

FACULTY ADVOCATE

Campus Contacts

Francesca Sammarruca (fsammarr@uidaho.edu), **Randy Berriochoa** (berrioch@csi.edu)
John Trombold(NIC) (jmtrombold@yahoo.com), **Craig Steenberg** (csteenbe@lsc.edu),
Jim Stockton (jstockto@boisestate.edu) **Dave Delehanty** (deledavi@isu.edu)
Nick Gier, President (ngier006@gmail.com)
Kim Johnson, Vice-President (kajohnso@nic.edu)
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Correction to Gupta Story

by Nick Gier, IFT President

In the last issue of this newsletter (23:3, Nov. 2013) I alleged that one of Sanjay Gupta's grants had been given to a woman who testified against him at his dismissal hearing. Actually, it turns out that two of Gupta's grants were picked up by Prof. Nora Olson at the Kimberly Research Station. One was from the Idaho Potato Commission and the other was from Snack Foods.

I was wrong, however, about the 4-year, \$7.8 million grant administered by the University of Wisconsin. Gupta's share of that grant was assigned to someone else outside of Idaho. I regret the error.

After false charges of sexual harassment were filed against Gupta in October, 2011, he was placed on administrative leave. He was still a UI employee and he was still drawing his pay. There was no reason why he could not have begun work on that grant.

Over the past several years, administrators at BSU, ISU, and UI have removed faculty members from their offices during personnel proceedings against them. Several years ago, a UI Romanian physics professor and BSU Chinese physics professor were without due process, asked to clear out all of their things and leave campus.

In 2009 an ISU faculty appeals board, by a vote of 4-1, cleared former engineering professor Habib Sadid of all charges. Nevertheless, the ISU administration declared, with no evidence, that he was a security risk, terminated him, and barred him from campus. Security personnel stood over him as he cleaned out his office.

Gupta was also told to clean out his office and lab and turn in the keys. His accuser could have been transferred (that is what she actually wanted), and Gupta, a top potato scientist, could have continued to do his research while all the procedures due him were completed. Instead, he was declared guilty before he had any chance to answer the charges against him.

For over a month I have attempted to find out when Gupta was dropped from the Wisconsin grant, but no one in the UI administration has answered the question. From what Gupta and I can determine it was between November, 2011 and February, 2012. His dismissal hearing was on April 23, 2012. We submit that this action should not have been taken until Gupta's termination was official.

Support Idaho Minimum Wage Hike

An organization called RaiseIdaho is collecting signatures for a petition to raise Idaho's MW to \$10.10 on January 1, 2018. Please add yours at www.raiseidaho.org/files/76280198.pdf. *Print more copies and get your friends and colleagues to sign as well.*

Idaho has the dubious distinction of having the highest percentage of minimum wage workers in the entire country. Idaho has also experienced the largest increase in the number of people using food stamps. The two are obviously related. *Idahoans are not lazy; they are simply not paid enough to put food on their tables.* If Idaho raised its minimum wage, 25% of Idaho workers would get a much needed pay hike, and they would be less reliant on government assistance.

Bill Sali and the Law of Gravity

In January 2007, during the debate on raising the federal minimum wage to \$7.25, former Idaho Congressman Bill Sali embarrassed himself by proposing legislation to repeal the law of gravity. Market ideologues are so blinded by their “pure” economic theory that they routinely ignore overwhelming evidence that government intervention in the economy is not always bad. *As the evidence below shows, insisting on a completely free labor market and keeping workers at the lowest possible wages does not always grow the economy. Nor is it healthy for society as a whole.*

Facts about the Minimum Wage (MW)

It’s not just young fast food workers who earn it.

According to the National Employment Law Project, 40 percent are now 25 years or older, with the average being 29, and 36 percent have children. Nearly two out of three MW wage earners are women and of those, more than half are older than 24. A great majority of tipped workers are women; and the federal MW for them has been frozen at \$2.13 for 20 years.

Raising the MW does not hurt economic growth.

In the states that have raised their MW, there has been, according to the National Employment Law Project, a total increase in Gross State Product (GSP) of \$619 million.

Idaho Governor “Butch” Otter boasts about Idaho’s economic growth, but our Washington neighbors, with the nation’s highest MW, have produced a much higher GSP per capita. In fact, six states with the highest MW have the highest GSP per capita. Most of the states with no MW, or just the federal rate, have the lowest GSP per capita. The ideologues are disproved.

A Higher MW stimulates the economy. In July 2007 the MW went to \$5.85/hour, and consumer spending rose \$1.7 billion. In July 2008 the new MW of \$6.55 added \$3.1 billion to the economy. The current \$7.25 went into effect in July 2009, and consumers spent \$5.6 billion over the next year.

In 2011 Congress failed to act on President Obama’s plea to boost the MW to \$9.50; and, according to a study by the Federal Reserve Bank of Chicago, at

least \$60 billion over two years was lost to the economy at a critical time for its recovery.

According to the Economic Policy Institute, a MW of \$10.10, which President Obama has now mandated for federal contract workers, would add \$22 billion to the economy and produce about 85,000 new jobs. According to a study done by the Restaurant Opportunities Centers United, 58 percent of America’s working poor would have been lifted out of poverty if a \$10.10 MW had been enacted in 2011.

A higher MW moves people out of poverty and off government assistance.

Kai Filion of the Economic Policy Institute sates: “One of the biggest problems during a recession is the decrease in consumer demand. When consumers cut back on spending, employers respond by cutting back on jobs. Reducing the wages of already low-wage workers will only make this problem worse, and will hurt those who are least well off.” Why should businesses risk the loss of customers so poor that they cannot buy their goods?

Kurt A. Gardiner at the *Huffington Post* explains that increased consumer spending “will have a ripple effect throughout the economy (this is known by economists as the multiplier effect), unlike, say, tax cuts for the nation’s wealthiest.”

Gardiner continues: “Raising the minimum wage by just \$2.85 an hour to \$10.10 would push nearly 5 million of the working poor out of poverty and would push many of them off government assistance programs, which they still qualify for despite working full-time jobs.”

Businesses will not fail if they raise wages. Since the Reagan administration, real wages have been flat, and the federal MW would be \$10.71 if it had been pegged to inflation. In stark contrast, corporate profits and the stock market are at an all-time high. If the MW had grown at the same rate as wages for the top 1%, it would now be \$28.34 per hour.

In his recent state-of-the-union speech, President Obama challenged America’s businesses to give their employees a raise. They can afford it, and it is only fair to do so. If they would pay their employees a living wage, then a government mandate would not be necessary. Businesses should also add paid sick

and maternity leave as well, because many states are starting to require it.

A higher MW does not kill jobs. An article published in the *Review of Economics and Statistics* demonstrated that job growth in states with higher MW is almost the same as those with the federal MW of \$7.25 or lower. The University of Chicago’s Booth School of Business—dominated by free-marketeers—has done a survey of 38 leading economists. The response was—by a four-to-one margin—that the positives of raising the MW outweigh the negatives. Right-wingers who say that hamburgers would cost \$20 are, as usual, in La-La-Land. See below for what a Big Mac costs in Australia, which has the highest MW in the world.

Raising the MW wage does not reduce teen employment. Three university economists have done an in-depth study of this claim and have found that it is not supported by the facts. (See www.irle.berkeley.edu/working_papers/166-08.pdf.)

Igor Volsky of Think Progress reports that “in 2009 researchers conducted a review of 64 minimum-wage studies published between 1972 and 2007 measuring the impact of minimum wages on teenage employment and when they graphed ‘every employment estimate contained in these studies (over 1,000 in total), weighting each estimate by its statistical precision, they found that the most precise estimates were heavily clustered at or near zero employment effects.’”

Minimum Wage in Brazil and Australia

As America’s middle class shrinks, it is growing, sometimes, dramatically, in other countries. Brazil, for example, has reduced its poverty rate from 40 percent 2001 to 25 percent in 2009, and 52 percent of Brazilians can now call themselves middle class. The socialist government just announced an unemployment rate of 4.6 percent, an historic low. One of the drivers of this remarkable success was a dramatic rise in the MW.

At \$16.37 per hour Australia now has the highest MW in the world. It was one of the few countries that sailed through the Great Recession with nary a hiccup. Its current growth rate is 2.4 percent (compared to the U.S. at 1.8 percent) and its unemployment rate is 5.8 percent. This was all achieved under a Labor (read Socialist) government.

And according to Rep. Markwayne Mullin (R-OK), an Australian Big Mac should cost \$20, right? Wrong, it costs \$3.75.

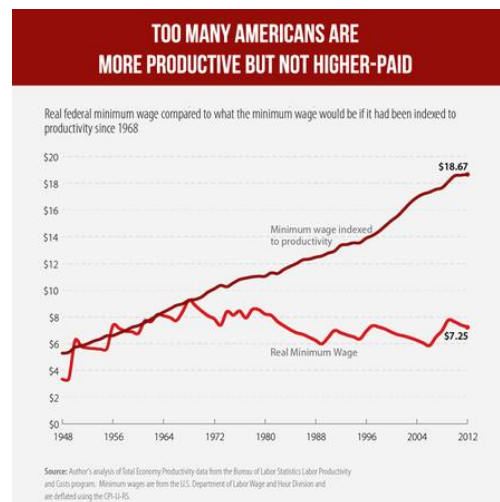
600 Economists Support \$10.10 MV

In a letter to congressional leaders, 600 Ph.D.-holding economists urge them to increase the federal MW to \$10.10. Here is an excerpt: “The weight of evidence now show[s] that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers. . . . Research suggests that a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front.”

Poll shows 71 percent in favor of Higher MW

A January 8, 2014 Quinnipiac poll showed that 71 percent of those polled supported raising the MW by 71 percent. Even a majority of Republicans agreed by a margin of 52-45. The pollster gave the following options and results: 18 percent wanted a MW higher than \$10.10; 33 percent was in favor of \$10.10; 18 percent desired a rate higher than \$7.25, but not \$10.10; and 27 percent opposed a MW increase.

The following figure shows that if the MW was indexed to worker productivity, it would now be \$18.67/hour.



The next figure demonstrates that in none of the states are MW workers able to earn enough in a 40-hour week to afford a 2-bedroom apartment. (Even

the “best” states require working 70 hours.) That is the reason why parents in these families are now working 3-4 jobs. They have no money to pay for day-care and preschool possibilities are limited, especially in the Red States, where most of the MW workers live.



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