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ASSESSMENTS

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Fixing a Sagging Wage Floor

A surprising number of Republicans are joining with liberals to enact new state minimum wage laws.

n this season of conservative hegemony in most state capitols, there are all sorts of ambitious goals that liberals simply have to forget for a while. Expanded health coverage isn't going anywhere at the moment. Smart growth planning languishes even in places where it was hot a short time ago. Handgun controls are out of the question everywhere.

There is one fight, however, that liberals are winning this year, even in states where the numbers would seem to be against them. They are winning on the minimum wage.

When Wisconsin raised its minimum last month, to $5.70 and then $6.50 in a two-step process, it became the 17th state to establish a wage floor higher than the $5.15 level that has prevailed under federal law since 1997. A dozen of those states have acted in the past 18 months alone. Most of them have Republican legislatures, or Republican governors, or both.

But even more remarkable than the list of new wage laws is the cast of Republican characters who are going along with them in one way or another. The GOP leader of the New York Senate, Joseph Bruno, led the drive last winter to override his party's governor and push the minimum to $7.15. Connecticut Governor Jodi Rell stunned her GOP legislative allies by praising and signing a minimum wage bill that they had denounced as extravagant. One legislator called it "the most astounding thing I've ever seen in this chamber." Mitt Romney, the Republican governor of Massachusetts, supports indexing that state's minimum wage, so it would go up automatically with future rounds of inflation.

There's something a little odd about this, at least at first glance. The minimum wage has been associated for the past 70 years with Democrats and labor unions. It has been attacked unceasingly by Republicans and free-market economists. We all know who's got the upper hand these days. So why doesn't the minimum wage just fade into history, like any number of once-familiar liberal agenda items that lost their resonance somewhere along the way?

There are several possible explanations. Perhaps the simplest is that when budgets are tight, a boost in the minimum wage is one form of benefit that legislators can give the public without raising taxes, increasing deficits or taking any personal political risk. From this perspective, shared by much of the free-market right, minimum wage increases represent an attempt by politicians to give the voters something for nothing — while passing the cost on to private employers, and ultimately to consumers. “It literally doesn’t cost the politicians a dime,” says Tim Kane, an economist at the Heritage Foundation.

That may be true, but it’s a little too simple. Legislators who vote to increase the minimum wage aren’t just engaging in fiscal sleight-of-hand. No matter what party or ideology they subscribe to, they know how to read poll numbers, and poll numbers are telling them not to stand in the way of economic relief that a solid majority of the American people believes to be justified.

The concern about wages and fairness is almost as pervasive in “red” states right now as it is in “blue” ones. Last November, for example, President Bush carried both Florida and Nevada by comfortable margins. But proposals to increase the statewide minimum wage passed by even bigger margins in both states. Nationwide, a recent survey by the Pew Research Center showed 82 percent for the proposition that the federal floor under wages ought to be higher than $5.15 an hour.

The fact is we’ve had a federal minimum wage since 1935, and ordinary citizens feel cheated when the law stays on the books but its benefits are allowed to atrophy as a result of prolonged legislative inaction. Their common-sense idea is that you either provide an economic benefit or repeal it, but you don’t pretend to honor it while quietly draining it of its value.

At one time, the minimum wage was equal to nearly 60 percent of the average wage earned by American workers. Today, it’s equal to about 33 percent. For the current federal minimum wage to have the purchasing power it possessed in 1968, it would have to be close to $9. The value of the last federal increase, which took effect in 1997, has already been eroded away by inflation. Voters understand those things, even if they don’t understand all the intricacies of labor economics.

ne might expect conservative legislatures to be able to resist those populist sentiments on the basis of solid empirical evidence that mandated minimum wages are actually a bad deal for workers. The problem is that no such evidence exists.

This may come as a surprise to a whole generation of educated Americans who learned in college economics that any boost in the minimum wage causes employers to fire workers whose productive value doesn’t match the higher pay scale. This is a widely held theory, especially among economists — 71 percent of them subscribed to it in a recent survey in the Journal of Economic Perspectives — but it is just a theory. Nobody has ever documented it. Even the most militant free-market ideologues concede that. “We just don’t have the empirics,” says Tim Kane of Heritage.

Moreover, in the 1990s, a new body of data began to suggest the opposite conclusion: that raising the minimum wage doesn’t reduce the supply of jobs, and may even increase it. Two Princeton economists studied the labor market in New Jersey, which raised its minimum wage in

1992, and in neighboring Pennsylvania, which didn't. According to free-market theory, unskilled workers in New Jersey would have found themselves losing work. No such effect turned up.

Although the Princeton study was replicated later in the decade, with the same result, it remains controversial. Critics have attacked the methodology, especially the fact that it made use of telephone surveys rather than examining actual payroll records. It would be unfair to say that the Princeton study has resolved the issue of minimum wages and job markets.

What is fair, though, is to say that in the wake of that study, and the continued ambiguity of the evidence, the anti-minimum wage lobby has found itself resorting to a welter of confusing and implausible arguments that aren't really registering with a majority of legislators on either side of the aisle.

In Maryland this year, the state chamber of commerce argued that raising that state's minimum wage to $6.15 would discourage multi-national corporations from locating there. But the vast majority of minimum wage workers are employed by locally based or franchised service establishments — at least half of them in the restaurant industry alone. It's not very likely that Pizza Hut will pull up stakes and leave Maryland if the minimum wage is increased.

What's likely is that the price of pizza will go up a few cents. But the price of pizza already reflects lots of costs that restaurateurs and others are required to bear as the price of being humane employers: health care, sick leave and paid vacation, among others. The notion that successful businesses of any kind can't pay their workers wages sufficient to keep up with inflation has been a tough sell in most of the country this year (although it did impress the governor of Maryland, who vetoed an increase to $6.15. An override vote is likely in next year's legislative session).

Chambers of commerce, the Federation of Independent Business and various restaurant associations make the broader argument that even if minimum wage increases did not directly erase jobs, they would cut into business profitability and thus dampen the national economic recovery that has only tentatively taken hold. This would be a stronger argument if the last minimum wage increase had occurred in, say, 1991 or 2002, years when it might plausibly be correlated with economic stagnation. Coming in 1997, however, the most recent boost in minimum wage coincided with a flood of new jobs throughout the economy, and particularly in the service industries where most low-wage employment is concentrated.

In response to all these arguments, supporters of a higher minimum wage can respond with a very simple point that doesn't rely on studies or statistics: It is that paying a respectable wage is the second-prong of a two-pronged pro-employment strategy that was launched with the passage of the federal welfare reform law of 1996. That law was aimed at forcing people off the welfare rolls and into the workforce — no excuses for those who refuse to play by the rules. It has succeeded brilliantly. But the second prong is to pay those newly self-sufficient workers enough money to keep them in jobs and off welfare.

At the current federal minimum wage of $5.15, a 40-hour, full-time job pays $206 a week, or $10,712 a year. Adjusting that wage so that inflation doesn't erode it ought to be an essential component of any conservative program aimed at discipline, self-reliance, personal initiative and the establishment of a stable and self-confident American working class.Any conservative program aimed at instilling self-reliance and personal initiative has to include paying workers enough to keep them in jobs and off welfare.

Jack Pardue illustration