

Why Idaho Should Raise the Minimum Wage



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**Northwest Federation of
Community Organizations**

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Too many Idahoans are not making a living wage. Many families are supported by workers in minimum wage jobs. Today's minimum wage is less than half a living wage for a single person, and less than a quarter of the wage a person would need to support a family of four. Two adults would have to work three full-time minimum wage jobs each to make a living wage for themselves and two children. It is time for Idaho to raise the minimum wage to bring it closer to a living wage.

What is a Living Wage?

A living wage estimates the level of income sufficient to meet a family's basic needs and maintain a reasonable standard of living. Living wage figures vary by state and even city, depending on housing and other costs, and by family size. A living wage covers basic needs and also allows a household to save for emergencies and retirement.

IDAHO FAMILY BUDGETS 2005

	Household 1 Single adult	Household 2 Single adult with a school- age child (6-8 years)	Household 3 Single adult with a toddler (12-24 months) and a school- age child (6-8 yrs.)	Household 4 Two adults (one of whom is working) with a toddler and a school- age child	Household 5 Two adults (both of whom are working) with a toddler and a school- age child
Food	\$163	\$303	\$399	\$584	\$584
Housing and Utilities	\$492	\$597	\$597	\$597	\$597
Transportation	\$361	\$557	\$557	\$879	\$1,047
Health care	\$95	\$211	\$290	\$336	\$336
Household, clothing & personal items	\$278	\$417	\$461	\$599	\$641
Savings	\$154	\$232	\$256	\$333	\$356
Child care	\$0	\$451	\$945	\$0	\$945
State and Federal Taxes	\$3,154	\$3,997	\$4,180	\$3,693	\$6,299
Gross monthly income needed	\$1,805	\$3,102	\$3,853	\$3,636	\$5,032
Gross annual income needed	\$21,658	\$37,219	\$46,239	\$43,636	\$60,382
Living Wage (at 2080 hrs per yr)	\$10.41	\$17.89	\$22.23	\$20.98	\$29.03 *

* Total amount earned by two working adults

Too Many Idahoans Are Not Making a Living Wage

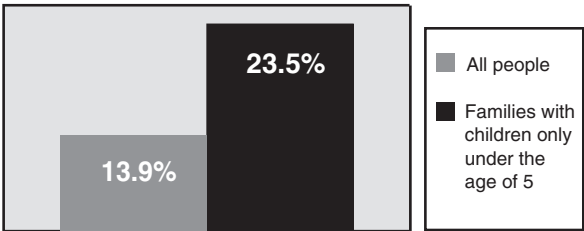
An unacceptable portion of Idaho workers are not making a living wage. According to the 2006 Idaho Job Gap Study, *Living Wage Jobs in the Current Economy*, only 67 percent of jobs in the Idaho economy pay a living wage for a single adult; only 14 percent of jobs pay a living wage for a single parent with two children.

Idaho’s minimum wage does not meet the living wage standard. Idaho’s minimum wage today is less than half a living wage for a single person, and less than a quarter of the wage a person would need to support a family of four. Two adults would have to work three full-time minimum wage jobs each to make a living wage for themselves and two children.

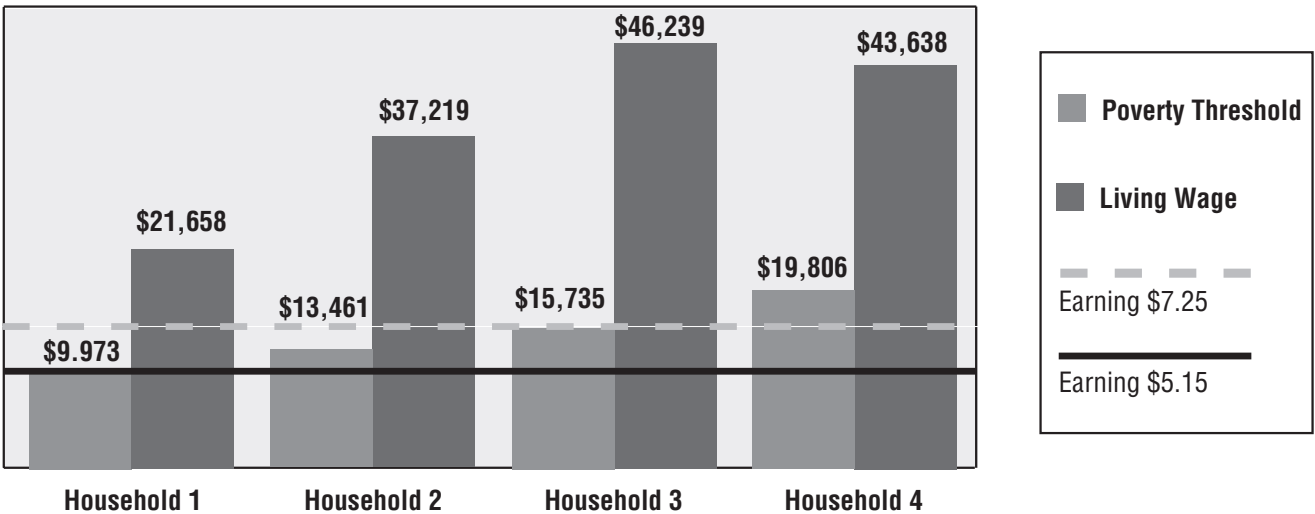
One in six families with children under the age of 18 live in poverty, according to the federal poverty standards.ⁱ The federal poverty threshold, just

under \$10,000 for a single adult or \$19,808 for a family of four, is far below what most people would consider a realistic measure of poverty. A single adult earning the minimum wage, working full-time, would be just above the poverty threshold; a minimum wage-earning parent with even one child would find his or her family living below the poverty line.

Too Many Idaho Families are Living Below the Poverty Level



Data Source: U.S. Census Bureau, 2005 American Community Survey



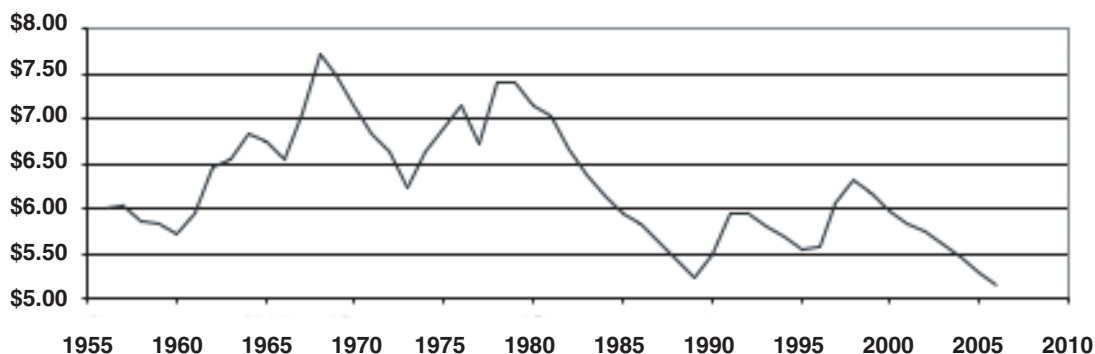
The Real Value of the Minimum Wage Lowest in Fifty Years

Since the minimum wage was last raised in 1997, the purchasing power of \$5.15 has fallen by 20 percent.ⁱⁱ Minimum wage stagnation is contributing to the growing gap between rich and poor in the nation and in Idaho. In the 1950's and 1960's, the minimum wage was worth about half the average wage for nonsupervisory workers; today it is worth less than a third.ⁱⁱⁱ

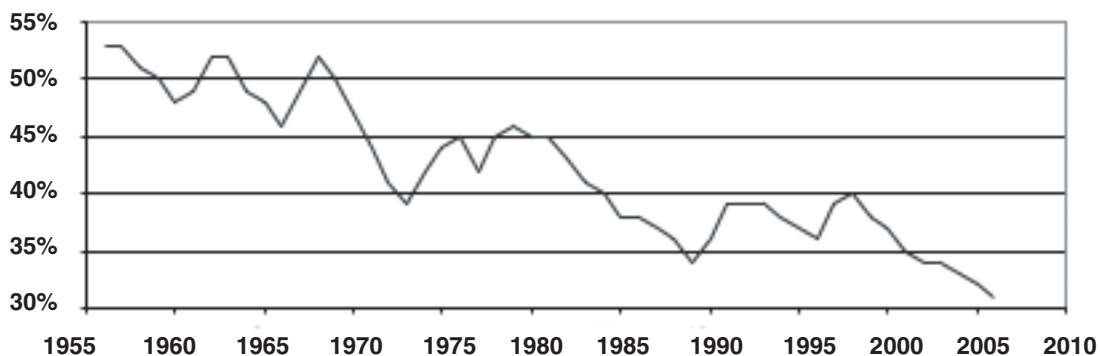
Neither Congress nor the Idaho legislature has raised the federal minimum wage in almost 10 years. Raising the minimum wage is politically sensitive, and legislators do not generally address the issue until the purchasing power of the minimum wage has seriously deteriorated.

Some states have addressed this issue by passing laws that automatically adjust the minimum wage annually to keep up with inflation. Oregon, Washington, and Florida adjust their minimum wages annually, and Vermont will begin in 2007.^{iv} On Election Day, voters in Arizona, Missouri, Colorado, Montana, Ohio, and Nevada passed ballot measures that would raise the minimum wage in their states and annually adjust them to offset inflation.^v

The Minimum Wage is at its Lowest Real Value Since 1956



The Real Value of the Minimum Wage, Compared to Average Wages, at Lowest Since 1956





Anna Matthews
Caldwell, ID

My name is Anna Matthews and I live in Caldwell, Idaho. For the last two months I have been working at a local fast food restaurant making \$6.50 an hour. I moved to Caldwell to help my husband take care of his ailing father. After a couple of years of taking care of him, he passed away and I started looking for a job to help pay the bills at home.

When I entered the job market in Caldwell I tried looking for jobs that would pay better wages, but most places asked for more education than I have. Eventually I was hired at a fast food restaurant. At my current job I only work 4-6 hours a day, from Monday through Friday, so my employer does not have to pay benefits. My take-home pay usually averages about \$600 per month.

Last month, our power bill alone was ninety-two dollars. We had to get rid of my husband's cell phone, because we cannot afford it. This month we will also pay our property taxes. Some of our bills will be backed up this month because there will not be enough money to go around.

I have asthma and arthritis. Visiting the doctor has become too expensive. My husband has heart problems. I have to work out payments with my clinic to pay off a \$500 dollar bill that just arrived. Prescribed drugs have become so expensive that my husband and I have turned to natural herbal medicines. We pay from \$100-\$200 per month for both of us.

Our situation is similar to many working families across Idaho and across the country. We are working hard, yet still falling behind. Families like ours are forced to make tough choices on what bills to pay and what food to purchase. In the most powerful and richest country in the world, we can do better. I urge our leaders to increase the minimum wage this year.

Maria Esperanza*

My name is Maria. I live in Canyon County. I have lived in Idaho for the past 12 years. Since coming to Idaho, I have worked in the fields making the minimum wage of \$5.15 an hour.

This past year my wages went up. I started making \$6.50 an hour. Despite the wage increase, paying the monthly bills has remained a challenge because of the increase in the cost of living. To get to work, I have to pay \$5 dollars a day for transportation. At the end of the month this adds up. The situation gets even harder during the winter when my husband is the only one who is employed. He works at a local dairy farm where his salary is just over \$1,500 a month.

My rent is \$380 and my utility bills vary. Last month my electric bill was \$120. Because I suffer from anemia and I have no health insurance, my monthly doctor visits average about \$80 dollars. One of my young daughters was in car accident this past year, so we took on more debt. I still owe one bill for \$6,000 and one for \$4,000.

Making minimum wage or just over it is not enough to provide for a family. I have school-age children to support. It's a challenge to even think of saving for their education. Policy makers need to increase the minimum wage. Working families like mine depend on it every single day.

*pseudonym

Brittney Poen

I am 16 and work part-time, in addition to going to high school and participating in extracurricular activities. I play volleyball, track and field, and I'm in cheerleading, drill team and jazz band. Altogether, between clothes and activities fees, going back to school cost me \$1000 this year. I paid for it all myself with money I earned this summer. My day starts before six a.m. with cheerleading practice, then classes, and work until midnight. I'm still managing to keep my GPA at 3.95.

I have been waitressing in the restaurant at the Flags West truck stop in Downey, where I live. I make \$3.35 an hour and tips. In the summer the tips are great but in the winter the tips are only \$20-25 a shift. I have to claim in tips 10 percent of what I sell in a shift. If I sell \$500 of food, that means I claim that I made \$50 in tips, even if I only made \$20. Then the restaurant reports that to the IRS and I pay taxes on money I didn't make. I was working three to four days a week, but with all of the extracurriculars I was doing I didn't have time to work as much. They got mad at me and demoted me to dishwashing and now I only get to work 2 days a week. I get minimum wage for dishwashing, \$5.15.

I don't just work to pay for activity fees, clothes, and my car, although I do pay for all of those things. I also work to help my family make ends meet. Since my dad left two years ago, I have been helping to pay the bills. My mom's social security disability pays the mortgage and not much else. If my dad's child support check arrives on time, it pays the bills, but if it is late I do. I pay the water and power bills and the phone bills.

We can't afford for me to not work as much as I have, so I have had to look for a better job since I got demoted to dishwasher. I found a job at a research place in Pocatello that pays minimum wage and may pay more if I do well. It's a 50 mile commute from Downey.

I plan to become a pediatrician. I am taking extra classes to make sure I get into college. If the minimum wage goes up, I can help my family cover the bills and still save money for college. I work really hard for my wages, and I could use the help.

Alma De Dios*
Canyon County, ID

My name is Alma De Dios. I have lived in Canyon County for the last five years. Most of my life I have worked in the fields and in jobs related to agriculture. My wages have varied, but usually have been just above the minimum wage.

As an immigrant from Mexico, when I came here I had high hopes of finding a good job and doing well for my family. After living here for a while, I have realized that even when you work hard and diligently, it's still challenging to get ahead when the jobs you hold pay a minimum wage or a few dollars over.

When I started working in the fields five years ago I was making \$5.50 an hour. In 2006, because of a labor shortage, I was paid \$6.50 to work in the fields and for a short time I also worked for a seed company where I made as much as \$8.00 an hour. This past fall, I worked in an apple packing shed where I was paid \$7.00, high wages, because of the labor shortage. As the work slowed down, our wages went down to \$6.50. With higher wages, it was easier to pay my bills and put food on the table.

Idaho's minimum wage needs to increase so families like mine can survive. For farm workers, it gets particularly hard during the winter. There have been times that I have brought in \$150 for an entire week of work. The wages are low and we also work fewer hours. The winter months mean less money to pay the bills. I pay water, electricity, gas, telephone, rent, car, car insurance, and the bills go on. We have also been paying medical bills.

Changes need to happen. The cost of living has increased dramatically, but our wages have not. Idaho needs to increase the minimum wage to reflect our current reality.

Raising the Minimum Wage Does Not Hurt the State Economy

In 1998, Washington State was the first state to index the minimum wage to inflation. Oregon followed suit in 2002. Neither state economy has suffered from raising the minimum wage and indexing it to inflation. Oregon's employment has risen eight percent since 2002, twice as fast as the national average. Oregon's unemployment rate has dropped from 7.6 percent in 2002 to 5.4 percent today.^{vi} Washington's unemployment rate for the first 10 months of 2006 dropped to the lowest average annual rate for the state since 1999.^{vii} A recent study at Washington State University found that the next state minimum wage increase, to \$7.94, this January, will have a positive impact on workers but little effect on the state economy – they predicted that the state gross product would drop by .007 percent.^{viii}

Idaho's unemployment rate has been hovering at record lows – in October 2006 it was 3.2 percent.^{ix} In 2006 the unemployment rate stayed below the 4 percent that economists consider full employment.^x Idaho had the highest job growth in the nation between the second quarter of 2005 and the second quarter of 2006.^{xi} Idaho's thriving economy is set to absorb any employment impact of increasing the minimum wage.

Raising the minimum wage to \$7.25 an hour would directly affect over 80,000 Idaho workers.^{xii} Idaho Commerce and Labor estimates that that would cost \$142,500,000. In context, that cost amounts to only three-quarters of one percent of the statewide payroll in 2005.^{xiii}

Idaho's Tip Allowance Takes Money Out of Low-Wage Worker's Pockets

Currently the Idaho minimum wage law says that if a worker gets at least \$30 in tips each month,

the employer can pay them less than the minimum wage, deducting their tips from their salary. A worker's hourly wage can be reduced to as low as \$3.35 an hour.^{xiv} This takes money from the pockets of hard-working low-wage workers.

The "Training Wage" Takes Advantage of Young Workers

Idaho's minimum wage law allows employers to pay workers who are under the age of 20 only \$4.25 an hour for the first 90 days that they are at a job. Employers are not allowed to displace other workers by reducing their hours in favor of workers at this lower rate.^{xv} This rule seems to be designed to allow employers to pay high school and college students a reduced rate for their work in summer jobs. This rule is unfair to young workers who are trying to support their families or earn money for college. Jobs that pay minimum wage generally do not require 90 days of training to learn the essential job requirements. Workers who have not reached maximum productivity within 30 days are unlikely to be retained. Workers who have worked at a minimum wage job for 30 days should receive the minimum wage for their work.

Even if Congress Raises the Federal Minimum Wage, Idaho Should Raise the Minimum Wage and Adjust it Annually for Inflation

Congressional leaders have said that they intend to pass legislation to raise the federal minimum wage. Even if the federal minimum wage is raised to \$7.25, Idaho should raise its minimum wage and index it to inflation. Many Idaho jobs

Who would benefit from an increase in the minimum wage to \$7.25?

Idaho workers who would benefit, directly or indirectly, from an increase in the minimum wage to \$7.25 an hour are:

- **16% of the state workforce**
- **60% of affected workers are women; 20% of all women workers would be affected**
- **25% are parents**
- **72% are 20 or older**
- **49% work full-time**

Source: Economic Policy Institute

are regulated under the state minimum wage law rather than the federal minimum wage law.^{xvi} Some employees at small businesses and farm workers on smaller farms would not be covered by the federal minimum wage increase. And if the state minimum wage is higher than the federal minimum wage, employers must pay the higher state wage. If Congress raises the minimum wage this year to \$7.25 but does not index it to inflation, the federal minimum wage will continue to lose value annually until Congress raises it again. Idaho can ensure that minimum wages retain their value by matching the \$7.25 wage that Congress sets, and then indexing it to inflation.

Families of Workers Making the Minimum Wage Face Hard Choices

Real families are trying to make ends meet on minimum wage earnings.^{xvii} Almost three-quarters of minimum wage workers in Idaho are 20 or older.^{xviii} Women, people of color, and people with less education are more likely to spend their careers earning the minimum wage or close to the minimum wage.^{xix} These families have to make hard choices every month, whether to pay the rent or the utilities, whether to take a sick child to the doctor or to buy food. Minimum wage workers are least likely to receive health insurance coverage through work, and Idaho does not have a state public health insurance program that working adults can join like Washington's Basic Health Plan or the Oregon Health Plan.

Recommendations

- Raise the minimum wage to \$7.25/hour, and adjust annually for inflation.
- Eliminate the tip allowance.
- Eliminate the training wage or improve it by lowering the age of workers affected by it to 18, reducing the length of the training period to 30 days, and raising the training wage and adjusting it annually.

References

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- ii Jared Bernstein and Isaac Shapiro, *Buying Power of Minimum Wage at 51 Year Low: Congress Could Break Record For Longest Period Without an Increase*, Center on Budget and Policy Priorities, June 2006.
- iii *Ibid.*
- iv *Indexing the minimum wage for inflation*, Economic Policy Institute, December 2005.
- v CNN.com, <http://www.cnn.com/ELECTION/2006/pages/results/ballot.measures/>, accessed November 17, 2006.
- vi Deborah Solomon, “Weighing Minimum Wage Hikes Oregon’s Boost Didn’t Curb Growth, But Did Squeeze Some Employers,” *Wall Street Journal*, November 3, 2006.
- vii Nicholas K. Geranios, “Little harm to economy seen from minimum-wage increase WSU study says hourly jump to \$7.94 will have a mostly positive effect” *Seattle Post-Intelligencer*, November 16, 2006.
- viii David W Holland, Sanjoy Bhattacharjee and Leroy Stodick, *Assessing the Economic Impact of Minimum Wage Increases on the Washington Economy: A General Equilibrium Approach*, September 2006.
- ix “October Unemployment Rate at Record Low 3.2 Percent,” Press Release, Idaho Department of Labor and Commerce, November 3, 2006.
- x “Idaho’s May Unemployment Rate Increases to 3.5 Percent,” Press Release, Idaho Department of Labor and Commerce, June 2, 2006.
- xi “Idaho Leads Nation in Second Quarter Job Creation,” Idaho Department of Commerce and Labor, July 28, 2006.
- xii *Increasing Idaho’s Minimum Wage*, Salvador Vasquez, Research Analyst Supervisor, Idaho Commerce and Labor, August 2006.
- xiii *Ibid.*
- xiv Idaho Code 44-1502(2); U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division, *Minimum Wages for Tipped Employees*, <http://www.dol.gov/esa/programs/whd/state/tipped.htm>, accessed November 17, 2006.
- xv Idaho Code 44-1502(3).
- xvi The federal minimum wage law applies to employees at businesses that do at least \$500,000 in business annually; businesses that engage in interstate commerce or the production of goods for commerce; and employees of federal, state or local government agencies, hospitals and schools. It also generally applies to domestic workers. U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division, *Questions and Answers about the Minimum Wage*, <http://www.dol.gov/esa/minwage/q-a.htm>, accessed November 17, 2006.
- xvii William J. Carrington and Bruce C. Fallick, *Do some workers have minimum wage careers?* Monthly Labor Review, May 2001.
- xviii Economic Policy Institute.
- xix *Ibid.*

Why Idaho Should Raise the Minimum Wage

About the organizations releasing this report



Northwest Federation of Community Organizations (NWFCO) is a regional federation of four statewide, community-based social and economic justice organizations located in the states of Idaho, Montana, Oregon, and Washington: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), and Washington Citizen Action (WCA). Collectively, these organizations engage in community organizing and coalition

building in 14 rural and major metropolitan areas, included the Northwest's largest cities (Seattle and Portland) and the largest cities in Montana and Oregon. 1265 South Main Street Suite #304, Seattle, WA 98144, Voice: (206) 568-5400, Fax: (206) 568-5444, Web: <http://www.nwfco.org>



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The Idaho Community Action Network (ICAN) serves as a powerful, consolidated voice for low- and moderate-income Idahoans, with chapters and membership clusters in fourteen Idaho communities, including the state's three largest cities and numerous rural areas. Through ICAN, low-income Idaho families have a voice in the decisions that impact their lives. In addition to its direct action work, ICAN runs a statewide, volunteer-driven food program that helps low-income families supplement their monthly budgets.

ICAN's community organizing model integrates the provision of food with training, leadership development, and action on issues to win concrete changes in people's lives and advance the cause of social, racial and economic justice for all Idahoans.