**GUEST OPINION**

*Iowa City Press-Citizen*
*August 25, 2015*
*www.iowapolicyproject.org*

# $10.10 minimum wage is first step toward progress in local economy

**By Peter S. Fisher**

The proposal to set a minimum wage for Johnson County workers at $10.10 is an important first step toward creating a local economy that provides family-supporting jobs. It would put several thousand dollars a year in the pockets of many workers struggling to get by, and when that money is spent at local businesses it would provide a big boost to the local economy.

The state minimum wage has been stuck at the federal level of $7.25 for over seven years while 29 other states, including all of Iowa's neighbors but one, have raised the state minimum above the federal. Two-dozen cities and counties across the country, facing inaction by state and federal lawmakers, have established a local minimum wage. At least 10 more are considering doing so.

Our community is better off when families earn enough to pay for the basic necessities — food, rent, utilities, transportation, child care, health care. Yet even $10.10 is not enough. A two-earner household with a young child needs $14 an hour; even a single person working full time needs over $13 to be self-sufficient. For a single parent paying child care for even one child, the self-supporting wage is over $22.

The move to $10.10 would give a boost in pay to at least 10,000 Johnson County workers, according to estimates from the Economic Policy Institute. And it would likely have little, if any, effect on overall employment in the county. The claim by some is that having a higher minimum wage than our neighbors would cause jobs to shift to those low-wage counties, or force businesses to close. But research has shown otherwise. These studies looked at pairs of counties split by a state line where the state minimum wage was higher in one county than the other. The researchers could find no discernible jobs effect: Counties with higher minimum wages did not lose jobs to their neighbors, or grow more slowly.

There is also misinformation flying around about Seattle, which took the first step toward raising the minimum wage to $15 in April of this year. What actually occurred is that overall employment in Seattle *grew* after the wage was raised. While there was a small decline in jobs in restaurants and bars in April (less than 1 percent), this was almost entirely offset by an increase in jobs in May. The idea that restaurants closed because of the wage hike turned out to be a myth — the owners of the four restaurants in question reported that wages had nothing to do with their decisions.

So why doesn't a higher wage cause jobs to disappear? First, an increase in the minimum wage puts a great deal of additional purchasing power in the hands of low-wage workers, who tend to spend everything they earn. Local retail and service businesses see an influx of sales, boosting their need for workers. Second, businesses can adjust to higher wages in a variety of ways, and many will find cost savings from reduced employer turnover — higher paid workers stay around and reduce a firm's hiring costs.

Since 1968 the productivity of American workers has nearly doubled, while average wages have been largely stagnant and the minimum wage has fallen in value by 25 percent. Almost all of the increased value produced by the American worker has gone to those at the very top.

If the minimum wage had kept pace with productivity gains it would be about $18 today. Raising wages at the bottom is an important way to address the problem of inequality, and a county minimum wage of $10.10 is a laudable beginning.

*Peter S. Fisher, an economist and professor emeritus of Urban and Regional Planning at the University of Iowa, is research director of the nonpartisan Iowa Policy Project in Iowa City. Contact: pfisher@iowapolicyproject.org*