

## **Pass the Living Wage Bill Now**

In 2007, Mayor Bloomberg approved when the federal government raised the minimum wage for the first time in ten years. Now he seems concerned about a “living wage” bill introduced in the City Council which would mandate a wage of \$10 an hour for work on projects receiving city subsidies. This seems like a contradiction considering that the city is in the process of refiguring a poverty level that will be more realistic than the outdated one used by the federal government since the 1960s.

Given a 35-hour work week, \$10 an hour will get a worker about \$18,000 a year, slightly less than the federal poverty level for a family of three and quite a bit less than the new poverty level in the process of being produced by the mayor’s own Center for Economic Opportunity.

A contributing factor to his stand may be the demise of the Kingsbridge Armory project. A shopping center that was to be built in the Bronx with \$14 million in city subsidies was derailed when several public officials and unions thought that the mall shops to be created by the project should pay a living wage to their employees in exchange for the subsidies.

### **Poverty Level Wages**

Calls for a living wage took off as the federal minimum wage was stuck at poverty levels for decades. From 1973 to 2007, the minimum wage fell 22 percent in real dollars. During this time, corporate profits increased by more than 50 percent, underlining the extent to which income inequality has become a hallmark of 21<sup>st</sup> century America.

The minimum wage has a contentious and embattled history in America. With voters seeking a bulwark against the Great Depression, legislation mandating a minimum wage was an issue in the 1936 presidential race. Statutory minimum wages were first introduced nationally two years later by President Roosevelt. The law, the Fair Labor Standards Act, mandated a 25-cent-per-hour wage floor and a 44-hour work week ceiling for most employees. It also banned child labor. FDR said that outside of Social Security, the minimum wage law was "the most far-sighted program for the benefit of workers ever adopted."

In addition to the federal minimum wage, nearly all states have their own minimum wage laws with the exception of Alabama, Louisiana, Mississippi, South Carolina, and Tennessee. These are states where historically wages have been low and union support for workers is weak.

Every time the minimum wage is increased, its critics and supporters have argued over its merits. Some say it destroys jobs by making it too expensive to keep workers. Others say that instead of killing jobs, the minimum wage increases productivity and boosts consumer purchasing power.

Many European democracies, such as Norway, Sweden, Germany, and Italy, have no minimum wage laws. The minimum wage is set through collective bargaining between employer groups and labor unions. I can’t see that happening in America. The potential strikes and shutdowns in vast areas of the economy would be disastrous.

In July 2009, the federal minimum wage moved from \$6.55 an hour to \$7.25 an hour. This was the third and final increase since 2007 that has boosted the federal minimum wage from \$5.15 to \$7.25 an hour. In total, the extra \$2.10 translates into a yearly raise of some \$4,400 for a full-time minimum wage worker. How badly are these raises in the minimum wage needed? They still cannot come close to lifting a family of three above the federal poverty line.

At the Community Service Society, we emphasize work as a way out of poverty, but not at these wages.

Considering the level of poverty in New York City – according to the Census Bureau more than one in five New Yorkers lives below the federal poverty level – you would think that the mayor might like to see an increase in wages for low-income workers. This would help the city by putting more money into the local economy. It would even slightly increase the amount of taxes collected by the city.

Although some might see an increased minimum wage or a living wage law in New York as aiding mostly people of color, I can remember a trip to the Bowery in my youth where every homeless man I saw was white. Of course, times have changed.

### **A Changed Economy**

At a time when manufacturing was a large sector of the economy, factory jobs were plentiful. But the city's economy has moved away from manufacturing to a service economy – securities, banking, insurance. Wall Street is a major employer. These sectors of the labor market require higher education and more than basic skills. In the city's public school system that is overwhelmingly black and Latino, only about half of students graduate high school, few with a Regents diploma, a pipeline to good jobs or college.

The loss of factory jobs has occurred across the country. So has the proliferation of public school systems in large urban areas where students of color are often simply warehoused instead of educated. The result over time: In today's Bowery, most of the homeless, no doubt, are people of color, as is true across the city.

The living wage bill in the City Council requires either a wage of \$10 an hour plus health benefits or \$11.50 an hour without benefits. A majority of Council members support the bill. We think the mayor should, too.

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