



VIEWPOINT

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Raising the Minimum Wage Will Lower the Number of Jobs in Ohio

By: Matthew Carr

Summary

The proposed amendment to the Ohio Constitution mandating that the state's minimum wage be increased from \$5.15 to \$6.85 an hour, with an annual increase tied to the rate of inflation, would be disastrous for the very people it is designed to help. Put simply, laws designed to increase the minimum wage are perhaps the worst, the most perniciously anti-poor laws conceivable.

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This fall, Ohio's voters may find a proposal to raise the minimum wage in our state from \$5.15 to \$6.85 an hour, with an annual increase tied to the rate of inflation, on their ballots. Proponents have claimed that this will help the poor, that it is the moral thing to do. But all of the research shows that the opposite happens when you raise the minimum wage: job growth slows and those harmed most are the poor.

Proponents argue that "wages are a bedrock moral issue. Wages reflect our personal values and our nation's values. Wages reflect whether we believe workers are just another cost of business—like rent, electricity or raw materials—or human beings with inherent dignity, human rights and basic needs such as food, shelter and health care."

The empirical evidence shows that if their amendment passes they will soon find that what they thought was a silver bullet prescription for pulling up Ohio's working poor is actually extremely detrimental to the lives of those very workers.



Laws that increase the minimum wage lead to a reduction in the number of jobs available for the young and the poor.

Source: Corbis

The Joint Economic Committee of the United States Congress released a report on the impact of raising the minimum wage. They could not have been clearer. "All credible research has come to the same conclusion: raising the minimum wage hurts the poor. It takes away jobs, keeps people on welfare, and encourages high-school students to drop out."

Put simply, laws designed to increase the minimum wage are perhaps the worst, the most perniciously anti-poor laws conceivable.

Compounding this problem further, the proposed increase would be written into the Ohio Constitution. Even after the disastrous consequences of this proposal have manifested themselves in the form of lower job growth and an increase in the number of people escaping our state, nothing could be done about it until another ballot proposal made its way to voters.

To understand why this proposal would be so disastrous simply requires looking beyond the emotional appeals of minimum wage increase proponents. Basic economics is where the truth lies.

When the price of something increases, people demand less of it. As gas prices have soared, people drive less. As the cost of employing low-wage workers increases, employers will hire fewer of them.

There are also hard numbers to support the theories. In 1990 and 1991, Congress raised the minimum wage from \$3.35 to \$4.25 an hour, an increase of about 27%. Under the proposed increase in Ohio, by 2017 the minimum wage will have increased by about 28%.

Economists from the University of Chicago and Texas A&M University found that the minimum wage increase led to employment reductions among 15-19 year old males of 15.6% and among females in the same age group of 13%. Among 20-24 year old males the employment reduction was 5.7% and among females it was 4.2%.

For high school dropouts aged 20-54, the effect of the wage increase was to reduce employment for females by 5.2% and for males by 3.1%.

These employment reductions occurred exactly where one would expect them to when the minimum wage is increased, among the young and the poor.

There are a lot of ways that our state can help support our less fortunate citizens. Increasing the minimum wage, and then indexing it to inflation for further annual increases, certainly is not one of them.

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