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## The Right Minimum Wage: \$0.00

The Federal minimum wage has been frozen at \$3.35 an hour for six years. In some states, it now compares unfavorably even with welfare benefits available without working. It's no wonder then that Edward Kennedy, the new chairman of the Senate Labor Committee, is being pressed by organized labor to battle for an increase.

No wonder, but still a mistake. Anyone working in America surely deserves a better living standard than can be managed on \$3.35 an hour. But there's a virtual consensus among economists that the minimum wage is an idea whose time has passed. Raising the minimum wage by a substantial amount would price working poor people out of the job market. A far better way to help them would be to subsidize their wages or — better yet — help them acquire the skills needed to earn more on their own.

An increase in the minimum wage to, say, \$4.35 would restore the purchasing power of bottom-tier wages. It would also permit a minimum-wage breadwinner to earn almost enough to keep a family of three above the official poverty line. There are catches, however. It would increase employers' incentives to evade the law, expanding the underground economy. More important, it would increase unemployment: Raise the legal minimum price of labor above the productivity of the least skilled workers and fewer will be hired.

If a higher minimum means fewer jobs, why does it remain on the agenda of some liberals? A higher minimum would undoubtedly raise the living standard of the majority of low-wage workers who could keep their jobs. That gain, it is argued, would justify the sacrifice of the minority who became

unemployable. The argument isn't convincing. Those at greatest risk from a higher minimum would be young, poor workers, who already face formidable barriers to getting and keeping jobs. Indeed, President Reagan has proposed a lower minimum wage just to improve their chances of finding work.

Perhaps the mistake here is to accept the limited terms of the debate. The working poor obviously deserve a better shake. But it should not surpass our ingenuity or generosity to help some of them without hurting others. Here are two means toward that end:

□ **Wage supplements.** Government might subsidize low wages with cash or payments for medical insurance, pensions or Social Security taxes. Alternatively, Washington could enlarge the existing earned income tax credit, a "negative" income tax paying up to \$800 a year to working poor families. This would permit better targeting, since minimum-wage workers in affluent families would not be eligible.

□ **Training and education.** The alternative to supplementing income for the least skilled workers is to raise their earning power in a free labor market. In the last two decades, dozens of programs to do that have produced mixed results at a very high cost. But the concept isn't necessarily at fault; nurturing the potential of individuals raised in poverty is very difficult. A humane society would learn from its mistakes and keep trying.

The idea of using a minimum wage to overcome poverty is old, honorable — and fundamentally flawed. It's time to put this hoary debate behind us, and find a better way to improve the lives of people who work very hard for very little.