



Debate over US minimum wage erupts

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To the Democrats, it is a simple proposition.

“It’s time to give America a raise,” President Barack Obama said last week in Maryland.

That line — time for Americans to get a raise — has emerged as the key part of a renewed sales pitch by Obama and many congressional Democrats to increase the federal minimum wage from \$7.25 an hour to \$10.10 an hour.

Yet it seems that since that day in 1938 when President Franklin D. Roosevelt signed the first federal minimum wage into law — a princely 25 cents an hour at the time — this simple concept has sparked a torrent of complex arguments.

To advocates, it is matter of simple fairness and economic common sense. To opponents, the minimum wage is an illusory promise that leads to lost job opportunities for the very people it is designed to help.

“It’s good for the workers who see their wages increase,” said David Madland, director of the American Work Project at the Democrat-leaning Center for American Progress in Washington. “It has a ripple-through effect that boosts demand.”

By contrast, Michael Strain, resident scholar at the conservative-leaning American Enterprise Institute in Washington, said “20 percent of young workers are unemployed, a third of young African-American

workers are unemployed and the president wants to raise the minimum wage by 40 percent.”

“It seems to me that with how terrible our labor market is right now, raising the minimum wage by 40 percent — which will increase the cost of hiring those workers by 40 percent — is not the right thing to do,” Strain said.

No matter which side is economically right, there is little reason to think House Republicans will consent to a fresh increase. In a nod to political reality, Obama plans to sign an executive order to raise the federal minimum wage for workers whose companies receive federal contracts.

Although “it’s time to give America a raise” has become the Democratic war cry, the number of Americans receiving the minimum wage is barely a fraction of the overall workforce.

In 2010, the Bureau of Labor Statistics reported that of 73 million people age 16 or older paid an hourly rate, only 1.8 million earned the federal minimum wage. Because federal law contains some exemptions — such as for small-farm workers, baby sitters and switchboard operators — another 2.5 million work at jobs paying less than the minimum wage.

Despite those relatively small numbers, an increase in the federal minimum wage could boost the hourly wages of as many as 30 million people, according to the Economic Policy Institute, a progressive organization in Washington.

The reason is many states, including Ohio, have a higher minimum wage than the federal law requires but lower than Obama’s proposed \$10.10 an hour. Ohio workers currently paid the state minimum wage of \$7.95 an hour would see a large pay increase if Congress approved a raise in the minimum wage.

Conservatives and a broad swath of economists point out, however, that there are risks to raising the minimum wage. In a 2012 article for the Cato Institute, Mark Wilson, a former deputy assistant secretary for the Labor Department, wrote that “economists agree that business will make changes to adapt to the higher labor costs after a minimum-wage increases.”

Those higher costs, Wilson wrote, “will be passed on to someone in the long run; the only question is who. The important thing for policymakers to remember is that a decision to increase the minimum wage is not cost-free; someone has to pay for it.”

Michael Saltsman, research director at the Employment Policies Institute, a conservative nonprofit organization in Washington, warned of the “unintended consequences” of an increase, such as employers scaling back hiring because of being forced to pay higher wages.

“It might not be a great poverty-reduction strategy,” he said.

A fresh study by Madland and other scholars at the Center for American Progress is somewhat inconclusive on whether raising the minimum wage leads to job losses. The report examined the 91 cases between 1987 and 2012 when a state raised its minimum wage when the unemployment rate was at 7 percent or higher. In 47 of those examples, unemployment dropped during the next year.

William Even, a professor of economics at Miami University, said, “The thing is, if you really want to fight poverty, there are much more targeted ways of doing this than using the minimum wage,” he said. In particular, he cited the earned-income tax credit, a refundable tax credit for low-and-moderate-wage working people, as a far more effective way to get money into the hands of people.

Claims of potential job losses are disputed by many Democrats. In his speech in Maryland, Obama pointed out that Costco pays an average

hourly wage of \$20. Obama said Costco's chief executive "knows that Costco is going to do better, all our businesses do better when customers have more money to spend."

Madland said that conservatives contend that if the government raises the cost, "you get less of it. That's true to some degree, but the other side is treating people like widgets. The worker is a consumer who spends more money. It has a ripple-through effect that boosts demand."