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Pa. Rep. introduces minimum wage increase

- The Associated Press
- Mar 26, 2013

State Rep. Mark Cohen, D-Philadelphia, reintroduced legislation that would increase the minimum wage in Pennsylvania from \$7.15 to \$9 per hour.

House Bill 1057 would raise the state's minimum wage to \$9 an hour and provide subsequent annual cost-of-living increases indexed to the Consumer Price Index for urban consumers for the Pennsylvania, New Jersey, Delaware and Maryland area, beginning Jan. 1, 2015.

Cohen said his legislation parallels President Barack Obama's recent announcement calling for an increase in the minimum wage to \$9. Eighteen states have passed minimum wage rates above the federal minimum of \$7.25.

According to the U.S. Health and Human Services Poverty Guidelines for 2013, an annual income of \$19,530 would place a family of three at the poverty line. Pennsylvania's current minimum wage of \$7.15 allows that same family to earn only \$14,872 - less than the HHS guidelines for a family of two, Cohen said.

"To think that a single mother could work a full-time, 40-hour-a-week job and fall nearly \$5,000 below the poverty line is unconscionable and should be morally unacceptable to most people in today's society," said Cohen, Democratic chairman of the House State Government Committee.

Eight states - California, Connecticut, Illinois, Massachusetts, Nevada, Oregon, Vermont and Washington - plus the District of Columbia, have a minimum wage equal to or more than \$8. Many of the states also have adopted a cost-of-living or an adjustment using the Consumer Price Index for urban populations.

New York is in the process of implementing a higher minimum wage with the following schedule: \$8 on Jan. 1, 2014, \$8.75 on Jan. 1, 2015 and \$9 on Jan. 1, 2016.

New Jersey has a bill that would raise the minimum wage to at least \$8.25, as well as provide a COLA in future years

http://cumberlandlink.com/news/local/govt-and-politics/pa-rep-introduces-minimum-wage-increase/article_8f09dd32-965a-11e2-bb15-001a4bcf887a.html

Pay Wars

Would a higher minimum wage help or hurt workers?



By [Andrew Soergel](#), Economy Reporter | March 28, 2016, at 9:26 a.m.

Minimum wage increases have been a politically charged issue for years, and that's not likely to change once President Barack Obama leaves office in January.

The minimum wage was last raised back in 2009 to \$7.25 per hour. Obama has said he'd support efforts to raise that to \$12 per hour, but many "Fight for \$15" supporters, as their group's name suggests, want to raise that bottom-line even higher.

Fight for \$15 protesters have gathered at several recent GOP debates, speaking out against what they consider to be unfair wages. Republican presidential hopefuls have, by and large, said they oppose a federal minimum wage increase, while the Democratic candidates have both advocated for them.

The issue is largely partisan, and there are several studies and data points floating around that support the arguments of both Republicans – many of whom say minimum wage hikes reduce profitability for business owners and act as a disincentive to hire new workers – and Democrats – who claim real worker pay has unfairly stagnated for decades, with respect to inflation and cost of living increases.

So which side is right? That depends almost entirely on the perception of the problem with the domestic labor market, says Jeff Clemens, an assistant professor of economics at the University of California, San Diego and a faculty research fellow at the National Bureau of Economic Research.

If you believe employers are squeezing more and more output from their payrolls without fair compensation, then a minimum wage hike would be for you. But if you believe technological advances and low-skill, low-wage competition from overseas have limited the number of minimum wage jobs in the U.S. and prevented employers from doling out raises, then a minimum wage bump might not make sense and could ultimately hurt low-skill workers' employment opportunities.

Clemens' own research suggests the series of minimum wage hikes enacted in the mid-2000s contributed substantially to the number of low-skill jobs lost during and around the Great Recession. But he says there are compelling bodies of evidence on both sides of the spectrum. U.S. News recently spoke to Clemens to hear his take on America's minimum wage debate. Excerpts:

I've put out two papers – one December 2014, one December 2015 – both of which were efforts to analyze the last wave of federal minimum wage increases. What these studies did was note that the federal minimum wage increases were such that states that go along with the federal

minimum wage [and didn't already have a higher state-mandated minimum wage in effect] raised rates by a total of \$2.10 [between 2006 and 2012]. States that had higher minimum wages at baseline had to increase their minimum wage rates on average by between \$1 and \$1.50.

When you look at how employment declined during the Great Recession, the situation was much more severe at what you would think of as the low end of the education and experience distribution than it was at the higher end. People that you would think of as high school dropouts in their 20s and teenagers saw their employment rate go down by 13 percentage points between 2006 and 2010, and that never recovered.

For relatively higher-educated and experienced workers, the employment rate declined by something more to the order of 4 to 6 percentage points, and we've recovered a non-trivial amount of that over the last few years.

So what we do then is try to figure out how much this period's minimum wage increases may have contributed to this overall decline in low-skilled workers' employment. Our estimates at the end of the day are that the low-skilled workers in the states in which the minimum wage went up by more saw larger declines in their employment rates.

As my bottom-line number, I'm willing to take the stand that the full set of minimum wage increases enacted over this period is responsible for a decline of around 1 million jobs across these particularly low-skilled worker groups. Overall, there's something in the order of 2.5 million jobs lost among these low-skill workers to account for. So my assessment is that this period's minimum wage increases account for 40 percent of that.

That's a pretty striking number. There are a lot of people who advocate for minimum wage hikes who ultimately believe that it would help low-wage and low-skill workers, not limit their job opportunities. Yours isn't the only body of research to suggest minimum wage hikes drag on low-wage hiring, but how has your research been received?

As far as public reception goes, people just kind of see what they want to see. People who are inclined to think the minimum wage has these kinds of effects think that my study is obviously correct. And people who see things the other way think there's some sort of fatal flaw to the analysis.

People have suggested [additional steps] as ways of controlling for factors that might have affected employment in states that had to increase rates by the full \$2.10. So far, the things people have suggested have not moved the results in a way that would make me revise the overall estimate downward.

In terms of the broader debate that goes on – not just in blogs and media outlets but also in academic literature – it's clear that over the last 20 or 25 years, the economics profession in general went from being close to 100 percent convinced that [substantial] minimum wage increases would result in nontrivial declines in low-skilled workers' employment to being much more mixed on the issue.

When you look at the full body of evidence, which includes hundreds of studies that use different methodologies or study different time periods, the results sort of run the full range, from finding no effect on employment to finding more substantial effects like the one I found in my study.

Are the young and less educated individuals you've referenced most heavily impacted by this minimum wage dynamic? As the minimum wage has gone up, are they bearing the brunt of the job losses?

Because of the fact that a disproportionately large share of teenagers and young high school dropouts are minimum wage workers relative to the share of, say, 40-year-old college graduates, when we do analyses of the minimum wage [using the Census Bureau's [Current Population Survey](#)], we're kind of pigeonholed into analyzing these demographic groups.

Although they're the most intensely impacted by the minimum wage changes, they don't actually account for the majority of the minimum wage workforce. Minimum wage workers are dispersed across demographic groups a little more broadly.

Proponents of a higher minimum wage have argued that real wages with respect to inflation have been stagnant for years. Some estimate median pay today is only marginally better than it was in the 1970s. Considering productivity has skyrocketed in the U.S. since then, many argue that workers should theoretically be making a lot more money today. What's your take on that line of thinking?

One thing that's actually somewhat reassuring from the perspective of the professional economist is that the intuitions that you see in the policy debate actually map pretty closely into the rigorous economics underlying one's perspective on minimum wage increases.

What I mean by that is the appropriateness of the minimum wage increase as a tool for fighting recent increases in inequality – or the stagnancy of wage growth at the lower end of the distribution – very much depends on why you think it is that low-skill workers have failed to share in overall economic productivity gains.

If you think that what's going on is that the productivity of these relatively low-skilled individuals is truly growing at the same rate of the economy as a whole but that they're failing to share in the gains because their employers in some sense are getting better at extracting [value] from them [without paying them more], then that's precisely the world in which you could think of the minimum wage as a way to hold the line against employers' ability to extract an increasingly large share of the value of the output that these workers bring to the table.

On the other hand, if your impression is that the low end of the labor market has been battered about by forces like labor-replacing technologies or the use of offshoring or trade with countries like China that have large stocks of low-skilled labor – if you think these types of competitive market forces are what are driving the lagging growth in low-skill workers' wages – it actually turns out that in a rigorous, economic theory-driven sense, the minimum wage is going to be a relatively poor tool for propping up wages and incomes at the low end of the labor distribution. It very much comes down to what one's perspective is on whether the low end is lagging or suffering as a result of these competitive market forces.

If you think it's the competitive market forces, then the real answer for how to boost wages and incomes at the low end of the distribution has to come back to either directly subsidizing the skills these workers have and bring to the table or improving our approaches to education, training and retraining to boost the output that they are able to bring to the table.

I imagine the idea that this is such a politically charged issue at least in part because it depends so much on perspective. That puts economists and researchers trying to do objective work in a tricky position. What do you want people to take away from your research?

When I go about research in general, I'm interested in contributing to, or understanding, big-picture changes that have taken place in the economy.

So for me, the basic intro fact that among relatively young high school dropouts and teenagers, the employment rate declined by in excess of 10 percentage points and exhibited absolutely no sign of recovery during a period when other groups' employment rates were beginning to tick back upwards, that's a first-order fact that's very much in need of explanation, both from a general macroeconomic perspective but also our general interest in issues related to inequality.

What I've concluded from both these studies I've conducted using these two different data sets is that the pretty substantial increases in the minimum wage that happened to take effect during the Great Recession underlies a nontrivial portion of that significant shift in relatively low-skilled individuals' employment. So I feel pretty strongly about what the evidence has to say about those particular economic developments.

I think it's important to embrace the fact that any given piece of applied econometric evidence comes from a very particular historical and economic context. So I would be very hesitant to just make the assumption or jump to the conclusion that future minimum wage increases would play out in exactly the same way as the minimum wage increases that I've analyzed. In fact, there's very good reason to think that they would not. In all likelihood, they'd be associated with more modest effects on employment.

What are your thoughts on policy?

My thinking on where things should move going forward in terms of efforts to improve incomes and opportunities at the low end of the income distribution comes back to the more theory-driven analysis. When you think about this from the perspective of economic theory, you're steered in this direction of realizing that the appropriate response to stagnant wage growth at the bottom of the income distribution depends very much on the reasons why wage growth has been stagnant. So I tend to be relatively persuaded by the recent work suggesting it's primarily being driven by factors like competition associated with trade with China and labor replacing technological developments, which makes me think that wage subsidy policies like earned income tax credits or more general skills training programs would be a more appropriate policy response.

But I wouldn't say I have a particularly high level of confidence there. It's something we'll need to continue researching over the years to come.

<https://www.usnews.com/news/the-report/articles/2016-03-28/ask-an-economist-will-a-minimum-wage-hike-help-or-hurt-workers>