



Minimum Wage

"The reason I object to the minimum wage is I think it destroys jobs, and I think the evidence on that, in my judgment, is overwhelming."

—Federal Reserve Chairman Alan Greenspan
House Financial Services Committee Hearing (July 18, 2001)

Many cinema employees are young and have no previous work experience. Minimum wage requirements undermine cinemas' ability to employ and retain these new workers. For nine years (1998 to 2006), NATO worked successfully with other members of the Coalition for Job Opportunities to oppose efforts to raise the federal minimum wage. But the Minimum Wage Act of 2007 increased the federal minimum wage from \$5.15 to \$5.85 on July 24, 2007. The rate will increase again to \$6.55 on July 24, 2008, and to \$7.25 on July 24, 2009.

Despite an increase in the federal rate, exhibitors still confront many minimum wage proposals in the states, either by legislators or in the form of ballot initiatives. Many states and municipalities have minimum wages higher than the federal rate. Proponents of further federal or state minimum wage hikes purport to protect poor working families. The beneficiaries of this government intervention, however, are **not typically poor—and the poor may often suffer the most from the job contraction** that wage hikes cause.

"Most of the working poor earn more than the minimum wage, and most of the 0.6% (479,000 in 2005) of America's wage earners earning the minimum wage are not poor. **Only one in five** workers earning the federal minimum lives in families with earnings below the poverty line. Sixty percent work part time, and their average household income is well over \$40,000."

—George Will, "The Right Minimum Wage,"
Washington Post (Jan. 4, 2007)

In research from Ohio University, economists examined the impact of minimum wage hikes by race, gender, ethnicity and age group, all with the same result—**no reduction in poverty rates**. For some subgroups, the negative employment effects increase poverty. Economists at Cornell University, the University of Connecticut and the Lewin Group in 2000 published a study that found young black adults and teenagers experienced four times more employment loss than non-black adults and teenagers as a result of a minimum wage increase.

Research from Stanford University shows that minimum wages are so poorly targeted that only one in four of the poorest families benefit. The other three-fourths of low-income families end up **losing income** to other low-income families as the minimum wage benefit is paid for through **higher prices**.

According to U.S. Census data, **85%** of those who benefit from a minimum wage hike are teenagers living with their working parents, adults living alone, or second earners. Only **15%** of the beneficiaries represent the sole earner in a household with children. A 2004 Duke University study found that minimum wage increases draw teenagers from wealthier families who did not work previously, hurting the job opportunities for lower-income families.

Movie theaters often hire teenagers for entry-level positions. They are not typically poor, much less family breadwinners; they are simply earning spending money. Mandated wage hikes redistribute income—often away from entry-level workers who are *not* hired as a consequence of the wage hike.