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Minimum wage hike makes minimum sense

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It’s a foregone conclusion that Gov. Jerry Brown will sign into law the state Legislature’s passage of a bill which will raise the state’s minimum wage to $10 an hour by 2016. He said this weekend that “this legislation is overdue and will help families that are struggling in this harsh economy.”

The national minimum wage is $7.25 per hour, and Washington, the state that currently has the highest rate, is at $9.19 per hour. So California would have the highest minimum wage in the country.

How will boosting the amount employers are mandated to pay their workers help California’s “”harsh economy”? It won’t. Advocates claim it would lift the economy by putting more money in the hands of low-income consumers, but opponents know better. They understand small employers especially would be wary of adding to their workforce because of rising costs. And the Victor Valley is awash with small business operations, as is the rest of the state. As the Cato Institute found after mining the available data about the effects of minimum wages on the economy, “The main finding of economic theory and empirical research over the past 70 years is that minimum-wage increases tend to reduce employment.”

That buttresses a study from the Employment Policies Institute, which discovered that just a 10 percent increase in the minimum wage would reduce employment for whites ages 16-24 by 2.5 percent (their jobless rate is already 16.3 percent), and by 6.5 percent for black males.

Phillip Reese, who works for the Sacramento Bee, has calculated from census data that about 1.5 million full-time California workers now earn minimum wages, so a $2 boost would mean about $6 billion a year in extra income for them. Adding part-time workers to the equation might make the impact around $10 billion, he says.

But what would that mean for the economy? It would mean prices would rise, particularly the prices for goods and services produced by those who earn a minimum wage. Wal-Mart prices, for instance, would rise to offset labor costs, and low-income families who patronize Wal-Mart because of lower prices would find it more difficult to stretch their budgets by having to pay more for what they consume. Which means, incidentally, that they would consume less, which would cause more lost jobs by employers who produce those very consumables, which means ... but we’re sure you get the picture.

What “minimum wage” laws really cause is minimal employment. How can that be good for California?