

Surviving (or Not) on Minimum Wage

Today's 70-cent Jump in the Minimum Wage Is Still Not Enough, Say Workers

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The country's lowest-paid workers will get raises today as the federal minimum wage increases 12 percent, or 70 cents, from \$5.85 to \$6.55 an hour.

But that's still not enough to pay the bills, say some members of the working class, including many who already earn more than the minimum wage.

Barbara Stepney, a 57-year-old grandmother in Baltimore, makes \$7.15 an hour working in the laundry of a Comfort Inn. She says she can't afford health insurance, a car, or her own apartment.

"I'm slowly getting by," says Stepney, who contributes \$350 to her sister's monthly rent. The rest of her paycheck goes to buying groceries, at \$25 to \$100 a week.

Although she's close to retirement age, Stepney says she's about to take a second job, just so she can afford clothes, but even then, health insurance remains prohibitively expensive for someone her age.

"It's not enough money to make ends meet," she despairs. "I do the best I can — taking the bus, using coupons, but this ain't living."

Antonio Clemens, 31, who makes about \$7.85 an hour at the Memphis Music Café, can't afford health insurance and is unable to save money in between paying \$685 a month in rent on the apartment he shares with his wife and their two young children.

"You start to feel like you're really not going to make it," he says. "Look, I'm making over a dollar more than the minimum wage and it's tough to make ends meet. Instead of date nights, we stay home and play Battleship."

As part of a three-stage increase in the wage, passed by Congress last year, the minimum wage will jump to \$7.25 per hour in July 2009. But almost half the country, 24 states, already have higher minimum wages, ranging from \$6.79 in Florida to \$8.07 in Washington State. The average wage in the country is \$18.01 an hour, according to the federal Bureau of Labor Statistics (BLS).

About 60 percent of minimum-wage workers labor in leisure and hospitality jobs, such as food preparation, and tend to be younger and unmarried, according to the BLS.

The numbers just don't add up for millions of Americans making close to minimum wage, say fair-wage advocates, especially in light of increases in gas and food prices.

Government surveys show the average price of a gallon of milk jumped from \$2.67 in June 2003 to \$3.77 in June 2008, and the price of a dozen grade A eggs has more than doubled, from 97 cents in June 2002 to \$1.92 in Jun 2008.

The minimum wage increase represents a \$28 increase in weekly wages, which is barely higher than the \$21.18 increase in money spent on food and gas each week in 2008, according to the Center for American Progress.

"You can't live anywhere in this country on \$13,624 dollars a year," says Jason Perkins-Cohen, executive director of the Job Opportunities Task Force in Baltimore, crunching the numbers on what the new minimum wage translates into as an annual salary.

"It's not enough to pay for housing, to put food on the table, to keep your house lit and warm."

Perkins-Cohen welcomes the wage increase, saying that every little bit helps low-income workers afford a few more groceries or higher electricity bills, but he stresses that it's just not enough.

"We can't sit back and feel terrific about ourselves and say we've made a dent in poverty," he explains, adding that many minimum wage workers he knows need to work an extra job or move in with roommates or family members. "We have to find a way for them to move up □ should you really be living in poverty if you're working around the clock?"

Barbara Ehrenreich, who tried living for three months by working low-wage jobs in her 2000 book, "Nickel and Dimed," says that she wouldn't survive the same experiment today due to increases in rent, gas prices and food prices. She had to give up her experiment while living in the Minneapolis area, where her \$250 a week rent in a residential motel was more than she was bringing home in her \$7-an-hour job at Wal-Mart.

"I can't even imagine doing that today," says Ehrenreich. "Not without being homeless and that is a condition that I ruled out. I'm not going to go there."

Beth Shulman, co-director of the Fairness Initiative on Low-Wage Work, says that the minimum wage is at its lowest value in 50 years when indexed to inflation, explaining that it should be more than \$9 an hour.

For her book, "The Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans," Shulman interviewed workers around the country and heard their stories.

"It was always an awful choice between necessities □ when the refrigerator went out and you paid for that, you didn't have enough money to pay the rent, if your car broke down, you don't have enough money to put food on the table. Many go without health care and the jobs don't provide sick leave, so when the kids get sick, they lose wages for that day. It's the same crisis over and over and over again. People living on the edge of total despair."

Some business groups oppose the wage increase, arguing that it hurts small businesses and impedes their ability to hire low-wage workers.

"The increased revenue to support these higher wages is harder for small businesses than for the big-box store down the block," says Marc Freedman, the director of labor law policy at the U.S. Chamber of Commerce.

Freedman claims that the wage increase has the ironic consequence of stopping employers from hiring at higher wages, a natural effect of market forces, and results in them lowering salaries to the minimum wage level.

And some financial analysts say that it is possible to become a millionaire on the minimum wage if you start young and you've got decades to spare.

"Socking away a little bit of money even \$20 a week and investing it in the stock market over 50 years, with a 10 percent historical rate of return for the S&P 500, will bring you a lot of money," says Robert Brokamp, retirement expert at themotleyfool.com.

Brokamp adds that low-income earners can benefit from tax incentives such as the earned income credit, a refundable credit for people who save.

"They will give you money even if you don't owe any money if you're making minimum wage, you're probably eligible."

Stepney, the grandmother in Baltimore, was skeptical that she could have become a millionaire. "Maybe if I won the lottery -- that's about it."

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