

Directions: Read the following article from the *Wall Street Journal* and answer the questions.

“Is the Economy Too Fragile to Raise the Minimum Wage?”

President **Barack Obama** says a minimum wage boost can help lift low-income workers out of poverty. A new study says a pay increase amid economic uncertainty could damage the job prospects of those the policy intends to help.



In his State of the Union address last week, the president called on Congress to increase the minimum wage to \$10.10 per hour, from \$7.25. “Americans overwhelmingly agree that no one who works full time should ever have to raise a family in poverty,” Mr. Obama said.

But **Joseph Sabia**, an economist at **San Diego State University**, said minimum-wage increases aren’t the poverty-fighting tool the president thinks. In a newly released study, Mr. Sabia found that minimum-wage increases hit employment for low-skilled workers particularly hard in times of high unemployment.

“There’s never a good time to raise the minimum wage,” Mr. Sabia said during a presentation last week in Washington. “But times of economic uncertainty and recession are the worst times.”

Economists have argued for years about the precise effect of the minimum wage on low-skilled workers. Mr. Sabia tries to shed new light on the topic by focusing his argument on the economy’s health at the time of a minimum wage increase.

Among high-school dropouts under the age of 25, a group that disproportionately earns the lowest pay, a 10% increase in the minimum wage will reduce employment for the group by 2.1% when the overall unemployment rate is less than 5%.

But when the unemployment rate in a state exceeds 8%, that same group sees their employment fall 4.2% when the minimum wage rises by 10%. The president is backing a 39% jump in the wage.

If the new rate were to take effect when a state is entering a period of high unemployment, “that could result in a nearly 16% reduction in low-wage jobs,” Mr. Sabia said at an event hosted by the **American Action Forum** and the **Employment Policies Institute**, two right-leaning think tanks.

California, Illinois and five other states had unemployment rates at 8% or higher in December, according to the Labor Department.

Mr. Sabia said policymakers should carefully assess the economic environment before implementing a minimum-wage hike. He worries lawmakers will forgo that option by tying future increases to the rate of inflation, as some Democrats propose.

Indexing the minimum wage to inflation “puts low-skilled workers on auto pilot to poorer and poorer lives,” he said.

Other researchers say Mr. Sabia’s study focuses on too narrow of a group and overlooks the economic benefits of wage increases. “For the most part, very careful study usually finds no effects on employment,” said **Adriana Kugler**, a **Georgetown University** professor of public policy.

She said a minimum wage increase is long overdue. The rate has held steady for more than four years. When adjusted for inflation, it is well below the bottom pay received in the 1960s.

“Increasing the wage to \$10.10 raises two million people out of poverty,” Ms. Kugler said. “Stagnation of the minimum wage has led to rising inequality at the bottom end of the pay distribution.”

Economists are generally divided on the minimum wage’s effect on employment. [A Wall Street Journal survey of 48 economists](#) this month found 54% said the minimum wage shouldn’t be increased because it reduces the incentive of employers to hire and hurts the economy. Meanwhile, 28% said an increase would help the economy and 18% said it would have no meaningful impact.

1. What is the definition of minimum wage? (You may need to research this if you do not know what it is.)

2. How much does President Obama want to increase the minimum wage?

3. Why does Mr. Sabia think raising the minimum wage will not improve the lives of people living in poverty?

4. When does Mr. Sabia state is the worst time to raise the minimum wage?

5. Which group of people disproportionately earn the lowest pay?

6. What do other economists claim is the problem with Mr. Sabia's study?

7. According to Adriana Kugler, how many people would be lifted out of poverty if the minimum wage was increased?

8. What is your opinion on increasing the minimum wage? Should the Federal Government increase the minimum wage? Why, or why not? Explain your answer.