US minimum wage remains at $5.15 an hour

Failed Republican bill tied increase to inheritance tax cuts

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Before the US Congress adjourned for a four-week summer recess, the Senate voted down a bill late Thursday that would have provided a $2.10 increase in the federal minimum wage, from $5.15 to $7.25 an hour.

The Republican-sponsored bill, however, was not intended to alleviate poverty. It was an effort to exploit the plight of low-wage workers as a lever to extract hundreds of billions in additional wealth for the super-rich. The minimum wage bill was only brought up for a vote after the Republican leadership added a provision that would have put an end to inheritance taxes on individual estates worth up to $5 million and on joint estates worth up to $10 million.

Failure of the bill means that the minimum wage has remained unchanged for almost nine years. The Senate voted 56-42 in favor of the legislation, four votes short of succeeding, with four Senate Democrats joining Republicans. The House had passed the bill on Saturday.

Republicans have been obsessed with doing away with what they refer to as the "death tax"—which will be phased out completely by 2010, but will rise back to 55 percent on estates larger than $1 million in 2011 if new legislation is not put in place. An effort to make the abolition of the estate tax permanent failed to pass the Senate earlier this year, and proposals to reduce the tax rate on inherited wealth also became bogged down. The minimum wage bill was seized on as a suitable vehicle instead.

The cynical dimensions of this legislative maneuver are breathtaking. In one piece of legislation, Republicans attempted to hold the poorest workers in society hostage to enrich the wealthiest segment of society. As a result of the bill's defeat, minimum wage workers earnings remain stuck at 1997 levels.

Putting this into perspective: working 40 hours a week, 52 weeks a year, at the prevailing $5.15 an hour minimum wage, a worker's annual earnings amount to just over $10,000—half of what the US Department of Health and Human Services sets as the US poverty guideline for a family of four in 2006 (a grossly insufficient guideline of $20,000).

During the period they have kept the minimum wage frozen at this level, congressmen have voted themselves *raises* totaling $31,000 a year: their salary has increased by three times the total income of a minimum-wage worker.

Those who would be "protected" by elimination of the inheritance tax are the wealthy who have been able to set aside multiple millions to pass on to their heirs. Not a few of these millionaires are senators and representatives in the US Congress. According to published estimates, at least 123 of the 435 members of the House earn more than $1 million and 40 of the 100 senators belong to the millionaires club.

These include a large number of Democrats as well as Republicans. In the Senate, the two Democratic senators from Massachusetts figure among the richest. Edward Kennedy has more than $45 million in the bank; 2004 presidential candidate John Kerry is married to Teresa Heinz, who inherited $500 million on the death of her previous husband John Heinz, himself a US senator. Sen. John Rockefeller of West Virginia, another Democrat, reports annual earnings upwards of $80 million.

Outside the halls of Congress, an estimated 6.6 million workers currently earn the minimum wage of $5.15, and the wages of another 8.3 million are indirectly pegged to the federal minimum. Of these workers, 80 percent are adults and 60 percent are women; 1.4 million single parents are paid the poverty-level wage.

When the effects of inflation are taken into account, the $5.15 hourly rate is actually worth about a dollar less than it was in 1997, the last time an increase was legislated by Congress. The minimum wage, enacted in 1938, has never included a feature by which it automatically adjusts for inflation, and is reliant on Congress to legislate increases.

For the past six and a half decades, Congress has typically acted to adjust the minimum wage proportionally upwards, in line with consumer prices. The only exception is the current period and a period from January 1981 until April 1990, when it was frozen at $3.35 for nine years and three months. If Congress fails to increase it, on December 2, 2006, it will have remained unchanged for the longest period since it was established.

A worker earning the minimum wage is now paid only 31 percent of the average wage in the private sector, the lowest share since at least the end of World War II. In terms of purchasing power, the minimum wage has deteriorated by about one-fifth. Adjusting for inflation, the value of the minimum wage is at its lowest level since 1955.

The stock market boom of the 1990s saw no reflection in the wages of those earning the federally mandated minimum. And in the first decade of the twenty-first century, as corporate profits continue to soar, the minimum wage has remained unchanged. Data released this May by the Bureau of Economic Analysis (BEA), an agency in the United States Department of Commerce, showed that in the first quarter of 2006, corporate profits claimed the largest share of gross domestic income (GDI) since the first quarter of 1939. Again, there was no corresponding rise in the minimum wage.

The fall in the relative value of the minimum wage is a significant contributing factor to the persistent increase in wage inequality since the late 1970s. This is true not only for those earning the minimum wage, but for a substantial section of low-paid workers in the US.

The current economic "recovery" touted by the Bush administration has not benefited the vast majority of working Americans. According to data compiled by the Economic Policy Institute's Center on Budget and Policy Priorities, for a worker whose wage is at the 10th percentile (meaning 10 percent of the population earns less and 90 percent earn more), this worker's wage level grew in real terms by a total of 16 percent from 1995 to 2002.

But from 2002 to 2005—despite an overall productivity increase of 10 percent during these years—this 10th percentile saw their real wages *decline* by 3 percent, taking inflation into account.

While the recent legislation would have provided a miserly increase in the federal minimum wage, critics of the bill pointed out that it could have actually resulted in pay reductions of $3 an hour for food servers, bartenders and others who rely on tips to supplement their wages.

Under current federal law, employers can pay workers who receive tips a sub-poverty wage of only $2.13 an hour, more than $2 an hour less than the $5.15 minimum wage. Seven states, however, have passed legislation which eliminates this disparity, and in some cases sets a higher minimum wage for all workers. In California, for instance, the minimum wage for all workers, including those receiving tips, is set at $6.75 an hour.

According to some Congressional Democrats who voted against the Republicans' proposed legislation, one sentence in the 183-page minimum wage bill would have allowed employers in these states to supercede state laws, and pay lower wages for tipped workers. This could result in pay cuts of as much as $3 an hour for these employees.

In California alone, such a change could affect as many as 638,000 workers. Other states affected would include Alaska, Minnesota, Montana, Nevada, Oregon and Washington, which also do not set a separate, lower wage for tipped workers.