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Opinion

With increase, minimum wage works

Thursday, February 1, 2001

By **JOHN BURBANK**
 GUEST COLUMNIST

On Jan. 1, the state raised the minimum wage with a cost-of-living adjustment to \$6.72 an hour. This was the first time in the state and in the nation that the minimum wage was automatically increased so that its purchasing power keeps up with inflation. This automatic adjustment was the result of the 1998 initiative in which the voters of our state voted 2-to-1 to increase the minimum wage.

Why was this initiative necessary? The previous minimum wage of \$4.85 generated poverty. The intent of Congress when initiating a federal minimum wage was to assure "the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers" through the minimum wage. But \$4.85 made people poor instead of enabling them to earn their way out of poverty.

As Americans, we value work, but the minimum wage devalued work. The voters realized that and passed the minimum-wage initiative in every county in the state.

Even now with the minimum wage set at \$6.72 an hour, minimum-wage workers are still underpaid for the value of their work. In 1968, the value of the minimum wage was one-and-one-quarter times greater than it is now. Given that in the past 30 years productivity has increased 50 percent, minimum-wage workers are grossly underpaid compared to the value of their labor benchmarked by the 1968 minimum wage.

Without the annual minimum-wage cost-of-living increases, many employers would simply use the minimum wage to underpay their workers. That is not right.

Who are minimum-wage workers? Seventy percent are adults. Thirty-five percent are the only wage earners in their families. The average minimum-wage worker provides 54 percent of his or her family's weekly earnings. Of the youths who are minimum-wage earners, 60 percent are in families with below-average incomes. Nearly three of every four minimum-wage earners are women.

It only makes sense that these lowest paid and some of the hardest working people in Washington state are not driven further into poverty and left behind the rest of us in the event of inflation. Just as there is a societal consensus that cost-of-living adjustments in Social Security are

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essential for maintaining seniors' standard of living, so too is a cost-of-living adjustment for minimum-wage workers. It is a common-sense formula that the voters in our state put on the books in 1998.

Now some businesses are making dire predictions about the minimum wage's cost-of-living adjustment, but their math doesn't add up. Consider retail business operating costs: The minimum wage is going up 22 cents an hour (3.38 percent). Labor costs account for approximately 20 percent to 25 percent of the total operating costs.

Even if all employees in a firm are working at minimum wage, the minimum-wage hike of approximately 3.38 percent would result in, at the most, an increase in total costs of only eight-tenths of a percent. Further, what would be an extremely small increase in labor costs is countered by increases in productivity and decreased costs for training and recruitment of new employees.

In today's new economy, firms have less loyalty to workers and workers have less loyalty to firms. This generates increasing employee turnover and increasing costs for recruiting and training new workers. It is not small potatoes.

One business director in Seattle calculates that each staff opening costs her \$1,000 in recruiting and training costs. What some employers are realizing is that it makes more sense to pay workers a little more, offer them a benefit package and treat them with respect, not as interchangeable parts of production.

Increasing the minimum wage sends a signal that we encourage businesses that pay their workers a decent wage and discourage businesses that purposely pay poverty wages. A sound business climate needs an educated work force, high consumption patterns and low levels of poverty, especially for those businesses, such as fast-food restaurants, that rely directly on out-of-pocket consumption expenditures for their sales. Increasing the minimum wage creates a platform for all these elements of business prosperity. It is a common-sense formula that the voters in our state recognized in 1998. It makes sure that we continue to honor hard work.

John Burbank is executive director of the Economic Opportunity Institute in Seattle.

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