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Workers' pay boost to pinch employers

Move called 'step in right direction'

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Some businesses are about to get squeezed by higher labor costs, while workers at the bottom of the wage chain will get a boost.

Today, the federal minimum wage increases from \$5.85 to \$6.55 per hour, the second step in a process that will see the bottom wage rise to \$7.25 per hour in July 2009.

The timing is tough this year as many businesses are already experiencing slower sales as consumers have less money to spend due to soaring gasoline and food prices, said Rosemary Elebash, president of the National Federation of Independent Business' Alabama chapter.

A year ago when the minimum wage climbed for the first time in a decade from \$5.15 to \$5.85, a strong economy shielded many businesses from being affected. This time, the only advantage businesses have is that the bump is not a surprise.

"Businesses had a year to prepare for this," Elebash said.

The U.S. Bureau of Labor Statistics estimates that 14,000 Alabamians made the minimum wage of \$5.85 last year. Another 23,000 made less, typically waiters and waitresses whose tips make up the difference. Nationally, 267,000 Americans made minimum wage and another 1.46 million earned less per hour in 2007, the BLS says.

Even with the increase to \$6.55 an hour, the average worker putting in 40 hours a week will earn just \$13,100 a year, far below the federal poverty level of \$21,000 for a family of four, said Ron Gilbert, senior policy analyst for Alabama Arise, a Montgomery-based advocacy group for the poor.

"The minimum wage increase is a step in the right direction, but it still isn't enough to help families struggling to make ends meet and dealing with high gas and food prices," Gilbert said.

For some companies, though, the boost is non-event. Max Cooper, whose Birmingham-based CLP Corp. operates 43 McDonald's restaurants in Alabama, said he expects little impact from the minimum wage increase. "We already have to pay more than the minimum wage to attract workers," he said.

John Norris, wealth manager for Birmingham's Oakworth Capital Bank, said the minimum wage is more about politics than economics and that it mostly affects teenagers and unskilled workers.

"Few earn the minimum wage, and fewer still are trying to support a family of four on one minimum wage job," he said. "Most companies already pay more than the minimum wage for full-time employees, even when it goes up to \$7.15 an hour."

Gilbert, however, said the idea that only teenagers and unskilled workers make minimum wage isn't true, adding that Alabama Arise hears from many adults struggling to get by on minimum wage.

Alabama Arise is pushing for the state to establish a so-called living wage, and a bill that would boost the state minimum wage above the federal minimum failed two years ago, he said. Even with today's increase, 23 states and the District of Columbia will have minimum wages higher than the federal minimum, Gilbert said.

"Alabama is one of only six states that don't have a minimum wage law," he said.

Ahmad Ijaz, an economic researcher at the University of Alabama, said he hears arguments on both sides of the minimum wage debate. Some studies have shown that when wage-related costs goes up, some employers are more inclined to lay off workers. Others indicate higher minimum wages draw some discouraged workers back into the labor force, he said.

With high gasoline and food prices slowing consumer spending, it might be difficult for employers of minimum wage workers to pass along higher costs to their customers, Ijaz said.

"Some of these employers tend to decrease fringe benefits or increase working hours or other work requirements in order to compensate for higher money wages," he said.

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