after adjusting for price increases.”

According to Jared Bernstein of the Economic Policy Institute, this is the steepest annual decline in real wages since the early 1990s. The fall in real wages comes during a period of supposed economic recovery—a “recovery” that has overwhelmingly benefited the wealthy.

With home heating costs expected to soar over 50 percent this winter due to sharp increases in the price of natural gas, the impact of falling wages for millions of working class Americans will be felt most severely in the coming months. For the second time this month, the Senate voted on Thursday against a measure that would have increased funding for the Low-Income Home Energy Assistance Program by $3.1 billion**.**

Workers across the country are facing a massive assault on wages and benefits. General Motors and the United Auto Workers union have agreed on sweeping cuts in health benefits as well as wage concessions. Ford and Daimler/Chrysler have announced they will demand similar rollbacks.

These attacks follow the bankruptcy filing by auto parts maker Delphi, which is demanding cuts of 60 percent in wages and benefits. Delphi’s move was preceded by huge cuts in the wages and benefits of airline workers.

The Bush administration is using the Hurricane Katrina disaster as a pretext to attack social programs that aid the most vulnerable sections of the population. Lawmakers in the House and Senate are working out proposals to cut billions of dollars from Medicaid, which provides health care to the poor and elderly.

On Wednesday, the Bush administration approved a plan by the state of Florida to transform Medicaid from a defined-benefit to a defined-contribution system in that state. This marks a new step in the dismantling of Medicaid as an entitlement program.