

Minimum wage raise goes into effect today

Opinions differ on what effect the increase will have on the economy, as some warn it will only freeze hiring even more.

By [Adriana Gomez Licon](#) – The Roanoke Times - Friday, July 24, 2009

For many Americans 70 cents may not be much, but Jeremy Rhodes already contemplated getting health insurance or saving more money before the federal minimum wage increased from \$6.55 to \$7.25 today.

"It will make a difference on my paycheck," Rhodes said.

As a part-time barista at Mill Mountain Coffee & Tea in Roanoke, 23-year-old Rhodes prepares and serves drinks and helps in the kitchen by cleaning and carrying products in and out. He also earns money by playing with his band Grass Monkey, and his combined wages pay for rent, utilities, car insurance and food, among other expenses.

Rhodes is one of the estimated 4.5 million U.S. workers who will receive an increase in their hourly wage rate today, according to the Economic Policy Institute.

U.S. Rep. George Miller, D-Calif., chairman of the House Education and Labor Committee, said the increase will stimulate the economy and help people in need.

"This is an important part of the economic recovery of this country," Miller said Thursday in a teleconference.

But putting more money into workers' pockets may bring opposite effects, said Edwin Burton, an economics professor at the University of Virginia.

Burton said not only will the cost of paying employees be higher, but the minimum wage change may also deter employers that might have been thinking of hiring new workers.

"It mainly hurts new job entrants, teenagers and people lower in the skill spectrum," Burton said. "For people that need help, this doesn't help them."

The wage increase comes as Virginians have lost 106,300 jobs from June 2008 to June 2009, according to the Bureau of Labor Statistics. And the regional economy has not been immune to that trend.

According to the bureau, the unemployment rate in the Roanoke area rose from 3.7 percent to 7.5 percent from May 2008 to May 2009

Doloris Vest, president of the Western Virginia Workforce Development Board, said some businesses may stop hiring.

"The impact is probably going to be more reluctance to add new positions," Vest said.

But generally employees are glad the minimum wage is going up, she said.

"The impact on them is obviously positive," Vest said.

Still, in the Roanoke region, at least \$9.50 per hour is needed for one person to live comfortably, according to standards established by the board.

"One of the things that we are seeing is there is more and more people applying for minimum-wage jobs," Vest said.

Some local businesses that have lower-income workers on their payrolls have made smaller adjustments to prepare for the third federally mandated wage increase since 2007.

The average hourly beginning rate in the region ranges from \$8 to \$8.50, said Joyce Waugh, president of the Roanoke Regional Chamber of Commerce.

The chamber opposed the minimum wage increase that pushed hourly wages to \$5.85 in 2007, to \$6.55 in 2008 and to \$7.25 today.

"We were not in support of increasing the minimum wage largely because the market tends to set that wage, especially in our region," Waugh said.

Rhodes, who has lived in California in the past, said he had been looking forward to the 70-cent raise but also thinks the area is a budget-friendly place to live, therefore not much was needed.

"It's a rather large jump," he said. "For the area, it's a lot."

Coffee shop, cafeteria and food concession employees were reported as the second-lowest paid workers in the Roanoke area according to Bureau of Labor Statistics estimates for May 2008, earning a median hourly wage of \$7.18.

Some 340 employees in the area work in those occupations, which placed second after ushers, lobby attendants and ticket takers, who earned a median hourly wage of \$6.88.

Tom Tanner, a professional business counselor with the Roanoke Regional Small Business Development Center, said the increase may not affect many larger businesses, but smaller-scale establishments such as fast food and small restaurants may suffer.

"They are going to have to eat their extra expenses," Tanner said.

Patrick O'Connell is president and co-owner of Aces LLC, a Little Caesars franchise company based in Rocky Mount. With about 300 employees in its 20 stores, the company will raise a good portion of the employees' wages, O'Connell said.

"Most of the 300 are part time and a good percentage of those are earning minimum wage," he said.

O'Connell said his company has been fortunate in avoiding layoffs and cutbacks, and after the minimum wage increase, he plans to keep it that way.

"It is difficult in these times to maintain low prices, but we are doing everything we can to keep our prices to the consumer as low as possible," he said.

Bruce Phlegar, general manager for Roanoke Natural Foods Co-op, said starting pay for workers there ranges from \$8 to \$10 per hour.

"We always pay more than minimum wage," he said. "I think minimum wage is a ridiculously small amount of money to pay."

Although the store, which employs 46 people, slows down during this time of the year, forcing it to reduce the number of work hours, Phlegar said the company's payroll has stayed fairly consistent despite increases in food prices.

At Eastern Motor Inns, all employees earn above the minimum wage, said owner and former Democratic state Sen. Granger Macfarlane. Between 125 and 150 employees work at the five locations in Roanoke, Salem and Blacksburg. The starting salary offered is \$7.50 with a raise after 90 days, Macfarlane said.

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