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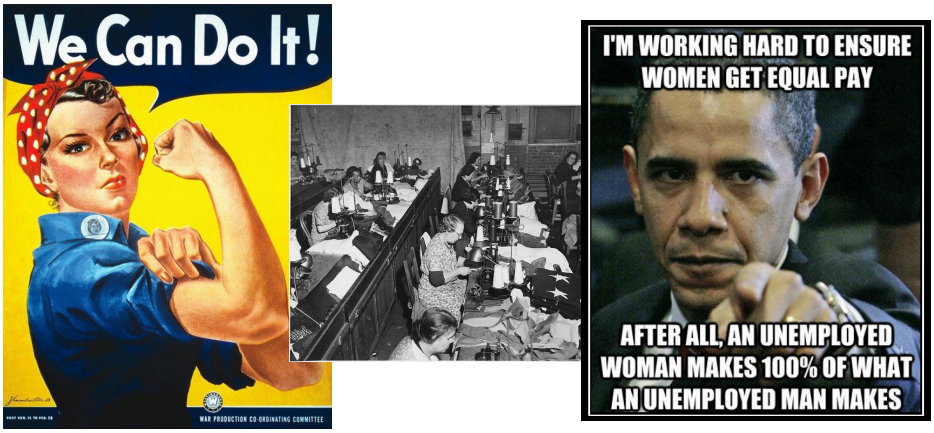
Labor Watch

Obama's Secret War on Women

Women will pay a price for "paycheck fairness," overtime rules, and Obamacare

By Diana Furchtgott-Roth

Summary: *For years, President Obama and his supporters have accused their opponents of conducting a "War on Women." The real War on Women, though, lies in the President's healthcare plan and in his proposals on wages and working hours, which make it harder for women to get jobs and provide for their families.*



The past century has seen women enter the workforce in unprecedented numbers. Now—as represented satirically at right—the status of women is under fire.

In April, President Obama declared, "If Republicans in Congress want to . . . show that they, in fact, do care about women being paid the same as men, then show me. They can start tomorrow. They can join us in this, the 21st Century, and vote yes on the Paycheck Fairness Act."

But passing the misnamed Paycheck Fairness Act would not help women. Neither would Obama's other ideas for "helping" women: raising the hourly minimum wage to $10.10, increasing the number of women affected by rules on overtime pay, and the Affordable Care Act, a.k.a. Obamacare.

These ideas may make good soundbites to use in campaign ads, but the dirty little secret is that they would actually harm the employment prospects of women—and men. The Paycheck Fairness Act would raise the cost of employment, reducing jobs for both sexes. A higher minimum wage would reduce job opportunities for low-skill women. Raising the overtime pay ceiling to $50,000 a year would mean women whose earnings are below that level won't be able to receive compensatory time off instead of overtime pay. Lastly, Obamacare forces women into part-time jobs while it discourages marriage.

Women are in a special position in the workforce because so many of them move in and out of the workforce in order to balance the needs of family with their careers. To see how important workplace flexibility is to women, look no farther than the Yale Law Women website. The young women who attend Yale Law School are some of the smartest in the country; it's only a slight exaggeration to say that they could have any job that they choose. And what's a major focus of their website? Family friendliness.

For the past nine years, the Yale Law Women website has announced its list of Top Ten Family Friendly Firms. The list is derived from a survey that "explores important family friendliness indicators such as the billable hour requirement, part-time and flex-time options, caregiver leave policies, and childcare availability." Few women at Yale Law School have children, but they are already planning ahead to be moms with flexible schedules.

It's time to peel back the President's messaging on the Paycheck Fairness Act, the increase in the minimum wage, higher ceilings for overtime pay, and Obamacare. It's time to take a critical look at those policies and at their dev-

December 2014

astating consequences, both intended and unintended.

►*Paycheck Fairness Act*

Who could be against paycheck fairness? Only nasty people, right? But the Act of that name is the opposite of fair. The Paycheck Fairness Act would require the Equal Employment Opportunity Commission to collect data from employers on workers' pay by race, sex, and national origin, in order to equalize wages of men and women in different job classifications.

The act would allow employers to justify differences in pay between men and women only on the grounds of education, training and experience, and only if these factors were defensible on the grounds of "business necessity." To take one example, a supermarket manager could not be paid more for her college degree if the government ruled that a college degree was not instrumental in managing the supermarket.

The bill is a gift to "trial lawyers" (i.e., plaintiffs' lawyers), because it changes the legal process to make workers opt-out rather than opt-in to class-action lawsuits (lawsuits filed on behalf of a class of people). Currently, if workers want to join class-action suits, they have to agree to take part. Under the bill, women would be included unless they opted out. This would enable the number of class-action suits to mushroom, which will create high costs to employers and their employees but will be a boon to lawyers.

Penalties that the courts could levy on employers would be heavier. Currently, employers found guilty of discrimination owe workers back pay. Under the pending bill, they would have to pay punitive damages, a quarter to a third of which typically go to plaintiffs' lawyers.

The bill would require the Equal Employment Opportunity Commission to analyze pay data and promulgate regulations to collect more statistics, including information about the sex, race, and national origin of employees, further burdening employers.

The White House's rationale for the Paycheck Fairness Act is that women earn 77 cents on a man's dollar and need government help. No matter that women choose different occupations from men, and that they account for 30 percent or fewer of employees in high-wage sectors such as information technology, science, and engineering. No one is stopping women from going into math and engineering. But they choose different majors in college from men, different occupations when they enter the workforce, and, on average, a shorter work day when they work full time. Plus, 24 percent work part-time. With such gender preferences, there is no reason that average wages should be equal.

Presumably, those differences are reflected in the fact that, in the White House in 2013, female staffers earned 88 percent of what men made, according to published data.

Women are already protected against discrimination by the Equal Pay Act, but without the punitive damages so attractive to trial lawyers. They can sue within two or three years of receiving allegedly discriminatory pay, if they can show they are paid less for the same work, because the act does not require "discriminatory intent" for redress, just discrimination.

The Paycheck Fairness Act's provisions would encourage multinationals to expand overseas rather than in America, reducing jobs for women. The act would weigh down employers with bureaucracy and discourage hiring—at a time when jobs, or lack of them, top Americans' concerns.

►*Minimum wage*

With the publication of this year's White House report entitled *The Impact of Raising the Minimum Wage on Women*, the Obama administration pushed women to support raising the hourly minimum wage from $7.25 to $10.10.

Women should not fall in line behind a proposal that would hurt their job opportunities. About 2.1 million women age 16 and over worked in minimum wage jobs (including tipped minimum wage jobs) in 2013. That's less than six percent of employed women. Raising the minimum wage, or the tipped minimum wage, discriminates against low-skill and young workers. These workers, male or female, will not be able to find other opportunities if their skills are worth less than $11 an hour—the proposed minimum wage plus Social Security, workers compensation, and unemployment insurance payments.

And that $11-an-hour figure doesn't count the effect of Obamacare. Effective January 2016, there is a new $2,000-per-employee Obamacare penalty for companies with 50 or more employees that do not offer the right kind of health insurance (i.e., the "right" kind of insurance as determined by federal bureaucrats, not by either workers or employers).

Although the federal tipped wage is $2.13 an hour, in many cases these jobs pay well above minimum wage and are highly sought-after by low-skill workers. The average annual wage for bartenders is $21,770; for waiters and waitresses,

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Labor Watch is published by Capital Research Center, a non-partisan education and research organization classified by the IRS as a 501(c)(3) public charity. Reprints are available for $2.50 prepaid to Capital Research Center.

$20,880; and for hairdressers, $27,530. The 10th percentiles of annual earnings for these occupations range between $16,300 and $17,010. (In other words, only 10 percent in those occupations make less than that.) However, these occupations have significant opportunities for upward wage mobility. For example, the 90th percentile of annual earnings for hairdressers is over $44,000. (That is, about one hairdresser in ten currently makes more than $44,000.)

Raising the tipped wage has the same disadvantages as raising the regular minimum wage. Low-skill workers and teens who cannot find other jobs would have fewer work opportunities. The Labor Department announced that in October the teen unemployment rate was 19 percent, and the African American teen unemployment rate was 31 percent. The youth unemployment rate for people aged 20 to 24 declined, but still stands at over 10 percent.

Most people who want to raise the minimum wage have good intentions. They want workers to be better off. But fewer than three percent of American workers earn minimum wage. Half of them are under 25 years old. They use the minimum wage job as a steppingstone to a better job, but they can't do that if the minimum wage prices them out of the job market.

Raising the minimum wage discriminates against low-skill and young women. With a minimum wage of $7.25, the hourly cost to the employer is about $8.00, including Social Security, workers compensation, and unemployment insurance. This means that in the United States those with skills less than $8.00 an hour are effectively banned from work. Advocates of raising the minimum wage want to make this bar to working even higher.

If people cannot get their first job, they cannot get their second job, nor their third. The reason so few workers in America make the minimum wage or below is that they rapidly move on. Employers do not pay above-minimum wage jobs out of kindness, but because a higher wage is the only way to prevent employees from moving to another job.

People who take minimum wage jobs need an entry ramp onto the major highway that we call The Job Market. Once they are in, they can keep going, or speed up. Raising the minimum wage, or the tipped minimum wage, will reduce job opportunities for those who have no alternative except sitting at home or hanging out on the streets.

Raising the minimum wage will only hurt the low-skilled and prevent them from entering the labor force. Women should be pounding at the White House door, demanding serious job creation proposals to help them and their husbands, sons, and fathers. Job creation is not a gender issue, because millions of unemployed men need help, too.

► *Overtime rules*

Consider the President's plans to raise the salary level at which employers are required to pay overtime. In March, at the White House, the President said, "Overtime is a pretty simple idea: If you have to work more, you should get paid more." But what if you want time off instead of more pay, just like the women at Yale Law School?

More pay for more time sounds fair, but many workers are already paid salaries that reflect their hours worked. Think of elected officials or university professors, who get salaries but not overtime pay. Under the President's proposal, employees who receive overtime pay would not be allowed to take time off, or comp time; they would have to receive overtime pay. Some people may prefer overtime pay, but others, especially working mothers, may prefer more leisure. Polls show that flexible work hours are especially important in the Hispanic community, not just for family reasons, but also to celebrate religious holidays.

Currently, any salaried worker making less than $455 per week, or $23,660 a year, has to receive overtime pay, a level established under Department of Labor regulations in 2004. The Department of Labor has delayed stating how high it will seek to push the weekly salary limit for guaranteed overtime, but it is expected to increase significantly.

Overtime rules hurt women by reducing flexibility with their employer. Many women with children, particularly young mothers who cannot afford childcare, would prefer flexibility in their schedule rather than extra overtime pay. When overtime hours are allowed to count toward time off instead of pay, women can change their work schedules according to their needs. If a child becomes sick or the babysitter cancels, a female employee with the flexibility of extra hours can simply take time off. Requiring overtime pay legally limits many women from negotiating time off.

Rather than decreasing the number of employees who can receive comp time, as the President has proposed, the Working Families Flexibility Act of 2013, sponsored by Rep. Martha Roby (R-Ala.), would expand it. The bill, which passed the House last year, would allow employers to offer workers who worked more than 40 hours a week a choice of 1.5 hours of comp time per overtime hour worked, rather than overtime pay. The Senate version, sponsored by Sen. Mike Lee (R-Utah), did not make it out of committee in the Senate, controlled by Democrats.

There is a fundamental law in economics: Giving individuals a greater number of attractive choices makes them better off. Some may prefer additional financial compensation, and some may prefer additional time, either to spend with their families or for activities such as going to sports events, fixing their cars, or running their own small business.

President Obama's overtime rule would take away from women the power to choose what is in their best interest: either more time or more money.

When people have more money they can buy many things to make their lives more pleasant and more entertaining—but they cannot buy more time. When workers are hired, they frequently have little vacation. When they have the choice of comp time instead of overtime pay, they can take something money cannot buy. Some people would always prefer to receive overtime pay rather than comp time, and they could negotiate this with their employers. But they should have a choice.

Higher-salaried individuals, such as graduates of Yale Law School, already have the opportunity to get comp time. They work in mostly white-collar professions and federal and state governments. President Obama wants to remove the choice of comp time from millions of workers, not extend it to others.

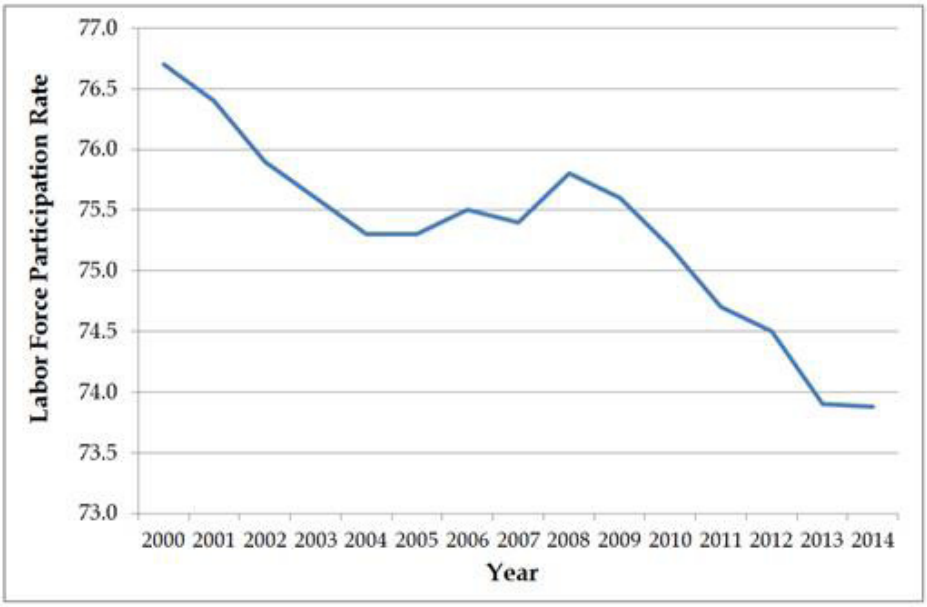
The choice of comp time instead of overtime pay is simply not available to many employees under current labor law. The Fair Labor Standards Act, fashioned in 1938, may be a well-intentioned law. But those who designed the Fair Labor Standards Act in 1938 never imagined the workplace as we know it today, or as it may look in the future.

A major problem facing parents today is how to combine the dual demands of work and family. Many women choose flexible careers because they place a higher value on extra hours spent with the family. The proposed overtime rules would take away that option.

Flexible work hours benefit not just current workers who would like additional flexibility, but also women who are not currently employed but who might find the prospect of comp time an inducement to enter the labor force. Some mothers do not want to enter the workforce because they are unwilling to work long hours. In some occupations, overtime is required, rather than voluntary, leading to more than 40 hours a week away from home. For these people, the prospect of comp time might make working a full-time job a viable option.

Not only is the slow growth of the economy reducing employment opportunities for men and women alike, but some women face particular barriers to employment as they move in and out of the workforce in their role as family caregivers. They need more flexibility to participate in the workforce. But President Obama's new overtime rules, currently being drafted in the bowels of the Labor Department, would extend overtime rules to several million employees that businesses classify as executive or professional employees. This would prevent employees from taking time off to make up for overtime work, making it more difficult for some women to work.

U.S. Female Labor Force Participation Rate, Age 25 to 54 (2000 to 2014)



Source: Current Population Survey Data, *U.S. Bureau of Labor Statistics*, October 2014.

► *Obamacare*

The so-called Patient Protection and Affordable Care Act creates substantial disincentives both to hiring and marriage, potentially changing the fabric of American society in serious ways. This hurts women in particular.

Look at hiring. Obamacare is partly responsible for the slow recovery in the job market, which to some people seems mysterious. Come January 2016, employers with 50 or more employees who do not offer bureaucracy-approved health insurance, and have at least one employee receiving subsidized coverage on the exchange, are faced with penalties of $2,000 per employee per year.

The first 30 workers are exempt from the penalty. Thus, moving from 49 to 50 workers can cost an employer $40,000 a year!

It's no wonder that many small businesses are opting to stay at 49 workers. If they decide to expand, they can use temporary workers or contract employees. There's even a term for businesses who get stuck at 49 employees: "forty-niners."

Bob Funk, president and founder of Express Employment Services, the fifth-largest employment agency in America, told the *Wall Street Journal* in 2013, "ObamaCare has been an absolute boon for my business . . . We're up 8% this year. But it's just terrible for the country." Funk continued, "Firms are just very reluctant to hire full-time

workers. So they are taking on more temporary help, which is what we do."

Firms can get around the penalty by hiring part-time workers, because they do not owe the $2,000 penalty on those who work fewer than 30 hours a week. Many companies such as SeaWorld, Wal-Mart, and Lands' End are substituting part-time for full-time workers.

As well as discouraging hiring, the taxpayer subsidies in the Affordable Care Act (and other means-tested entitlement programs) discourage marriage and increase the incentive to divorce, because subsidies for health insurance premiums decline as income rises. Since those subsidies are on a sliding scale, two married people obtaining their coverage on the exchange pay more than they would if they were single. For example, two people each making $32,000 annually would qualify for subsidies when single, but not when they got married and earned a combined income of $64,000.

The system is set up so that low-income employees with families will prefer to work for firms that do not offer health insurance. In that way, they can qualify to purchase family coverage through the exchange and receive a subsidy. And if the employer does offer health insurance, low-income workers with dependents may prefer that the coverage be unaffordable! (That is, that the employee's share of the premium exceeds the government's affordability test.) That's because, if coverage is unaffordable, then the employee will be able to buy taxpayer-subsidized insurance for his family on the exchange.

The employer would owe the Treasury a $3,000 penalty for providing "unaffordable" coverage for each employee whose coverage is rated as unaffordable, but it would make sense for many workers to accept $3,000 in lower wages and be able to buy subsidized health insurance.

Under the Act, if workers have affordable single-family coverage from an employer—coverage that by law workers are obligated to accept—their family members will not be eligible for premium subsidies on the exchanges. This can make the cost of insurance for some low- or middle-income families unaffordable. *But if they divorce, they can receive the subsidy.*

A similar effect discourages marriage in the first place. Say that Jeff, who receives health insurance from his employer, wants to marry Jenny, who is buying her subsidized health insurance from the state exchange. If they married, Jenny would no longer qualify for subsidized coverage.

Without subsidies from taxpayers, low-income families will not be able to afford to buy insurance on the state exchanges. The Internal Revenue Service estimates that family plans will cost $20,000 (in after-tax dollars) a year by 2016. Anyone under 400 percent of the poverty line, currently $95,400 for a family of four, qualifies for a subsidy—unless a family member has employer-provided insurance.

In a 2011 National Bureau of Economic Research working paper by Cornell University professor Richard Burkhauser, Indiana University professor Kosali Simon, and Cornell Ph.D. candidate Sean Lyons, showed that 13 million low-income Americans may be unable to receive subsidized health insurance through new state healthcare exchanges because one family member has employer-provided coverage for that person only.

Perversely, the only way for other family members to receive subsidized coverage would be for the spouses to divorce. Then the spouse without coverage and the children could receive coverage on the exchange. This harms women especially, because a substantial share of the poor are in households headed by single women.

The structure of the Affordable Care Act will increase the gap between the rich and the poor. More divorces and fewer marriages at the lower end of the income scale result in more households headed by singles. Children in these families often have fewer advantages and lower educational performance, making it harder for them to obtain well-paying jobs when they grow up.

The infamous glitches with the state exchanges and Healthcare.gov were an embarrassment for the Obama administration, but the effects of Obamacare on job creation and marriage—two of the stepping stones to the American Dream—are far more damaging.

Conclusion

Women, like men, are not doing well in this country. President Obama needs to propose broader solutions and work with Congress to pass them into law. Instead, he is waging a war against women, disguised as a program to help them. In reality the Paycheck Fairness Act, overtime regulations, the minimum wage hikes, and the Affordable Care Act will not help women find fulfilling, well-paying jobs. Rather, these programs will have unintended consequences that will further reduce women's participation in the workforce. Already we have seen a steady decline in women's labor force participation since the recession.

The defining challenge of our time is not to legislate women out of the workforce, but to reverse the decline in labor force participation for both sexes and create more jobs. In order to help women, policymakers should focus on ways to encourage economic growth by facilitating business growth and investment, lowering the barriers to job creation for employers, and making employment more attractive to potential workers. Such policies will help both men and women, now and in the future.

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An alternative agenda for women—and men

By Diana Furchtgott-Roth

Economic growth is a necessary, but not sufficient, condition for job growth. When demand picks up, employers can choose whether to fill orders by using people or machines. If the government makes it more expensive to hire people, firms will find it profitable to turn to machines rather than hire more workers.

Since the recession, the economy has been growing at little more than two percent annually. The Labor Department's most frequently used measure of unemployment, known as "U-3," stood at 5.8 percent in October. This does not include discouraged workers, people working part-time when they want full-time jobs, and the underemployed. When these people are included, as they are in "U-6," the Labor Department's broader measure, the unemployment rate was 11.5 percent.

Much of the apparent decline in the U-3 unemployment rate has occurred because Americans' participation in the labor force has dropped dramatically since the recession and has yet to recover. In October, the labor force participation rate (the percentage of persons with jobs among the over-16 civilian population who aren't in institutions like prisons) was 62.8 percent, a rate not seen since 1978, before millions of women moved into the labor force in the 1980s. This participation rate is down more than three percentage points from 66.2 percent in January 2008. The Labor Department's Job Openings and Labor Turnover data also show hiring has not yet recovered from the recession.

The longer people are out of work, the more trouble they have finding jobs afterwards. People out of work for longer periods of time tend to lose hard skills, such as familiarity with the latest technology, and soft skills, such as networking and getting up on time. Training programs for long-term unemployed are more challenging, both for teachers and learners.

Data from the Bureau of Economic Analysis show that job growth exists, just not in America. Multinational firms have created more jobs offshore than in the United States. From 2000 to 2011, non-banking multinationals eliminated 1.3 million jobs in the United States, and created 3.4 million jobs overseas. There is no reason—other than counter-productive laws and regulations—that American companies should be turning overseas for business expansion. Reforming our laws to make it easier and less costly for employers to engage workers in the United States can bring those jobs home, encourage greater economic growth, and create more prosperity for American families. *Here are several reforms that would help Americans gain jobs:*

► **Increase the efficiency of the tax system.** Our tax system has three fundamental weaknesses: (1) marginal tax rates are too high, (2) the structures of personal and corporate taxes are much too complicated, and (3) the incentives for political mischief at the IRS are high, while the likelihood of detection is low. All three of these weaknesses are related and have a simple solution: tax simplification.

A simpler tax system would solve many problems. It would likely reduce and simplify the benefits of tax-exempt status for all groups, including those targeted by the IRS last year. A simpler tax would also reduce incentives of companies such as Apple to avoid American taxes. Most importantly, tax simplification would stimulate economic growth.

President Obama, Senate Democrats, and House Republicans have all proposed lowering corporate tax rates. Reducing and simplifying corporate taxes would bring in more investment from abroad, together with additional revenue.

America's combined state and federal corporate tax rate, 39.1 percent, is now the highest in the industrialized world, far above the average of 25.3 percent in the Organisation for Economic Co-operation and Development (an international organization that includes the U.S. and 33 other countries, including our major competitors).

Compounding that problem is America's policy of taxing income on a worldwide rather than territorial basis. In other words, the U.S. government imposes taxes even on income earned elsewhere, thus creating an even greater incentive for corporations to escape high U.S. tax rates.

Canada, Germany, and the U.K. have combined state and federal corporate tax rates of 26 percent, 30 percent, and 21 percent, respectively. All these countries tax corporate income generated only within their borders, rather than corporations' worldwide income, which the United States does. The number of OECD countries with territorial tax systems has more than doubled since 2000, to over 80 percent. Bringing U.S. corporate tax rates in line with worldwide rates will bring in revenue and discourage other investments from leaving.

The Senate Permanent Subcommittee on Investigations has estimated that American companies hold around $1.7 trillion of earnings offshore from foreign operations. This means billions of dollars would be repatriated if we lowered our tax rate and/or used a territorial system.

► **Encourage development of fossil fuels.** Everyone knows where the jobs are—North Dakota, with a 2.8 percent unemployment rate in September 2014, the lowest in the nation. And everyone knows why—the New American Energy Revolution is bringing previously unrecoverable oil and natural gas out of the ground with a novel technology, hydraulic fracturing combined with horizontal drilling. America may become a natural gas exporter by 2020, according to the International Energy Agency, and a net energy exporter by 2035.

Everyone knows where the jobs *aren't*—so-called alternative energy, even though solar, wind, and biofuels have received billions in government loans and grants and have benefitted greatly from mandates requiring power companies to buy energy from those sources. The list of bankrupt companies that have received government funding includes Solyndra ($535 million from Uncle Sam), Abound Solar ($400 million), Beacon Power ($43 million), and A123 ($249 million), to name just a few.

But the administration is bringing out new regulations on fracking that could cripple that energy revolution. The Energy Department, the Interior Department, the

Environmental Protection Agency, even the Securities and Exchange Commission, all have regulations in development. President Obama has refused to approve Keystone XL, the pipeline that would bring oil from Canada to refineries near the Gulf while creating many jobs.

The energy revolution has been America's biggest creator of jobs, in occupations ranging from construction to services to information technology. Almost one million Americans are employed directly in the oil and gas industry, and 10 million jobs are linked to oil and gas.

► **Import immigrants.** As America seeks to increase economic growth, immigration reform should be part of the growth agenda. If it were easier for foreign-born students and workers to obtain provisional visas to stay and work in the United States, visas that could transition into green cards later, the U.S. would have faster GDP growth and job creation.

Immigrants are prominent in advanced scientific research. More than one-third of U.S. Nobel Prize winners between 1901 and 2014 were foreign-born. Highly skilled immigrants are disproportionately represented in successful start-ups. They benefit the nation because they found new companies at greater rates than do native-born residents.

Dartmouth University professor Matthew Slaughter estimates that America is losing 2,000 jobs a day, or a job every 43 seconds, by capping H-1B visas for skilled immigrants at 85,000. He calculates that 100,000 jobs are lost directly from unfiled H-1B visa applications, and 400,000 jobs are lost indirectly because they are not generated by the innovators.

Immigrants are also needed at the low end of the skill scale. Farms provide income to farmers, as well as to other native-born Americans employed in the trucking and distribution industries, not to mention that they help to feed the rest of the nation. If farmers cannot find low-skill immigrants to pick fruit, as was the case in Washington State for the 2012 apple crop, agriculture will move offshore to where low-skill labor can be found. It makes little sense to send a whole economic sector to other countries just to avoid employing immigrants.

In addition to promoting economic growth broadly, policymakers can encourage job creation by making it easier for employers to hire and retain workers.

► **Repeal employer penalties for Obamacare.** The misnamed Affordable Care Act is making hiring more expensive. Employers with more than 49 but fewer than 100 full-time workers who do not offer the "right" kind of health insurance will face penalties of $2,000 per full-time worker per year, beginning in 2016. For firms with 100 or more full-time employees, the penalties begin in 2015. In actuality, the penalty costs employers $3,000, since it is not tax deductible. A firm that expands from 49 to 50 workers could face a tax of $40,000 per year (the first 30 workers are exempt), an expense equal to $60,000 because it is not tax deductible.

Many firms with around 45 full-time employees are considering expansion, and some just over the limit are considering moving employees to part-time to avoid the penalty. Firms also have an added incentive to use more machinery and employ fewer workers. The Obama Administration knows Obamacare will have negative employment effects. That is why the President continues to unilaterally change the Act and delay the starting date of penalties.

The solution: Stop requiring employers to offer healthcare insurance. Food, clothing, and housing are equally important, but government does not require employers to provide them. There are better ways to help Americans obtain affordable, high-quality healthcare without discouraging employment by creating new burdens on employers. A tax on employment, such as a $3,000 penalty for failing to offer bureaucracy-approved health insurance, will always result in fewer people hired.

► **Lower the minimum wage rather than raising it.** The losers of the push to raise the hourly federal minimum wage from $7.25 to $10.10 are the young and unskilled, who will be unable to join the labor market and get their feet on the first rungs of the career ladder. Rather than raise the wage, Congress should lower it.

In a global economy, where competitive countries battle for business with well-trained, disciplined, and experienced employees, America is putting itself at a disadvantage by keeping young Americans out of work.

Make no mistake about this. Few workers stay at the minimum wage level very long. And among the five states with the lowest unemployment rates in September 2014 (North Dakota, South Dakota, Utah, Nebraska, and Minnesota), only one, Minnesota, has a state minimum wage higher than the federal minimum wage. The unemployment rates ranged from 2.8 percent in North Dakota to 4.1 percent in Minnesota in a month when the national unemployment rate was 5.9 percent.

University of California (Irvine) professor David Neumark, in a paper forthcoming in the *Industrial and Labor Relations Review*, writes that the strongest evidence linking unemployment to increases in the minimum wage suggests that teenagers and other low-skill groups, without regard to industry, are the most likely groups to be adversely affected.

A February 2014 Congressional Budget Office study shows that up to a million low-skilled people could lose their jobs by 2016 due to a proposed increase in the federal minimum wage to $10.10 from $7.25.

In March 2014, 500 economists, including Nobel laureates Vernon Smith, Eugene Fama, Robert Lucas, and Edward Prescott, signed a letter opposing increases in the federal minimum wage. "Although increasing wages through legislative action may sound like a great idea, poverty is a serious, complex issue that demands a comprehensive and thoughtful solution that targets those Americans actually in need," they wrote.

If you were running a business, and the minimum wage rose from $7.25 to $10.10, you would feel financial pressure to lay off your least-skilled workers. Future workers would have to produce more in order to earn a position. You might do less on-the-job training and hire workers who already have experience.

Rather than a federal minimum wage, states should be allowed to set their own wage levels. Some might decide not to have any minimum wage at all, as state governments have a much clearer understanding of local labor markets than does the federal government. With the cost of living varying dramatically between states, what makes sense for New York might not work in Alabama.

LW

LaborNotes

The biggest individual winner in the 2014 election: Gov. **Scott Walker** (R-Wisc.), unions' top target. As **Philip Klein** noted in the ***Washington Examiner***, Walker drew unions' fire because he was the nation's leading advocate of reform: "facing a gaping budget hole, he attacked the root problem—public sector unions that were maintaining a stranglehold over the state and its municipalities and school districts. His common-sense reforms earned him the wrath of unions . . . Liberal protesters swarmed the capital of **Madison**. **Democratic** lawmakers, who depend on political contributions from a robust labor movement, fled the state in a desperate attempt to stop the reforms."

When that tactic failed, Walker's opponents "tried lawsuits and launched a flood of unsuccessful attempts to recall **GOP** officeholders—including Walker himself in 2012. Politically driven prosecutors also launched two sweeping and secretive probes against allies of Walker, none of which has produced any evidence of wrongdoing by the governor despite generating lots of headlines." Walker's reforms made it possible for state and local governments to save money while improving schools and avoiding massive layoffs of unionized employees.

The head of the **National Education Association** said that group's top priority was beating Walker, and the head of the **American Federation of State, County and Municipal Employees** said, "We have a score to settle with Scott Walker." Before the election, **Aaron Goldstein** wrote in the ***American Spectator***: "If Walker wins on November 4, Republicans should nominate him by acclamation, right then and there, to be their 2016 presidential candidate. The GOP needs a fighter who can step into the ring and dish out as much as he can take, not another man with a glass jaw."

Larry Sand wrote in the **California Policy Center**'s ***Union Watch*** that "Unions, especially the teacher's variety, had a lot on the line," and most election results were "disastrous. . . . **Michigan** governor **Rick Snyder** [who signed a Right to Work law] wasn't far behind Walker on the union hit list," and yet "both incumbents won handily. The unions went after **Florida** governor **Rick Scott** for expanding school choice in the Sunshine State, but he prevailed over challenger **Charlie Crist**."

Sand added: "Especially galling for organized labor was the victory in **Illinois** (Illinois!) where Republican pro-voucher businessman **Bruce Rauner** ran against incumbent governor **Pat Quinn**. Rauner clearly expressed disdain for union bosses on several occasions, accusing them of 'bribing politicians to give them unaffordable pensions, free healthcare, outrageous pay and benefits and they're bankrupting our state government, they're raising our taxes and they're forcing businesses out of the state, and as a result we've got brutally high unemployment.' Apparently, Rauner's blunt message resonated with voters; he won by five points." Meanwhile, union-backed candidates were defeated in governor's races in Democrat-leaning states such as **Maryland**, **Massachusetts**, and **Maine**.

Referring to union targets Walker, Snyder, and Scott, along with Governors **John Kasich** (R-Ohio) and **Tom Corbett** (R-Penn.), labor analyst **Maxford Nelson** wrote: "With the exception of Corbett, all had presided over major labor reforms and won re-election. Corbett's mistake was to draw union fire by expressing a willingness to sign pension reforms and paycheck protection legislation while doing very little to actually help such reforms become law." Even though Corbett lost, Republicans increased their majorities in the **Pennsylvania** legislature and deposed a "moderate" Republican as head of the state Senate, replacing him with a conservative.

A Democrat, **Gina Raimondo**, won the governorship in **Rhode Island**—beating a union-backed Republican. Raimondo, the state treasurer, had incurred the wrath of unions for pushing public-employee pension reforms that would have cut the state's unfunded pension liability in half.

Still, it's very rare these days for unions to align themselves with Republicans against serious Democratic candidates. That means 2014 was a very bad year for unions. Once all the legislators take their seats, the GOP will control 69 of the 99 state legislative chambers, to 29 for the Democrats (**Nebraska** has a one-chamber legislature). Republicans will control both chambers in 30 state legislatures (not counting the Nebraska legislature, which is technically nonpartisan but dominated by Republicans). Democrats will control 11 states, and eight states will be split between the two major parties. According to the **National Conference of State Legislatures**, Democrats will control the lowest number of legislatures since 1860, the year that **Abraham Lincoln** became the first Republican president.

On the other hand, unions won some referenda. The so-called "minimum wage," which effectively makes it illegal for the least-skilled workers to obtain jobs, was raised in Republican-leaning **South Dakota**, **Alaska**, **Nebraska**, and **Arkansas**. In **San Francisco**, it was hiked to $15 (including tipped workers). In the **State of Washington**, a measure was passed, narrowly, to reduce class size in public schools (requiring the hiring of many more teachers and support personnel), despite evidence that, beyond a certain point, small classes actually hurt the educational process; but union's attempt to oust the state Senate's governing coalition failed as conservatives picked up seats.