



To: Members of Senate Committee on Labor, Elections, and Urban Affairs
From: Charity Eleson, Executive Director
Re: SB 1
Date: January 29, 2009

The Wisconsin Council on Children and Families supports passage of SB 1. The minimum wage is critical to many parents who are working hard but struggling to make ends meet in our rapidly changing economy.

The Minimum Wage Impacts Adults and Breadwinners

We know that the minimum wage impacts more than just a group of teenagers looking for some extra spending money. Two recent increases to Wisconsin's minimum wage (to \$5.70 in 2005 and \$6.50 in 2006), for instance, raised the wages of 250,000 Wisconsin workers. Eighty percent of those were adults, and more than one-third were heads-of-household. (Source: Department of Workforce Development)

Nationally, the evidence shows much of the same. Of those that will be impacted nationally by the federal increase from \$6.55 to \$7.25 (in the year 2009), an estimated 79 percent are adults 20 years of age or older. Over half of these work full time. (Source: Economic Policy Institute (EPI))

Importantly, these are not throw-away wages, but are earnings critical to the economic security of families around the state. An analysis of the 1996-97 federal minimum wage increases showed that minimum wage workers, on average, provided more than half of their family's weekly earnings. And of those families impacted by the minimum wage that have children, the minimum wage worker contributes 59 percent of the family's earnings. (Source: EPI)

The Impact of Minimum Wage Increases on Employment is Minimal or Non-Existent

There has been debate surrounding the impact of minimum wage increases on employment levels, but a comprehensive reading of this research shows that the impact on employment, even in the most impacted industries is minimal or non-existent.

A 1998 study by the Economic Policy Institute of the 1996-97 federal minimum wage increases found no systematic, significant job loss from those increases. Other studies were done of earlier minimum wage increases, including of those made in 1990-91, and the findings were the same, no measurable negative impact on employment levels. Economists David Card and Alan Krueger, highly respected in the field of labor economics, have also examined individual state minimum wage increases and found the same, no significant employment impacts.

It is not difficult to imagine why this would be the case. Businesses must frequently deal with cost increases to inputs – to their costs of doing business, whether it is fuel costs for making deliveries, the costs of the napkins on the tables, or costs for new equipment. There are a number of ways that businesses absorb some of those cost increases, and those increases do not always result in layoffs or price increases for consumers.

When it comes to labor costs specifically, employers may be able to absorb some of that cost increase through higher productivity, lower recruiting and training costs and decreased absenteeism, stemming from higher worker morale. Whatever the reason, it is clear that past minimum wage increases have not had the dramatic negative impact on employment levels predicted by opponents of the minimum wage, and there is no reason to expect that the increase to \$7.60 and subsequent indexing would either.

Indexing the Wage to Inflation Provides Continued Purchasing Power and Predictability

In addition to raising the minimum wage, this bill would provide regular, reasonable increases in the wage by indexing it to inflation. In short, we see three problems with the current policy making process surrounding the minimum wage.

First, the purchasing power of the wage is significantly eroded by inflation during the long periods of neglect. For instance, in the recent 10-year period between federal minimum wage increases, the wage lost 20 percent of its value due to inflation and was at a 50-year inflation-adjusted low. The stagnating value of the minimum wage during this time only added to what is a growing income inequality problem in Wisconsin.

Secondly, after periods of neglect, the minimum wage debate reappears, with the time-consuming discussion largely driven by politics, and the outcome rarely turning on economic and labor market data or wage trends.

And finally, employers of low-wage workers eventually experience sudden wage increases, making labor costs unpredictable during those times and complicating business planning.

We have had a minimum wage in this country since the late 1930's. This wage floor is important to tens of thousands of hard working families around the state. We feel that indexing the wage to inflation, as ten other states have already done (and with no ill effects), is the most reasonable way to administer the level of the minimum wage to ensure continued purchasing power and to bring predictability to the process.

Thank you for your consideration of this important policy change, and we urge you to vote yes on SB 1.