

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 23, 2007

3:06 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Jay Ramras
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

Representative Gabrielle LeDoux

COMMITTEE CALENDAR

HOUSE BILL NO. 42

"An Act increasing the minimum wage; creating an annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

- FAILED TO MOVE CSHB 42(L&C)

HOUSE BILL NO. 14

"An Act relating to the purchase of alcoholic beverages and to access to licensed premises; relating to civil liability for certain persons accessing licensed premises; requiring driver's licenses and identification cards to be marked if a person is restricted from consuming alcoholic beverages as a result of a conviction or condition of probation or parole and relating to fees for the marked license; and requiring the surrender and cancellation of driver's licenses under certain circumstances."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 42

SHORT TITLE: ALASKA MINIMUM WAGE

SPONSOR(s): REPRESENTATIVE(s) GARA, CRAWFORD, GARDNER, BUCH, DOLL, DOOGAN, HOLMES, GUTTENBERG, KERTTULA, GRUENBERG

01/16/07 (H) PREFILE RELEASED 1/5/07

01/16/07 (H) READ THE FIRST TIME - REFERRALS
01/16/07 (H) L&C, FIN
02/09/07 (H) L&C AT 3:00 PM CAPITOL 17
02/09/07 (H) -- Meeting Canceled --
02/23/07 (H) L&C AT 3:00 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE LES GARA
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented HB 42.

VINCE BELTRAMI, Executive President
Alaska State AFL-CIO
Anchorage, Alaska
POSITION STATEMENT: Testified during hearing on HB 42.

DOROTHY WILSON, Business Owner
Juneau, Alaska
POSITION STATEMENT: Testified in opposition of HB 42.

PAUL WOLFSON, Statistical Research Associate
Tuck School of Business
Dartmouth College
Hanover, New Hampshire
POSITION STATEMENT: Answered questions during hearing on HB 42.

CHIP WAGONER, Executive Director
Alaska Conference of Catholic Bishops
Juneau, Alaska
POSITION STATEMENT: Testified during hearing on HB 42.

REPRESENTATIVE HARRY CRAWFORD
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Spoke as a joint prime sponsor of HB 42.

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at [3:06:05 PM](#). Representatives Neuman, Gatto, Gardner, Buch, Ramras, and Olson were present at the call to order.

HB 42-ALASKA MINIMUM WAGE

3:06:46 PM

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 42, "An Act increasing the minimum wage; creating an annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

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REPRESENTATIVE NEUMAN made a motion to adopt CSHB 42(L&C), Version 25-LS0226\K, Chenoweth/Wayne, 2/9/07, as the working document.

REPRESENTATIVE RAMRAS objected for discussion purposes.

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REPRESENTATIVE LES GARA, Alaska State Legislature, joint prime sponsor, began by explaining that the minimum wage in Alaska has not been raised since 2002. Prior to this, it was raised twice in 15 years. He explained that living costs have increased significantly since the most recent minimum wage increase. The current minimum wage is \$7.15 per hour. Congress is currently considering an increase in the federal minimum wage. He opined that this reflects the reality that currently, the minimum wage is a "poverty level wage," earning a full-time employee \$14,300 per year. He pointed out that a single parent whose rent is \$800 per month would have \$100 left over for other monthly expenses. He explained that the original version of HB 42 increased the minimum wage to \$8 per hour. This proposed increase would be adjusted for inflation over time. Additionally, HB 42 would require that the Alaska minimum wage remain \$1 higher than the federal minimum wage. He explained that Version K was drafted by the House Labor and Commerce Standing Committee, and would increase the minimum wage to \$7.15 per hour, or 50 cents higher than the federal minimum wage, whichever is greater.

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CHAIR OLSON explained that if Version K is reported from the House Labor and Commerce Standing Committee, the original version of the bill may be brought up at some point during the remainder of the committee process.

REPRESENTATIVE GARA, referring to the original version of HB 42, explained that increasing the minimum wage to \$8 per hour would

result in a \$16 thousand salary. With the addition of a permanent fund dividend (PFD), this would put the wage earner "slightly above" the poverty line. In Washington State, the minimum wage is close to \$8 per hour, and in California, the minimum wage will reach \$8 per hour in 2008. Currently, 15 percent of employees in Alaska earn less-than \$10 per hour. He opined that if the wage is increased, wages would also be increased for the 10-15 percent of employees working slightly above the minimum wage.

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REPRESENTATIVE RAMRAS inquired as to whether increasing the minimum wage may retard wage growth for those employees earning between \$10 and \$15 per hour, as employers attempt to satisfy the minimum wage increase.

REPRESENTATIVE GARA, referring to a report by the Economic Policy Institute explained that this report suggests that increasing the minimum wage will result in an equivalent increase for employees earning above the minimum wage.

REPRESENTATIVE RAMRAS restated his question regarding how the increase would effect employees earning between \$10 and \$15 per hour.

REPRESENTATIVE GARA replied that he has never seen a study that addresses this question. He reiterated that the studies he has seen generally show an equivalent wage increase for those employees earning slightly above the minimum wage. He said:

My belief is that it's a competitive pressure. For the least skilled workers - if their wages are going to go up, starting at a minimum wage, that forces the wages to go up for more skilled workers, as well. I can't guarantee ... that that's true, I can't guarantee ... anything about economics.

CHAIR OLSON explained that Version K was drafted in an attempt to "meet both sides part way."

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REPRESENTATIVE NEUMAN inquired as to how the proposed minimum wage increase would effect workers' compensation.

REPRESENTATIVE GARA replied that he does not know.

REPRESENTATIVE NEUMAN offered his understanding that this would increase the amount paid by the employer. He questioned what affect this would have on an individuals ability to get a job.

REPRESENTATIVE GARA commented that [raising the minimum wage] is a "value judgment." He reiterated his belief that the minimum wage should be a "living wage." He noted that there is much discussion regarding those individuals who do not work for a living and what types of benefits should be provided to them. For those individuals who do decide to work for a living, this wage should allow them to live above the poverty level.

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REPRESENTATIVE GARDNER objected to the adoption of Version K. Speaking as a joint prime sponsor of HB 42, she shared her belief that the lower minimum wage increase included in Version K is inadequate. She then removed her objection.

[Although not formally withdrawn, the committee treated Representative Ramras' objection as withdrawn.]

REPRESENTATIVE RAMRAS requested a detailed explanation of the changes made by Version K.

CHAIR OLSON explained that Version K keeps the minimum wage to \$7.15 per hour, or 50 cents above the federal minimum, whichever is greater.

REPRESENTATIVE RAMRAS stated that he is involved in the hospitality industry, and therefore has a conflict of interest. While he is not opposed to increasing the minimum wage, he expressed concern regarding how this would effect those employees "in the back of the house, that are earning between \$9 and about \$15 [per hour]." He explained that in an attempt to meet the wage and hour requirements, the elasticity is removed from the employer's ability to increase wages for the aforementioned group. He said "I would like to see the state of Alaska innovate a tip-tax credit that simply mirrors whatever the prevailing federal minimum wage is. Or, in this case, not go higher than the state minimum wage, for as long as the state minimum wage is still higher than the federal minimum wage." He opined that this would result in wage increases for the employees in "the back of the house." He opined that the aforementioned employees are absorbing 100 percent of the cost

for the employer to comply with state and federal minimum wage requirements.

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REPRESENTATIVE BUCH requested that Representative Gara detail the difference between the original version of HB 42, and Version K.

REPRESENTATIVE GARA explained that the "citizen's initiative" of 2002 increased the minimum wage to \$7.15 per hour, to be adjusted with inflation. Had the aforementioned initiative remained in effect, the minimum wage would currently be \$8 per hour. He reiterated that the original version of HB 42 increases the minimum wage to \$8, to be adjusted with inflation. Additionally, the minimum wage would remain \$1 above the federal minimum wage. He then reiterated that Version K proposes a minimum wage of \$7.15 per hour, or 50 cents above the federal minimum wage, whichever is higher. He offered his understanding that an increase to the federal minimum wage is currently being considered. If passed, the federal minimum wage would be increased to \$7.25 over a two-year time frame. Under Version K, this would result in a maximum state minimum wage of \$7.75 per hour.

REPRESENTATIVE GARA, in response to Representative Ramras' concerns, pointed out that he is also a restaurant owner. He stated that the previous minimum wage increase did not have a detrimental impact on his business. He opined that raising the wage for the lowest wage earners does not have to take money away from higher wage earners. This may, instead, cut into the profit margin. He said "I would rather have my profit margin cut into than take money away from someone who makes \$10-\$12 per hour." This may also change the businesses cost structure. He pointed out that the minimum wage was raised for all businesses, which then had the same "competitive disadvantage." Businesses then had the opportunity to either cut into profit margins or raise prices to reflect the higher wage. He went on to say that some economists believe that raising the minimum wage benefits the economy, while others disagree. However, he opined that there is a growing consensus that the minimum wage does not detrimentally impact the economy.

REPRESENTATIVE RAMRAS said:

I'm not an economist, but I'm just telling you the facts. And I don't know how many people are on your

restaurant staff, and ... I'm not going to suggest that yours is more typical than ... the restaurant interest that I have, or those in the peer group that I discuss with. But I'm just ... looking for a little spirit of compromise. I don't hear any accommodation at all, and ... you're gonna lose me. ... Do you appreciate at all - that it has any impact on the back of the house people, when you put 100 percent of the burden of the payroll increase on the front of the house people - as it relates to raising the minimum wage with a tipped workforce?

REPRESENTATIVE GARA replied:

I honestly believe that if you raise the minimum wage, you also raise the wages of the people who earn above the minimum wage. So, I think you and I have a different analysis on this. I'm not going to control your vote on this committee. I want you to vote your conscience, and I want you to vote out a bill that you think meets your needs. I'm only here to tell you what I believe. And ... personally, I don't believe in a tip credit. ... I see waitresses and waiters who work at my restaurant who earn a tip above their minimum wage and still barely make ends meet. I would have trouble going to those workers and telling them I proposed a lower minimum wage for them than ... for [those employees who do not earn tips].

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REPRESENTATIVE RAMRAS surmised that there may be a difference in the "basic building blocks" of the two businesses.

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REPRESENTATIVE GATTO said "Sometimes when I hear 'minimum wage,' I hear 'maximum wage.'" He opined that "anybody can pay more." He relayed a recent conversation with local business owners. He then offered his understanding that the aforementioned business employs 25 individuals, each of whom earn the minimum wage. The aforementioned employees are happy with this wage; however, none are working to support a family. He opined that the business in question is able to pay more than the minimum wage, and perhaps does for some employees. Although some businesses may be unable to remain open if required to pay a higher minimum wage, he stated his belief that \$8 per hour is not too much money.

REPRESENTATIVE GARA, in response to a question from Representative Gatto, explained that the current minimum wage pays roughly \$3,000 per year less than the poverty level, for a family of two. He explained that raising the minimum wage to \$8 per hour and adding a permanent fund dividend would result in an income that is above poverty level. He offered his belief that \$9 or \$10 per hour would be more appropriate.

REPRESENTATIVE GATTO, referring to a handout in members' packets, pointed out that certain states prospered as a result of increasing the minimum wage. He inquired as to how raising the minimum wage would help businesses.

REPRESENTATIVE GARA replied that in Washington State, the minimum wage is \$7.60 per hour, while in Idaho, it is below \$6 per hour. He explained that the higher skilled workers relocated to Washington State. As a result, the businesses in "border towns" thrived, and local chambers of commerce dropped any opposition to the minimum wage increase. He stated that he is unable to say exactly what happens to the economy when the minimum wage is raised, as experts do not agree. He pointed out an economist who previously believed that increasing the minimum wage would have a detrimental impact on the economy; however, as a result of research done in the 1990s, no longer believes this. He reiterated his belief that this is a value judgment.

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REPRESENTATIVE NEUMAN expressed agreement with Representative Gatto's comments. In regard to whether the minimum wage increase would affect profits, he suggested that businesses would raise prices to maintain the profit margin. He opined that it is important to maintain a certain profit margin.

REPRESENTATIVE GARA, in response to questions from Representative Neuman, stated that he is a co-owner of Snow City Café, LLC. He explained that he does not participate in the management of the restaurant. Some employees earn the minimum wage, while others earn above minimum wage. He stated that, as an owner, he does not worry that a "modest increase in the minimum wage" would take away from profits. All businesses would be required to raise prices, so there would not be a competitive disadvantage. He agreed that the customer may pay more. In response to an additional question regarding his business, he clarified that he is unsure whether any employees are paid less than \$8 per hour.

REPRESENTATIVE NEUMAN expressed concern regarding how this would effect businesses ability to employ workers.

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REPRESENTATIVE GARA replied that studies have shown that an increase in the minimum wage does not negatively impact the ability to find employment. He commented that "the growing consensus among economists ... is that the effects of the minimum wage on employment are very minimal, if any." He offered his belief that increasing the minimum wage would not "deny people work," and reiterated that this is a value judgment.

REPRESENTATIVE GATTO, in regard to the impact on the employer, opined that the additional cost would be minimal. He opined that prices may be raised accordingly, and customers would not avoid patronizing a particular establishment.

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REPRESENTATIVE BUCH offered his understanding that these are entry level positions. He pointed out that the minimum wage increase would apply to all industries. He said "I'm encouraged ... that this addresses an issue [in] a very level manner." He opined that increasing the minimum wage would provide an opportunity to enhance the learning capabilities of employees earning the minimum wage. He surmised that it may also have this effect on those earning slightly above the minimum wage.

REPRESENTATIVE RAMRAS inquired as to the unintended consequences that may occur.

REPRESENTATIVE GARA replied that this may effect the profit margin, or cause employers to go out of business. He offered his hope that this would not occur. He said "It rings true with me, when I read the studies, that ... increasing the minimum wage does not cause a detrimental impact on employment. ... But I think, maybe [this is because] I want that to ring true." In regard to a tip-tax credit, he said "I didn't mean to ... dismiss it as a wrong idea, it's just ... something that I personally disagree with."

REPRESENTATIVE RAMRAS reiterated his question regarding the unintended consequences this might have on the employees.

REPRESENTATIVE GARA reiterated that certain studies have shown that a minimum wage increase would result in an equivalent increase for those employees earning slightly above the minimum wage. He opined that this is a good result.

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REPRESENTATIVE RAMRAS stated that this is an "intended" consequence. He reiterated his concern regarding the "unintended" consequences.

REPRESENTATIVE GARA said:

I firmly believe it will enhance the quality of life of those wage earners. I don't believe that there will be unintended consequences. I believe it'll raise the wage scale of people who work for a living and get paid very little. It's not just young workers who earn low-end wages. It's immigrants - people who speak English as a second language, who are not young people, who try to raise a family, who come to this country and start at low-end jobs. If you have an idea of unintended consequences - I can't think of one, but I also can't guarantee you they won't happen.

REPRESENTATIVE RAMRAS stated that while he respects this point of view, he does not agree.

REPRESENTATIVE GARA said "I wish I could guarantee you that I was right about this. I just believe that I'm right about this, and I think everybody in this room believes that they're right about this, whatever their opinion is."

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REPRESENTATIVE NEUMAN asked whether one unintended consequence may be that less jobs are available.

REPRESENTATIVE GARA shared his belief that this would not occur; however, he cannot guarantee this.

REPRESENTATIVE NEUMAN opined that this would have a larger effect on smaller businesses.

REPRESENTATIVE GARA replied that while he cannot speak for all small businesses, it would be false to assume that increasing the minimum wage would result in profit loss, higher prices, or

that it would have no impact. He pointed out that economic theory points to a combination of these. He offered his belief that any detriment is offset by the positive impact of paying employees a better wage, thus enabling him or her to afford more than food and rent.

REPRESENTATIVE NEUMAN stated that he does not agree. He offered his belief that increasing the minimum wage will result in higher prices, which will negatively effect those who earn a lower income.

REPRESENTATIVE GATTO, in regard to unintended consequences, stated that increasing the minimum wage may result in lay-offs. He opined that the employer may then encourage the remaining employees to increase productivity, in order to rehire the employees who were laid off.

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REPRESENTATIVE GARDNER stated that during a recent trip to Denali National Park and Preserve, she noticed a great number of international employees. She shared her belief that there are not many workers in Alaska who are willing to work for minimum wage. Therefore, the minimum wage increase would not result in Alaskans losing jobs. She asked whether Representative Gara would agree.

REPRESENTATIVE GARA replied that this has also been his experience. Referring to the business he co-owns, he stated that the previous minimum wage increase resulted in a delay in dividend disbursement to owners; however, the employment levels were not effected.

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VINCE BELTRAMI, Executive President, Alaska State AFL-CIO [American Federation of Labor and Congress of Industrial Organizations], stated that he is in support of HB 42. He expressed disappointment with the changes made by Version K. He explained that previously, the Alaska AFL-CIO gathered over 50 thousand signatures in support of adjusting the minimum wage for inflation, in addition to maintaining a state minimum wage that is \$1 over the federal minimum wage. He opined that lower wage earners have "lost ground," as the cost of living has increased. He pointed out that both Washington State and Oregon have a minimum wage that is adjusted for inflation.

MR. BELTRAMI, in regard to whether an increase in the minimum wage would result in loss of jobs, explained that in other states, the opposite has been true. He gave details regarding the effect this has had on the economy in Washington State, pointing out a 10.1 percent increase in restaurant and bar employment.

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REPRESENTATIVE RAMRAS commented that the increase in employment may have been higher if the minimum wage had not been increased. He opined that this may have retarded the potential for growth over time.

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MR. BELTRAMI replied that this is unknown. However, the employment rate increased after the minimum wage increase was implemented. He pointed out that there is much agreement among economists that increasing the federal and state minimum wage and adjusting it for inflation can significantly improve the quality of life for low-income workers, without adverse effects. Additionally, many of these economists previously believed the opposite to be true. In regard to the federal minimum wage, he stated that following the last increase, the Economic Policy Institute did not find any significant job loss associated with the increase. The low-wage labor market experienced lower unemployment rates, increased family income, and lower poverty rates.

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MR. BELTRAMI, in response to a question from Representative Gatto, explained that there is no data to support the belief that there would have been a higher percentage increase in employment, had the minimum wage not been increased. He expressed his willingness to consider data that would substantiate this argument.

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REPRESENTATIVE GATTO surmised that the increase in employment would have been higher, based on the information before the committee. He stated his preference for testimony that is factual and substantial.

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MR. BELTRAMI replied that the information he has provided was prepared by the Bureau of Statistics. He reiterated that he does not have any way to show what would have occurred without an increase in the minimum wage. While the employment increase may have been higher without the minimum wage increase, he has not seen data to substantiate this.

REPRESENTATIVE GATTO questioned whether the minimum wage increase should be higher, if raising it results in an increase in employment. He asked whether there is a number that is most appropriate.

MR. BELTRAMI replied that he is unable to adequately address this.

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REPRESENTATIVE NEUMAN offered his understanding that Washington State has experienced a decline in higher income jobs. This may have resulted in more lower-wage employees. He surmised, then, that this may account for the aforementioned employment increase. He inquired as to the affect this legislation would have on members of the Alaska AFL-CIO.

MR. BELTRAMI replied that while this may not directly impact Alaska AFL-CIO members, it would affect them eventually. He pointed out that the Alaska AFL-CIO also represents lower wage earners that do not have representation. He stated that inflation adjustments would make labor costs more predictable for employers and allow Alaskans to rise above the poverty level, while increasing the amount of money circulating through the economy. In conclusion, he opined that the data has shown that increases in the minimum wage would improve the economy. He urged the committee to support HB 42.

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DOROTHY WILSON, Business Owner, stated that she is in opposition of HB 42. She explained that she owns two small businesses in Juneau. An increase in the minimum wage that is adjusted for inflation would be devastating to small businesses. She shared her experience that employees are not willing to work at the minimum wage. Her business currently offers a base wage of \$9 per hour, which is increased after 30 days. When lower earning employees receive a wage increase, those at higher levels

request equivalent increases. She then detailed how a \$1 increase would effect her businesses.

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MS. WILSON, in response to a question from Representative Gardner, reiterated that her employees are not willing to work for the minimum wage. If this rate was increased, the employees would insist on making more per hour. She opined that the minimum wage should encourage employees to improve, and find better jobs. She shared her experience working for minimum wage, and offered her understanding that the majority of minimum wage earners are youth who have not worked before, college students, or retired persons.

REPRESENTATIVE GARDNER agreed that a minimum wage earner would want to improve his or her life. She questioned whether an individual working year-round for \$8 per hour would be "inspired to want to improve their life."

MS. WILSON opined that applicants would not be willing to work for \$8 per hour.

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REPRESENTATIVE GARDNER applied her question to those individuals working for \$9 per hour.

MS. WILSON shared her belief that this is true. She added that generally, the minimum wage is considered a "training wage" and not a "living wage."

REPRESENTATIVE GARDNER, in regard to a comment from Ms. Wilson regarding the "marketplace requirement," opined that if the marketplace requires that employees be paid \$9 per hour, this would support the argument for increasing the minimum wage statewide.

MS. WILSON shared her belief that if the minimum wage was increased, those employees who are currently making \$2 above the minimum wage would wish to remain at this level. Therefore, the aforementioned employees would request a raise to maintain a wage that is \$2 above the minimum wage. Additionally, the employees who are making a higher hourly wage, who have been employed by the company longer, would request an equivalent raise.

REPRESENTATIVE NEUMAN inquired as to whether businesses typically increase wages after the completion of a training period.

MS. WILSON reiterated that her business increases wages after 30 days. She explained the process that occurs regarding seasonal employees versus permanent employees.

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PAUL WOLFSON, Statistical Research Associate, Tuck School of Business, Dartmouth College, began by giving a brief history of his education and experience. In order to determine who would be affected by the minimum wage increase, he looked at the Current Population Survey (CPS), a monthly survey of 50 thousand households conducted by the U.S. Census Bureau. He explained that 25 percent of the households are asked detailed questions regarding wages and salaries. He looked at this sample for each month of 2006. This sample is drawn from households around the country, with an equal number of households from each state.

REPRESENTATIVE RAMRAS inquired as to whether this is representative of the population of each state.

MR. WOLFSON replied no. He explained that if done in this manner, it would be difficult to "get a large enough sample to say anything sensible about Alaska." Continuing on, he explained that he focused on those individuals earning between the current wage and the proposed \$8 per hour minimum wage. These individuals would be the most likely to be effected by a minimum wage increase. He offered the following findings: About 4.5 percent of those employed are in the aforementioned wage range; slightly fewer than half were male, slightly more than half were female; about two-thirds are Caucasian, while about one-eighth are Alaskan Native or American Indian; about 40 percent are teenagers, 60 percent are adults; 40 percent of the adults are over 25 years of age. He pointed out that the average age of the adults is 38 years of age. Additionally, 25 percent of those in this wage range are parents. Nearly half of these individuals live in households where the family income is less than \$30 thousand per year, while 25 percent live in households where the income is less than \$15 thousand per year.

MR. WOLFSON, in summary, stated that those individuals most affected by the minimum wage are: less white, more female, predominantly adults, and predominantly low income. He explained that a great deal of research has been done regarding

this issue, and referred to a report done by David Card and Alan B. Krueger regarding the effects a minimum wage increase in New Jersey had on fast food restaurants on both sides of the Pennsylvania/New Jersey border. Based on the analysis done, no evidence was found to show a negative impact on employment in New Jersey.

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REPRESENTATIVE RAMRAS reiterated his earlier question regarding whether the minimum wage increase resulted in less elasticity in funds available to make payroll increases to employees "in the back of the house."

MR. WOLFSON replied that this is possible; however, studies have not considered this.

REPRESENTATIVE RAMRAS inquired as to why this was not studied. He opined that this is an "unintended consequence."

MR. WOLFSON replied that the main question in economics has been "does employment take a hit when minimum wage goes up," which has ramifications throughout the field. Additionally, the information required for this analysis would be difficult to gather.

REPRESENTATIVE RAMRAS inquired as to whether New York, New Jersey, or Pennsylvania currently has a tip-tax credit in place.

MR. WOLFSON replied that he does not have this information, as he is not familiar with the details in this area. He explained that he is speaking as an economist, and is not intimately acquainted with the restaurant industry.

REPRESENTATIVE GATTO questioned how a conclusion can be drawn regarding employment, when all groups are not included.

MR. WOLFSON replied that in the aforementioned study, no distinction was made between low and high wage workers. All workers were considered, before and after the New Jersey minimum wage increase.

REPRESENTATIVE RAMRAS reiterated his earlier question regarding how increasing the minimum wage affects payroll increases for the "back of the house."

MR. WOLFSON replied that the increase may come from various sources, and agreed that this may be one of them. However, he does not have evidence that shows this. Continuing on, he stated that there is no official consensus on employment. He noted that there is no strong evidence that a minimum wage increase is bad for employment. He pointed out that the minimum wage increase in Washington State resulted in employees on the Idaho border seeking jobs in Washington State, thus causing businesses on the Idaho border to offer equivalent wages. He explained that this may be related to higher quality workers, as a result of the higher minimum wage; it may also be due to the workers' willingness to work more efficiently. Most studies also report a reduction in employee turnover. He said "I don't mean to imply that the minimum wage never reduces employment." In regard to a comment made by Representative Gatto questioning whether the minimum wage should be increased to \$15 or \$20, if increasing the wage would result in a better economy, he stated that this is not necessarily the case. Historical data suggests that small increases of 10 percent or less, or when fewer than 10 percent of those working are directly impacted, there is little likelihood that this will have a detectable negative impact on employment.

[4:38:17 PM](#)

CHIP WAGONER, Executive Director, Alaska Conference of Catholic Bishops, began by noting the difficulties involved in deciding on the appropriate minimum wage rate. He commented that each individual deserves protection and dignity. He opined that for an individual to maintain dignity and "a decent life," he or she must earn enough money to provide food, clothing, shelter, and medical needs. He explained that a person does not need the ability to make extravagant purchases, but rather the ability to earn a living wage. He agreed with the testimony provided by Mr. Wolfson. He surmised that there are different ways for businesses to deal with an increase in the minimum wage.

[4:42:50 PM](#)

MR. WAGONER, in regard to union jobs, stated that bus drivers currently make twice the minimum wage. He opined that there is no reason for this requirement, and suggested that members' consider changing this. In response to Representative Ramras' question regarding elasticity, he shared his belief that this is a "false choice." He opined that this assumes that the employer must take money from one employee group to cover the cost of the minimum wage increase. However, there are other options. He

opined that increasing prices is the most logical. He stressed that employers have choices. He stated that the restaurant industry is very difficult to succeed in, and offered his understanding that when the economy is good, restaurants prosper, as patrons have more discretionary income. He opined that this is a bigger issue than an increase in the minimum wage. He offered statistics to support this.

[4:46:08 PM](#)

REPRESENTATIVE RAMRAS shared his experience in the restaurant industry.

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REPRESENTATIVE GATTO inquired as to what hourly wage is required to earn a "living wage."

MR. WAGONER replied that in Juneau, this wage is around \$19 per hour.

REPRESENTATIVE GATTO commented that a person cannot raise a family on \$8 per hour. He inquired as to the goal behind raising the minimum wage.

MR. WAGONER replied that \$8 per hour is a step in the right direction. In response to additional comments from Representative Gatto, he explained that the majority of individuals earning the minimum wage are adults, 40 percent of whom are the sole wage earners in their families.

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REPRESENTATIVE GARDNER brought attention to previous testimony that 25 percent of those earning minimum wage live in households with a household income of less than \$15 thousand per year. Additionally, 50 percent of those earning minimum wage live in households where the income is less than \$30 thousand. She pointed out that earning \$19 per hour equals around \$40 thousand per year. Additionally, only 40 percent of those individuals earning the minimum wage in Alaska are teenagers.

MR. WAGONER then discussed inflation indexing. He pointed out that since 1959, individuals earning a minimum wage have seen a 31 percent decrease in purchasing power. He opined that adjusting the wage for inflation is fair to workers.

REPRESENTATIVE NEUMAN pointed out that currently, 8 percent of the workforce is earning minimum wage. He opined that in 1959, this figure was higher.

[4:54:12 PM](#)

REPRESENTATIVE HARRY CRAWFORD, Alaska State Legislature, joint prime sponsor, stated that previous the minimum wage increase resulted in an increase in employment rates. Businesses prospered as a result, and there was no measurable displacement of workers. In regard to minimum wage increases resulting in less employment, he stated that this has not borne out. He stated that this has actually expanded the economy.

[4:56:28 PM](#)

REPRESENTATIVE GARDNER, speaking as a joint prime sponsor of HB 42, agreed that in order to have dignity, an individual must be able to earn a living wage. She opined that the minimum wage should supply this. She shared her experience earning the minimum wage, and pointed out that she is a small business owner. She said "I kind of see from a variety of points, but what it comes down to is values...."

[4:57:53 PM](#)

REPRESENTATIVE GARDNER moved to report CSHB 42, Version 25-LS0226\K, Chenoweth/Wayne, 2/9/07, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE NEUMAN objected.

A roll call vote was taken. Representatives Buch, Gardner, and Olson voted in favor of moving CSHB 42, Version K, from committee. Representatives Neuman, Gatto, and Ramras voted against it. Therefore, CSHB 42, Version K, failed to be reported out of the House Labor and Commerce Standing Committee by a vote of 3-3.

[4:58:41 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [4:58:46 PM](#).