

# Sponsor Statement

## HB 199

**“An Act removing the annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date.”**

In 2002, the 22<sup>nd</sup> Legislature enacted [HB 56](#) repealing the minimum wage formula, which tied Alaska’s minimum wage to the federal minimum wage PLUS \$.50 per hour or \$5.65. The bill established a base minimum wage of \$7.15 per hour, an increase of \$1.50 or 27%. In addition, HB 56 created a two-pronged formula annually adjusting the minimum wage by the Consumer Price Index (Anchorage), or increasing it by \$1.00 over the federal minimum wage, which ever is greater. Therefore, every January small businesses must increase their labor costs in spite of particular business circumstances, sector trends or economic conditions.

The rationale for increasing the minimum wage is to increase income for lower income people and reduce poverty. Indexing is supposed to allow these workers to keep up with inflation, give “certainty” to employers, and keep a divisive issue off the legislature’s calendar.

Sound economic analysis argues against such results. Forced wage hikes lead entry-level employers to eliminate jobs or reduce working hours. The evidence suggests that such increases do not help the poor, but on the contrary, increase unemployment, effect only a small percentage of the target group, create inflation and fail to account for worker mobility.

This issue is of such importance that the legislature should be required to periodically take up the issue of the appropriate amount of the minimum wage. By doing so, this will allow the business community to have a seat at the table when bargaining for a change to the wage rate. The principle of collective bargaining requires employees and employers to be at the table when negotiating wage rates and other conditions of employment. However, when the legislature acts unilaterally, the effected employers have no say or input to the amount of the minimum wage.

In the four months since the minimum wage increase has occurred, Alaskan businesses have already reacted in a negative manner to low-income workers. This includes the closing of a business in Anchorage, directly related to the minimum wage increase, and the loss of 54 jobs.

Indexing the minimum wage has failed in its primary objective. I urge your support of [this legislation](#).