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Written by **William P. Hoar** on September 4, 2017

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Correction, Please!

Mandatory Minimum-wage Hikes Once Again Hurt Their Supposed Beneficiaries

A sampling of news articles:

Item: The Washington Post *pointed out that recent studies regarding the impact of Seattle's minimum-wage increase have led to different conclusions. As the* Post *put it:*

A study by economists at the University of Washington in June found that raising the hourly minimum wage to $15 cost low-wage workers in Seattle $125 a month because employers reduced hours and let workers go.

A different study from the University of California at Berkeley found no job losses for low-income Seattle restaurant workers when their wages increased to $13 an hour.

The Post *went on to say, "Despite decades of debate about raising the minimum wage — which proponents say improves the lives of low-wage workers and decreases the amount taxpayers spend on services such as Medicaid and food stamps — economists, politicians, and business and labor organizers have no consensus about its long-term economic impact."*

Item: The New York Times *for June 26 reported: "Three years ago, Seattle became one of the first jurisdictions in the nation to embrace a $15-an-hour minimum wage, to be phased in over several years. Over the past week, two studies have purported to demonstrate the effects of the first stages of that increase — but with starkly diverging results."*

The "first study," noted the Times, *was the product of "a team of researchers at the University of California, Berkeley." It supported, said the paper, "the conclusion of numerous studies before it, that increasing the minimum wage up to a level that is about half or less of an area's typical wage leads to at most a small reduction in employment."*

"By contrast, the second study, which a group of researchers at the University of Washington released on Monday, suggests that the minimum wage has had a far more negative effect on employment than even skeptics of minimum-wage increases typically find."

Item: Politico *for May 25 reported that House Minority Leader Nancy Pelosi (D-Calif.) had just "vowed to take up a $15 minimum wage in the first 100 hours of the next Congress if Democrats take back the chamber next year."*

Correction: *The fact that an issue such as the minimum wage has been "debated" for some time doesn't mean that a sentient individual with a modicum of common sense — we are not here talking about Mrs. Pelosi — can't recognize certain obvious facts of life.*

Among these: Mandated minimum-wage hikes particularly hurt low-skilled workers. And an employer cannot be forced to pay workers more than the value they add to the business, at least not for the long term, and remain a successful enterprise. Sadly, governments can force employers to give raises, but there is still no free lunch. This will come with a cost — perhaps in jobs lost outright or through employment hours cut or with fewer opportunities.

The *Post* and *Times* reportage gives the impression, especially to the casual reader, that this is just another academic political dispute — the type that is often (as the old saying goes) so vicious and bitter because the stakes are so low.

Yet the stakes are higher than they might seem. Mandated wage boosts have been championed widely by leaders of the Democratic Party (and by many Republicans too). When Vermont's socialist Senator Bernie Sanders was running for the Democratic presidential nomination, a $15-an-hour minimum wage was one of his key platform planks. Nancy Pelosi is now vowing (or threatening) to impose it nationally.

The *Post* is in the middle of this subject in part because of a local issue in a nearby Maryland county. Surprisingly, considering the paper's left-wing proclivities, the *Post* has not sided (at least at this point) with the more radical side. The paper has even cited the results of a study commissioned by the (outgoing) head of Montgomery County in Maryland that concluded that the county would lose about 47,000 jobs by 2022 if it were to raise the minimum to $15 an hour. The hike is being pushed by a potential successor.

The *Post's* editors have taken note of the 146-page report conducted by the Philadelphia-based economic consulting group PFM. (Lest readers think that the *Post* has been suddenly stricken with horse sense or objectivity, don't worry; the paper has also given plenty of ink to those attacking the methodologies of the study.) Nevertheless, below is the paper's summary of the critical study. The analysis determined that

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> the proposed higher wage would indeed yield benefits for low-wage workers who received it, in the form of reduced stress, greater food security and better mental health. Employers, in turn, could benefit from their workers' improved morale, in the form of higher productivity. However, there would be offsetting costs and they could be substantial: a loss of almost 47,000 jobs and $396.5 million in total income by 2022, due to workers' being priced out of the job market by the higher minimum wage. This would spell a reduction of nearly $41 million in expected county tax revenue between fiscal 2018 and fiscal 2022; meanwhile, the county government's payroll costs would go up $10 million.

As the newspaper also admits, "The results of similar experiments elsewhere in the country should also give boosters of $15 per hour in Montgomery more pause than it apparently does."

The mandated hike in Seattle has gotten considerable attention. Here's a rundown about the University of Washington (UW) findings, as written by Vanessa Brown Calder for *Investor's Business Daily*:

> A few years ago, Seattle decided to increase its minimum wage from $9.47 to $15 per hour. Worker unions and activists applauded the move, and hoped to leverage the momentum on the national level. No doubt some of the law's supporters were well-intentioned; they also predicted the law would help low-wage workers.

> But intentions aside, compelling new research suggests Seattle's minimum-wage law harmed poor workers significantly. A University of Washington study released Monday indicates that the move from an $11-per-hour minimum wage to a $13-per-hour minimum wage in Seattle was associated with a more-than-9% cut in low-wage workers' hours.
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> This is a loss of 3.5 million hours worked per quarter, and translates into a $125 average decline in low-wage employees' earnings per month. Other estimates in the paper suggest that the minimum wage is associated with 5,000 jobs lost in Seattle.
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> The study's results are important to the policy debate. The impacts are negative and substantially larger than those reported in previous minimum-wage studies. This could be because the researchers have finer data; Washington is one of the only states that collects wage and hour microdata, which hypothetically allow for more careful analysis.

This is more than a Montgomery County or Seattle issue: NPR pointed out earlier this summer that dozens of city and county governments have voted to raise their local minimum-wage ordinances in recent years. Meanwhile, "states have been responding by passing laws requiring cities to abide by statewide minimums. So far, 27 states have passed such laws," said one public radio program in July.

And, yes, there are those who want to hush up unpleasant verities. One is the mayor of Seattle, who commissioned a study whose opposing finding was predictable, with the timing of the out-of-state rebuttal or "prebuttal" deliberately calculated to appear a few days before the analysis from the University of Washington was released.

And, no, academics and economists are not necessarily wedded to fair-mindedness. Who needs evidence when you can depend on left-wing ideology? Its findings contradicted the then-coming University of Washington study, which found that Seattle's increased minimum wage had been costly to low-skilled workers and hurt employment numbers. The mayor's office "also explicitly asked Berkeley economist Michael Reich to remove all mentions of the University of Washington study so as not to aid in its dissemination," noted Jack Crowe for the Daily Caller News Foundation.

The evidence of that UW study was revealing — and incriminatory. It exposed facts that progressives prefer not to publicize. This includes validation that (even in a flourishing city) the imposition of a minimum wage — called a "price floor" by economists — tends to hurt some more than others. Among those to suffer are the unskilled, inexperienced, and young.

The proofs were particularly compelling when it came to the study's "blunt data and simple survey results," commented Salim Furth, a Ph.D. who is a research fellow in macroeconomics at the Heritage Foundation. "When asked in early 2016, almost half of affected employers, including multi-site companies, said that they had reduced full-time minimum wage employment in the past year." And, writes Dr. Furth, "Lo and behold, single-site companies in Seattle had 6,000 fewer jobs paying below $19 per hour in 2016 than they had in 2014. The same companies added 50,000 jobs paying $19 an hour or more." The statistics confirm, as Furth writes, "that the obvious interpretation is correct: low wage workers have been completely left out of Seattle's boom."

If it takes academic studies to convince doubters about the ills of mandated minimum-wage increases, there are plenty.

In a refutation of a previous contention on PBS.org last fall, Veronique de Rugy observed that the purported good intentions of minimum-wage supporters were, at the least, misguided:

> An extensive survey of decades of minimum-wage research, published by William Wascher of the Federal Reserve Board and David Neumark of the University of California, Irvine, in the 2008 book "Minimum Wages," generally found a 1 percent or 2 percent reduction for teenage or very low-skill employment for each 10 percent minimum-wage increase. The nonpartisan Congressional Budget Office also calculated that an increase in the federal minimum wage from its current level, $7.25 an hour, to $10.10 per hour would cost about 500,000 jobs.

De Rugy, a senior research fellow at the Mercatus Center at George Mason University, had many such examples:

> A recent calculation by James Sherk, a labor economist at the Heritage Foundation, finds that $15 mandates would eliminate about 9 million jobs nationwide. Unskilled workers like those working at fast-food restaurant stand to lose the most from the hike. Based on a national average — not restricted to a high-cost city such as Washington or San Francisco — Sherk estimates that a $15 minimum wage would cause a 36 percent drop in hours worked in fast-food chains. If you're wondering why more and more McDonald's restaurants in the United States are atomizing, like they already did in Europe, wonder no more.

The use of large numbers may mask the wounds of individuals affected. Here is what happened to some of the folks who found out, personally, what happens when that proverbial government official knocks on the door and says he is there to help. Writing in the *Washington Times*, Richard Berman offered a litany in March. Some examples, such as these, were from Arizona:

> In Flagstaff, Ariz., which passed a $15 starter wage on Election Day, numerous small businesses have recently been forced to lay off employees, cut hours or close altogether because of the associated labor cost increases. Satchmo's BBQ had to lay off two employees. Cultured Yoghurt dessert shop and Country Host restaurant have both shut down. And Hozhoni Foundation, which provides care for people with disabilities, said it will also close this summer and lay off its 150 employees if it cannot get additional state funding to cover the minimum wage's costs.
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> Across the state of Arizona, which passed a $12 starter wage on Election Day, similar consequences are occurring. Schlomo and Vito's New York Delicatessen and Pizza Kitchen in Tucson is closing, laying off 43 employees, because of the 49 percent wage hike. Owner Dean Greenberg said, "I hired so many kids that I coached that is what's sad."

Jeremy Barnes, owner of software-testing company Digital Dream Forge in Scottsdale, is looking to move his business to another state, terminating most of his 50 employees in the process, because of the wage hike.

That is what is likely to happen if they do have a job. Under current trends, many targets of progressive policies will get laid off, have their hours slashed, or never get hired in the first place.

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