

June 6, 2016; Weighing Minimum Wage Hike

To raise the minimum wage on Guam, or not to raise the minimum wage, that is the question. Unfortunately, trying to find the answer is proving to be quite elusive. On January 1, 2015, as a result of Public Law 32-229, Guam's minimum wage increased from \$7.25 to \$8.25 per hour. According to Senator B.J. Cruz, who sponsored the legislation, this was compromise to his earlier bill that called for further automatic increases to the minimum wage on January 1, 2016, to \$9.20 and to \$10.10 on January 1, 2017.

Cruz agreed to the compromise in the face of a possible veto by the governor. Under the amended bill, the \$8.25 increase went into effect, but the two subsequent automatic increases were removed and substituted with a requirement for the Department of Labor to coordinate the preparation of an Independent Economic Impact Statement to assess the effect of the 2015 increase. The study was to be completed and published by April 30, 2016. However, in a classic example of political foot dragging, the Department of Labor didn't issue the Request for Proposal until this April 1st, ten months behind schedule, and this was only after Cruz had exerted pressure on DOL to live up to its legal mandate. Even under the best-case scenario, the study won't be completed until October 1st.

Understandably frustrated by the lack of action, on May 4th, Cruz introduced Bill 312 which, if passed, will increase the minimum wage to \$9.20 on January 1, 2017 then to \$10.10 on January 1, 2018, and won't require any impact study.

Predictably, proponents and opponents alike are voicing their opinions. This is déjà vu all over again. When I first entered the workforce at the age of fourteen in 1968, the federal minimum wage was \$1.60 per hour. Since then, the federal minimum wage has increased fourteen times and currently stands at \$7.25 per hour. Each time an increase has been proposed, proponents and opponents alike, parade out the same arguments. Frustratingly, they often stand in stark contrast to one another.

This is the situation we face on Guam today. On one side, Chamber of Commerce President, Catherin Castro, is quoted as saying, "We believe that the issue has vast repercussions that may adversely affect many small businesses as well as the wage earners the bill is trying to support." Under this argument, inflation will follow the wage increase resulting in a higher cost of living and higher unemployment.

This doom and gloom prediction is largely undermined by Guam economist Joe Bradley's observation over a 25-year span that the impact of various wage increases on Guam's unemployment rates has been minimal, brief, "and in most cases they have not even been statistically significant." He noted that raising the minimum wage has actually increased labor productivity due to "improved attendance, improved worker morale, stronger employee loyalty to the employer,

and dramatically reduces turnover rates.” He also pointed out that when adjusted for inflation, today’s minimum wage “is barely half of what it was more than 30 years ago.”

During a public hearing, Cruz offered further evidence that the January 1, 2015 minimum-wage increase has not adversely impacted the Guam economy. He noted that DOL’s own statistics reveal that more than 1,200 jobs have been added since the wage increase. In addition, the Bureau of Statistics and Plans’ study indicates that the prices for food, housing, and gas decreased in 2015, when adjusted for inflation.

Governor Calvo has spoken out loudly on the subject, although his position remains ambiguous at best. He is quoted as saying, “In a nutshell, I’m for it, but I need to see proof first.” Talk about trying to appease both sides of the argument! If he really supports a minimum-wage increase, why didn’t he muster his formidable political clout months ago to ensure that DOL met the April 30, 2016 deadline for submitting economic impact study?

As I stated in last week’s column, I’m not an economist. But it doesn’t take an economist to spot political wrangling on both sides of this issue. We all know that politics is Guam’s favorite pastime. Unfortunately, in this situation, the pawns in this political game of chess are our community’s most financially vulnerable. They deserve better.