

Growing number of states look at minimum wage hikes

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(Photo: Matt Gouras, AP)

Story Highlights

- Thirteen states have weighed wage increases
- In nine states, automatic wage hikes took effect
- Opponents say the increases could hurt workers

Nearly half the states have increased their minimum wage this year or are considering plans to hike it as the economy transitions from recession to a stronger recovery.

Thirteen states have weighed wage increases since Jan. 1. Maryland, New York, New Jersey and Hawaii are among the most recent. Monday, New Jersey Gov. Chris Christie, a Republican, rejected a bill that called for an immediate \$1.25-per-hour hike, pushing the minimum wage to \$8.50. He suggested instead a \$1 increase phased in over three years.

In nine other states, automatic wage hikes took effect, adding 10 to 35 cents per hour to state minimum wages. In a 10th state, an increase approved by the Rhode Island Legislature last June raised the state's minimum from \$7.40 to \$7.75 as of Jan. 1. It was the state's first increase since 2007.

Of the states considering proposals, the last increases occurred from 2007 through 2009. The last federal minimum wage increase came in 2009, when it rose from \$5.15 to \$7.25.

"The movement by the states shows that when you get people together, you can get stuff done (and) hopefully convince people that everyone else across the country deserves a raise," said Aaron Albright, communication director for Democrats on the House Education and the Workforce Committee.

Opponents say the increases could hurt workers.

The increase in labor costs could leave employers grappling with alternatives to provide the same product for less service, a result that could slash company workforces and employee hours, says Michael Saltsman, a research director with Employment Policies Institute, a non-profit group that researches public policy in relation to employment growth.

"It's not as simple as saying consumer spending will go up," Saltsman said. "If labor costs go up, it's going to look a lot more attractive to make other cuts."

Small businesses — particularly restaurants — may feel the blow strongly. "I am opposed to raising the minimum wage without some kind of agreement of the tips that servers or anybody with gratuities make," said Nick Anastasopoulos, the treasurer of the California Small Business Association and owner of the Athens Market Cafe.

Athens Market Cafe servers make roughly \$28 to \$30 per hour after tips, he said.

"On the one side, I'm appreciative that people might get higher wages, but consumers will end up paying the increase," Anastasopoulos said.

The state push could encourage Washington to re-evaluate the federal minimum wage of \$7.25 an hour, says James Parrott, a director and chief economist for the Fiscal Policy Institute, a non-partisan New York research and education organization.

The federal minimum wage has increased from \$1.60 in 1968 to today's minimum of \$7.25, according to 2012 Bureau of Labor Statistics. A 2011 summary from the Bureau of Labor Statistics reports that 73.9 million American workers over the age of 16 were paid at hourly rates, of which 1.7 million earned minimum wage.

The average hourly wage in December for all privately employed workers was \$23.73, up 6% from 2009, according to the U.S. Bureau of Labor Statistics.

Paul Sonn, the legal co-director of the National Employment Law Project, an advocacy organization for employment rights of lower-wage workers, says the proposals reflect an increased pressure to protect the value of minimum wage from eroding as a result of increased inflation rates. On a federal level, minimum wage would be at \$10.58 had it adjusted to increased cost of living, according to an Employment Law Project report in December.

Sen. Tom Harkin, D-Iowa, and Rep. George Miller, D-Calif., introduced the Fair Minimum Wage Act of 2012 in July. The bill proposed a federal minimum wage increase to \$9.80 over three years and annual cost-of-living adjustments to keep the minimum wage from falling behind and eroding in value. No date has been set as to when the bill will be reintroduced.

"From our point of view, low-income workers will spend their [increased] wages locally, which will help the local economy," said Jim DeLuca, the general manager at the Abundance Cooperative Market, a natural products grocer in Rochester, N.Y.

The store increased its wage to \$8.75 two years ago, a raise from the state minimum of \$7.25, and the move hasn't affected business operations, the manager said. "It was an effort on our part to create a living wage model," DeLuca said.

Democratic Gov. Andrew Cuomo's Jan. 22 proposal would increase New York's minimum wage to \$8.75. The raise would benefit more than 1 million workers and create 25,000 jobs, according to a Fiscal Policy Institute report from January 2012.