

Minimum Wage Hurts Unskilled Black Workers

In his most recent State of the Union address, President Obama made this bold declaration: "Let's declare that in the wealthiest nation on earth, no one who works full-time should have to live in poverty, and raise the federal minimum wage to \$9 an hour. This single step would raise the incomes of millions of working families."

A wonderful thought, to be sure. But would this single step actually raise the incomes of millions of working families? Historically, minimum-wage laws and unions have actually hurt the black community.

Did you know that there was a time in our country, after the Civil War, when white unemployment was higher than black unemployment? It seems almost unfathomable now, but that was the case in the early decades of the 20th century. This was intentionally changed after Congress enacted the first federal minimum wage law: the Davis-Bacon Act of 1931.

As most of us remember from history class, the 1930s saw a plethora of public works projects introduced to combat the unemployment associated with the Great Depression. (Whether or not this worked is a topic for another day.) But during that time, many impoverished blacks left sharecropping to come north in search of such jobs. The Davis-Bacon Act was created specifically and explicitly to prevent blacks from "taking" these jobs from local white workers.

Congressman Robert Bacon of New York began crafting various pieces of legislation to discriminate against black workers when a black construction crew from Alabama was brought to his state to build a hospital for veterans in 1927. Because most blacks lived in the South, any laws restricting the use of

migrant labor discriminated against them. Since blacks were not admitted to trade unions, any law that favored union labor automatically excluded blacks. Bacon submitted 13 such bills over the next four years, culminating in the Davis-Bacon Act.

The act mandated that federal contracts pay their workers the “prevailing wage.” As innocent as this might sound, records of the debate over the bill reveal that everyone understood the “prevailing wage” meant the union wage and that this meant there would be no blacks working on federal projects. In fact, when testifying before the Senate in favor of Davis-Bacon, American Federation of Labor union president William Green complained, “Colored labor is being brought in to demoralize wage rates.”

The federal minimum wage may no longer be racist in intent, but it is still racist in its effects. Labor is affected by supply and demand, just like anything else. If we pass a law that raises the cost of printer paper to \$100 a ream, companies will find a way to use less printer paper. In the same way, when the law raises the cost of labor, companies purchase fewer hours of labor.

Larger corporations may relocate their operations to countries without such laws, and smaller businesses may start paying workers “under the table” in cash. This means that law-abiding American workers will find their hours cut—or worse yet, they will lose their jobs. And those most likely to be affected are the teenagers and lower-skilled minorities who hold most entry-level positions.

In reality, we all know that a single mother working 40 hours a week for minimum wage will struggle to make ends meet. But while an extra dollar an hour might buy her a bag of groceries, it won’t keep the lights on or gas in the car. What people do in that situation is work two minimum-wage jobs or have their teenaged children work part-time to help with the household expenses. But if there are fewer such entry-level

jobs available, that family's income will not increase, as the president hopes it will. It will actually decrease dramatically.

If immigration reform brings 11-20 million workers out of the shadows and one-half of them are unskilled, raising wage minimums will dramatically affect the current economic equilibrium at the low end of the wage totem pole.

It seems to me that a major strategic approach toward training untrained workers for jobs will be necessary. As immigration reform is negotiated, future quotas will have to focus on the "true needs" of our nation so that our current problem is not repeated in 20 years.

Instead of lifting more people out of poverty, minimum-wage hikes inevitably lead to greater unemployment. Even more problematic, they prevent the neediest individuals from gaining the work experience that is vital to their economic advancement.

Hiring always involves risk for employers. (Most studies indicate it costs more than twice an employee's salary to find and train a replacement.) One of the best indicators of whether or not an employee will work out is his or her work history. But how can young people or lower-skilled workers develop a work history while entry-level jobs are disappearing?

The first federal minimum-wage laws were created with the specific intent to prevent blacks from breaking into the labor market and obtaining better opportunities for themselves. New raises in the minimum wage may not carry the same intent, but they will undoubtedly have the same effect.

Instead of widening the gulf between the employed and the unemployed, we need a growing economy where employers compete for workers. Only then will we see more jobs and higher wages at the same time.

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