Should States Impose a Living Wage?

Date: Tuesday, September 17, 2013
Location: Ashurst Auditorium
Facilitated by: Dr. John Devlin, W.A. Franke College of Business

5:00 p.m. Welcome and Introduction
Dr. Heidi Wayment, Compassion Project and Chair of Psychology Department
Andrea Houchard, Philosophy in the Public Interest

5:15: Dr. John Devlin, NAU Franke College of Business
- Does society have an obligation to impose a living wage?
- Who would this help?
- Who would this harm?
- What are alternatives to raising the minimum wage to a living wage?

6:20: Recap of discussion

Additional support provided by the W.A. Franke College of Business, McKenzie Endowment for Democracy and the Richard Wood Fund.
Real Minimum Wage Rate vs. Unemployment Rates
January 1950 to January 2013

Minimum Wage Coverage
MIT has a living wage calculator for various cities that is modeled on the Economic Policy Institute's metropolitan living wage tool. The results for Flagstaff are:

<table>
<thead>
<tr>
<th>Hourly Wages</th>
<th>1 Adult</th>
<th>1 Adult, 1 Child</th>
<th>1 Adult, 2 Children</th>
<th>1 Adult, 3 Children</th>
<th>2 Adults</th>
<th>2 Adults, 1 Child</th>
<th>2 Adults, 2 Children</th>
<th>2 Adults, 3 Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living Wage</td>
<td>$10.42</td>
<td>$21.22</td>
<td>$26.79</td>
<td>$34.30</td>
<td>$16.10</td>
<td>$19.54</td>
<td>$20.90</td>
<td>$24.67</td>
</tr>
<tr>
<td>Poverty Wage</td>
<td>$5.21</td>
<td>$7.00</td>
<td>$8.80</td>
<td>$10.60</td>
<td>$7.00</td>
<td>$8.80</td>
<td>$10.60</td>
<td>$12.40</td>
</tr>
<tr>
<td>Minimum Wage</td>
<td>$7.25</td>
<td>$7.25</td>
<td>$7.25</td>
<td>$7.25</td>
<td>$7.25</td>
<td>$7.25</td>
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</tr>
</tbody>
</table>

Arizona Minimum Wage: $7.80
Federal Minimum Wage: $7.25

Sources:
http://livingwage.mit.edu/places/0400523620
The “hot topics” in the Hot Topics Cafés are selected by community members represent diverse constituencies and viewpoints. We thank our committee for their participation.

**Flagstaff & Winslow**

**Allan Affeldt**
Owner, La Posada; Founder, Winslow Arts Trust; Former Mayor, City of Winslow; Board Member for: Arizona Town Hall, Arizona Citizens for the Arts

**Joe Boles**
Professor Emeritus, Northern Arizona University

**Scott Deasy**
Deacon of Epiphany Episcopal Church, semi-retired OB/GYN

**Coral Evans**
Flagstaff City Council

**Jean Friedland**
Compassion Project

**Patty Garcia**
Coconino Community College District Governing Baord, Nuestras Raíces, Raymond Educational Foundation Board, US Geological Survey

**Jacque Gencarelle**
Prevention Program Manager, Northern Arizona Regional Behavioral Health Authority

**Tim Kinney**
President and CEO of Kinney Construction Services

**Wayne Ranney**
Geologist, Author, Grand Canyon river and trail guide, Board Member for: Flagstaff Festival of Science, Grand Canyon Historical Society (President), and Museum of Northern Arizona (Emeritus)

**Craig Van Slyke**
Dean, NAU Franke College of Business

**Michael Vincent**
Dean, NAU College of Art and Letters

**Mary K. Walton**
Assistant Superintendent for Curriculum and Instruction, Flagstaff Unified School District

**Del Weston**
Y.M.C.A. Board, Sedona

**Nat White**
Lowell Observatory- Retired, Governing Board Coconino Community College

**Randy Wilson**
Editor, Arizona Daily Sun

**Harriet Young**
First Vice Chair of the Arizona Democratic Party, President, Flagstaff AAUW

**Ex officio**

**Robert Breunig**
Museum of Northern Arizona

**Andrea Houchard**
NAU, Philosophy in the Public Interest

**Ron Hubert**
Hozho International

**Scott Sanicki**
Sedona Public Library

**Robin Weeks**
Osher Lifelong Learning Institute, Yavapai College, Sedona Center

**Sedona & the Verde Valley**

**Jennifer Epperson**
Executive Director, Imagiventure Foundation

**Jane Hausner**
Executive Director, Verde Valley Sanctuary

**Angela LeFevre**
Board and past president of the Democrats of the Red Rocks, Board Member for: Arizona Planned Parenthood and Keep Sedona Beautiful

**Dan McIlroy**
Sedona City Council

**Elemer Magaziner**
Sedona Citizens for Civil Dialogue

**John Neville**
Executive Director, Sustainable Arizona

**Judy Reddington**
NAU’s Arts and Letters Advisory Council, Board Member for: Museum of Northern Arizona, Sedona International Film Festival

**Doug Von Gausig**
Mayor of Clarkdale, Executive Director of Verde River Institute

**Del Weston**
Marketing, Hypertherm, Inc., Board Member for: Sedona Y.M.C.A.

**Jessica Williamson**
Sedona City Council

**NAU’s Philosophy in the Public Interest**

NAU’s Philosophy in the Public Interest is non partisan, and does not endorse any position with respect to the issues we discuss. Philosophy in the Public Interest is a neutral convener for civil discourse.

**Next Flagstaff Hot Topics Café**

Is Health Care a Right?

**Date:** Tuesday, October 3

**Location:** The Museum of Northern Arizona
A literature review shows mixed views on the relationship between the minimum wage and employment.

Has a negative effect on employment


"A sizable majority of the studies surveyed in this monograph give a relatively consistent (although not always statistically significant) indication of negative employment effects of minimum wages… The studies that focus on the least-skilled groups provide relatively overwhelming evidence of stronger disemployment effects for these groups."

Yusuf Soner Baskaya (Central Bank of Turkey) & Yona Rubinstein (London School of Economics and Political Science), "Using Federal Minimum Wages to Identify the Impact of Minimum Wages on Employment and Earnings Across the U.S. States" (2011)

"We find that a rise in minimum wage have an instantaneous impact on wage rates and a corresponding negative impact on employment."

Has no significant effect on employment


"The minimum wage provides a simple and direct test of the kind of theoretical reasoning that economists routinely apply… Irrespective of the exact parameters determining supply and demand behavior, the standard model makes the unambiguous prediction that an increase in the minimum wage will lead to a reduction in employment… The findings in Table 12.1 suggest that the direct test … fails to confirm the predictions of the conventional model…. All this evidence suggests that the conventional model is incomplete."


"We find strong earnings effects and no employment effects of minimum wage increases."

Why it might not have a significant effect on employment


"Most studies found that a 10% US minimum wage increase raises food prices by no more than 4% and overall prices by no more than 0.4%… "Empirical evidence of positive wage and price effects and non-negative employment effects is consistent with standard theory. This suggests that firms respond to minimum wage increases, not by reducing production and employment, but by raising prices."

Schitt, (Center for Economic and Policy Research, "Why Does the Minimum Wage Have No Discernible Effect on Employment?"

"This report reviews evidence on eleven possible adjustments to minimum wage increases that may help to explain
why the measured employment effects are so consistently small. The strongest evidence suggests that the most important channels of adjustment are: reductions in labor turnover; improvements in organizational efficiency; reductions in wages of higher earners ("wage compression"); and small price increases.

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Alternatives


"According to a 2007 study by the CBO, an increase in the minimum wage to $7.25, like that eventually passed that year, would increase wages by $11 billion, of which $1.6 billion went to poor families. By contrast, increasing the Earned Income Tax Credit for large families, as happened in the stimulus bill, and for single people would cost $2.4 billion, of which $1.4 billion would go to poor families. The EITC option costs one fifth as much to society but does about as much good for poor families. That suggests that if you want to help families escape poverty, wage subsidies are a more cost-effective option than the minimum wage."

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Walmart

Ken Jacobs (Berkeley), Dave Graham-Squire (Berkeley) & Stephanie Luce (CUNY), "Living Wage Policies and Big-Box Retail: How a Higher Wage Standard Would Impact Walmart Workers and Shoppers." (2011)

"There is strong evidence that jobs created by Walmart in metropolitan areas pay less and are less likely to offer benefits than those they replace. Controlling for differences in geographic location, Walmart workers earn an estimated 12.4 percent less than retail workers as a whole, and 14.5 percent less than workers in large retail in general. Several recent studies have found that the entry of Walmart into a county reduces both average and aggregate earnings of retail workers and reduces the share of retail workers with health coverage on the job. The impact is not only one of substitution of higher wage for lower wage retail jobs, but also a reduction in wages among competitors. As a result of lower compensation, Walmart workers make greater use of public health and welfare programs compared to retail workers as a whole, transferring costs to taxpayers.

Big box retail in general, and Walmart in particular, also brings benefits to consumers in the form of lower prices. Studies of Walmart prices find them to be 8 to 27 percent lower for food compared to major supermarkets… Basker (2007) cites the results of a Pew Research Center Survey to conclude that poorer consumers disproportionately benefit from Walmart’s lower prices."

"Our analysis reveals that establishing a [$12/hour] minimum wage for large retailers like Walmart would have a significant impact on workers living in poverty or near-poverty. We find that 41.4 percent of the pay increase would go to workers in families with total incomes below 200 percent of the federal poverty level (200 percent FPL). These poor and low-income workers could expect to earn an additional $1,670 to $6,500 a year in income for each Walmart employee in the family, before taxes.

If Walmart were to pass 100 percent of the wage increase on to consumers, the average impact on a Walmart shopper would be quite small: 1.1 percent of prices, well below Walmart's estimated savings to consumers. This works out to $0.46 per shopping trip, or $12.49 per year, for the average consumer who spends approximately $1,187 per year at Walmart. This is the most extreme estimate, as portions of the raise could be absorbed through other mechanisms, including increased productivity or lower profit margins."

"While Walmart shoppers are disproportionately middle- and lower-income, the customers who spend the most at the store are somewhat less likely to come from poor and low-income families. We find that 28.1 percent of the total price increase would be borne by consumers in families below 200 percent FPL. In comparison, 41.4 percent of the benefits would go to Walmart workers in families below 200 percent FPL."