

# Legislating Wages

What's fair? What's sustainable? Is there such a thing as too much?

Cynthia Peters

## BEFORE YOU READ:

- Share what you know about the minimum wage.
- Why do you think the government sets a minimum wage? Do you agree that it should?
- Have you ever worked a minimum wage job? What was it like?
- What do you think a living wage is?
- Should there be a maximum wage? Why or why not?

## Minimum Wage

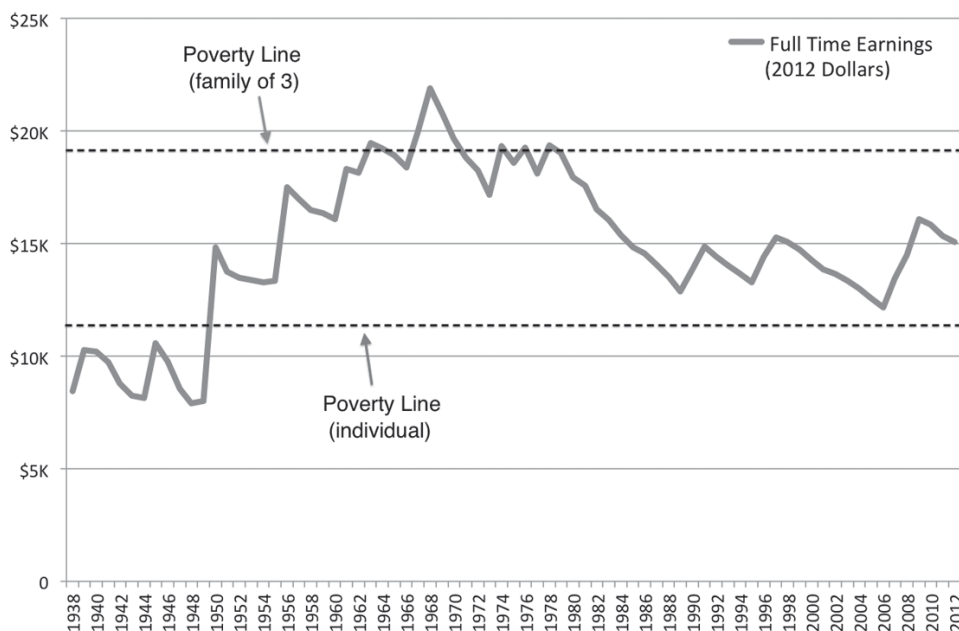
Currently, the federal minimum wage is \$7.25 per hour. Some states and cities have set a *higher* minimum wage, such as Massachusetts (\$8.00), Oregon (\$8.95), and San Francisco (\$10.24). In the 1930s, people in the United States fought for economic

rights [see article on pp. 44-45]. One of the rights they won was the guarantee that wages could not go below a certain amount. Some people believe minimum wage laws have reduced poverty. They say that increased wages are good for the economy because workers can spend more. Others believe that forcing employers to pay a minimum wage causes them to hire fewer people. They believe minimum wage laws increase unemployment and are therefore bad for the economy.

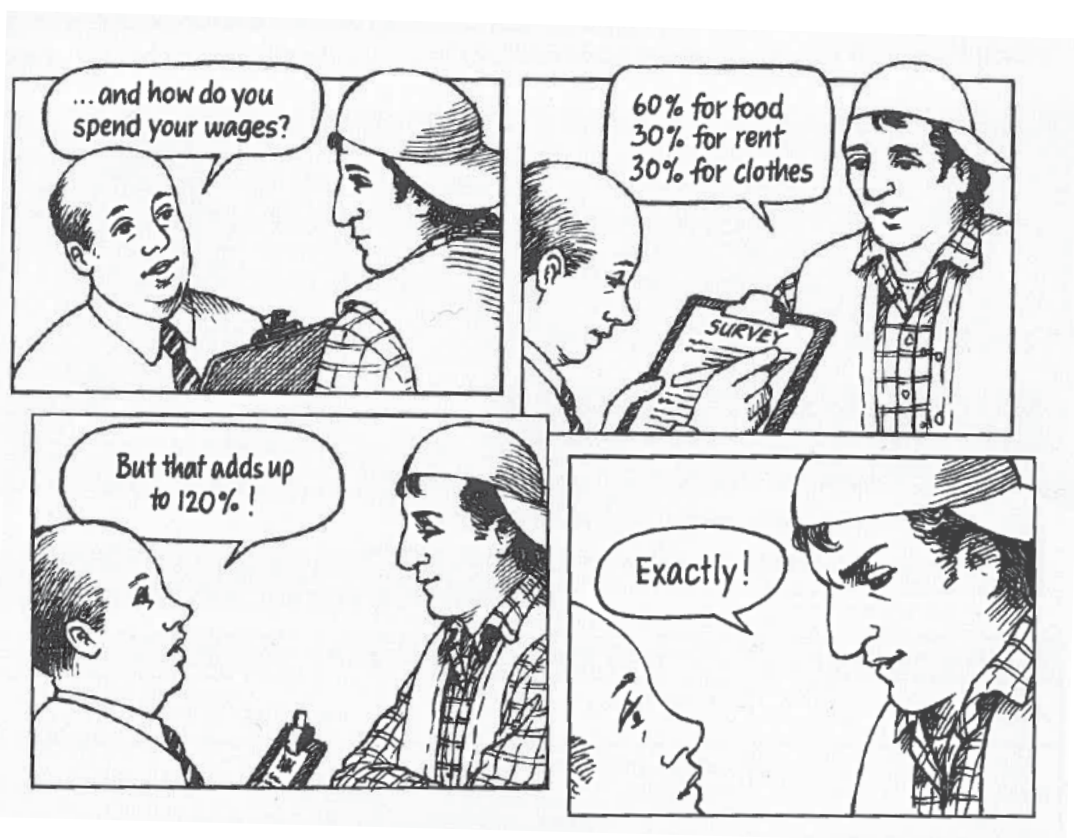
## Living Wage

One thing is certain, however, it is almost impossible to support a family on a minimum wage job. This reality has lead some activists to fight for something called a living wage. This is not a new concept. In 1831, Pope Leo XIII argued that wages

ought to be sufficient to support a worker and his family and a decent way of life. In 1948, the United Nations went further, saying that a living wage is a human right: "Everyone who works has the right to just and favourable remuneration ensuring for himself and for his family an existence worthy of human dignity." In the United States, over 100 cities and universities have laws that guarantee workers a living wage, which is usually \$3-4 higher than the minimum wage.



Write three true statements you can make based on the information in this chart. Source: <[www.financialramblings.com/archives/history-of-federal-minimum-wage-rate](http://www.financialramblings.com/archives/history-of-federal-minimum-wage-rate)>



How do you spend your wages? What would a living wage be for you? Make a chart of all your expenses. What income would you need not just to survive but to live? Source: Problem Posing at Work, Elsa Auerbach and Nina Wallerstein, used with permission from Grass Roots Press.

## Maximum Wage

There are various ways that people have implemented a maximum wage. In Venezuela, government employees are not allowed to earn salaries that are more than 12 times higher than the minimum wage. At Mondragon, a cooperative in Spain that does millions of dollars of business each year and employs more than 80,000 people in 250 companies, imposes a 6 to 1 ratio on the highest and lowest paid employees. In the United States, during World War II, President Franklin Delano Roosevelt proposed that corporate salaries should be limited to no more than \$25,000 per year after taxes. His plan was to tax earnings higher than \$25,000 in take-home pay at a rate of 100%. In the end, the government did not agree to a 100% tax rate, but it did agree to a 93% tax rate on take-home pay over \$25,000.

Recently, Larry Hanley, a labor union president, proposed a way that federal law could limit corporate compensation. He proposed that no employer should receive more than 100 times the wages earned by his or her lowest paid employee. For example, if the lowest paid workers made \$25,000 per year, the employer would make no more than \$2.5 million per year. Using this model, “the employer’s compensation could not increase above that amount unless his or her lowest paid workers got an equivalent raise as well.”

Clearly, there is a lot of public debate—today and throughout history—about wages. What is your opinion about how we should legislate wages?

**Sources:** <[www.dol.gov](http://www.dol.gov)>, <[www.vatican.va/holy\\_father/leo\\_xiii/encyclicals/documents/hf\\_l-xiii\\_enc\\_15051891\\_rerum-novarum\\_en.html](http://www.vatican.va/holy_father/leo_xiii/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum_en.html)>, <[model-economy.wikispaces.com/Mondragon+Cooperatives](http://model-economy.wikispaces.com/Mondragon+Cooperatives)>, <[www.huffingtonpost.com](http://www.huffingtonpost.com)>.