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Sylvia A. Allegretto: Higher minimum wage in San Jose would boost the broader economy

By Sylvia A. Allegretto Special to the Mercury News Posted: 02/04/2012 08:00:00 PM PST

In the lingering aftermath of the Great Recession, is there a public policy that can boost the broader economy and help low-wage workers without costing taxpayers a dime? Yes, there is: raising the minimum wage.

California's wage floor has been at \$8 an hour since 2008. The San Jose initiative would establish a citywide minimum wage of \$10 starting in 2013.

The prices of gas, food and health care have risen over the past four years while the wages of the state's lowest paid workers haven't budged. An eroding minimum wage and the ongoing weak recovery have made it increasingly difficult for families to make ends meet.

But what about jobs, you say? Well, the often told story of supply and demand that predicts (under strict conditions) employment losses from minimum wage increases is too simplistic and not indicative of low-wage labor markets.

Dube, Michael Reich and I have contributed. Our result further validates and expands upon research showing that raising the minimum wage boosts incomes for the lowest-paid workers without reducing employment.

Our study, published last year in the peer-reviewed economics journal Industrial Relations, examined earnings and employment data before and after every state and federal minimum wage increase from 1990 through 2009.

We also demonstrated how the old findings of job losses were erroneously attributed to the minimum wage. Older studies failed to sufficiently account for factors such as regional economic shocks and long-run trends in low-wage employment.

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The San Jose initiative is similar to an ordinance passed in 2003 in San Francisco, where the minimum wage is now \$10.24 an hour.

This growing body of research moves the discourse on the minimum wage in a direction that shows broad benefits of increasing the wage floor: Workers get larger paychecks; the economy gets a boost; and employers have lower turnover rates and vacancies.

Raising San Jose's minimum wage to \$10 and adjusting it for inflation means the recovery will be more broadly shared and more sustainable.

Sylvia A. Allegretto, Ph.D., is an economist at the Institute for Research on Labor and Employment at UC Berkeley. She wrote this for this newspaper.

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