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Minimum wage bill introduced in Juneau, but is it a ploy?

By RICHARD MAUER

rmauer@adn.com April 4, 2014 Updated 3 hours ago

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JUNEAU – The House leadership introduced a bill Friday to raise the minimum wage in Alaska, but supporters of the minimum wage ballot initiative said they suspect it's a repeat of what they said was a trick in 2002 to gut the measure and discourage low-income workers from going to the polls.

House Bill 384 emerged Friday with just two weeks to go in the session. It was introduced by the House Rules Committee, which is controlled by the Republican House leadership.

The bill had no sponsor statement Friday, nor any sponsorship from individual legislators. Like any new bill, its title was read on the House floor. It was referred to the House Labor & Commerce Committee, whose chairman, Rep. Kurt Olson, R-Soldotna, has worked closely with House leadership, including filling in as Rules Committee chairman this week in the absence of Rep. Craig Johnson, R-Anchorage.

The bill would raise the state's minimum wage from \$7.75 to \$8.75 in 2015, then add another dollar in 2016. It would index the future minimum wage to the rate of inflation.

That's similar to the initiative already approved for the ballot by Lt. Gov. Mead Treadwell, though the initiative would also provide that tips could not counted toward the minimum wage.

Ed Flanagan, prime sponsor of the initiative, said he suspects the Republicans are engaging in a "cynical attempt" to disrupt the initiative.

Alaska law allows the Legislature to preempt a ballot initiative by passing a similar measure in the session before the vote. Republicans did that in 2002, killing off a minimum wage measure that was substantially similar.

Then, in 2003, the Legislature gutted the measure, Flanagan said, stripping it of its inflation proofing.

State law prohibits the Legislature from tampering with an initiative for two years after voters approve it. There's no such restriction on an ordinary bill. Had the 2002 initiative gone ahead, the Legislature wouldn't have been able to modify it for at least another year.

Neither Olson nor House Speaker Mike Chenault returned calls seeking comment.

Unlike in 2002, the initiative sponsors and supporters say they have been expecting a bill, and have been building support across party lines. Flanagan said he hoped Republican senators who got support from organized labor would join Democrats in blocking the bill if it got that far.

Reach Richard Mauer at rmauer@adn.com or (907) 500-7388.

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Compass: Any minimum wage bill from House majority is a trick, not a raise

By ED FLANAGAN April 2, 2014

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In the Superman comic books of my youth, "Bizarro World" was a parallel universe where everyday was Opposite Day. Up meant down, bad meant good, the world was a cube, and Bizarro Superman and Bizarro Lois Lane looked like the Addams family on a bad hair day.

In the Bizarro World that is the Alaska Legislature, we find ourselves in a situation where the only right vote on any minimum wage bill introduced by the House majority late in the session is "no."

Even to those accustomed to cynicism and insincerity in the Legislature, the sudden interest in passing a minimum wage law that would preempt the voter initiative is breathtaking in the contempt and disrespect for the intelligence of Alaska voters it demonstrates.

Protests by House Majority Leader Lance Pruitt notwithstanding, his majority would only pass a bill identical to the initiative for two reasons, neither having anything to do with the best interests of Alaska workers. The first would be to avoid bringing out low-income voters who might not vote as the House majority would prefer in statewide races or on other ballot measures. The second is to come back next year and repeal key provisions of the law before they take effect, as was done in 2003.

In 2001, bills to increase the minimum wage and index it to inflation were stalled in the Legislature. The AFL-CIO gathered 50,000 signatures for an initiative mirroring Gov. Knowles' bill, which was approved for the November 2002 ballot. As with the current initiative, polls showed 70 percent support for the measure. After trying to move a bill without indexing, which they were advised would not meet the test of "substantially similar" legislation required to block the vote, the Legislature passed a bill identical to the initiative, sponsored by House Speaker Pete Kott, in May 2002.

Kott was asked if the bill had been passed only to keep the initiative off the ballot and curb turnout by low-income voters who might lean Democratic. Here's an excerpt from an Associated Press story from May 16, 2002:

"Rep. Pete Kott, R-Eagle River, has said that was not his motivation for sponsoring the bill. Kott had proposed a smaller increase in 2001 but changed his bill to match the ballot initiative. He has said it is better for the Legislature to address the measure than leave it to voters. That way, if legislators decide to change the inflation provision, they can do so next year, Kott said. If the change were made through a ballot initiative, they'd have to wait two years."

Kott knew what he was doing and was, in this case, true to his word. In May 2003, the Legislature repealed the indexing provision in a bill signed by Frank Murkowski. Seventeen majority legislators who had voted for the bill in 2002 voted to gut it in 2003.

Had they left the indexing provision in place, Alaska's minimum wage would be \$9.53 today, rather than \$7.75, a huge difference in the lives of thousands of hard-working Alaskans.

A move is afoot to pull the same cynical stunt this year, preempting the minimum wage initiative already approved for the August ballot as Ballot Measure 3. While House Majority Leader Lance Pruitt claims it is wrong to assume history will repeat itself, representatives of the hospitality industry work the halls with a top lobbyist seeking support for legislation to do just that. Is Pruitt really unaware that one in four of current Republican legislators voted to gut the 2002 bill in 2003? He is being disingenuous -- at best -- when he dismisses valid concerns of initiative supporters. A young man with likely statewide ambitions, he should consider finding a better role model than Pete Kott.

If a minimum wage bill is introduced, Alaskans need to let legislators know we won't be fooled again. They should stop playing games and insulting our intelligence, and let the people vote on the initiative. At least the majority would then have to wait two years to thwart the will of the people.

Ed Flanagan is chair of Alaskans for a Fair Minimum Wage, the sponsor of the minimum wage initiative which has been certified for the August election as Ballot Measure 3. He served as labor commissioner under Gov. Tony Knowles from January 1999 to December 2002.

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[Home](#) > Minimum wage bill has ballot initiative supporters on edge

[Suzanna Caldwell](#) ^[1]

April 4, 2014

Main Image:

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Main Image Caption:

The Alaska House of Representatives introduced a bill mirroring a ballot initiative that would increase the minimum wage by \$2 in the coming years, and that has supporters concerned.

Supporters of a ballot initiative that would increase minimum wage in Alaska are worried a new bill from the legislature could take them back to square one.

The House Rules Committee Friday introduced House Bill 384, which mirrors the language of the ballot initiative that would increase Alaska's minimum wage by \$2 over the next two years and adjust for inflation after that.

If passed, the bill would render the initiative null, and it would not go to voters in the fall.

On its face, there seems to be little issue between the initiative and the bill. But there's one crucial difference in how these laws are created: If it's passed by the voters, the Legislature cannot alter the law for at least two years. But if the Legislature passes the bill, it can come back next session and modify it.

That's what has Ed Flanagan worried. Flanagan, former Alaska labor commissioner and now chair of Alaskans for a Fair Minimum Wage, doesn't have much faith in a bill passing, thanks to history.

"We're going to call this for what it is," Flanagan said Friday. "This is a phony bill."

That's because in 2002, things were looking eerily similar. An initiative was poised for the fall ballot, but with support for the effort high, the Legislature passed a bill that that was "substantially similar" to the initiative. The next year the Legislature reconvened and stripped the bill of an "inflation index" that would have tied the minimum wage to inflation increases -- "effectively gutting" the law, in Flanagan's words. He said that had the inflation index stuck, Alaska's minimum wage would be \$9.53 today instead of \$7.75.

The new initiative seems to have broad support: Sponsors were able to collect 43,000 signatures to put the effort on the August primary ballot. A recent poll sponsored by the Alaska House majority found that 69 percent of respondents supported raising the minimum wage.

That poll piqued the curiosity of House legislators. House Speaker Mike Chenault, R-Nikiski, said Friday he decided to introduce the bill because the House "has the right to weigh in on an issue that deals with Alaskans."

Chenault said it would be interesting to watch how the bill proceeds. Ballot initiatives fail all the time, he said, and if it does pass the Legislature that guarantees Alaskans will get a minimum wage increase.

Chenault said it's not his intention to take the inflation element out of the bill should it pass. He noted it's been 12 years since the last minimum wage bill, with a new Legislature full of new representatives. So far, he said, he hasn't talked to anyone who has any interest in stripping out the inflation increase.

"I've told folks that if we go through with it, we need to make sure that we leave the bill alone and that it goes forward as written, the way that the initiative is currently proposed," he said.

But Flanagan doesn't believe that. Of the 39 Republicans in the Legislature, he said, 10 of them voted to "gut" the bill in 2002, including Chenault. Flanagan worries that not only could they come in and pull out the inflation element, but they could propose stripping out the second \$1 increase that would take effect in 2016.

"The people ain't that different," Flanagan said, "and the ideology and philosophy is not different at all."

The bill has its first hearing set for April 9 in the House Labor and Commerce Committee.

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Alaska minimum wage initiative supporters call House's bill a 'phony'

Matt Buxton/mbuxton@newsminer.com | Posted: Saturday, April 5, 2014 12:15 am

JUNEAU — The supporters of the initiative to raise Alaska's minimum wage say a bill introduced by the Republican-lead House to do the same is “phony.”

House Bill 384 was introduced by the House Rules Committee, where much of the House's Republican leadership sits, on Friday and copies the provisions contained in the initiative.

Both would raise minimum wage to \$9.75 per hour over two years, adjust for inflation after that and guarantee the state's minimum wage is always at least a dollar more than federal minimum wage.

But supporters of the initiative say it's an attempt to gut the measure and discourage low-income works from going to the polls.

That's because if the Legislature passes a bill that is substantially similar to an initiative, the initiative gets knocked off the ballot. That can be a big deal because the Legislature can't touch an initiative for two years, but there's no such provision for bills.

The Legislature could return to the bill next year and undo it, just like they did to the 2002 initiative to raise the minimum wage, said Fairbanks Democratic Rep. David Guttenberg.

“The entire thing is a red flag,” he said. “The last time there was a ballot initiative instead of getting it on the ballot, we passed it out of the Legislature and the next year they came back and took out the escalator (the provision adjusting minimum wage with inflation). Now they're doing the same thing. It's completely disingenuous.”

A House-sponsored study found the initiative was popular, with 69 percent of respondents supporting an increase to the minimum wage.

House Speaker Mike Chenault, R-Nikiski, denied the initiative supporters' claims, and in an interview with the Associated Press said the bill is a response to the poll.

“It's an issue on Alaskans' minds, and we think maybe it is time to take it up,” he said.

But initiative sponsor and former labor commissioner Ed Flanagan said he hopes people see through the House's bill.

He said people shouldn't take it seriously considering the body's lack of action on minimum wage since they repealed much of the minimum wage bill in 2003 and the fact that the chairman of the

Rules Committee, Rep. Craig Johnson, was the sponsor of a 2009 law to freeze the pay of restaurant workers because they receive tips.

“The legislature’s Republican majorities have had no interest in raising the minimum wage,” he said. “There has been at least one effort to reduce minimum wage of hospitality workers by introducing the tip credit. ... The sponsor of that legislation was none other than Rep. Craig Johnson, the sponsor of today’s bill. So if I find Rep. Johnson’s bona fides somewhat suspect on this issue people should understand why.”

Guttenberg said that even though he supports raising the minimum wage, he’s considering voting against the bill if it comes to a vote.

“I have a lot of angst about the disingenuousness of putting it on now,” he said. “We have two weeks left, and if they wanted to have a decent hearing on it, they would have done it a month ago.”

Guttenberg’s possible no vote is something Flanagan said he’s hoping other legislators will consider, even if they support the minimum wage. He said he plans to roll out an advertising campaign in the next few weeks to let the public know what the House Republicans are attempting.

Contact staff writer Matt Buxton at 459-7544.

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Bill to boost Alaska's minimum wage introduced in legislature - and criticized by backers of ballot measure

By RICHARD MAUER

rmauer@adn.com April 4, 2014 Updated 17 hours ago

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JUNEAU -- The House leadership introduced a bill Friday to raise the minimum wage in Alaska, but supporters of a ballot initiative to do the same thing said the move is eerily similar to one in 2002 when Republicans passed a wage bill only to gut it the next year.

"They are counting on Alaskans to forget that they've pulled this trick before," said Sen. Hollis French, D-Anchorage.

The minimum wage bill, House Bill 384 emerged Friday with just two weeks to go in the session. It was introduced by the House Rules Committee, which is controlled by the Republican House leadership.

The bill had no sponsor statement Friday, nor any sponsorship from individual legislators. Like any new bill, its title was read on the House floor and it got a committee referral -- in this case, to the House Labor & Commerce Committee.

The chairman of Labor & Commerce, Rep. Kurt Olson, R-Soldotna, has worked closely with House leadership, including filling in as Rules Committee chairman this week. A hearing on HB 384 was scheduled for April 9 -- 11 days before the Legislature is due to adjourn.

The bill and the initiative would raise the state's minimum wage from the current \$7.75 to \$8.75 in 2015, then add another dollar in 2016. Both measures would index the future minimum wage to inflation and guarantee it was at least \$1 over the federal minimum wage, though the language of each is not identical.

Ed Flanagan, prime sponsor of the initiative and a labor commissioner under Gov. Tony Knowles, said he suspects Republicans are attempting to knock the measure from the ballot.

Alaska law allows the Legislature to preempt a ballot initiative by passing a similar law in the session before the vote. Republicans did that in 2002, killing off a minimum wage initiative that was substantially similar.

Then, in 2003, the Legislature gutted its own law from the year before, Flanagan said, stripping it of its inflation proofing.

That couldn't have happened if the minimum wage increase had been approved by voters. State law prohibits the Legislature from tampering with an initiative for two years.

"This is a cynical attempt to supplant the initiative and come back next year rather than wait at at least till the 2017 session, which they'd have to do, to remove the cost of living adjustment, which legislators always hate," Flanagan said.

Neither Olson nor House Speaker Mike Chenault returned calls seeking comment. At a news conference March 27, Rep. Lance Pruitt, an Anchorage Republican and the House majority leader, said his caucus was then considering a minimum wage bill because it would be popular.

"Obviously the public very much supports it, and as representatives of the public, shouldn't we just go ahead and do the will of the public?" Pruitt said.

Sen. Bill Wielechowski, an Anchorage Democrat and union attorney who is author of the current minimum wage law, questioned why Republicans have suddenly reached that conclusion.

"They've had how many years to introduce a minimum wage bill and they haven't done it," Wielechowski said. "It took me years and we finally got a small increase. It was fought every step of the way by the very people who are proposing this legislation."

Initiative sponsors and supporters say they have been expecting the House bill and have been building support across party lines to kill it.

"I think they're going have a much bigger fight on their hands than they expect," French said.

Wielechowski described the House bill as "a cynical ploy."

"They don't want working people going out to vote at the polls because it could influence ballot propositions and elections in some way, but also I think they want the opportunity to do exactly what they did in 2002 which is to overturn the will of the people next year," Wielechowski said.

In 2001, when the minimum wage was \$5.65, the Democratic Knowles administration asked the Legislature to raise it to \$7.15 and tie future increases to inflation. When nothing happened, the AFL-CIO led an effort to bypass the Legislature and get the minimum wage increase on the 2002 ballot.

Then-Rep. Pete Kott, R-Eagle River, introduced a similar bill. It eventually passed the Republican dominated House 33-6, with only Republicans voting no. The Senate passed it 19-1. Again, the no vote was a Republican.

Then-AFL-CIO president Mano Frey expressed satisfaction at the result.

"We're very pleased that the legislators did the right thing," he said. "They came to grips with at least one thing that really helps the working people of Alaska."

French, joining the Senate in 2003, witnessed the unraveling.

"I watched the same people that voted for inflation proofing in 2002 vote to strip it out in 2003," French said. "That was burned into my consciousness then and I'm shocked that they would think that the Alaskan public is going to fall for it again."

Flanagan's organization, Alaskans for a Fair Minimum Wage, said if inflation proofing had been retained, the minimum wage today would be \$9.53.

Rep. Chris Tuck, D-Anchorage, a union official, said he would vote against the minimum wage bill if it reached the floor to prevent supplanting the initiative. "Let the voters decide on this," he said.

Reach Richard Mauer at rmauer@adn.com or (907) 500-7388.



Union opposes Legislature taking up minimum wage

Posted: March 30, 2014 - 12:04am

By MATT WOOLBRIGHT

JUNEAU EMPIRE

Armed with a ballot initiative set for August, the president of the state's largest labor union told lawmakers Saturday that they would oppose the Legislature trying to raise the minimum wage.

Vince Beltrami, president of the Alaska AFL-CIO, made his remarks during a joint hearing of the House and Senate Judiciary Committees on Saturday.

"Any attempt to introduce and pass a substantially similar bill not only undermines the process, but deprives Alaska voters the opportunity liberties we all value so much," Beltrami said.

The ballot initiative would raise the minimum wage from \$7.75 an hour to \$8.75 an hour in 2015. In 2016, it would rise again to \$9.75, and after that it would adjust annually for inflation.

In total, 36,480 signatures have been gathered from 40 House districts. A similar effort failed to make it to the ballot in 2002 when the Legislature opted to pass similar legislation just before the question made it to the ballot.

Supporters of the initiative are concerned about the Legislature introducing a similar bill this year because of what happened the last time lawmakers used legislation to preempt a ballot question.

A new minimum wage law was enacted in 2002 ahead of asking voters to decide. Under state law, if a "substantially similar" law is passed by the Legislature ahead of a ballot question, that question is removed from the ballot.

Less than a year after raising the minimum wage in 2002, the Legislature went back and stripped out substantial portions of the law.

Ed Flanagan, the chair of the group behind the ballot initiative — Alaskans for a Fair Minimum Wage — said Saturday that he has "no confidence" the same thing wouldn't happen again.

After the meeting, House majority leader Rep. Lance Pruitt, R-Anchorage, told the Empire that this Legislature shouldn't be assumed to do the same thing as the group in the early 2000s.

"I don't think it's appropriate to make assumptions that because of what took place 10 years ago that everything is going to be the same," Pruitt said.

He added that there are added benefits of going through the Legislature — namely both sides have a chance to voice their opinions and the merits of each side can be vetted properly.

"If it's something the people are after, we're the representatives of the people," Pruitt said. "Why not show them that we're willing to do it?"

Most of those who testified Saturday represented labor unions or otherwise supported raising the wage.

"Raising the minimum wage won't eliminate all poverty, but it will certainly make a difference," said Anchorage resident Sharon Clawson, who said she became an active supporter of the effort because it would benefit children in Anchorage schools.

Flanagan told the joint committee that a full-time minimum wage earner in Alaska makes \$8,600 less than the federal poverty threshold for a family of three.

"We are confident that Alaskan voters will do the right thing and vote to replace our woefully inadequate state minimum wage law with that proposed in the initiative," Flanagan said.



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OPINION: Minimum wage impossibly low for survival in Alaska

January 24th 11:13 am | Carey Restino

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A petition to increase the minimum wage was submitted this week to the state Division of Elections office with the hopes that this time, a solution to the state's chronically low minimum wage would be found, not only now, but into the future.

Like most things in this state, things started well — or at least equitably — when it came to Alaska's minimum wage. For most of our state's history, we have had one of the highest minimum wages in the nation. But in recent years, that status has fallen significantly, despite the fact that life in Alaska costs significantly more than in the rest of the nation. Federal workers in Alaska receive a hefty cost of living increase because the federal government recognizes it takes more than beautiful mountains to encourage people to want to live in the state.

Now, the state's minimum wage — \$7.75 per hour — is 17th in the nation. Only four states have a minimum wage that is lower than ours. That's \$16,120 for someone working a full-time job. The initiative, which collected 43,500 signatures, would raise the minimum wage to \$8.75 on Jan. 1, 2015 and \$9.75 the year after that. But the real promise in the initiative comes after that — when it would mandate that the rate would be adjusted for inflation or would be \$1 more than the federal minimum wage, whichever was greater.

According to news reports, a similar initiative went before state voters over a decade ago, but was trumped when state lawmakers passed a similar bill. Unfortunately, the next year, lawmakers gutted the inflation adjustment portion of the bill. Legislative action in 2009 put back in a provision for Alaska's minimum to be 50 cents above the federal minimum. And here we are today, with a woefully inadequate minimum wage that does little to help those in entry-level positions of the work world — those struggling to acquire job skills, resume credentials, and a life for themselves beyond welfare.

The cost of living fluctuates widely throughout the state. Most employers in rural Alaska, where costs are highest, don't pay minimum wage, or if they do, it is with the assurance that overtime wages are built into the equation during the many feast-or-famine jobs found in the summer in Alaska.

But in Alaska, what impacts one portion of the state also impacts other regions. More people depending on welfare programs and public assistance has an impact on all of us, and the minimum wage is a big part of that equation.

In the area that I live, it costs at least \$700 to rent a single bedroom apartment, another \$100 to heat it, \$100 to have phone service, and then there's transportation costs. Let's estimate most Alaskans don't have access to public transportation, so they need a car, and insurance will cost at least \$100 a month. Putting gas in that car probably costs \$150 a month. So now we are at \$1,150 a month and we haven't eaten yet, or bought toilet paper or socks. If you are working a minimum wage job in Alaska, you have less than \$200 left to do all that. It's simply not enough to survive. And it's absolutely not enough to put any away for savings, take a college class or try to build a career.

Luckily, most employers recognize this and pay their workers more than that, but some do not — mainly national fast food chains, who take advantage of the state's lack of action by putting the profits back into their coffers far away from the state of Alaska.

This initiative is important to all of us as our state's economy becomes more diverse and national chains move in where mom-and-pop businesses were owned by Alaskans who took care of their employees. We as a state must mandate that those working the lowest wage-drawing jobs get paid enough to cover their basic necessities.

If legislators move again to pre-empt the initiative by passing their own legislation, recognize that this would mute Alaskans opportunity to voice their position on the issue. If an overwhelming majority of voters support the effort to increase the minimum wage now and into the future, it would be much harder for lawmakers, current and future, to support any legislation that waters down that mandate. And apparently, lawmakers need to hear loud and clear that the minimum wage is too low, and should never be this low again.

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The New York Times

The Impact of a Minimum-Wage Increase

By JARED BERNSTEIN

February 18, 2014, 5:40 pm

Jared Bernstein is a senior fellow at the Center on Budget and Policy Priorities in Washington and a former chief economist to Vice President Joseph R. Biden Jr.

Today's Economist

Perspectives from expert contributors.

The Congressional Budget Office has just released an analysis of the impact of increasing the federal minimum wage. The budget office examined two proposals: an increase from its current level of \$7.25 an hour to \$9, and an increase in three annual steps of \$0.95, reaching \$10.10 in 2016. Since the increase to \$10.10 is the proposal supported by the White House and many congressional Democrats, that's the one I'll focus on here.

The most important finding is that on balance, low- and moderate-income Americans are big winners from a higher minimum wage, which would raise earnings and incomes, lower poverty and inequality, and do so at no net cost to the federal budget.

These are among the report's key findings:

- It estimates that 16.5 million low-wage workers would directly benefit from the proposed increase to \$10.10 by the second half of 2016.
- It further notes that because of “spillover effects” — the fact that employers typically increase the wages of workers slightly above the new minimum (the report estimates that the spillover will go up to \$11.50) — an

additional eight million low-wage workers are also likely to receive some benefit from the change.

- It estimates that the increase in the wage would reduce employment by about 500,000. That amounts to about 0.3 percent of total employment, and about 3 percent of directly affected workers (500,000 of 16.5 million) and 1.5 percent of the total, including spillovers (i.e., including all those earning up to \$11.50).
- While those against the increase will highlight this employment loss finding as a rationale for their opposition, it is in fact entirely consistent with the view of most supporters of the increase: while the increase is expected to cause some job losses, the number of workers who would get a raise far outweigh those displaced: 97 percent to 98.5 percent of potentially affected workers would benefit from the proposal.
- The budget office estimates that because of the increase, 900,000 who are currently poor would move above the poverty threshold. That's about 2 percent of the number it expects to be poor when the increase is phased in (45 million).
- Of the affected workers, 88 percent are adult (20 and older), 56 percent are female, and most work full time (i.e., 53 percent work 35 or more hours a week).
- The incomes of most families with low-wage workers will increase under the proposal. About 70 percent of low-wage workers live in families whose average incomes are projected to rise, from 2.8 percent for the poorest families to 0.4 percent for middle-income families.
- The wealthiest families, however, lose under the proposal, as their income is predicted to fall by 0.4 percent, or \$700 for a family with average income around \$180,000. This results from reduced profits for business owners and slightly increased prices of goods and services that are not offset for these families by the higher wage. Note that these income predictions imply slightly lower income inequality.

A few comments about these findings:

To derive the job-loss effects, the report does not do any original research. It just uses estimates from a wide range of studies on the impact of past minimum-

wage increases. (For the technically inclined, it applies a negative employment elasticity that reflects the percent decline in jobs given a percent increase in the minimum wage.) It is important to recognize that there is a very wide range of estimates from which the budget agency can choose, as shown in the chart below, which plots results of the employment effect from dozens of studies (from a recent set of slides from the White House Council of Economic Advisers). This wide range does not imply that the budget office made a mistake, though it looks to me as if it applied a higher job-loss estimate than is the current consensus among economists who've closely studied the issue.

As the chart shows, the employment impact from this "meta-analysis" clumps around zero, which is why the report finds that the policy is a significant net plus from the perspective of low-wage workers: Many more workers get a raise from the policy than are displaced from their jobs.

In fact, the study points out that the range, or confidence interval, around their central estimate ranges from a "very slight decrease" to one million. The authors guess that there's a two-thirds chance that the true estimate is in that range.

There is no policy I can think of that generates only benefits without any costs, and policy makers always have to weigh the two sides. In the case of the minimum wage, on the benefits side of ledger, the budget office shows that 16.5 million low-wage workers would directly get a much-needed pay increase at no cost to the federal budget. Though the budget agency did not analyze longer-term results for these workers, it's also the case that when those displaced by the increase get their next low-wage job, they too will benefit from a higher paycheck than would otherwise be the case.

As I've stressed many times on this blog, policy makers need to be concerned about the *quantity* of jobs, and pursue policies that will increase that number. But they also have to worry about job *quality*, especially in the low-wage sector, where the decline in the real value of the minimum wage, the increase in earnings inequality (meaning less growth finds its way to the low end of the wage scale),

and the low bargaining power of the work force have placed strong, negative pressure on wage trends for decades.

With such job-quality concerns in mind, I'd say the long history of research shows that increasing the minimum wage is a simple, effective policy that achieves its goal of raising the value of low-wage work with minimal distortions at no cost to the federal budget. The Congressional Budget Office report further confirms that conclusion.

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COMMENTARY | Wages Incomes and Wealth

Economic research supports raising the minimum wage

By **Ross Eisenbrey** | July 13, 2012

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Michael Saltzman has trouble with his facts from the very first sentence of his **op-ed** on the minimum wage. Saltzman asserts that President Obama made a campaign pledge to raise the minimum wage to \$9.50 an hour and that four members of Congress have “introduced bills to make this promise a reality.” In fact, President Obama argued for raising the minimum wage to \$9.50 last year, and there is only one bill in the House that would set a similar figure: H.R. 5727 (and it would raise it to \$9.80 by 2014, not \$9.50). Sen. Tom Harkin’s Rebuild America Act would also raise the minimum wage to \$9.80 in 2014. But facts just get in Saltzman’s way.

Saltzman’s economics are no better than his legislative research. The old Economics 101 textbook theory he recites – that a higher minimum wage will necessarily reduce employment – was not supported by empirical research. As a 1995 paper in the *Journal of Economics Literature* put it, “There is a long history of empirical studies attempting to pin down the effects of minimum wages, with limited success.” No one found significant employment losses when President Truman raised the minimum wage by 87% in 1950. When Congress raised the minimum wage by 28% in two steps in 1967, businesses predicted large employment losses and price increases. As the *Wall Street Journal* reported six months later, “Employment and prices show little effect from \$1.40-an-hour guarantee.” Empirical studies even before Card and Krueger’s landmark New Jersey study found no increase in the unemployment rate for teens and young adults from a 10% rise in the minimum wage, while it was clear that higher wages were bringing housewives into the workforce.

Saltzman wants readers to believe that economists have discredited Card and Krueger’s finding that a 19% increase in New Jersey’s minimum wage did not cause job loss. He’s just wrong. Nobel laureate Paul Krugman says the study “has stood up very well to repeated challenges, and new cases confirming its results keep coming in.” And even the most ardent conservative critics could not claim that the New Jersey increase caused statistically significant job loss. Furthermore, a groundbreaking peer-reviewed 2008 paper (that Saltzman chooses to ignore), “Minimum wage effects across state borders: Estimates using contiguous counties,” generalizes the landmark Card and Krueger study to all contiguous county-pairs in the US that straddle a border, finding no adverse employment effects of increases in the minimum wage.

University of California, Berkeley (and former Economic Policy Institute) economist Sylvia Allegretto wants policy advocates to know about recent economics research about the minimum wage because it is so clear and convincing. Allegretto and colleagues Michael Reich and Arindrajit Dube carefully studied data on teen employment from 1990 to 2009 and found “that minimum wage increases—in the range that have been implemented in the United States—do not reduce employment among teens.” Previous studies to the contrary used flawed statistical controls and “do not provide a credible guide for public policy.”

The fact that more than 550 economists signed a statement calling for an increase in the minimum wage in 2007 cannot be dismissed because they were not all “labor economists.” No one claimed they were, and it’s irrelevant: agricultural economists and macroeconomists understand, just as labor economists do, that when reality doesn’t fit a model, it’s the model that has to change.

Saltzman has a loose regard for facts, but the fact is that economists no longer unthinkingly accept a nineteenth-century model that doesn’t fit the data, which show that modest minimum wage increases of the kind we have enacted in the past do not cause job loss.

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