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## Wages stuck in a rut as recovery rings hollow for America's middle class

**‘No one who works hard in a full-time job should have to live in poverty’ says the senator trying to raise the federal minimum wage. But that is the reality facing many Americans**

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Barbara Gertz wants winter to be over. She watched, worried, as cold days spanned from February to March to April. To her, low temperatures mean higher unemployment. Sure, the US unemployment rate had been [steadily dropping for a year](#) – holding at 5.5% [after the latest disappointing jobs report](#) – but in the Gertz household, cold temperatures mean unemployment is up by one.

Chad Gertz works in construction. He pours concrete, a job that requires warmer weather. The first two months of any year are typically difficult, but this winter has been brutal.

“He is collecting unemployment [pay] right now. It used to be that when it was cold, they would just say that there are indoor jobs for cold weather, and he would work year-round,” said Gertz, who lives in Commerce City, Colorado, just outside Denver. “That’s not the way it is any more.”

For now, the two of them are trying to live off of her weekly Walmart salary. After a recent annual raise, she now makes \$12.80 an hour.

The unemployment rate, despite getting stuck in March, has been a bright spot in the US economy for the last year. Often it overshadows the fact that US wages have remained almost unchanged since the 2008 recession began. But it’s an issue that’s been going on for longer. According to the [Economic Policy Institute](#), between 1979 and 2013, the hourly wages of middle-wage workers (those who earned more than half the workforce but less than the other half) rose just 6% – less than 0.2% per year. Low-wage workers fared even worse, with wages falling 5% over the 34-year period.

Healthy wage growth is one of the main ingredients required for a wholesome recovery. Stagnant wages are the reason many Americans have yet to feel the benefits of the US recovery, which has mostly consisted of [job growth](#) and [increased GDP](#). Like Gertz, many US families are trying to make ends meet on low wages and each month have to figure out how to split the same small paycheck to pay bills that only seem to go up.

The recession hit the Gertzes hard. In 2003 after they were married, Barbara Gertz quit her job at a thrift shop. When things got tight in 2008, she got a job at Walmart. It didn't pay as much as her old job, but she needed the money. The money became so sparse that when her husband drove her to work for her overnight shift, he would sleep in the car, waiting for her to get out. There was no money to pay for the gas that would enable him to drive back home and then back again to pick her up.

"In 2008, we moved in with his cousin because we couldn't afford our house any more. We were just going to stay there for a couple of months to get on our feet," Gertz told the Guardian. "We are not at that point any more, but we are still barely making it."

There are weeks when all they eat is macaroni and cheese in order to save money. Then there are months when they pay rent late. Her stepdaughter is in college now and despite wanting to, they can't afford to help her with tuition. In fact, she sometimes offers them gas money so that they can come visit her. As the cold weather persists, they have had to borrow money in between paychecks to make ends meet.

Starting this month, Walmart's minimum wage rises to at least \$9 an hour. By next February, that will go up to \$10 an hour, [the company said in February](#).

For Walmart, increasing wages is a strategic decision, said [Elise Gould](#), a senior economist at Economic Policy Institute. "They are looking forward. They are going to have to start paying higher because the labor market is going to be tighter, but also they may be responding to a lot of the protests and strikes that have happened in terms of their wages," she said. "That's good for public sentiment to say: 'Look, we are a good company. Shop here'."

As the labor market continues to recover, competition for workers could help drive up pay, but maybe not soon. "The recovery still has potentially a long way to go before we have a tighter labor market," she said. There are still a large portion of workers who have not rejoined the labor force – the so-called missing workers.

"The employers know that. Even though the unemployment rate is going down, employers and workers both know that the employers are holding the cards and they don't have to pay more because there's people out there that will take those jobs."

And while Walmart's move has put pressure on other large employers to follow suit, an increase in pay by retailers is just a drop in the bucket when it comes to helping improve the overall wage growth. [According to Walmart](#), its pay increase affected about 500,000 workers. Most low-wage workers are [in the hospitality and fast-food industries](#).

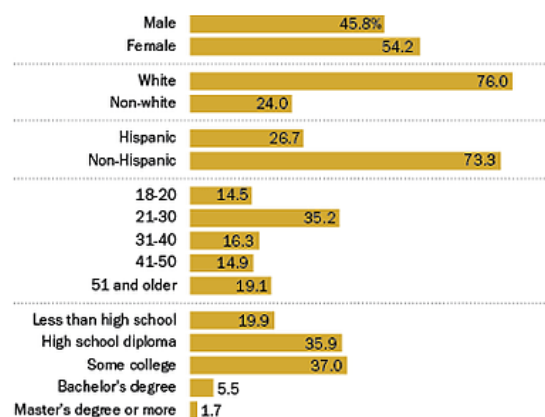
Earlier this week, McDonald's [announced that it would raise wages for its US employees](#) and pay them at least a \$1 more than the local minimum wage. The catch: the pay increase only applies to 90,000 workers at McDonald's owned stores. Franchisees, who run 90% of US McDonald's stores, are not required to increase the pay of their employees.

An increase in their pay is unlikely to come without an increase in the US federal minimum wage, which was last raised in July 2009 and has remained at \$7.25 ever since. Increasing the federal minimum wage would help boost overall wage growth, said Gould.

Barack Obama has spent the last couple of years attempting to increase the federal minimum wage to \$10.10, only to be thwarted by Congress each time. Senator Tom Harkin and congressman George Miller, who introduced \$10.10 bills in their respective houses, both retired from Congress this year.

### Who Are the Near-Minimum-Wage Workers?

*Last year, about three-in-ten hourly, non-self-employed U.S. workers (aged 18 and older) earned more than minimum wage (state or federal, whichever was higher) but less than \$10.10 an hour. Here's what they look like:*



Source: Pew Research Center analysis of IPUMS-CPS microdata

Increasing the minimum wage is “critical to strengthening the economy”, Miller told the Guardian. The Washington senator Patty Murray is attempting to get support for a new federal proposal that would increase the minimum wage to \$8 in 2016 and then increase it by another dollar each year until it reaches \$12 in 2020.

“In our country, no one who works hard in a full-time job should have to live in poverty. But for decades, families across the country have faced stagnant wages that have made it harder and harder to make ends meet,” Murray told the Guardian. “I believe raising the minimum wage to \$12 by 2020 will allow more families to achieve the economic security they are working so hard for, and help build an economy that works for all families, not just the wealthiest few.”

With a presidential election looming, wages are likely to move to the forefront of the national debate. Republicans have welcomed Walmart’s move as evidence that the market can address low wage growth without government intervention. They have suggested [getting rid of the federal minimum wage altogether](#). Likely presidential candidate Jeb Bush suggested that any future increases should be left up to the individual states and corporations, not the federal government. More than 20 US states have increased their minimum wage to more than \$7.25.

“What’s happening on the state and local level just shows you how out of touch Jeb Bush is with the needs of working people in these communities and the needs of the communities to have people with higher wages,” said Miller. Increasing minimum wage is similar to lower energy prices, he added, in that it puts spending money in the workers’ pockets.

Opponents are unconvinced. [The Business Roundtable](#), the National Restaurant Association, National Retail Federation and other groups are working hard to block any federal hike in wages, arguing it would kill jobs.

“In my opinion, the government should play no role in setting wages, hours, overtime rules, etc,” [said Jeffrey Miron](#), director of economic studies at the Cato Institute and the director of undergraduate studies in the Department of Economics at Harvard University.

Miron said raising the federal minimum wage to \$12 would reduce employment of low-skilled workers and lead to inefficient decisions by businesses as to whether to use low-skilled labor, machinery, or higher-skilled labor. “This is a misguided and poorly targeted way to help people with low skills,” he said.

Despite her raise and the potential of warmer weather ahead, Gertz remains worried.

“I am concerned, I guess,” she said. “I don’t see things getting much better, and I see a real possibility of things getting worse. They won’t raise our minimum wage, but they are raising our rents. They raise our utilities yearly.”