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ECONOMY | U.S. ECONOMY

Push for \$15 Minimum Wage Heats Up

As California and New York pursue hike, opponents and proponents debate the economic impact



New York officials on Thursday struck a deal to bring a \$15-an-hour minimum wage to New York City by 2019 and the rest of the state in subsequent years. Here, demonstrators rally at the New York State Capitol in Albany in mid-March. PHOTO: ERIK MCGREGOR/PACIFIC PRESS/ZUMA PRESS

By **ERIC MORATH, ERICA ORDEN and ALEJANDRO LAZO**

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California and New York are moving to become the first states to lift the minimum wage to \$15 an hour, propelling a wage target once focused on major urban areas into every corner of the economy from farm communities to industrial towns.

Lawmakers in California on Thursday passed a \$15 pay floor for large businesses by 2022 and all firms a year later. New York officials on Thursday struck a deal to bring the \$15-an-hour minimum to New York City by 2019 and the rest of the state in subsequent years.

“We want to pay people a wage that allows them to lead their life with dignity,” New York Gov. Andrew Cuomo said. “But we want to do it in a way that stimulates the economy and certainly doesn’t hinder the economy,” especially in lower-cost upstate areas.

The push by two of the nation’s four most populous states will widen a debate about the benefits and risks of elevated minimum wages in an election season marked by voters’ concerns about income inequality and the government’s role in shaping the economy.

Some policy makers see a higher minimum wage as a tool to address widening gap between rich and poor Americans and stoke stubbornly slow income growth. Increased pay floors are especially popular among union workers and Democrats, with both presidential candidates in the party proposing to boost the current federal level of \$7.25 an hour.

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Republicans and other opponents warn against job losses from burdening businesses with higher costs. And they point to a potential impact on consumers through higher prices and note that a universally higher minimum doesn't account for

regional differences in costs of living.

In recent years, several companies have voluntarily increased starting pay, but few to \$15 an hour. Starting pay at Wal-Mart Stores Inc. rose to \$10 an hour earlier this year. Costco Wholesale Corp. increased its lowest wage to \$13 an hour. Last year, McDonald's said it will pay at least \$1 an hour more than the local minimum wage for employees at the roughly 1,500 restaurants it owns in the U.S.

Yet increases in New York and California could influence other pending proposals as approval in those states could ultimately subject 18% of the U.S. workforce to a \$15 rate. When California and New York last approved minimum-wage increases in 2013, 14 states followed suit a year later and most at least matched New York's current rate of \$9 an hour. California's current minimum is \$10 an hour. The federal rate still prevails in 21 states.

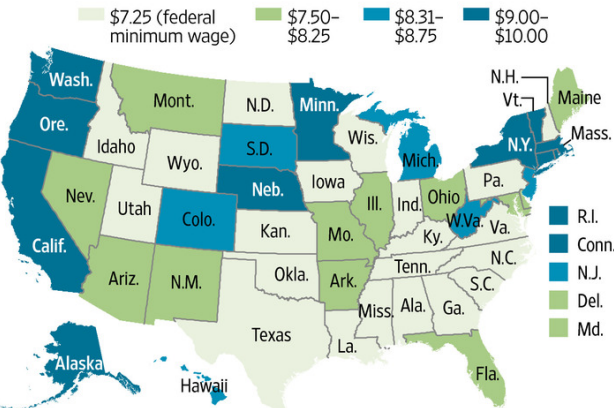
"It's going to add fuel to the fire for other states looking to raise the minimum wage and potentially encourage them to go higher than they were initially thinking," said David Cooper, an economist at the left-leaning Economic Policy Institute.

Democratic leaders in New Jersey introduced a \$15 minimum-wage bill earlier this year, though it remains pending. Campaigns are under way for ballot initiatives to raise the minimum—though not to \$15 an hour—in Colorado, Maine and Washington.

Still, while the push for a \$15 minimum continues in New York and California, players on both sides of the debate are mindful of the uneven impact. Both states have major cities with high costs of living, like San Francisco and New York City, but they also have areas with much lower costs, like Fresno, Calif., and Schenectady, N.Y.

Wage Floors

The minimum wage exceeds the federal rate of \$7.25 an hour in 29 states. Several states are scheduled to have further increases in coming years and lawmakers in California and New York are moving ahead with a \$15 rate.



Source: National Conference of State Legislatures THE WALL STREET JOURNAL.

The cost of living in the New York City metro area was 22.3% higher than the national average in 2013, according to the latest data available from the Commerce Department. It was 20.3% greater than average in the San Francisco region and 17.7% higher in the Los Angeles area.

The cost of living in the Albany-Schenectady region was 1% below the average. The cost of living in the Fresno area was 2.2% below the average.

In New York, Mr. Cuomo focused his political might almost entirely on a \$15 minimum, rallying with Vice President Joe Biden, touring the state in a recreational vehicle and making the plan the centerpiece of his budget priorities.

New York officials agreed Thursday to implement a \$15 hourly wage in New York City by 2019 for businesses with 11 or more employees and by 2020 for others. Suburbs would reach \$15 in 2022. Minimum pay in upstate New York would climb to \$12.50 an hour in 2021, then rise based on a formula until it reaches \$15.



California lawmakers are poised to pass a bill to gradually raise the minimum wage in the state to \$15 an hour. Here, a McDonald's in Rancho Cordova, Calif., earlier this week. PHOTO: RICH PEDRONCELLI/ASSOCIATED PRESS

Genn Hagan, co-owner of GNH Lumber Inc., based in Greenville, N.Y., called all variations of the minimum-wage proposal “ludicrous.” Average wages last year in Greenville’s county were \$674 a week, according to the U.S. Labor Department. A full-time worker earning \$15 an hour would make \$600 a week, or about \$30,000 annually.

A wage increase would prompt layoffs and force GNH to cut back on hiring high-school and college students, Ms. Hagan said. “Paying someone that’s unskilled labor at \$15 an hour is a very difficult undertaking for us.”

In California, Gov. Jerry Brown moved quickly after a union-sponsored initiative to raise minimum wage for all workers qualified last week for the November ballot. A key difference: The legislation includes a provision allowing a governor to suspend the phased-in increases to a \$15 minimum in the event of a recession or budgetary downturn, something also included in New York’s deal. Mr. Brown plans to sign California’s bill on Monday in Los Angeles.

Almost seven years after the last recession ended, parts of California are still struggling. The Labor Department publishes unemployment rates for 387 metro areas. Of the bottom 17, a dozen are in California.

“Family incomes here are not high,” said Mike Olmos, city manager in Visalia, Calif., where the unemployment rate was 12.3% in January, compared with about 5% nationwide. “It will be difficult to raise prices, so businesses might not be able to afford to keep people on.”

A \$15 minimum would be like “a boulder” hitting the labor market, affecting many more workers than the smaller increases before, said Jonathan Meer, a Texas A&M University economist who studies the minimum wage. A \$5 increase represents a 50% increase in California. The previous \$2 increase from 2014 through 2016 was a 25% increase. The previous increase in New York was a \$2.75 phase-in.

For people in poverty, “I don’t know how it helps them to make it illegal to work for less than \$15 an hour,” he said.

American Action Forum, a right-leaning think tank, estimates raising the minimum wage to \$15 in both states will eliminate more than 1 million jobs. But economists at the University of California, Berkeley, predict no significant job losses.

UC Berkeley economist Michael Reich, a labor-market expert who has studied minimum-wage increases, said reduced worker turnover, improved productivity, small price increases and stronger spending by low-income families will allow employers to absorb higher wages.

Years of wage inequality could be reversed “without much effect one way or the other on the economy,” he said.

It’s less clear how much the increase would hit cities in the state’s agriculturally focused Central Valley. Higher labor costs might hurt its competitiveness with Texas or Mexico, but so could “lack of water, and fluctuations in the exchange rates,” Mr. Reich said.

Holly Dias, 38 years old, of Rio Linda, Calif., who works at a Burger King in Sacramento, said additional pay would allow her to avoid choosing among feeding her 5-month-old-son, buying bus passes and paying rent. She, her boyfriend and her son share a room in a rented, four-bedroom house with roommates. She makes \$10 an hour after working at Burger King since 2009, receives food stamps and is on Medi-Cal, California’s Medicaid program.

This is a “history-making day for all of us,” she said Monday after taking part in the press conference where Mr. Brown announced his plan, before bursting into tears.

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