



Department of Social Development and World Peace
Office of Domestic Social Development

Background on Minimum Wage
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In the last ten years, the value of the minimum wage eroded to its lowest point since 1955. The value of the current minimum wage of \$5.15 an hour, adjusted for inflation, is less than one-third the average hourly wage. By the time of the Social Ministry Gathering in February 2007, Congress may have passed, and the President signed into law, the "Fair Minimum Wage Act of 2007" raising the minimum wage to \$7.25 over two years. The next step for advocates for low paid workers is to seek an indexed minimum wage. Indexing the minimum wage would help workers make ends meet and would also regularize small, gradual wage increases that businesses could anticipate and build into their business plan.

Reasons to Index the Minimum Wage

- The gradual erosion of and the very few increases in the minimum wage over the last fifty years demonstrates the need to index the minimum wage to an economic scale that will help workers get a decent wage. The steady erosion of the minimum wage takes a toll on those who rely on the minimum wage for their sustenance. In addition, uncertainty in wages can make planning difficult for businesses. Indexing the minimum wage assures that low-paid workers do not lose ground in the economy—ground they can ill-afford to lose—and it offers their employers a predictable wage standard.
- Indexing the minimum wage allows workers to keep up with economic change. For example, if the minimum wage is \$6.00 per hour and inflation goes up 3%, an indexed minimum wage could go up by 3% to \$6.18 per hour. That \$6.18 buys the same amount as \$6.00 did the year before. In terms of purchasing power and quality of life, the minimum wage has simply maintained its purchasing power.

Ten states that now have an indexed minimum wage, four -- Washington, Oregon, Vermont, and Florida --for a long enough period to measure the results. None of these four states with experience have had adverse effects predicted by opponents. For example, in Washington State during the most recent recession, while the number of high-wage manufacturing jobs declined, the number of low-wage jobs increased. Nor have annual adjustments seemed to fuel inflation. In fact, the Bureau of Labor Statistics data show a decline in the consumer price indexes in Washington and Oregon relative to the national inflation rate after the states began indexing their minimum wages. (See studies at <http://eoionline.com/MinimumWage> and http://www.epi.org/content.cfm/briefingpapers_bp150).

Since first enacted in 1938, the minimum wage has fluctuated relative to wages and prices. Both low-wage workers and their employers would benefit if the cycle of declining purchasing power and rare but significant increases could be eliminated. The nation could help ensure that the

wages of low paid workers do not decline over time, while offering employers a predictable change in wages that they could anticipate.

USCCB POSITION

Work has a special place in Catholic social thought: work is more than just a job; it is a reflection of our human dignity, and a way to contribute to the common good. Most importantly, it is the ordinary way people meet their material needs and community obligations. In Catholic teaching, the principle of a living wage has long been integral to our understanding of human work. Wages must be adequate for workers to provide for themselves and their families. Although the minimum wage is not truly a living wage, the Catholic bishops have supported increasing the minimum wage over the decades. The minimum wage needs to be raised to help restore its purchasing power, not just for the goods and services one can buy but for the self-esteem and self-worth it affords the worker. The United States Conference of Catholic Bishops has consistently supported legislation that would increase the minimum wage and has urged Congress to raise the minimum wage in a timely and meaningful way. Indexing the minimum wage is a needed step towards fairness and economic justice

Action

- Urge Members of Congress to support the "Fair Minimum Wage Act of 2007," raising the minimum wage to \$7.25 over two years.
- Ask your Senators and Representatives to consider proposals to index the minimum wage.
- Watch the USCCB/SDWP website and ALERT on Minimum Wage activity in Congress.

For More Information

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