

Living wages for working families: A policy paradox

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One of the most illuminating classroom exercises that I facilitate in my undergraduate and graduate social policy classes is one where I assign students hypothetical working family situations. Students are given scenarios where the primary wage earner in their family works full time (40 hours a week) and earns the federal minimum wage of \$5.15 per hour. After assigning students various jobs, wages, and informing them of their families' various circumstances, I ask them to create a monthly budget for their families. Throughout this classroom exercise, students discover the shortfalls associated with the current federal minimum wage of \$5.15 per hour. One of the first lessons learned is that despite working full-time, a single head of household earning minimum wage has difficulty affording adequate housing for a family of three or four. Before taxes, a full-time worker earning minimum wage earns a monthly income of \$824. Assuming the average two-bedroom apartment in Lexington costs \$500 a month, there is very little income remaining for other expenses such as food, utilities and transportation. Students also learn that even if the primary wage earner in their family earns an hourly wage of \$6.00, or if there is another family member earning an hourly wage between \$5.50 and \$6.50 the family unit will still encounter financial hardship trying to meet basic living expenses.

This teaching exercise is designed to illuminate the paradox of public policy, in particular the paradoxes of social policy. Often students believe that social policies are designed to promote or protect the well-being of actors in the polis. However, this hypothetical working family exercise demonstrates otherwise. Though well intended, sometimes policies fall short of their initial intention.

The federal minimum wage was established as part of the 1938 Fair Labor Standard Act. At the time of its creation, the U.S. Congress deemed it necessary to create labor standards because "industries engaged in commerce or in the production of goods for commerce, had labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers." The 1938 Fair Standards Labor Act established a federal minimum wage, child labor protections, and maximum work hour stipulations, among other policies.

How do policy makers, at either the federal, state or local level, determine the meaning of a minimum standard of living? Lately, some of the Commonwealth's policy makers are advocating for an increase in the state minimum wage from \$5.15 to \$6.00 in 2006, and to \$6.50 in 2007. By passing such legislation, Kentucky would join 17 other states and the District of Columbia in increasing the state minimum wage above the federal standard. One of the most common arguments against raising the federal minimum wage is that it would increase costs for businesses and would thereby reduce the number of available jobs. However, research by two economists, Alan B. Krueger of University of California, Berkeley and David Card of Princeton University, found otherwise. In 1992, New Jersey increased the state minimum wage to \$5.05 from \$4.25, while Pennsylvania maintained the federal minimum wage. Their analysis of the effects of the minimum wage on the fast-food restaurants and low-wage jobs in the two states found that a modest increase in wages did not harm the labor market. In fact, they found that an increase in minimum wage increased employment.

At a national level, large corporations have entered the discussion about the minimum wage. In a recent New

Living wages for working families - page 2

York Times Magazine article, it was reported that Wal-Mart's president and C.E.O supports an increase in the minimum wage. From his perspective, an increase in the minimum wage would have little effect on his company's operations, as Wal-Mart's current average hourly wage is \$9.68. Increasing the minimum wage would be more likely to benefit Wal-Mart's customers than its employees, which of course is good for Wal-Mart. Similarly, 2004 Bureau of Labor Statistics data suggest that among the 704 occupational categories listed for Kentucky, only four occupational categories reported an average wage of less than \$7.00 per hour-waiters & waitresses, food preparers, fast food cooks, and dining and cafeteria attendants.

The poverty rates in Kentucky are increasing among working families with children. In nearly two-thirds of these families, research suggests that it is likely that both parents are employed full-time. The United States Social Welfare State is rooted in the English Poor Laws, first established in England during the early 1600s. One of the legacies of the English Poor Laws is the idea of the "deserving" and "undeserving" poor. That is, individuals who are poor through no fault of their own should receive some form of public assistance. In contrast, individuals who are poor because they choose not to work or they choose to engage in activities that prohibit them from working do not deserve public assistance. Conservatives and liberals have long debated this matter. However, what is indisputable is that in Kentucky (as in other states) a contemporary policy paradox plagues policy makers and the business community. Many employed people are poor through no fault of their own. Until federal or state governments choose to intervene and change the system, current policy interventions will continue to fall short of promoting a minimum standard of living necessary for the general well being of working families.

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