

## **New minimum-wage law stirs debate**

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**By Andy Smith**

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Allison Wroe holds two jobs, one at Dear Hearts, in Pawtuxet Village, and one at Starbucks in Barrington.

The Providence Journal / Andrew Dickerman Andrew Dickerman

On May 25, President Bush signed a bill to increase the federal minimum wage from \$5.15 to \$7.25 over a three-year period. It marked the first increase in the federally mandated minimum wage since 1997.

But the measure went into law with little fanfare. That's partly because the federal minimum wage hike was attached to a bill that provides continued financing for the war in Iraq. The other reason is that many states, including Rhode Island, had already raised their minimum wage requirements above \$7.25.

As of Jan. 1, Rhode Island's minimum wage rose to \$7.40, the Massachusetts minimum wage went to \$7.50 and Connecticut's went to \$7.65.

So the federal action will not have an immediate impact on Rhode Island. But both opponents and supporters of increases in the minimum wage said the federal move might put pressure on states to continue raising their minimum wages.

In Massachusetts, the minimum wage is scheduled to go to \$8 next year.

In Rhode Island, Rep. Charlene Lima, D-Cranston, has introduced a bill that would raise the minimum wage to \$7.75 next year, and to \$8 in 2009. The bill has been held for study in the House Labor Committee. According to a survey last year by the U.S. Bureau of Labor Statistics, about 13 percent of the total Rhode Island work force of about 500,000 makes less than \$8 an hour.

"I think there is a need right now more than ever to offset budget cuts that will hurt working men and women," Lima said in a phone interview. "Then there are gas prices, and the high cost of housing, which also hurt working people. The Democratic philosophy has always been to help hard-working men and . . . women, rather than giving everything to the big corporations."

Lima said that if people are making a little more, they'll be spending more, which will help, not hurt, the Rhode Island economy.

Dale Venturini, president and CEO of the Rhode Island Hospitality and Tourism Association, said she would be opposed to any further increase in the minimum wage.

She said these are already difficult times for her industry in Rhode Island, pointing to high gas prices, antismoking ordinances, and new fire codes passed in the wake of the Station Nightclub fire.

Venturini said the average wage in the hospitality and tourism business in the state is now between \$8 and \$12 per hour, so even an \$8 minimum wage wouldn't seem to have an impact. The problem, she said, is that if wages at the bottom of the salary scale go up, then everything else goes up.

Allison Wroe, a 21-year-old student at Rhode Island College, is working two jobs this summer. She scoops ice cream at Dear Hearts, which has stores in Cranston and Warwick, and also works at Starbucks in Barrington. She makes the minimum, \$7.40, at Dear Hearts and slightly more, \$7.55, at Starbucks.

Wroe said she can see both sides of the minimum-wage debate.

"Of course I'd like to be making more money," she said. "But I can totally understand that if the minimum [wage] is higher, then everything else would have to be higher, too."

Terrance Martesian, state director of the National Federation of Independent Business, said a rise in the minimum wage means more than higher salaries — it also means business owners must pay higher unemployment insurance and workman's compensation premiums.

"Every time you spike the minimum wage, you increase other costs as well," he said.

Martesian and Venturini said increases in the minimum wage can lead to decreases in jobs, because employers cannot afford to hire more people.

"Do businesses make adjustments? Yes, and that means they might have to cut [employee] hours or jobs," Martesian said. "There really aren't too many options . . . we would be opposed to any increase in the minimum wage. We want a healthy . . . economy."

Scott Molloy, professor of labor and industrial relations at the University of Rhode Island, is not exactly sympathetic to business complaints about the minimum wage.

"If you are so marginal that \$7.40 an hour is going to make you or break you, then maybe you should be in a different line of work," Molloy said.

Advocates of an increased minimum wage said the current \$7.40 an hour is almost impossible to live on.

Molloy said the minimum wage, which dates back to 1938 in the United States, was originally linked to the standard of living and was supposed to be an amount a worker could live on. "The bottom dropped out of that idea a long time ago," he said.

According to Rhode Island Kids Count, a children's policy and advocacy organization, Rhode Island's \$7.40 minimum wage is the seventh-highest in the country. Even so, a full-time job at minimum wage in Rhode Island leads to earnings below poverty

level for many families, and is not equal to the purchasing power of the minimum wage in 1979.

A full-time job at minimum wage in Rhode Island pays \$15,392 a year. The federal poverty threshold for a single person under 65 in 2006 was \$10,488. For a family of four, with two children, \$20,444.

. if you have to . "I don't know how anyone can live on [minimum wage] . drive more than a few miles back and forth, an hour of work just went out the window to pay for gasoline," Molloy said.

Senior economist Ellen Frank of the Poverty Institute at Rhode Island College said the institute's research showed that a single parent with two children would need to make \$14.76 an hour, even with government subsidies for health and child care, to meet basic living expenses.

Kids Count suggested providing automatic updates to the minimum wage, and possibly linking the wage to the Consumer Price Index, which is currently done in four states — Washington, Oregon, Vermont and Florida.

But the Employment Policies Institute, a Washington, D.C.-based research group, released a report last month headlined "Minimum Wage Hike is an Empty Promise for Low Income Families."

The report cited studies that indicate minimum-wage hikes actually reduce employment. Employment Policies Institute economist Jill Jenkins said that every 10-percent increase in the minimum wage results in a 2- to 3-percent increase in unemployment.

If anyone does benefit, the EPI report said, it was "teenagers from wealthy families" who are enticed into the work force.

While Frank said that studies by economists David Card and Alan Krueger in the 90s found that raising minimum wage had almost no effect on unemployment, Jenkins countered that their findings don't hold up under closer scrutiny.

Richard McIntyre, professor of economics at the University of Rhode Island, believes both the benefits and costs of raising the minimum wage are generally overstated. He cites the studies of Card and Krueger to indicate the employment effects of raising the minimum wage to be "trivial at best."