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Columnists

Leftists' 'pro-labor' plans are likely to hurt workers

By Catherine Rampell / Syndicated Columnist

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WASHINGTON – Progressives generally support better labor protections, including policies meant to provide higher wages, more predictable working hours, increased bargaining power, and greater access to paid family leave, sick leave and overtime. And given the raw deal that workers get so often, these are all policies that I generally support as well.

But lately, as Democratic leadership has increasingly embraced the far-left impulses of its base, I've become convinced that the left needs to think harder about the unintended consequences of such benevolent-seeming proposals.

In isolation, each of these policies has the potential to make workers more costly to hire. Cumulatively, they almost certainly do.

Which means that, unless carefully designed, a lefty "pro-labor" platform might actually encourage firms to hire less labor – or at least to shift toward contract labor that's exempted from these cherished protections.

These are not mere hypotheticals. A two-tier labor market, in which some lucky workers are entitled to generous compensation and job security and the rest are hung out to dry, already plagues countries, such as France and Japan, with traditionally stronger labor protections than the United States.

But these are not outcomes that lefty politicians and policy wonks seem keen to grapple with. It's easier, or perhaps more politically convenient, to assume that "pro-worker" policies never hurt the workers they're intended to help.

Take the proposal to raise the federal minimum wage to \$15 an hour, a policy endorsed in the Democratic Party's new "Better Deal" platform.

An increase in the federal minimum wage, stuck at \$7.25 for eight years, is long overdue. But more than doubling it would likely result in massive job losses and cuts in work hours.

We've already seen preliminary evidence that raising wages in Seattle to \$13 has produced sharp cuts in hours, leaving low-wage workers with smaller paychecks. And that's in a high-cost city. Imagine what would happen if Congress raised the minimum wage to \$15 nationwide.

In West Virginia, the median hourly wage is just \$14.79; in Arkansas, it's \$14.48; and in Mississippi, it's a depressingly low \$14.22. A \$15 minimum wage could be binding on more than half of jobs in these states. In fact, in every state – not including D.C. – it could cover at least a quarter of positions.

That might seem like a good thing. Why wouldn't you want to improve the living standards of as many people as possible?

The answer: You won't actually be helping them if making their labor much more expensive, much too quickly, results in their getting fired.

Similarly, a year ago, the Obama administration issued a new overtime rule.

This rule massively expanded the universe of white-collar employees entitled to time-and-a-half pay for working beyond 40 hours per week. Before, white-collar workers earning salaries up to \$23,660 were generally entitled to overtime. The new rule more than doubled the threshold, to \$47,476.

The new threshold was to be implemented in one fell swoop, starting last December. There was fierce debate within the Obama administration about the wisdom of such an abrupt increase, but those who mentioned this to me declined to ever do so on the record. Meanwhile, left-leaning groups cheered the millions whose pay was about to go up.

Then, a court blocked the rule in November, and several weeks ago the Trump administration began the process of revising it. During his confirmation hearings, Labor Secretary Alexander Acosta cautiously suggested that a cutoff of about \$33,000 might be appropriate, though he wanted to spend more time looking at the effects on workers and firms.

As strange as it feels to say something nice about policies being pursued by the Trump administration, this might be a better approach.

On this and other labor issues, says Michael Strain, director of economic policy studies at the conservative American Enterprise Institute, "We need to be debating whether a cost-benefit test is passed, something on which reasonable people can disagree." Instead, Strain says, a lot of thoughtful, well-meaning people on the left seem to be looking for a free lunch – that is, for policies with all winners, no losers and no costs. Kinda like the right's attitude toward tax cuts, I might add.

Here I confess that I've been guilty of this. I'm often drawn to studies and stories about pro-labor policies that "pay for themselves." And while there often is a pro-business or macroeconomic case to be made for policies that help workers, I pledge to be more mindful about potential unintended costs as well.

Readers, I hope you'll hold me to this. And anyone else peddling free lunches, too.

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