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MINIMUM WAGES SET TO INCREASE IN MANY STATES IN 2017

By Eric Morath
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Minimum wages will increase in 20 states at the start of the year, a shift that will lift pay for millions of individuals and shed light on a long-running debate about whether mandated pay increases at the bottom do more harm or good for workers.

In Massachusetts, the minimum wage will rise \$1, to \$11 an hour, a change that affects about 291,000 workers. In California, the minimum goes up 50 cents, to \$10.50 an hour, boosting pay for 1.7 million individuals.

Wages are also going up in many Republican-led states, where politicians have traditionally been skeptical of the benefits of minimum-wage increases.

In Arizona, one out of every nine workers is slated to receive a wage increase—a move businesses are challenging in court. So will tens of thousands of workers in Arkansas, Michigan and Ohio—all states that backed Republican President-elect Donald Trump in November.

“Some of what Trump tapped into was people wanting to be paid more,” said David Cooper, analyst at the Economic Policy Institute, a left-leaning think tank. “Voting for a minimum-wage increase is one of the ways to make that happen for a lot people.”

In all, about 4.4 million low-wage workers across the country are slated to receive a raise because they earn less than the new minimum in their respective states, according to EPI.

Economists and policy makers are of two views on the costs and benefits of minimum-wage increases. While the policy puts more money in the pockets of low-wage workers, it also gives employers less incentive to add to their payrolls, leaving some workers behind.

A 2014 study from the nonpartisan Congressional Budget Office found raising the federal minimum wage to \$10.10 an hour would reduce job creation by 500,000 over two years. At the same time, the report estimated that the increase in the federal minimum wage would raise the pay of 16.5 million workers who kept their jobs.

Wage increases caused Swampscott, Mass., candy maker Bacci Chocolate Design Inc., parent of the CB Stuffer brand, to sell its retail store, which employed about five part-time workers, in 2015 and invest about \$50,000 in equipment to automate routine tasks at its production facility, according to owner Erin Calvo-Bacci.

“It’s very hard to find a worker off the street that has the skills to command an \$11 or \$12 wage,” said Ms. Calvo-Bacci. “At that rate we can’t afford to be patient with someone who is less productive.”

Jorel Ware, a fast-food worker in New York and activist for the FightFor15 campaign, will see his hourly wage increase by \$1.50—to \$12 an hour—to start the year, under a new

state law that requires fast-food workers in the city to earn elevated pay. The boost will mean no longer choosing between buying groceries and paying rent, he said.

"I'd like to have a family and kids, but let's be realistic, I can't afford to survive on my own," 35-year-old Mr. Ware, who lives in the Bronx, said. With the raise, "maybe I'll be able to step up and ask a girl out on a date."

New York state lawmakers approved a measure in 2016 setting a \$15-an-hour minimum wage in New York City by 2019, and putting the rest of the state on a path to eventually reach that level. Separately, the state established a fast-food wage board, which set the \$12-an-hour minimum wage in 2017 for that industry's workers.

Arizona has become one of many other important laboratories for the shifting politics and economics of minimum-wage increases. Mr. Trump and Republican Sen. John McCain won their respective races in the state, but a larger share of the electorate, 58%, voted to raise the Grand Canyon State's minimum wage to \$12 an hour by 2020.

The Arizona Chamber of Commerce and Industry has challenged the law in court. On Thursday, the state's highest court said it would not stop the raise from going into effect on Sunday, after a lower court rejected a motion for a preliminary injunction on Dec. 21. The court will decide whether to consider the case in February. The organization argues that the increase runs afoul of other laws because it would require the state to pay certain contractors more for their services.

Arizona's \$1.95 increase on Jan. 1, to \$10 an hour, will be the biggest jump among the 20 states and one of the largest one-time increases ever enacted. Almost 12% of the state's workforce will receive a raise. Arizona, home to many tourism and service-sector workers, has a larger share of low-wage workers than coastal states such as California and Massachusetts, where minimum-wage increases have been the norm for several years.

Thomas Grady, a 47-year-old operation manager at a fabrication shop in Scottsdale, Ariz., was among those supporting both Mr. Trump and a minimum-wage increase. He said the pay increase means individuals who haven't attended college could earn enough to live on their own.

Mr. Trump will "open up jobs on the infrastructure side of things—building bridges, walls, roads," he said. "Entry-level fast-food workers will be able to step up into those better-paying jobs, and then you'd see others without work fill the void in the entry-level jobs."

Mr. Trump talked sparingly about the minimum wage on the campaign trail. At a July press conference, he said he could support a \$10 an hour minimum, a departure from his stance during the Republican primary, when he said workers' wages were "too high."

A spokesman for the president-elect's transition team didn't respond to an inquiry.

Earlier this month, Mr. Trump tapped Andy Puzder, chief executive of CKE Restaurants Holdings Inc., the parent company of the Carl's Jr. and Hardee's burger chains, to be labor secretary. Mr. Puzder, a vocal advocate for cutting back regulations he says have stifled growth in the restaurant industry, has argued against raising the federal minimum wage higher than \$9 an hour.

The federal minimum wage has remained \$7.25 an hour since 2009.

Most Republicans in Congress have resisted a federal minimum-wage increase and have blocked Democrats' efforts to raise the rate. Republican governors in Oklahoma, Alabama and elsewhere also have acted to prevent pay floors from rising in their states.

The GOP lawmakers and governors argue that making labor more expensive will encourage businesses to invest in automation that eliminates jobs, send work to lower-cost countries and dissuade firms from expanding because higher payroll costs trim profit margins.

"The minimum wage is not a great tool for helping those at the bottom," said Ben Gitis, director of labor market policy at the American Action Forum, a right-leaning think tank. "The people who end up losing their jobs are the most vulnerable in the labor market."

AAF estimates that nearly 300,000 fewer jobs will be created during the next five years in four states—Arizona, Colorado, Maine, Washington—where voters approved phased minimum-wage increases to at least \$12 an hour in November.

Twenty-one states follow the federal-minimum wage. More than half of the 29 others automatically adjust their minimum wage annually to keep pace with inflation. In the remaining states, a law must be passed to raise the pay floor. And several cities, including Chicago, Los Angeles and Seattle, have set minimum wages above state levels.