



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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LABOR DAY MESSAGE FROM CALIFORNIA STATE TREASURER PHIL ANGELIDES

This Labor Day, September 4, 2006, should be a time to celebrate California's fortune as the most economically vibrant state in the richest nation on earth. Instead, for many of our lowest paid workers, it is a time for concern about a widening disparity in economic opportunity that threatens to create a future of "two Californias," one prosperous, one slipping toward poverty. On this Labor Day many of California's working people are not sharing what should be a time of bounty for all.

The disparity between rich and poor in California is real and growing. Just last week The California Budget Project warned that the state's rising economic tide has not lifted all boats. "Five years into an economic recovery," says the CBP report, "U.S. Census Bureau data ... show minimal gains for low- and middle-income Californians. ... Household incomes in 2005 remained below those of 2001... and the 2005 share of Californians in poverty remained higher than in 2001."

It is a gap we can and must close.

In 1999, as State Treasurer I created an initiative to help remedy this division, *The Double Bottom Line: Investing in California's Emerging Markets*, which aims at achieving successful investment results for the state's pension and investment funds while at the same time broadening economic opportunity in California's communities. Over the ensuing years, the initiative directed more than \$14 billion in investment capital to spur economic progress in California's inner cities and underserved communities, including the creation or preservation of 20,963 jobs and the expansion of a loan program that helped create 3,603 more small businesses.

Still, we must do more to avoid the deepening chasm between the “two Californias.” One of the most important of these efforts is to increase the wages of California’s lowest paid workers by raising the minimum wage and indexing it against inflation, so that this foundation wage will rise at the same rate that prices increase for housing, food and other basic needs. Both Social Security benefits and veterans’ compensation are indexed against inflation.

Gov. Schwarzenegger has resisted efforts to include a yearly adjustment for inflation, refusing to agree to anything but a one-time increase in the minimum wage, keeping the minimum wage sadly short of what California’s workers need.

The record shows just how severely California’s minimum wage workers have been affected by the rising cost-of-living. In 1968, California’s minimum wage stood at \$1.65 an hour. For the minimum wage to match the purchasing power it had in 1968, today’s minimum wage would have to be well over \$9.00 per hour. If it had kept up with productivity gains, the minimum wage would be over \$25 today.

Without indexing of the minimum wage, workers’ wages will face steadily sinking purchasing power, undercutting their ability to pay for their basic needs and purchase goods in their communities. For example, in March 2001 it took 5.5 hours of a minimum wage worker’s pay to fill a typical car’s gas tank in California, by May 2006, a minimum wage worker needed to work 10 hours to fill that same tank.

Indexing is also good for business, providing both predictable labor cost increases and a more stable and productive workforce.

I am reminded of the words of President Franklin D. Roosevelt when he said, “No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By living wages I mean more than a bare subsistence level – I mean the wages of decent living.”

I continue to believe that California workers deserve a minimum wage increase that isn’t just a one-time fix, but rather is one that permits California’s hard-working men and

women to live and raise their families with dignity by ensuring the minimum wage retains its purchasing power.

So, on this Labor Day 2006, the words of garment workers union founder Sidney Hillman must be foremost in our minds. Hillman said, “We want a better America, an America that will give its citizens, first of all, a higher and higher standard of living so that no child will cry for food in the midst of plenty.”

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