

Professors talk minimum wage

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By Cheyene Miller

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According to associate economics professor Aaron Yelowitz, a minimum wage hike isn't necessarily the most effective way to boost a city's economy.

The economist recently spoke before the Louisville Metro Council's labor and economic development committee and explained why a proposed citywide minimum wage increase to \$10.10 per hour would do more harm than good to the economy.

According to Louisville Business First, the next committee meeting concerning the minimum wage increase is scheduled for Monday.

Greater Louisville Inc. and about 20 more businesses have opposed the measure, according to Business First.

Yelowitz said that citywide minimum wage increases cause both employers and customers to pursue cheaper business across city and even state lines. This problem is particularly true for Louisville, since it rests on the border of Indiana.

"Citywide minimum wages are fundamentally different from federal or statewide minimum wages because of the ability of business to move across city borders," said Yelowitz. "Business movement, which is something you likely wouldn't see all that much of with a statewide or obviously federal minimum wage, becomes a far bigger deal in a place like Louisville."

Yelowitz added that a city with a relatively low cost of living, like Louisville or Lexington, would not receive the same benefits of a minimum wage increase as a larger city.

For example, a city like San Francisco with a \$10.74 minimum wage makes more sense because the cost of living there is already high.

According to Yelowitz, who has performed extensive research on the economic effects of citywide minimum wage increases, unemployment and job loss increase when minimum wage increases. He studied these effects in Santa Fe, N.M., where a citywide minimum wage increase led to a 3.2 percent increase in unemployment, according to his research.

With regard to Lexington, Yelowitz said that there are certain differences in the economic structures of the two cities that should be taken into consideration — namely, the potential for Indiana's economics to affect Louisville.

University of Massachusetts Amherst economics professor Jeannette Wicks-Lim testified to the council via Skype video. She spoke in support of a minimum wage increase and countered some of Yelowitz's research findings.

"The situation in Santa Fe is quite different than the situation in Louisville," Wicks-Lim said to the council. "If you look at the size of Santa Fe relative to Louisville, Santa Fe is one-tenth the size of Louisville when you're talking about area. So you're actually talking about a small city embedded within a larger economy."

Wicks-Lim added that Santa Fe's minimum wage increase did lead to a shortage in hours for employees, but said employees still ultimately made more money due to the higher wage. She also said that the proposed increase to \$10.10 per hour in Louisville was reasonable and that a gross negative impact on the city's economy is not likely.

According to an earlier report from the Business First, a vote to increase the Louisville minimum wage had been temporarily postponed as councilman Ken Fleming pushed for an audit of the increase's financial impact on the city.



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