

Southern States Avoid Minimum Wage-Raising Bandwagon

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As a growing number of U.S. cities and states boost the minimum wage, most Southern states are standing out by remaining on the sidelines.

Seven years have passed since the federal minimum wage rose to \$7.25 an hour from \$6.55. As of 2015, there were 2.6 million workers earning minimum wage or less in the United States, representing 3.3 percent of all hourly paid employees, according to the Bureau of Labor Statistics. About half of those workers are under age 25, and roughly half of them live in southern states. (See story on [minimum wage earners](#).)

The minimum wage issue draws strong passion from supporters, who contend that higher pay is needed to help provide economic stability for low-paid workers, and opponents, who say increased wages will raise costs and cut jobs and benefits.

In recent years, as Congress has refused to implement wage increases and service workers have lobbied for greater pay, many states and cities have passed legislation boosting their minimum wages. Twenty-nine states and the District of Columbia currently mandate minimum wages higher than the official U.S. minimum wage, collectively applying to 61 percent of the nation's working-age population, according to [a Pew Research Center analysis](#).

But in most of the South, the minimum wage remains \$7.25 an hour. Florida, where the minimum wage is currently \$8.05, is the only state in the Southeast with an hourly wage that exceeds the federal floor.

Five southern states—Alabama, Louisiana, Mississippi, South Carolina, and Tennessee—are the only ones in the nation that have no minimum wage laws, so they are automatically subject to the federal rate. Georgia's minimum wage is \$5.15 an hour, so the higher federal level applies there, too.

As Washington, D.C., and the states of New York and California adopted measures this year that will boost their minimum wages to as high as \$15 an hour, Alabama's legislature blocked efforts to raise hourly wages in Birmingham, the state's largest city.

The Birmingham City Council's ordinance would have boosted the minimum hourly payout to \$8.50 this year and to \$10.10 by July 2017. But the state legislature passed a measure in February prohibiting local Alabama governments from setting their own minimum wages, effectively voiding the increase. Gov. Robert Bentley signed the measure into law as supporters said it was essential to

ensure that Alabama has a uniform minimum wage.

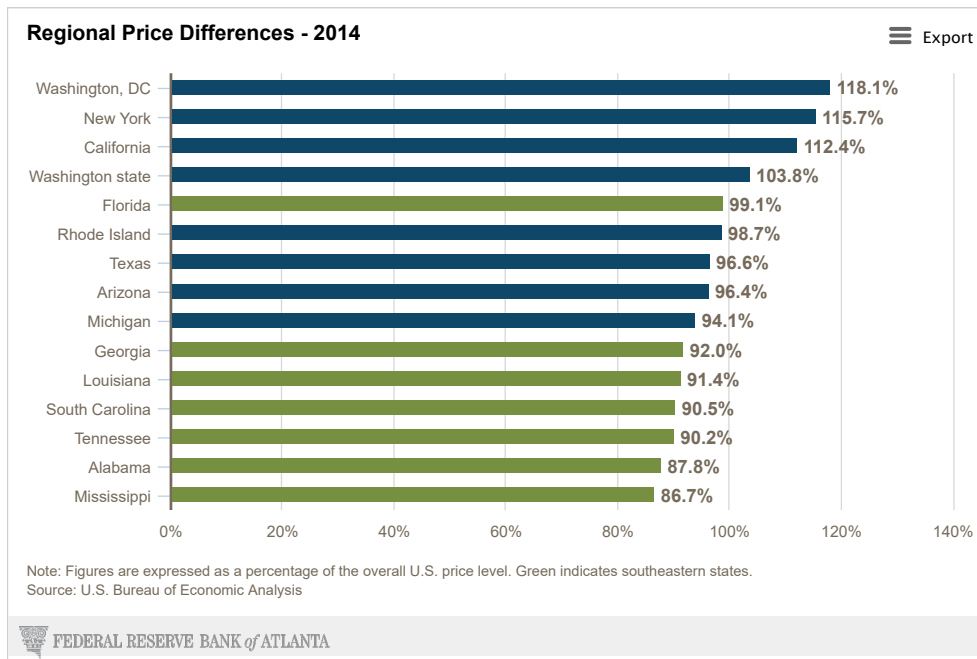
"Increasingly, states and localities are having different policy needs and agendas on many economic issues," said Stuart Andreason, senior community and economic development adviser at the Federal Reserve Bank of Atlanta. "That has played out in some instances, like minimum wage laws, where localities have been limited in the actions they can take by their state governments."

Southern states have a history of paying low wages that harkens back to the region's slave economy, according to James Cobb, a history professor at the University of Georgia. Cobb said the reluctance to raise minimum wages reflects the South's industrial development strategy since the end of Reconstruction, which depends on cheaper labor. In recent decades, southern states have touted low unionization rates and lower-cost labor as advantages in successfully wooing global automotive and aerospace companies to set up manufacturing plants.

"The South has basically not been able to wean itself off of this low-wage development strategy," Cobb said.

The debate over a living wage

To be sure, Alabama and other southern states have a lower cost of living than New York or Washington, D.C.; data from the U.S. Bureau of Economic Analysis show that regional price levels in southern states are lower compared with overall U.S. price levels. (See the chart.)



Still, some measures of the income needed for economic security suggest \$7.25 an hour is not sufficient to live on.

The United Way ALICE (which stands for Asset Limited, Income Constrained, Employed) Project tracks lower-income people who work but have difficulty meeting their basic needs. An [ALICE report for Louisiana](#) based on 2013 data states a single adult needs to earn \$8.65 an hour, or \$17,304 annually, to afford basic necessities of living. These figures incorporate costs of housing, food, transportation, and health care but do not include money for savings. For a family of four with two adults, one infant and one preschooler, the minimum income needed in the state is \$21.22 an hour, or \$42,444 a year, according to the ALICE data.

"If you analyze the costs of living in various parts of the country, you see that even in low-cost areas, you really need more than \$7.25 an hour to make ends meet," said Yannet Lathrop, a researcher and policy analyst at the National Employment Law Project, which supports higher minimum wages.

Minimum wage and job creation

Critics of wage increases point to the possibility of job losses by employers hit with rising labor costs. A 2014 Congressional Budget Office report concluded that while raising the minimum wage would move some lower-wage employees out of poverty, it would also likely [eliminate some jobs](#).

Murat Tasci, senior research economist at the Federal Reserve Bank of Cleveland, said increases in the minimum wage can wind up

hurting low-wage workers as employers pare jobs. "While the estimated effects are small, much of the evidence suggests that the negative effects on employment in response to raising the minimum wage fall disproportionately on lower-skilled workers," Tasci said in a [November 2015 article](#).

Researcher Joseph Sabia concluded in a [2014 article](#) that minimum wage increases were an ineffective tool in curbing poverty. Citing findings from his work and that of other researchers, Sabia states that such wage raises are poorly targeted to those with lower incomes, hurt job creation, and reduce low-skilled employment.

Whitney Mancuso, senior economic research analyst with the Federal Reserve Bank of Atlanta, said higher U.S. minimum wages may not hurt job growth in the short term but could be detrimental over time as businesses look to increase the use of automation and other technological efficiencies.

Mancuso mentioned a need to focus on the factors that keep minimum-wage recipients from obtaining better jobs. "Their long-term prospects are likely better if they can improve their skills," she said. She also cited a need to address barriers at state and local levels that keep many people stuck in minimum-wage jobs.

Community groups that aid the needy say those at the bottom of the earnings rung may face substantial hurdles.

For example, in Alabama, lower-wage earners lack an adequate public transportation structure that could enable them to more easily get to facilities that provide job training and skill development, said Ron Gilbert, executive director of Community Action Association of Alabama, a nonprofit that helps lower-income people improve their skills and gain new opportunities. He also cited a lack of programs in Alabama that provide needs-based assistance to obtain postsecondary education and said low-income families struggle to find affordable childcare.

People earning minimum wage "don't have the opportunity to upgrade their skills," Gilbert said, citing the limitations of low earnings and lack of societal work supports.

In Birmingham, a group led by the Alabama chapter of the National Association for the Advancement of Colored People has filed a federal lawsuit seeking to overturn the state minimum wage law, saying it is racially discriminatory.

More legislative action

Advocates for raising the minimum wage expect more legislative action at the state level. In June, the city of Miami Beach approved an ordinance that will raise its minimum wage to \$13.31 an hour over the next few years, potentially setting the stage for a fight over the Florida state law that forbids local governments from setting minimum wages. Pennsylvania Gov. Tom Wolf has called for an increase in the state's minimum wage, which is currently at the U.S. level. Efforts to raise the minimum wage to \$15 are afoot in other states and cities, including New Jersey, Connecticut, and Minneapolis.

"If you look at where the rest of the nation is going, you could have a case in which the South falls further and further behind," the National Employment Law Project's Lathrop said.



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