

Minimum wage hikes will hurt more than help

By Andrea Seastrand

Like so much of the legislation that comes out of Sacramento, the hike in California's minimum wage has been touted by Democrats as helping the poor while assuring businesses won't be harmed. But, like much of that legislation, it's likely to do the opposite.

In 2014 California's minimum wage was \$8 per hour. Today it is \$10.50 – a 31 percent increase in just three years. It's scheduled to increase again in January to \$11/hour followed by annual dollar hikes until it reaches \$15/hour in 2022. That's an 88 percent increase in the cost of unskilled labor in just 7½ years. If the cost of something nearly doubles, are you more likely or less likely to buy it? The answer is obvious. To offset the costs, many California businesses will layoff or cut back the hours of low-skilled workers, increase automation, raise prices and curtail expansion plans.

But, despite being warned about these dire consequences, Democratic politicians passed [Senate Bill 3](#), imposing the minimum wage hikes. While this is good news for those earning higher wages – and don't we all want to make more money? – it's bad news for the state's economy and low-skilled workers priced out of the job market.

State social service programs will need to be expanded to provide assistance to the thousands of newly unemployed and underemployed Californians. Everyone will be forced to pay more for food and other commodities and services. Seattle, which raised its minimum wage to \$13/hour in 2016, is finding out it isn't nirvana. It's resulted in a 9 percent reduction in hours worked by low-wage employees, according to a recent [University of Washington study](#). The average employee wound up earning \$125 less per month even with the wage hike. Unhappy with the results of that study, which Seattle commissioned, city officials are seeking a second opinion from a UC Berkeley professor who has produced studies touting the positive effects of minimum wage hikes for businesses, such as reducing employee turnover and improving employee morale and customer service.

But, of course, that doesn't help those unable to find work – and there will be many. A 39 percent hike in the national minimum wage would reduce employment by about 500,000 workers nationwide, according to a [2014 Congressional Budget Office study](#).

“Raising the minimum wage would increase family income for many low-wage workers, moving some of them out of poverty,” the study said. “But some jobs for low-wage workers would probably be eliminated and the income of those workers would fall substantially.”

Many of those over-priced, low-skilled workers will be replaced by automation. Robots have been used in factories for years and are now expanding to the fast-food industry. Wendy plans to add self-ordering kiosks at 1,000 locations by the end of the year, according to [The Motley Fool](#).

“Kiosks have many advantages over humans,” the article said. “Kiosks don't call in sick, require breaks, or mishear an order. They also can't be rude to customers, steal from the register, or intentionally screw up the order of a rude customer. Most importantly, though digital ordering technology requires an up-front investment, kiosks, smartphones, and other non-human ordering stations don't get paid hourly wages.”

This doesn't bode well for many of the 3.7 million Americans in the fast-food industry, especially those in California. If the Democrats truly wanted to help these workers, they would reduce California's minimum wage, allowing supply and demand and each employee's skill set to determine wages. But that won't happen. These significant minimum wage hikes are joining the myriad other costly regulations on California businesses that, along with high taxes and a litigious environment, have resulted in California having one of the worst business climates in the country.

It's not surprising that California's unemployment rate is consistently higher than the national average. In May, California's unemployment rate tied for 36th highest in the country. Two years ago it was a full percentage point higher than the national average.

Californians are like the frog placed in a pot of lukewarm water in which the heat is slowly turned up. Unaware of the danger until the water starts boiling, it becomes too late to escape. There's been a lot of speculation about the potential perils of global warming, but this is the real California climate change.

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