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Minimum wage facts swept under the rug

ANTONY DAVIES & JAMES R. HARRIGAN | Saturday, Nov. 21, 2015, 9:00 p.m.



Pittsburgh Mayor Bill Peduto has announced plans to raise the minimum wage to \$15 for city employees and employees of businesses that contract with the city. He is doing this, he said, to create a better and more dedicated workforce, to reduce the need for workers

to rely on public subsidies and to be “an example to the world.”

Will the increased wage create a better, more dedicated workforce? Maybe. Sometimes that happens and sometimes it doesn't. When a higher minimum wage does produce a more dedicated workforce, it does so not by making current workers more productive, but by replacing them with more productive workers.

Raising the minimum wage for those who are on the job simply makes them more expensive. Some economists argue that a higher wage gives workers greater incentive to avoid being fired, but remember, these are government jobs we're talking about. Getting fired from a government job is often harder than getting hired.

Minimum-wage increases always make for good political theater, but a little perspective is in order. How many people work for \$7.25 an hour? Politicians would rather you didn't ask because the answer is shocking. According to the Bureau of Labor Statistics, it's about 2 percent of all American workers. About a third of those people earn tips, which, in many cases, puts their actual income well above minimum wage.

Only 15 percent of American workers earn less than \$10.10 an hour. In fact, the average minimum wage worker lives in a household earning \$53,000 — more than \$1,000 above the median household income.

How many city workers in Pittsburgh will be affected by this increase? About 300.

The point that many politicians never fully grasp is that raising the minimum wage only helps the workers who remain employed. The perverse twist is that, on average, it's the less skilled, less educated, less experienced workers who are shown the door. The better employees — those who are worth \$15 an hour — get to stay.

In the end, the minimum wage most acutely harms the very people who most desperately need help.

But then, where government workers are concerned, things are different. You see, Mayor Peduto isn't like Wal-Mart, which has to convince you to buy its products. The mayor can force you to buy his. So, we probably won't see Pittsburgh laying off workers as the minimum wage rises; the increased cost will be passed to taxpayers.

But businesses that contract with the city can't simply pass their costs along to taxpayers; some of their workers will lose their jobs.

Peduto also claims the wage hike will reduce the need for welfare. That's just silly. City workers' wages and welfare come from the same kitty — taxpayers' wallets. Whatever relief taxpayers get from reduced public subsidies will be balanced by an increased city payroll.

Finally, Peduto wants to be an “example to the world.” He will accomplish that without question. He will be yet another example of a politician who doesn't understand simple economics.

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