

# Bloomberg Businessweek

## **Worker advocacy groups call for higher minimum wage [The Kansas City Star, Mo.]**

July 20--Three years after the last increase in the nation's minimum wage, worker advocacy groups have launched a concerted effort to raise it from \$7.25 an hour.

A national day of action has been set for Tuesday, with planners intending to call on corporations such as Wal-Mart, McDonald's and Yum! Brands to ask them to lift the wages of their lowest-paid workers.

"We need to put more money in the pockets of those workers who line the foundation of the economy," said Christine Owens, executive director of the National Employment Law Project, one of the organizations pushing for the pay increase.

Owens and others involved in the wage campaign note that many corporations have recovered from the Great Recession and are recording record profits. Meanwhile, the real value of average hourly wages for all workers has fallen.

Opponents, however, say raising the minimum wage will result in lost jobs.

For the nation's lowest-paid workers, the purchasing power of the minimum wage now is 30 percent less than it was in 1968. If today's minimum wage had kept pace with the value it had in 1968, adjusted for inflation, it would be more than \$10 an hour.

Meanwhile, retail sales figures this month showed lackluster consumer demand. That's evidence, Owens said, that a "modest pay hike" is needed to "generate the added spending businesses need to create more jobs."

But research organizations such as the Employment Policies Institute disagree with any minimum wage increase.

Opponents say mandatory wage hikes cause job loss for the least-skilled employees -- many of them young workers -- because employers cut jobs in order to afford the increase for remaining employees.

"Our nation's teen unemployment rate is still near 25 percent," said Michael Saltsman, research fellow at the Employment Policies Institute, in a report this month.

"Legislators should avoid policies that will further depress teen job prospects, depriving the country's youth of the opportunity to gain important real-world experience."

According to the U.S. Bureau of Labor Statistics, teenagers last year made up 23.5 percent of minimum wage earners. Another 26 percent were 20 to 24 years old, and 50.5 percent were 25 or older.

Because more than half of minimum wage earners are working adults, backers of wage increases say hikes are necessary to create "livable wages" that make basic household necessities affordable.

A minimum wage increase would affect an estimated 28 million American workers.

A report issued Thursday by the Economic Policy Institute concurs with the Law Project's assessment that an increase is needed. Doug Hall, a director at the institute, a research organization that advocates for working people, said this is the right time to raise the minimum wage.

"Doing so in a weak economy not only helps those who most need help, it also provides an immediate boost to the economy, generating additional economic activity that benefits everyone," Hall said.

Backers are endorsing the Rebuild America Act, a bill introduced by U.S. Sen. Tom Harkin, an Iowa Democrat, and a similar proposal by Rep. Rosa DeLauro, a Connecticut Democrat. Harkin's measure calls for stepping up the federal wage floor to \$9.80 an hour by July 1, 2014.

Paying any worker more means that the money would come out of employers' pockets. That's why the National Federation of Independent Businesses has consistently lobbied against any minimum wage increase.

The NFIB's chief economist, William Dunkelberg, said in an interview on National Public Radio this month that "It's not the job of businesses to turn themselves into social service providers and pay in excess of value to the firm. We do have something called the earned income tax credit, where we provide supplemental income to people who are working but need more money."

Employers note that when the wage floor rises, other wages and salaries rise, too, in order to keep more experienced or tenured employees proportionately ahead, and that increases overall payroll costs.

Libertarians also oppose any governmental wage mandate, believing that the free market should set pay rates.

"Businesses rationally respond to such mandates by cutting employment and making other decisions to maintain their net earnings," economist Mark Wilson wrote this year in a Cato Institute policy analysis. "These behavioral responses usually offset the positive labor market results that policymakers are hoping for."

President Barack Obama campaigned in 2008 in favor of minimum wage growth but has not acted on the issue.

Republican presidential challenger Mitt Romney said earlier this year that he agreed with indexing the minimum wage to inflation -- so that it would rise along with the price index -- but more recently has said a minimum wage increase isn't necessary.

According to U.S. Department of Labor data, 18 states and the District of Columbia have set minimum wages in their states higher than the federal floor. The state of Washington this year was the first to raise its minimum wage above \$9 an hour.

Twenty-three states, including Missouri and Kansas, have state minimums at the federal standard.

Four states have lower state minimums and five states have no minimum wage law.  
Federal rates apply in those nine states, with rare exceptions for certain types of jobs.

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