

## Obama's Rise of the Machines

Posted By [Bill Morris](#) On September 11, 2014 @ 5:00 am In [Issues](#) | [No Comments](#)

Companies will replace low-skilled workers with machines if President Obama's 40 percent minimum wage hike passes, according to a survey of top accounting professionals.

A Duke University survey of chief financial officers (CFOs) found that a \$10.10 minimum wage would lead to layoffs, curtail future hiring, and replace low-skilled workers with machines.

"In general, firms indicate they could reasonably accommodate a modest hike in the minimum wage to \$8.75 but substantial negative consequences would kick in as the wage approaches \$10," the [survey concludes](#). "An ongoing shift away from labor and towards machinery will accelerate if the minimum wage is increased."

The survey examined how CFOs, who are the top accounting officials at companies, would respond to increasing the federal minimum wage from its current \$7.25 to \$8.25, \$10, and the \$15 wage backed by union front groups and fast food activists. The business leaders overwhelmingly said that the leap to \$8.25 was manageable, but the 40 percent hike to \$10 per hour would hurt workers, especially entry-level and low-skilled employees.

The survey found that [60 percent of respondents](#) said the wage hike would "reduce current/future employment." An equal number said they would "shift toward labor saving technology." Nearly half said they would pass the costs along to customers by raising prices.

President Obama's minimum wage proposal could end up hurting those it is intended to help, according to survey director John Graham, a finance professor at Duke's Fuqua School of Business.

"Among firms employing these low-wage workers, the expected effects of proposed minimum wage hikes are dramatic. According to CFOs at these firms, the low-wage employees that increases are designed to help will also bear significant employment risk, potentially losing their jobs as firms implement labor-saving technologies," he said in a statement.

The White House has repeatedly said that the wage hike will not lead to job cuts. In December, President Obama said there was "[no solid evidence](#)" that increasing labor costs by 40 percent would lead to layoffs. A top White House economic advisor dismissed a February report from the nonpartisan Congressional Budget Office that found that the \$10.10 minimum wage would cut as many as 1 million jobs.

"Our view is that zero is a perfectly reasonable estimate of the impact of raising the minimum wage on employment," White House Council of Economic Advisers chairman Jason Furman told reporters in [February](#).

Michael Saltsman, a research fellow at the Employment Policies Institute, said that the survey confirms the suspicions that many academics have about the consequence of government-imposed wage hikes.

"To support the drive for a wage hike, the President and his labor union supporters continue to cling to a handful of flawed studies authored by [economists with an agenda](#)," Saltsman said. "But a majority of credible economic studies, the Congressional Budget Office, the nation's largest private staffing firm, and now the country's CFOs—all agree that the President is wrong, and that a higher minimum wage will cause job loss."

The private sector has responded to calls to increase wages with technological innovations designed to cut labor costs. Momentum Machines, a San Francisco-based start up, created a [burger flipping machine](#) that churns out hundreds of burgers per hour. Those machines are likely to find their way into fast food franchises if labor costs increase dramatically, according to critics

of the proposed increase.

“Raising the minimum wage gives the robots a competitive advantage,” Duke Prof. Campbell Harvey said of the survey. “The manufacturing sector is already telling us that spending on labor-saving technologies will allow them to shed 11 percent of their current employees over the next five years. Nearly three-fourths of that expenditure is aimed at the jobs with the lowest paid workers. Higher minimum wages will push firms to choose more robots and fewer people.”

The Duke survey follows several other surveys and studies that warn of calamitous results if the substantial minimum wage hikes are instituted. A summer newsletter [prepared by an Obama appointee at the Small Business Administration](#) warned that federal contractors could close or raise prices, in order to cope with higher wages. An April [survey](#) of small business owners found that the hikes would close 3 percent of businesses and hinder hiring at 30 percent.

Ryan Williams, spokesman for labor watchdog Worker Center Watch, said the White House should listen to people on the frontlines of the economy if he wants to help workers.

“Its clear that Big Labor’s dishonest minimum wage campaign will kill jobs and hurt workers. Union bosses care more about trying to boost their slumping membership and replenish their dwindling bank accounts than they do about providing more economic opportunity for middle class families,” he said. “This study shows the disastrous affects of their disastrous policies and job-killing agenda.”

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