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THE PAY IS TOO DAMN LOW

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A few weeks ago, Washington, D.C., passed a living-wage bill designed to make Walmart pay its workers a minimum of $12.50 an hour. Then President Obama called on Congress to raise the federal minimum wage (which is currently $7.25 an hour). McDonald's was widely derided for releasing a budget to help its employees plan financially, since that only underscored how brutally hard it is to live on a McDonald's wage. And last week fast-food workers across the country staged walkouts, calling for an increase in their pay to fifteen dollars an hour. Low-wage earners have long been the hardest workers to organize and the easiest to ignore. Now they're front-page news.

The workers' grievances are simple: low wages, few (if any) benefits, and little full-time work. In inflation-adjusted terms, the minimum wage, though higher than it was a decade ago, is still well below its 1968 peak (when it was worth about $10.70 an hour in today's dollars), and it's still poverty-level pay. To make matters worse, most fast-food and retail work is part time, and the weak job market has eroded what little bargaining power low-wage workers had: their earnings actually fell between 2009 and last year, according to the National Employment Law Project.

Still, the reason this has become a big political issue is not that the jobs have changed; it's that the people doing the jobs have. Historically, low-wage work tended to be done either by the young or by women looking for part-time jobs to supplement family income. As the historian Bethany Moreton has shown, Walmart in its early days sought explicitly to hire underemployed married women. Fast-food workforces, meanwhile, were dominated by teen-agers. Now, though, plenty of family breadwinners are stuck in these jobs. That's because, over the past three decades, the U.S. economy has done a poor job of creating good middle-class jobs; five of the six fastest-growing job categories today pay less than the median wage. That's why, as a recent study by the economists John Schmitt and Janelle Jones has shown, low-wage workers are older and better educated than ever. More important, more of them are relying on their paychecks not for pin money or to pay for Friday-night dates but, rather, to support families. Forty years ago, there was no expectation that fast-food or discount-retail jobs would provide a living wage, because these were not jobs that, in the main, adult heads of household did. Today, low-wage workers provide forty-six per cent of their family's income. It is that change which is driving the demand for higher pay.

The situation is the result of a tectonic shift in the American economy. In 1960, the country's biggest employer, General Motors, was also its most profitable company and one of its best-paying. It had high profit margins and real pricing power, even as it was paying its workers union wages. And it was not alone: firms like Ford, Standard Oil, and Bethlehem Steel employed huge numbers of well-paid workers while earning big profits. Today, the country's biggest employers are retailers and fast-food chains, almost all of which have built their businesses on low pay—they've striven to keep wages down and unions out—and low prices.

This complicates things, in part because of the nature of these businesses. They make plenty of money, but most have slim profit margins: Walmart and Target earn between three and four cents on the dollar; a typical McDonald's franchise restaurant earns around six cents on the dollar before taxes, according to an analysis from Janney Capital Markets. In fact, the combined profits of all the major retailers, restaurant chains, and supermarkets in the Fortune 500 are smaller than the profits of Apple alone. Yet Apple employs just seventy-six thousand people, while the retailers, supermarkets, and restaurant chains employ 5.6 million. The grim truth of those numbers is that low wages are a big part of why these companies are able to stay profitable while offering low prices. Congress is currently considering a bill increasing the minimum wage to $10.10 over the next three years. That's an increase that the companies can easily tolerate, and it would make a significant difference in the lives of low-wage workers. But that's still a long way from turning these jobs into the kind of employment that can support a middle-class family. If you want to accomplish that, you have to change the entire way these companies do business. Above all, you have to get consumers to accept significantly higher, and steadily rising, prices. After decades in which we've grown used to cheap stuff, that won't be easy.

Realistically, then, a higher minimum wage can be only part of the solution. We also need to expand the earned-income tax credit, and strengthen the social-insurance system, including child care and health care (the advent of Obamacare will help in this regard). Fast-food jobs in Germany and the Netherlands aren't much better-paid than in the U.S., but a stronger safety net makes workers much better off. We also need many more of the "middle-class jobs" we're always hearing about. A recent

McKinsey report suggested that the government should invest almost a trillion dollars over the next five years in repairing and upgrading the national infrastructure, which seems like a good place to start. And we really need the economy as a whole to grow faster, because that would both increase the supply of good jobs and improve the bargaining power of low-wage workers. As Jared Bernstein, an economist at the Center for Budget and Policy Priorities, told me, “The best friend that low-wage workers have is a strong economy and a tight job market.” It isn’t enough to make bad jobs better. We need to create better jobs. ♦

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