



*Center for Public Policy Priorities*

### **Who needs a raise more: Tom DeLay or a bus boy?**

Last week, the U.S. House gave itself a pay raise for the seventh time in as many years. But the House leadership refused to acknowledge that \$3,100 more a year can be called a pay raise—they called it “an adjustment” in earnings.

Since 1998, the House has raised its annual member salary by \$31,600—a 23.7 percent cumulative increase to \$165,200 per year.

During these same years, the federal minimum wage has been stuck at \$5.15 an hour—the second longest period of stagnation since its inception in 1938.

In defending the congressional pay raise, House Majority Leader Tom DeLay said it was necessary so that House members are not “losing their purchasing power.” When it comes to the purchasing power of minimum wage workers, however, Congress has not shown the same concern.

The minimum wage has lost nearly 30 percent of its purchasing power since the late 1970s. The 1979 minimum wage would be worth close to \$7 per hour in today’s dollars. Currently, a full-time minimum wage worker earns less than \$11,000 per year—before taxes.

A recent poll by the nonpartisan Pew Research Center shows that 82 percent of Americans support a minimum wage increase, calling it an “important priority.” Yet opponents of adjusting the minimum wage contend that an increase would contribute to job losses. Research has largely discredited this theory. Employment has grown faster in states that offer higher minimum wages. Also, a \$5.15 state can expect higher turnover, higher absenteeism, and lower productivity than fairer wage states.

Opponents also argue that the free market alone should determine wages, and that government should not interfere in the employer-employee negotiation. The minimum wage, however, exists for the same reason that laws against monopolies exist: to address situations in which the market fails.

Finally, these opponents argue that tax credit programs such as the Earned Income Tax Credit (EITC) are more effective in combating poverty than minimum wage adjustments. They are only half-right. The tax credit and minimum wage work in tandem to raise a family's income.

Not only will a \$7 an hour worker take home more pay than a \$6 an hour worker, but that same worker will receive a proportionate increase in the tax credit.

Over the past few years, several states, including Florida, have taken it upon themselves to raise their minimum wage. Texas also needs to increase its minimum wage, which is \$5.15 an hour. Texas has the highest number of minimum-wage earners in the country (one out of every nine minimum-wage earners in America lives in Texas). And, contrary to political rhetoric, most of these Texans are full-time working adults. More than one-third of minimum-wage earning Texans are their families' sole breadwinners.

Unlike members of the U.S. House, these low-wage Texans have experienced the effects of diminishing purchasing power first hand. Their paychecks could use an "adjustment," too.

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