

Tyler Morning Telegraph

Non-profits warn against wage hike

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It's not a new argument: Hiking the minimum wage will mean fewer jobs for the young, the poor and the inexperienced. What's new, this time, is who is making the argument. It's coming from an inner-city agency working to help those poor, young and inexperienced workers.

And the agency is using cold, hard facts to back it up.

“Oakland’s Youth Employment Partnership spends roughly \$1.8 million a year to give 800 hard-to-employ teens steady minimum-wage jobs that keep them away from vice and encourage them to appreciate a hard day’s work,” the San Francisco Chronicle reports. “But the nonprofit could be forced to cut the jobs it offers by 30 percent next year if Oakland voters approve a plan in November to raise the city’s minimum wage from \$9 to \$12.25 an hour starting March 1, its executive director said.”

In fact, “the ballot measure, called Lift Up Oakland, could have the unintended consequence of making it harder to hire and train thousands of at-risk and needy workers — teens, parolees and those with limited work experience, nonprofit leaders say.”

This consequence may be unintended, but it's not unforeseen.

“A February report from the Congressional Budget Office concluded that a \$10.10-an-hour minimum could scale back total employment by 0.3 percent, or 500,000 workers,” the Associated Press reports.

There's something else new in the debate occurring in Oakland. The very agencies advocating a lower minimum wage for non-profits say they support the higher wage for other businesses — as if the same economic forces don't apply to the private sector.

“The heads of several nonprofits — including Goodwill Industries of the East Bay and Youth Uprising, which offers job training to about 2,800 Oakland teens — have said that while they support sharp increases in the minimum wage for regular businesses, Lift Up Oakland could suffocate their paid job-training programs,” the Chronicle notes.

One agency head acknowledged how the hike would affect her.

“That program for 100 kids — that will drop to 70 kids. And we have 300 requests to be in that program,” she said. “That's going in the wrong direction.”

Where she errs is in advocating the hike for the private sector. But the same market forces apply. When those Oakland advocates complain that grant money is hard to come by, business owners could counter that so is profit.

“Small business owners will see their profits cut, which will either drive them out of business or slow their expansion,” explains James Dorn of the Cato Institute. “If prices are increased to offset the higher minimum wage, consumers will have less money to spend on other things. Thus, there will be no net increase in employment.”

This is basic economics, Dorn says.

“A higher minimum wage — without a corresponding increase in the demand for labor caused by an increase in labor productivity (due to more capital per worker, better technology, or more education) — will mean fewer jobs, slower job growth, and higher unemployment for lower-skilled workers,” he writes.

Those Oakland non-profits are right.

Raising the minimum wage will hurt them — and other businesses.