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Addressing income inequality: A higher minimum wage is just the start

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President Barack Obama late last year pledged for the rest of his time in office he would make it a priority to address income inequality.

Raising the minimum wage is one step to fixing wage disparities, but only one step. Still, it's the remedy that has been grabbing headlines.

Raising the minimum wage from the current $7.25 an hour to $10.10 an hour would give an automatic raise to an estimated 16.5 million workers, according to a Congressional Budget Office study issued Tuesday. Other studies have pointed to a spillover effect that could ultimately help 28 million workers in all, as those already making $10 an hour or a bit more would likely get raises as well.

It's a moral issue, according to Thom Shellabarger, a former domestic policy adviser to the U.S. bishops who is now a Washington-based public policy associate for Interfaith Worker Justice.

In 1982, CEO pay in the United States was about 42 times what their employees made on average, Shellabarger said. "And in 2012, just a few years ago, the last number I recall it's now over 400-to-1, 440-to-1. That type of movement further and further off the norm distorts the whole economic picture, particularly if you know that wages for the average family are flat and have been going down (in real terms) since 1982."

"As productivity and profits go up," he said, "only a few are benefiting from that, not the general population. So we're concerned about how that inequality is growing."

The gap, according to American Enterprise Institute resident scholar Norman Ornstein, is the greatest it's been since 1929, the year of the stock market crash that spawned the Great Depression.

The CBO study said the proposed minimum wage hike -- there are companion bills in the House and Senate -- would pull 900,000 people out of poverty. The bills also would index the minimum wage to inflation, and raise the minimum hourly pay for "tipped workers" such as waiters and baggage handlers from $2.13 to 70 percent of the minimum wage.

A minimum wage increase also would ease the working poor's reliance on government programs such as Temporary Assistance to Needy Families, the Supplemental Nutrition Assistance Program and the earned income tax credit. The CBO analysis said the net effect "would probably be a small decrease in budget deficits for several years but a small increase in budget deficits thereafter."

But a University of California-Berkeley Labor Center study projected government savings of $7 billion just for tipped workers' wage hikes. The center's director, Michael Reich, said in a Think Progress blog posting Wednesday, "SNAP benefits decline by 30 cents for every additional dollar of income and phase out entirely for

a family of three that makes about $25,000," making the cut in government spending "quite substantial."

Heidi Shierholz, a labor market economist with the Economic Policy Institute, told Catholic News Service that if "the goals of a minimum wage increase is to get more money in the pockets of workers," then it hurts workers when "every additional dollar in wages gets clawed back" by the government by 30 percent.

Raising the minimum wage requires Congress to act. Obama on Feb. 12 signed an executive order decreeing that workers under new contracts signed with the federal government be paid at least $10.10 an hour. Shellabarger was at that signing; he said about 250,000 contract workers will be helped.

The bombshell in the CBO's report was its estimate that 500,000 jobs would be shed as a result of a minimum wage hike. More jobs were created than lost the last time the minimum wage was raised in 2007, even though the nation entered into a recession by the end of the year. Other estimates had pegged net job creation at about 85,000.

The White House and some think tanks went into overdrive once the CBO report came out. Their main points were that the CBO had also acknowledged that job loss could be negligible; the CBO's analysis upheld all of their other contentions about the effects of a minimum wage increase; and the growing number of scholars and economists arguing for a minimum wage hike and its benefits.

"Americans have been some of the most productive workers on earth over the past 50 years, yet in real terms minimum wage workers earned more during Beatlemania than they do today," said a statement Tuesday from Christine Owens, executive director of the National Employment Law Project.

A NELP analysis of occupational employment statistics study covering 2009-12 found that, averaged across all occupations, real median hourly wages declined by 2.8 percent; real median wages fell by 5 percent or more in five of the top 10 lower-wage occupations: restaurant cooks, food preparation workers, home health aides, personal care aides, and maids and housekeepers; and that lower- and mid-wage occupations saw significantly bigger declines in real median wages than did higher-wage occupations.

Interfaith Worker Justice's Shellabarger said apart from raising pay, "we can also make sure that the tax structure is progressive. Make sure we have a strong estate tax," adding it is important for the country to determine "how we tax, how we operate within that whole spirit."

Another area is CEO pay. Shellabarger highlighted the 73 percent raise given JP Morgan Chase CEO Jamie Dimon despite scandals that engulfed his company last year. "His salary went from $11 million to $20 million, and since more of his compensation is in stock options, his tax rate is 20 percent," he said. "That's less than what hard-working Americans working every day pay in taxes."

Justin King, policy director of the New America Foundation's Asset Building Program, suggested Feb. 13 the creation of "a universal, progressive system of children's savings accounts" based on a bill introduced five years ago by Sen. Chuck Schumer, D-N.Y.

"Shortly after birth, each child in America would receive an account, seeded with $500. Children of low-income parents would receive an additional, upfront contribution of up to $500. Amounts in the account would grow tax free, and contributions would be capped at $2,000 per year," King said.

"In order to attract contributions from striving families, each dollar contributed by low-income families would be matched by an additional dollar, up to $500 per year. The money would be invested in a 'life-cycle'-type fund and set aside only to be used to help pay for post-secondary education, homeownership, and a secure retirement."

After a Feb. 14 Labor Department round table with faith leaders focusing on a minimum wage increase, Sr. Simone Campbell, a Sister of Social Service who is head of the NETWORK social justice lobby, told CNS about meeting a woman who works full time in the District of Columbia but must spend most of her nights in a shelter "because she can't afford to pay rent anywhere in the area. That's wrong. That's immoral."

Labor Secretary Thomas Perez, in an interview with CNS, acknowledged that laws are a sign of a society's morality.

"Raising the minimum wage is both an economic imperative and a moral imperative," said Perez, a member of Holy Redeemer Parish in Washington. "No one who works a full-time job should have to live in poverty. That's not who we are as a nation."

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