



Oakland's \$12.25 Minimum Wage Maximizes Children in Poverty

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In the exposé 'Poor Kids of Silicon Valley,' a CNN reporter seems shocked to uncover a high level of child poverty in the affluent Bay Area. CNN concludes that after consulting with "economists and experts," they learned that a minimum wage hike to \$10.10 would significantly help end child poverty. But if CNN actually talked to the most impoverished families, they would have learned that raising minimum wage, the way Oakland just did, results in maximizing single young mothers and their children living in poverty.

Most Americans' perception of Silicon Valley jobs is "champagne wishes and caviar dreams." The hottest tech hub in the Bay Area for young entrepreneurs hoping to make six-figure salaries and stock option bonanzas is Oakland, California. Driven by dubious academic research and political ambition, the Oakland City Council just raised the city's minimum wage to by 36% to \$12.25 an hour, the highest rate in California.

CNN interviewed several Silicon Valley couples about their struggles raising families on modest incomes. The show concludes that "Working families can't afford to raise their kids, and better wages would help them do it." Although CNN does not identify who their "economists and experts" are, the justifications for increasing city-based minimum wages come from problematic studies published by the UC Berkeley Labor Center.

The Labor Center and their union allies convinced San Francisco in 2003 to pioneer the first city-based minimum wage. The San Francisco adopted a local minimum wage of \$8.50 an hour, versus the state's \$6.75 per hour. The UC research group claimed the 26% increase help the poor with virtually no loss of employment or hours worked.

The 2003 minimum wage hike was supposed to have an immediately positive impact on the down-trodden food service workers. But the existing average wage in the city's highly-respected restaurant industry was \$353 a week for 36.4 hours worked, for an average hourly wage of \$9.70.

While already making more than 43 percent above the \$6.75 minimum wage, the restaurant industry should have been insulated from the wage change.

But according to the City and County of San Francisco's Office of Economic Analysis, the minimum wage increase still caused a -2.3% job loss in food service industry. But the city's robust manufacturing sector was devastated with a -8.5% job loss in 2004. The employment losses were so large because many jobs in the apparel and jewelry production are usually held by low-skilled young women in entry-level job positions.

The Cato Institute found:

“low-paid, entry-level jobs are vitally important for young and low-skill workers because they allow people to establish a track record, to learn skills, and to advance over time to a better-paying job. Thus, in trying to fix a perceived problem with minimum wage laws, policymakers cause collateral damage by reducing the number of entry-level jobs.”

What the San Francisco minimum wage laws accomplished was discriminating against young low-skilled workers that tended to be women.

Looking at Oakland community demographics, about 14.1% of families earn less than \$23,834 and are in officially deemed in poverty. But different types of family arrangements are associated with different levels of poverty. Married couple families living together with related children under 5 years old have a poverty rate of a only 7.3 percent. Whereas, families with female householder, no husband present, with related children under 5 years old have a 42.3 percent poverty rate.

CNN's “economists and experts” at the UC Berkeley Labor Center are selling minimum wage laws as the “right thing to do” to improve the lives of children in poverty. But the majority of impoverished families led by single, young, low-skilled women heroically trying to raise their small children alone. Minimum wage laws discriminate against young mothers and maximize the number of children in poverty.