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My Turn: Low wages are crisis catalyst

By Colin Robinson
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For the nearly 6,000 Vermonters who earn $8 per hour or less, and the nearly 7,000 Vermonters who receive a tipped wage, Jan. 1 is more than the beginning of a new calendar year -- it is the day they get a much deserved raise.

Jan. 1, the Vermont minimum wage will rose to $8.06 per hour, and the minimum wage for tipped workers rose to $3.91 per hour. For Vermont's lowest-paid workers, this annual cost of living increase is a small step in the right direction towards ensuring that all Vermonters can meet their basic needs and move towards a livable wage. With this increase, the Vermont minimum wage surpasses $8 for the first time, the wage adjustment reflecting increased costs of food, fuel and other necessities.

Although Vermont has the fifth highest minimum wage in the country, tens of thousands of working Vermonters and their families, earning at or even above minimum wage, live in poverty. Contrary to popular conception, Vermonters earning below $8 per hour are not high school students working at movie theatres or fast food restaurants. According to recent federal data, 60 percent of all workers earning less than $8 perhour are over 30 years old.

We are in the midst of the worst financial crisis since the Great Depression. It didn't require the government officially declaring a recession for low-wage earners and all Vermonters to know that we have been in recession for awhile. The catalyst of the crisis was a perfect storm of subprime mortgages and irresponsible borrowing and lending. However, as the vast majority of us know from our stagnant paychecks, sagging 401(k) statements and skyrocketing health insurance premiums and deductibles, this financial crisis is about much more than subprime mortgages.
So what connection does the minimum wage have to our economic predicament? The minimum wage serves the important function of setting the wage floor upon which all wages are based. As the minimum wage goes so do all other wages -- as it goes up, so do other wages, if it remains stagnant so do other wages, and if it goes down so do other wages. For the past 40 years the minimum wage has been losing real purchasing power. In 1968, the federal minimum wage was $1.60 per hour, if adjusted for inflation in 2008 dollars that would be $9.77. So while in Vermont we are lucky to have a minimum wage that is significantly higher than the federal minimum wage of $6.55 per hour, low-wage Vermonters still have 20 percent less purchasing power than if the minimum wage had retained its 1968 value.

The effect has been two fold. First Vermont's median household income since the last recession in 1990 has only risen by 5 percent. From 1981 to 2003, the bottom 20 percent of Vermont households have only seen a 7 percent increase in household income, while the top 5 percent have seen an increase of 84 percent by the same measure. The lowest income Vermonters, are doing the worst. These households are hit the hardest in economic downturns and make the only the slightest gains when the economy is doing well. As the lowest wage earners have seen their incomes remain relatively stagnant, there has been a greater reliance on credit cards and other debt to pay for basic needs like food, medical expenses, fuel and even school supplies.

The decrease in the purchasing power of the minimum wage has set the stage for the current financial crisis. As more and more emphasis was put on an economy that worked for the few rather then ensuring all folks are able to meet their basic needs, most of us lost ground. It is exciting that Vermont continues to be a leader and that at least 13,000 Vermonters will get a raise, but we still have a long way to go to recover from the 30-year financial slide and ensure that all Vermonters make a livable wage.

Colin Robinson of Winooski is director of the Vermont Livable Wage Campaign at the Peace and Justice Center.