

HOUSTON★CHRONICLE
OUTLOOK

Gupta: More states should raise minimum wage on their own

By Shetal Vohra-Gupta

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Building a better future for American children lies in creating effective policies today. One of the more effective policy changes that must happen is raising the minimum wage to at least \$10.10 and then indexing it to inflation so that American families can keep up with the rising prices of gas, food and housing. While the minimum wage needs to be raised across the nation, the lack of effective movement at the federal level leaves it up to the states to step up and lead this movement. Texas should be one of the states leading the change.

The current minimum wage was established in 2009 at \$7.25 per hour, only \$7 more than at its inception in 1930 at 25 cents. While the current minimum wage has remained stagnant, the price of food, housing, gas and college tuition has not. As a result, purchasing power among low-wage families has decreased, and the gap between the poor and the middle class has widened. It has also increased dependence on government services such as the Supplemental Nutrition Assistance Program and Medicaid.

For the 20 states that have raised their minimum wages above the federal minimum, positive results are being seen. According to the Washington Labor Council, it is important to a state's economy for low-wage earners to maintain their purchasing power beyond the ability to meet their basic needs. In addition, several cities have also increased their minimum wages - among them are Seattle (\$15), San Francisco (\$10.74), Santa Fe, N.M. (\$10.66), New York City (\$8), and San Jose, Calif. (\$10.15). To date, Santa Fe has seen no effect on employment and is doing

economically better than Albuquerque, its sister city, which did not raise its minimum wage past the

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federal minimum.

When take-home pay is increased for low-income families, they tend to spend more within their local communities, which helps local businesses. This cycle creates better economic conditions locally and statewide. For businesses that employ minimum-wage to low-wage workers, studies have shown higher productivity, decreased turnover, lower recruiting and training costs, decreased absenteeism and increased worker morale for these businesses with increased minimum wages.

Those opposed to raising the minimum wage offer a number of arguments that suggest any increase would be detrimental to the economy. When scrutinized, these arguments fall apart. First, several economists have indicated that job loss will be a consequence of raising the minimum wage. This argument is based on the theoretical premise that when price increases, demand will go down. This simple supply-demand construct essentially says that if the cost of paying low-wage workers increases, then the demand for low-wage workers will decrease. These economists state that the supply-demand premise only holds true when the critical condition of "all else equal" is met. Considering the country's ever-changing economy and the changes that increasing the minimum wage would inspire, the critical condition of "all else equal" is not maintained - essentially invalidating the increase-in-unemployment argument.

Opponents also often state that raising the minimum wage would actually harm the people it is intended to help. However, a report this year from the nonpartisan Congressional Budget Office states that for families living below the poverty threshold, a raise in minimum wage to \$10.10 would increase net real income by \$5 billion and pull about 900,000 families above the poverty threshold. Opponents also say that the only way to offset the wage increase is to lay off workers or relocate. Again, rigorous studies show businesses absorb the costs by other means such as slightly raising prices, initially accepting small profit reductions, or improving productivity.

With the highest number of hourly wage workers of any state at about 3 million, Texas could set a strong precedent for the rest of the nation if state policy makers were to raise the minimum wage. Texas' low-wage families would see an aggregate increase of \$5.9 million to \$8 million in additional income. These additional millions of dollars would go straight into the local and state economies. Our state policymakers should take notice and raise the wage for the betterment of society and to enable economic growth.

Vohra-Gupta is a research scientist for the Institute of Urban Policy Research and Analysis at The University of Texas at Austin.



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