A new dawn for the minimum wage

LA Times

By DON LEE

What has long been a hypothetical question may soon become a real one: What would the national economy look like with a $15-an-hour minimum wage?

Community activists and politicians see a $15 minimum wage as the antidote to the ills of rising inequality, a way to reduce poverty and stimulate the overall economy. Business owners warn it will tie their hands in downturns, drive small employers out of business and lead to millions of layoffs.

The reality is not that simple: An increase to $15 an hour would ripple through the U.S. economy in some unexpected ways that are, generally, not as bad nor as beneficial as each side claims.

The push for a higher minimum wage has gained momentum over the past few years. Seattle, San Francisco and most recently Los Angeles have adopted a floor of $15 an hour to take effect over the next few years. That's more than double the current federal minimum-wage law of $7.25.

Other cities such as Chicago. Oakland and Washington, D.C., have raised the minimum wage, but not as much. At least a dozen other cities and states, including New York and Oregon, may soon follow.

The recent movement is rooted in years of stagnant wages and a general disaffection from the slow and uneven recovery since the Great Recession officially ended in 2009. Like the Gilded Age in the late 1800s, the last quarter-century has seen fabulous income gains for corporations and individuals at the top, but very little for everybody else.

It's true that higher minimum wages would address some of that inequality, lifting many Americans from poverty.

Almost 60% of workers who are paid on an hourly basis — some 44 million people — currently make less than $15 an hour, Labor Department figures show. If the minimum went up to $15 tomorrow, nearly half of those workers would get at least a 50% bump in pay.

And it's not just teenagers and young adults who would benefit. More than 8.4 million people earning less than $10 an hour today are in the prime of their work life, between ages 25 and 54. About 62% of these workers are women, many with children.

Yet the benefits from higher wages would be offset for many by a reduction in government benefits that low-wage workers now receive, such as child-care subsidies or public aid for food, housing and medicines.

Millions of workers would have more money in their pockets to spend, boosting demand for goods and services. But they would also likely face increased prices in the marketplace as retailers, restaurants, child-care centers and other businesses that employ low-wage workers shift the higher labor costs to their customers.

When Oakland's minimum wage jumped from $9 an hour to $12.25 in March, residents noticed many stores tacked on a dime or a quarter to an assortment of items. Creole food caterer David Smith went further, jacking up the price of his dishes by $2 to $3 a plate. "I had to," says Smith, 35, who has three employees.

Longer term, many low-paid workers could lose their jobs or find fewer openings as employers cut back to cope with the higher wage requirements.

An analysis by the nonpartisan Congressional Budget Office last year estimated that raising the minimum wage to $10.10 an hour, which some lawmakers had proposed, would result in a half-million jobs lost. At $15 an hour, the hit would likely be in the millions.

"Fifteen dollars still scares me," says Harry Holzer, a Georgetown University economist, adding that what might be doable in high-priced cities like Seattle and San Francisco could prove more difficult in other areas.

No doubt higher wages will push some struggling companies into bankruptcy, especially smaller ones that operate on thin margins.

But other businesses will do just fine, maybe even thrive, with improved productivity and greater sales generated as weaker rivals fold and consumers pump more money into the economy.

Some businesses will adapt by outsourcing more. Others will try to speed up automation and substitute labor with machines, shrinking lower-wage jobs in the process but also adding some higher-paying ones to handle new technologies.

How all of these competing forces play out is anybody's guess. But as the push for higher minimum wages spreads, workers and employers are already beginning to envision life in a $15-an-hour world.

A new dawn for the minimum wage – Part 2

LA Times

By Don Lee

For this McDonald's cook, wage hike could be more harm than help

Mc Donald's grill cook Douglas Hunter is literally the poster child for a $15 minimum wage: The Chicago man's picture and story are featured in the "Fight for $15" national campaign.

Hunter's current pay of $9.25 an hour leaves little left for the single father and his daughter, Serenity. When Hunter, 53, couldn't afford her junior prom outfit, he sewed a black-lace dress for her, even as they fought along the way about the hemline. "She picked the material," he said. "I got to pick the length."

Hunter's minimum pay goes to $10 an hour in July, but a steep pay raise would bring unintended consequences for Hunter, a diabetic with multiple medical conditions whose care is covered by Cook County's program for the uninsured and poor.

At $15 an hour, his annual income would become too high to qualify for CountyCare under the current income limit.

So any salary gains could be wiped out by the price of his medications and supplies, including two kinds of insulin at $403 a month and drugs to control high cholesterol and blood pressure that add an extra $330 a month.

And that's not including the syringes, health checkups and eyeglasses he receives for free, allowing him to avoid choosing between maintaining his health and providing for his teenager.

At $15, he figures he'd need to reduce his total work hours to ensure his new income didn't disqualify him from his current benefits.

"That's going to be a problem," Hunter acknowledged. "A raise will kick me out of CountyCare. Then the medicines are going to cost so much I won't be able to afford my apartment."

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This dishwasher must choose between shoes for sons or paying phone bill

By TIFFANY HSU

Marissa Avila, 36, often faces difficult decisions: Does she buy shoes for her three sons or pay her phone bill? Splurge on movie tickets or treat her kids to meat?

For nearly 12 years, Avila has washed dishes and helped cook at the Mid-Wilshire Convalescent Hospital, a nursing home. She started out earning $8.50 an hour and now makes $11.20.

At $15 an hour, which the city of Los Angeles is moving to require by 2020, the single mother sees better choices in her future.

"It's going to be a huge, huge difference," she said. "Even 25 cents or 50 cents could change a lot for my life and the lives of my kids."

First, she would hire a baby-sitter to watch her 8-year-old in the mornings so she doesn't need to wake him up at 5 a.m. and bring him to work until she can rush him to school during her 7:30 a.m. break.

Four years ago, Avila's husband divorced her and stopped supporting the children. Rent for her one-bedroom apartment rose 4% to $950 a month earlier this year. Sometimes, she has to delay her bill payments.

Initially, Avila was skeptical of the plan to phase in the citywide minimum wage increase. At her current pay grade, she probably won't feel an effect until the floor reaches $12 an hour on July 1, 2017.

But the promise of better compensation allows her to dream about saving a little for the future or affording a more prestigious college for her 15-year-old. "I'd feel proud to earn a little more," she said. "And I'd be happier."

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In Washington, D.C., a boost for the bottom line

By Don Lee

Gina Schaefer prides herself in taking care of workers. The owner of 10 Ace Hardware stores in the Washington, D.C., area pays her 215 employees at least $10.50 an hour. That's a buck more than the legal minimum in the capital city and much more than suburbs in Maryland and Virginia.

Going to $15 an hour, she says, might actually help in significant ways. She's learned from experience that paying more can boost the bottom line by leading to a happier, more productive workforce.

Before Schaefer voluntarily bumped up the starting wage by $2 an hour in 2011, she was replacing about 80% of her employees every year. That's since dropped in half, sharply cutting her training costs and boosting productivity.

But a higher minimum wage would cost Schaefer in other ways. With less turnover, the average age of her workers would probably tick up a bit from the 19-to-27 range today. And older workers are a little more costly, even if they are more productive and dependable.

Labor accounts for a hefty 20% of Schaefer's total expenses. If that rises and her sales don't, she says she would look at ordering more higher-margin products, like cheaper-priced tools. She would also probably raise some prices. To meet rising labor costs in the past, for example, she charged 10 cents more for duplicating a key, generating an added $10,000 in annual sales.

Schaefer, 44, says she also may have to increase how much workers pay for their healthcare premiums, now 20%. Company parties and other frills may go, too. And she and her husband, who manages the books, would probably take pay cuts. Nor does she rule out the possibility of cutting jobs.

Even so, she still thinks that going to $15 an hour makes good financial sense, as long as it's not raised too quickly. "If people are making more money, maybe they won't have to shop at Wal-Mart," she says, "and they'll shop at my store."

Torlakson green lights teacher pay raises for union allies
Opinion
Dan Walters – Sacramento Be

June 14, 2015

From its inception, the most worrisome aspect of Gov. Jerry Brown's overhaul of public school finances was his insistence on "subsidiarity."

As he defined it, it meant that the state would pump more money into school districts with high numbers of poor and/or English-learner students, remove restrictions on existing pots of state aid and trust local officials to spend it wisely.

Education reform groups worried aloud that without strong direction from Sacramento, unions, particularly the California Teachers Association, would exert their influence on local school boards to claim much of the new money for salary increases.

The battle was joined in the Legislature and in the Brown-appointed state Board of Education, which was to write rules governing the Local Control Funding Formula.

In the main, Brown's hands-off attitude has prevailed. Local implementation plans are being drafted in hundreds of school districts, and the unions are pressing for salary increases, saying they are needed to make up for years of austerity and to combat a looming teacher shortage.

That raised a question: Could money meant for high-needs students be legally used for broad salary increases?

In February, Jim Yovino, the Fresno County superintendent of schools, posed the question directly to the state Department of Education.

Two months later, department official Jeff Breshears told Yovino – and by extension, everyone else – that the "supplemental and concentration funds" meant to help the high-needs students could be used for salary increases only under "some limited circumstances."

If all teachers in a district were granted a raise without any demonstrable benefit to high-needs students, Breshears wrote, "it would not be appropriate."

Education reformers saw it as a minor victory in their quest to have the new money concentrated on specific students, but it also generated a backlash among those who saw the billions of dollars in new aid as a potential salary bonanza.

Last week, state schools Superintendent Tom Torlakson sent a letter to superintendents that skinned back on Breshears' relatively strict interpretation of the LCFF rules, saying it "supersedes that letter."

The money could be used for general salary increases, Torlakson declared, if they furthered LCFF goals. He suggested, as rationales, that a district is having “difficulties in recruiting, hiring or retaining qualified staff” or is experiencing high teacher turnover.

Thus, Torlakson opened the door to salary increases widely, a door that Breshears had left only slightly ajar.

It’s no secret that Torlakson, a former teacher and legislator, is closely aligned with the CTA. It and other unions spent heavily last year to get him re-elected, turning back a challenge from Marshall Tuck, who was backed by education reformers.

But maybe that’s just a coincidence.

The Watchdogs of College Education Rarely Bite

Accreditors keep hundreds of schools with low graduation rates or high loan defaults alive

The Wall Street Journal

By ANDREA FULLER and DOUGLAS BELKIN

June 17, 2015 10:30 p.m. ET

Most colleges can't keep their doors open without an accreditor's seal of approval, which is needed to get students access to federal loans and grants. But accreditors hardly ever kick out the worst-performing colleges and lack uniform standards for assessing graduation rates and loan defaults.

Those problems are blamed by critics for deepening the student-debt crisis as college costs soared during the past decade. Last year alone, the U.S. government sent $16 billion in aid to students at four-year colleges that graduated less than one-third of their students within six years, according to an analysis by The Wall Street Journal of the latest available federal data.

Nearly 350 out of more than 1,500 four-year colleges now accredited by one of six regional commissions have a lower graduation rate or higher student-loan default rate than the average among the colleges that were banished by the same accreditors since 2000, the Journal's analysis shows.

"They told me I could build a future there," says Rachel Williams, 24 years old, who dropped out of Kentucky State University in Frankfort in 2013 because her family couldn't afford the college anymore and she was losing faith in it. She amassed about $34,000 in federally backed loans.

Kentucky State has a graduation rate of just 18%, and nearly 30% of students who began repaying their loans in fiscal 2011 had defaulted within three years.

The Southern Association of Colleges and Schools Commission on Colleges reaffirmed Kentucky State's accreditation in 2009. A preliminary report by the reviewers made no mention of loan defaults and praised Kentucky State for plans to improve its graduation rate.

College officials say they couldn't find the final report and wouldn't comment on the findings. The accreditation group doesn't publicly release reports.

Belle Wheelan, president of the Southern Association, which is based in Decatur, Ga., and reviews colleges in 11 states, declines to comment on Kentucky State but says accreditors don't follow "bright lines" when assessing performance because students enter college with different levels of academic preparation, resources and goals.

Accreditors say their job is to help colleges get better rather than to weed out laggards. Colleges pay for the inspections, which can cost more than $1 million at large institutions.

"You're not there to remove an institution," says Judith Eaton, president of the Council for Higher Education Accreditation, a trade group. "You're there to enhance the operation."

The government has relied on accreditors as watchdogs since the 1950s. Colleges are evaluated by teams of volunteers from similar institutions, who follow standards set by the accreditation group. For example, colleges sometimes are required to collect student-retention data but given the freedom to set their own goals for those numbers.

The accreditation system was born near the start of the 20th century as a voluntary effort by a small number of colleges to set standards for themselves. The colleges wanted to distinguish themselves from high schools.

The Education Department is barred by law from telling accreditors how to do their job. In 2013, President Barack Obama proposed tying access to loans and grants to a new ratings system that would compare colleges on measurements such as graduation rate, student debt and income after graduation.

Trying an end run

The proposed changes would essentially make an end run around accreditors. "We are concerned that accreditors are not doing enough to protect students," says Ted Mitchell, undersecretary at the Department of Education.

Democratic and Republican lawmakers have voiced opposition to Mr. Obama's plan, citing concerns about inadequate data.

Still, the current accreditation system is drawing more scrutiny as college costs climb farther out of reach for many American families. Outstanding federal student-loan debt has doubled to $1.2 trillion since 2007. In the past decade, the amount of loans and grants awarded annually has jumped more than 50% on an inflation-adjusted basis, reaching $134 billion last year.

The $16 billion sent last year to students at colleges that graduated less than a third of their students was nearly 20% of all the loans and grants to students at four-year institutions.

The overall graduation rate for four-year colleges is about 59%. About 11% of students at four-year colleges who started repaying their loans in 2011 defaulted by the end of 2013.

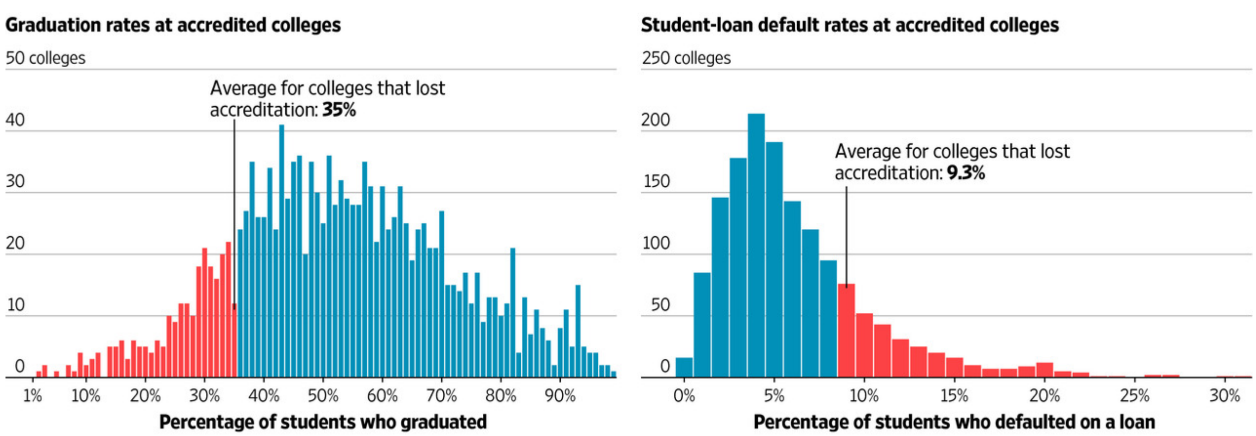
“It’s a national scandal that we’re pouring huge sums of money into schools with very, very low graduation rates,” says Richard Vedder, an economist at Ohio University and director of the Center for College Affordability and Productivity, a think tank.

At a Senate hearing Wednesday about the accreditation process, Sen. Lamar Alexander (R., Tenn.) said lawmakers have a duty to make sure students spend their federal aid at good colleges. “We need to find a way to make accreditation work better,” said Mr. Alexander, chairman of the Senate committee overseeing higher education.

Schools owned by for-profit college operator Corinthian Colleges Inc. were accredited until the company filed for bankruptcy in May. Corinthian wasn’t part of the Journal’s analysis because it primarily awarded two-year degrees.

Alive but Troubled

Nearly 350 of more than 1,500 accredited four-year colleges in the U.S. have a lower graduation rate or higher student-loan default rate than the average among four-year colleges that lost their accreditation since 2000.



Note: Includes four-year U.S. colleges that primarily offer at least bachelor’s degrees and are accredited by one of six regional commissions. Graduation rates reflect students seeking a bachelor’s degree who graduated within six years. Loan default rates are based on a two-year period.

Source: WSJ analysis of Education Department data

THE WALL STREET JOURNAL.

Community college a good place to nurture love of learning

Daily Breeze, July 8, 2015

By Don Lechman

I realize that many high school graduates have already selected their colleges for the fall. However, some probably have not. This is for them, their relatives and friends who want to pass along the advice.

Community college is a very viable option.

Many young people and parents think “junior” college is the last resort for those with no money or scholastic ability.

Wrong! Community college is for those who want to get a leg up on a good education. It is true that free tuition is long gone — for now. (It’s $46 a unit at Harbor College in Wilmington.) Community college is still recommended as a start to one’s education.

In fact, a good place to go locally after community college is Cal State Dominguez Hills, my alma mater for my master’s degree in English literature.

I attended a first-rate college — the University of Colorado, home of the Golden Buffaloes — more than a half-century ago. But I can truly say not one teacher I had in English was equal to the faculty at both Harbor College and Dominguez Hills.

So no one is going to be short-changed on their education if they attend either school (Cerritos College in Norwalk, where I also have taught, and El Camino are excellent, too.) The key to success — and this is a big one — is if the student tries hard and asks for help. Where you go to school is not anywhere nearly as important as what you put into it.

If you never miss class, participate, do all your reading and homework, ask the teacher for help, work with your peers, and if you take advantage of free workshops — there is no way to fail or not be prepared for whatever university you want to attend.

That’s a big revelation, right? Well, it is. I have been teaching at the community college level for 13 years now, and I have learned a lot. Hopefully, my students have learned at least a little. Most of my students seem to be interested in succeeding. Only a few, unfortunately, actually do the work it takes to be successful. They may want to do it, they talk a good game, but in the end, they don’t.

Aye, there’s the rub.

So parents and relatives, this is where you come in. Do whatever you can to instill the love of learning in your child. When your child has that, there is no way he or she is not going to succeed.

If your offspring has had a difficult time and needs more help, suggest Harbor College, where he or she can sign up for one of my classes. I am an old — but dedicated — guy who will devote whatever hours are needed to any student who wants help.

No matter if your child is younger or older, you can ensure his or her future by combining the love of learning with a love of reading. Students need to read — anything — even if it is on the dreaded computer.

I always tell my students there is nothing they cannot learn about writing and grammar by reading. You can learn spelling, punctuation, phrasing, structure and even ideas.

Sigh, it looks like the old dinosaur may not be needed. Wait. I am wrong. I am needed — for the example of the love of learning and perseverance. I never give up. Pass it on.