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Point of View

On striking low-wage workers: A critical role for consumers

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By Arne L. Kalleberg

The strikes by fast-food workers this week across the United States are not merely disgruntled employees seeking higher pay. These actions reflect a growing desperation with and frustration over our current economic system.

The strikes at fast-food restaurants like McDonald's and Burger King, as well as by employees of big-box retailers such as Wal-Mart, call attention to the alarming growth of low-wage work in the United States. Indeed, almost a quarter of all jobs in America now pay wages below the poverty line for a family of four. The Bureau of Labor Statistics estimates that seven out of 10 of the fastest-growing occupations in the next decade will be low wage – many of them in the fast-food and big-box retail industries. Moreover, low wages often coincide with a lack of health insurance and other benefits and too few hours to support families. Fast-food workers work only 24 hours a week on average.

Sure, this growth of low-wage jobs is not a new phenomenon: The last several decades have witnessed a growing polarization between high-wage and low-wage jobs, as the relatively well-paying manufacturing and white-collar service jobs that built the American middle class have disappeared.

Stagnant and poverty-level wages earned by those who are fortunate enough to be working in this economy have long had deleterious consequences for the economy, society and political life. But what marks these strikes as different is their magnitude; thousands of workers in hundreds of restaurants in every corner of this country are saying enough is enough.

Fast-food companies and big-box retailers are more than capable of providing higher wages and benefits to their employees. These chains are profitable and have recovered from the recession, reporting higher revenues and more cash than before the financial crisis.

McDonald's, for example, made $5.46 billion in profits in 2012, a 27 percent increase over five years; Wal-Mart, the nation's largest private employer, earned $17 billion in profits in 2012. The CEOs of these companies have been compensated handsomely for these gains, but not their employees and sales associates.

Increasing the wages of these fast-food and big-box retail employees to something in the neighborhood of $15 an hour would help them lift their families out of poverty and enter the middle class. It would also stimulate the economy, as these folks are likely to spend this money on basic necessities, thereby creating demand for products and encouraging the creation of more jobs. More, it would increase tax revenues for the state and nation, and reduce the dependence of these employees on public assistance of various forms.

Importantly, such increases would come at relatively little cost to consumers. A report prepared by the staff of the U.S. House Committee on Education and the Workforce estimates that if Wal-Mart workers were paid $12 an hour, for example, and if Wal-Mart passed on all the costs to consumers, the cost for the average Wal-Mart shopper would rise only by an average of 46 cents per trip or $12.49 per year.

What will it take to improve the conditions of low-wage workers? The government can do a little, by increasing the minimum wage from the current level of $7.25. However, the opposition to President Obama's modest proposal to increase the minimum wage to $9 highlights the political obstacles involved.

The key force is the consumer, who has become the central figure in our service economy. Consumers can pressure businesses to act in ways that benefit not just their shareholders but communities and stakeholders more generally. While we all like bargains and "good deals," it is important to remember that relatively small sacrifices from consumers would benefit considerably those who supply our services – and ultimately ourselves.

As the low-wage movement continues to grow, it behooves us as consumers and as Americans to support the workers.

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