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OPINION | COMMENTARY

## The 'Fight for \$15': Coming to a City Hall Near You

The Trump administration should show local officials the research proving that minimum wages cost jobs.



A minimum-wage protest in San Diego, Nov. 29. PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES

By **MICHAEL SALTSMAN**

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Call it a New Year's Day massacre for the entry-level job market: As 2017 dawned, the minimum wage went up in 19 states and more than 20 cities or counties. In California alone, 12 cities raised their starting pay requirement, some to as high as \$13 an hour, compared with \$7.25 for the federal minimum.

These local measures—the product of labor-backed advocacy campaigns such as the “Fight for \$15”—are still a relatively new phenomenon. “Living wage” requirements for city contractors or recipients of local tax breaks have existed since at least 1994. But the first broadly applicable city minimum wage wasn't enacted until 2003, when Santa Fe, N.M., passed a law setting the starting hourly wage at \$8.50, a 65% increase over the then-prevailing \$5.15. Later that year, voters in San Francisco followed suit, approving a minimum wage of \$8.50 for their town.

Today, more than 30 cities and municipalities—including Chicago, much of Los Angeles County, and both Maryland counties adjacent to Washington, D.C.—have their own separate minimum-wage requirements. This creates a difficult patchwork of laws for businesses that operate in multiple jurisdictions, a problem that will likely worsen over the next four years. Labor groups, frustrated by the Republican Congress, will no doubt intensify their push for city and county minimum wages instead.

But the quality of local debate, at least on this matter, isn't always what it should be. When left-leaning city or county councils choose to study the expected result of raising the minimum wage, the answer is often a foregone conclusion in service of a political goal.

Take Los Angeles, where a measure signed in 2015 by Mayor Eric Garcetti will take the city's minimum wage to \$15 by 2020. Two years ago when the mayor began pushing his original proposal of \$13.25, one of his deputies sent an email to Ken Jacobs, a sympathetic researcher at the University of California-Berkeley. "We need to demonstrate clearly how this will help labor and the economy in general," the mayor's office wrote. (My organization, the Employment Policies Institute, obtained these emails via a public-records request.) The Berkeley team responded by writing a favorable report predicting that price increases would be "negligible" and effects on employment were "not likely to be significant."

Yet there is much evidence to the contrary. Start with the first two cities to implement minimum wages, which were studied by Aaron Yelowitz of the University of Kentucky, with research support from my organization. In a 2005 paper, Mr. Yelowitz wrote that after the Santa Fe wage bump, the likelihood of unemployment among less-educated workers jumped by more than eight percentage points. A 2012 study by Mr. Yelowitz of San Francisco showed that each \$1 increase in the city's compensation floor increased the likelihood of unemployment among younger workers by 4.5 percentage points. In other words, the increased minimum wage had precisely the result that Econ 101 would predict.

The Trump administration should take steps to educate other cities that are considering their own wage mandates on the true consequences. The current Labor Department under Secretary Tom Perez has been an enthusiastic booster of local minimum-wage campaigns. Mr. Trump's nominee to lead the department, restaurant CEO Andy Puzder, is rightly more skeptical.

Having run a food-service company, Mr. Puzder understands, better than most, the effect of a mandated labor cost. In an interview with Hugh Hewitt this past April, he pointed to a summary, published by the Federal Reserve Bank of San Francisco, of the best minimum-wage research. That report showed clear negative effects on employment: for instance, a drop of 1%-2% among workers ages 16 to 19 for each 10% rise in the minimum wage.

Explaining this research is clearly within the mandate of the Labor Department, whose mission statement includes a pledge to "advance opportunities for profitable employment." An appropriate framework already exists. In 2014 the Congressional Budget Office reviewed 60 studies and developed a methodology to estimate the effects of a higher minimum wage.

Mr. Puzder's department could use that exact approach when a city or county is considering a new mandate. The Labor Department's experts could testify at local hearings to explain the policy's probable effect on labor markets, employment, poverty rates and wages.

Critics may complain that these reports have their own biases, but the methodology used by the Congressional Budget Office was hardly one-sided. Although its economists estimated that raising the federal minimum to \$10.10 would cost about a half-million jobs, they also said such a move would lift nearly one million people out of poverty.

If local politicians consider that sort of trade-off a worthy one for their own city or county, they could consider the Labor Department's testimony and duly pass a higher minimum wage. At least they would be doing so with eyes wide open to the unintended consequences.

*Mr. Saltsman is research director at the Employment Policies Institute, which receives support from restaurants, foundations and individuals.*

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