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MINIMUM WAGE IN GERMANY'S POSTAL SECTOR SLASHES JOBS; A LESSON FOR THE UNITED STATES

Executive Summary

Many people support minimum wage laws because they assume that a government wage mandate will automatically and at little cost assist low-wage workers. In reality, minimum wage laws often hurt workers at the bottom of the wage scale. While the government can make it illegal for a job to pay below a certain wage, it cannot guarantee that the job will still exist at that wage.

If the government sets the wage floor above the market-determined wage, workers who previously earned less money receive raises – if they remain fully employed. However, the often unintended consequences are that employers hire fewer workers, cut the hours of some workers, and reduce non-wage fringe benefits. Those changes hurt many of the workers who are supposed to be helped. Minimum wage laws also make it harder for workers to climb the income ladder by reducing the number of entry level jobs.

The actual consequences of minimum wages are so contrary to what many people expect that it is informative to examine a recent case where the effects are especially obvious.

The German government recently imposed a very steep and unexpected wage floor in its postal sector, following a successful lobbying campaign by the dominant mail carrier, Deutsche Post, and a trade union. With Germany's statutory postal monopoly ending at the start of 2008, Deutsche Post and the union had feared that the company would be vulnerable in the marketplace because of its high labor costs. The minimum wage provides an alternative barrier to competition.

- Several companies that intended to compete with Deutsche Post have scaled back their plans and are laying off thousands of workers.
- German mail users will not see the burst of competition they had expected.
- The minimum wage protects high-wage workers already in the industry.
- It blocks employment for many lower-wage workers who are seeking jobs.

Instead of helping the poor, the new minimum wage in Germany's postal sector hurts low-wage workers struggling to find jobs, companies attempting to provide more competition in the German postal market, and German mail users.

MINIMUM WAGE IN GERMANY'S POSTAL SECTOR SLASHES JOBS; A LESSON FOR THE UNITED STATES

Last December, the German government legislated a minimum wage in its nation's postal sector. Strong and highly visible negative effects were felt immediately. Thousands of jobs were lost in a country that already has a high unemployment rate. Hundreds of millions of investment dollars had to be written off. And a new barrier to competition in the postal sector was erected that will hurt Germany's mail users.

The German experience offers a vivid illustration of why minimum wage laws are bad public policy, notwithstanding their broad popular appeal.

This paper begins by examining the minimum wage in the United States, and looks at how it is perceived by the general public and economists. The paper then turns to the new minimum wage in Germany's postal sector.

The minimum wage in the United States

The United States has had a federal wage floor since the Fair Labor Standards Act of 1938. On a number of occasions, Congress has raised the minimum wage[1] and expanded the categories of jobs it covers. Most recently, the Fair Minimum Wage Act of 2007 (Pub.L. 110-28, Title VIII) increased the federal minimum wage, in three steps, from $5.15 an hour to $7.25 an hour by the summer of 2009. It is currently $5.85 per hour. In addition, 45 states and the District of Columbia have their own minimum wage laws, and the wage floor in 33 of them exceeds that at the federal level.[2] The highest currently is Washington state, with a minimum wage of $8.07 per hour. A few cities have enacted or proposed even higher minimum wages, often dubbed "living wages".

A popular mandate on employers. Minimum wage laws consistently garner strong support in public opinion surveys. For example, an Associated Press-AOL poll in December 2006 reported that 80% of the American public favored a higher federal minimum wage; a CNN poll in August - September 2006 showed 86% support; and a Gallup poll in November 2005 found 83% approval.[3] That political popularity helps explain why Congress enacted and the President signed the 2007 legislation that raised the minimum wage.

The opinion surveys do not probe why people like minimum wage laws. A reasonable guess is that most people assume a minimum wage helps the working poor. After all, if the government commands that wages be at least a certain amount, won't low-wage workers necessarily be better off?[4] Given this perspective, minimum wage laws look like a shortcut to prosperity, and support for them appeals to people's senses of fairness and compassion. If the government can enrich the job market through the stroke of a pen, isn't taking such action the epitome of smart and good government?

A further attraction is that a minimum wage is often viewed as a way of doing good without incurring much personal cost. Many people assume that employers bear the expenses related to the wage floor because it is employers, not themselves, who write payroll checks. It is easy to forget that employers pass a considerable share of the increased costs forward to customers through higher prices and backward to workers through reduced fringe benefits and less employment. Similarly, an attractive feature for legislators is that because minimum wage laws are employer mandates rather than direct spending programs, their costs do not appear explicitly in government budgets.

Most economists regard minimum wage laws as feel-good/do-harm legislation. Economists want at least as much as the general public to promote higher living standards and greater opportunities. However, most economists oppose minimum wage laws because they have concluded that government wage mandates fail to operate as advertised and are often harmful. In a survey of economists in 2000, about three-fourths agreed fully or in part with the statement, "Minimum wages increase unemployment among young and unskilled workers."[5]

The problem is that while those in government can write statutes, the government cannot repeal basic laws of economics. An employer, from parents hiring a babysitter to a small business with a few employees to a giant company with a staff of thousands, will only want to hire a worker if the worker provides benefits to the employer that are greater than or equal to the worker's pay. As an illustrative example, suppose a couple decide that having a babysitter would be worth up to $8 an hour on a particular evening; they know a reliable babysitter who demands at least $7.50 an hour; and the two sides agree on a price of $7.75 an hour. Both parties would be better off if the babysitter is hired for the evening. However, suppose the government decrees that no one can be paid less than $10 an hour, and both sides obey the law. The babysitter would be even more willing to work, but the couple would now feel that having the sitter is not worth the government-decreed price. Consequently, the couple will reluctantly stay home that evening instead of hiring the sitter; the sitter will lose the work; and the minimum wage will make both parties worse off compared to the market solution.

But doesn't the government need to intervene to protect workers from being exploited and receiving far less than what they contribute to the value of production? According to Marxian exploitation theory, employers will drive wages down to bare subsistence unless the government intervenes, but in the real world the answer is no, and the reason is competition. Workers often change jobs, and workers are constantly moving in or out of the labor force. To attract and retain workers, employers must pay employees approximately what they are worth, or the workers will go elsewhere. To return to the previous example, if a couple try to pay a babysitter only $4 an hour and the going rate in the neighborhood is $7.75 an hour, the sitter will work for someone else.

When a government sets the minimum wage higher than some workers' wages in the marketplace, employers respond in several ways. Some workers remain employed and receive the higher wage. Some workers lose their jobs, either by being fired or not being hired in the first place, because the new government-mandated wage exceeds what they are worth to employers. Other workers remain employed but for fewer hours than they want, perhaps being forced to shift from full-time to part-time jobs. Some workers find that their employers offset higher wage requirements by removing valuable benefits, such as health insurance, that many workers would rather have than a government-ordered wage increase.

To drive the point home, let us ask the question: If we enact a very high minimum wage, say $50 or $100 an hour, would that end poverty and enrich most workers, or would it strangle the job market and make most workers worse off? The answer, of course, is that because $50 or $100 enormously exceeds the value most workers add to output, few employers would be willing to hire many employees at that price or could stay in business if they did. Enthusiastic enforcement of such a wage floor would obviously cause mass unemployment, not wealth for the masses. Similarly, could desperately poor nations around the world legislate themselves into prosperity by adopting American-style minimum wages? Again the answer is no. The minimum wage is not a shortcut to prosperity.

The workers most at risk when the minimum wage rises are people with few job skills, such as the young and those without much education, people with erratic schedules, such as single parents of young children, and people whose on-the-job productivity is depressed for other reasons. For example, Thomas Sowell provides a disturbing comparison of the unemployment rate among black teenagers between the 1940s, when the minimum wage was not much of a factor because it was generally below market wages, and later decades, when the minimum wage was much higher. "Back in the 1940s," reports Sowell, "there was no less racism than today and black teenagers had no more education than today, but their unemployment rate was a fraction of what it is now -- and was no different from that of white teenagers."[6] Perversely, that soon changed, and Sowell thinks the minimum wage was the culprit. "Only after the minimum wage began to be raised, beginning in 1950, and escalating repeatedly in the years thereafter, did black teenage unemployment skyrocket... Minimum wage laws play Russian roulette with people who need jobs and the work experience that will enable them to rise to higher pay levels."[7] By the mid-1970s, the black teenage unemployment rate averaged over 35% and was 2.4 times that of white teenagers.[8]

When a minimum wage is imposed or increased, it is conceivable that the wages gained by workers who keep their jobs might exceed the losses to workers who are thrown out of work or who have their hours or fringe benefits slashed. If so, total payments to labor would rise. Some advocates of minimum wage laws believe that as long as total payments to labor increase, such a trade-off among low-wage workers is acceptable. One problem with this scenario is that many of the low-wage workers who are hurt would disagree. A more fundamental problem is the assumption that government laws can readily increase payments to labor relative to payments to capital in the production process. Over time, the shares of income going to labor and capital in the U.S. economy have been relatively steady, with about two-thirds going to labor and about one-third to capital. (Empirically, the U.S. economy appears to come close to following what is known as a Cobb-Douglas production function, which maintains constant income shares for labor and capital.) This steadiness suggests that a minimum wage will probably not increase (or decrease) labor's share of income. By cutting employment, though, the minimum wage will lower national income and output, with the result that total payments to both labor and capital will fall. Hence, a minimum wage most likely harms workers, even if one is prepared to net income gains for some workers against income losses for others.

Economists are never unanimous on any issue, however. Some economists who are normally critical of minimum wage laws saw little problem with the 2007 legislation. They reasoned that the old wage floor of $5.15 was so far below market-determined wages for most jobs that a modest increase would have little practical effect. It remains to be seen if they will be so sanguine after the full hike of more than 40% becomes effective in July 2009.

A minority of economists actually argues that minimum wages cause little unemployment and may even benefit employers. The best known study in this literature is by Card and Krueger, who claimed that a higher minimum wage actually increased employment in a particular subindustry.[9] Critics responded by pointing to serious flaws in the study, notably inaccurate employment numbers.[10] When Neumark and Wascher used more reliable employment data for the subindustry, they concluded that a higher minimum wage reduced employment.[11] More recently, in an exhaustive survey of the literature, Neumark and Wascher report that most studies find disemployment effects.[12] They "see very few—if any—cases where a study provides convincing evidence of positive employment effects of minimum wages..."[13]

At a theoretical level, a minimum wage could make everyone better off if legislators have a better understanding of what will benefit employers than do employers themselves. It may be in employers' interest to set wages higher than otherwise because higher pay will increase productivity by better motivating workers and will decrease worker turnover and related costs by giving workers a stronger incentive to stay. Business owners who take these feedbacks into account will be rewarded with more output and lower turnover-related costs. Suppose business owners and managers systematically fail to understand this, but legislators are more savvy about good business practices. If so, slow-to-catch-on business owners would find to their surprise that minimum wages set by smart legislators often more than paid for themselves, and at that point many business owners would want to hire more workers rather than fewer.

In reality, however, business owners and managers are acutely aware that higher pay boosts motivation and loyalty. These positive feedbacks are often a factor in awarding bonuses and pay increases, and are one of the reasons why workers hired at the minimum wage usually receive wage increases after a few months on the job. Employers differ in how much value they attach to motivation and loyalty and not all make the right decisions, but in general they are far better at estimating the value of these positive feedbacks to their own business operations than government legislators. Moreover, even if, counterfactually, lawmakers had superior business insights, the one-size-fits-all nature of a minimum wage law would prevent legislators from tailoring the government-mandated wage floor to the often differing circumstances of individual businesses.

The federal minimum wage is now below most market wages. Market forces have pushed the wages on most jobs above the federal wage floor. Using data from the U.S. Bureau of Labor Statistics, Hederman and Sherk calculated that only 1.5% of U.S. workers were at the federal wage floor in 2005, and when tips were included in wages, only 1.1% of workers were at the wage floor.[14] Moreover, contrary to the myth that most minimum wage workers are poor single parents stuck in dead-end, full-time jobs, Hederman and Sherk found, "Just 6.1 percent of minimum wage workers over the age of 24 are single parents working full-time." More than half of minimum wage workers (53%) were under age 25, and those young minimum-wage workers lived in families with an average income of $64,000. For minimum-wage workers of all ages, over 60% worked part time, and more than 80% lived in families with incomes above the poverty line.

Because so many jobs today pay more than the federal minimum wage, the statutory wage floor causes disruptions in only a small portion of the job market, such as poorer rural areas and depressed urban centers, involving the lowest skilled jobs and individuals. Although the regional impact and the impact for certain job categories may be severe, the small national impact has lulled many businesses into complacency about the minimum wage. For example, in a Gallup survey in 2006, almost half of small business owners expressed approval for a modest increase in the federal minimum wage.[15] Probably not coincidentally, only 14% said they paid the minimum wage to new hires, and about three-fourths said that a 10% hike in the wage floor would not directly affect their payrolls. These small business owners got more than they bargained for, however, with the Fair Minimum Wage Act of 2007, which has raised the minimum wage by 13.6% so far and will hike it by a total of 40.8% when it becomes fully effective in July 2009. For the time being, the high minimum wages of some states and localities are often more of a problem, especially when the state and local laws do not adjust adequately for special factors like tip income and short-term jobs for youths.

Many supporters of the minimum wage are calling for further increases. They should first take a look at Germany's recent experience.

The new minimum wage in Germany's postal sector

Deutsche Post, the former German postal monopoly and still the dominant postal carrier in that country, has recently been in the news for all the wrong reasons. Klaus Zumwinkel, who headed Deutsche Post for 18 years and was the architect of its expansion into nonpostal and international markets, suddenly resigned after being arrested in Germany on tax evasion charges.[16] DHL, which Deutsche Post acquired between 1998 and 2002, and through which Deutsche Post had hoped to become a major force in the U.S. carrier market, has proven an expensive and disappointing investment, with losses of nearly $1 billion annually.[17] Back in Germany, Deutsche Post is being criticized for successfully lobbying the German government to establish the new postal minimum wage, which is widely seen as disadvantaging competitors. In addition, before he resigned, Mr. Zumwinkel was personally criticized for appearing to cash in on the deal, because he sold a large block of his stock in Deutsche Post just after its price had jumped in anticipation of the minimum wage law.[18]

The intent here is not to pile on Deutsche Post during a time of bad publicity. However, it is not possible to discuss the German minimum wage without mentioning the company's role.

Since the mid-1990s, it has been the official policy of the European Union gradually to demonopolize postal service within its member states in order to obtain the economic benefits flowing from greater competition.[19] European Union (EU) directives have progressively reduced the "reserved area" – letters shielded from competition – from 350 grams originally to 200 grams (effective in 2002) to 50 grams (effective at the start of 2006). Under an agreement reached by the member states and approved by the European Parliament, most EU members are to remove their remaining postal monopolies by the start of 2011, with 11 countries allowed to wait until the start of 2013.[20] Four member nations have already eliminated their postal monopolies, including that for letters under 50 grams: Sweden (1993), Finland (1994), the UK (January 1, 2006), and Germany (January 1, 2008).

Deutsche Post viewed the end of its monopoly with alarm. The German letter market has long been its cash cow. Deutsche Post's mail unit enjoyed a profit margin of 15.5% in 2006, while its express and logistics units could muster profit margins of only 1.9% and 3.4%, respectively.[21] When presenting half-year results in August 2007, Mr. Zumwinkel warned that the liberalization plan would produce "chaos" in the German postal market.[22] Saying that the starting pay at competitors was 40% lower than at Deutsche Post, he declared, "A stop must be put to this."[23] His idea was to force competitors to pay more, and to that end he called on the German government to establish "a universally applicable wage agreement for the postal sector [based on] minimum wages", to protect high-paying Deutsche Post jobs.[24]

The services union Ver.di (short for Vereinte Dienstleistungsgewerkschaft), which represents many of Deutsche Post's workers, also wanted a minimum wage. An important third ally was Franz Müntefering of the Social Democratic party (SPD), who was then labor minister and vice-chancellor in the coalition government.[25] He knew that Chancellor Angela Merkel and her Christian Democratic Union (CDU) would oppose an economy-wide minimum wage (Germany does not currently have one) but guessed correctly that they would reluctantly accept a minimum wage in just the postal sector. Deutsche Post's competitors claim, although hard evidence is lacking, that the German government was also motivated by its own financial interest: while Deutsche Post has been corporatized and partially privatized, the German government is still its largest shareholder, with a 30.6% stake.[26]

After the minimum wage had been agreed to in principle, its backers further demanded that it be set at a high level. Their position prevailed, and the postal sector's minimum wage was fixed at 8 euros (about $11.80 at current exchange rates) in the former East Germany and 9.8 euros (about $14.45) in the west. Mr. Zumwinkel expressed confidence this would protect high-wage Deutsche Post, "Now we see the chance that competition will not be based on the lowest wages, but will be mainly based on quality, reliability and innovation."[27] Parliament formally approved the minimum wage in December, and, by no coincidence, the wage floor became effective on the same day that the mail monopoly was eliminated, January 1, 2008. Several months later, Deutsche Post's Chief Financial Officer, John Allan, said contentedly that the impact on the company of eliminating the statutory mail monopoly had been "very, very modest indeed."[28]

The minimum wage was a shock to companies that had looked forward to competing with Deutsche Post in a demonopolized environment. Many of them quickly reassessed their plans.[29]

Newspaper publisher Axel Springer announced in December, in anticipation of the new law, that it had little choice but to sell or close the PIN Group, which at the time was Germany's second largest postal carrier after Deutsche Post and in which Axel Springer was the majority shareholder.[30] The Pin Group quickly issued pink slips to more than 1,000 employees, over 10% of its workforce. Additional layoffs followed, and Axel Springer has been busy selling off pieces of the Pin Group as it extricates itself from the German postal market. Alex Springer's CEO recently told shareholders that the company's foray into the postal business was "wrong from today's view."[31]

The wage floor also put a stop to a joint venture between TNT and Hermes that would have come close to providing Germans with a universal service alternative to Deutsche Post.[32] TNT is an international delivery and logistics company that has expanded from its origin as the Dutch national postal service, and Hermes is a parcel delivery firm with over 13,500 outlets in Germany. The canceled joint venture would have offered mail service to German residential customers and small businesses. (TNT already provides mail service to some large German businesses.)

TNT and the PIN Group are attempting to overturn the minimum wage in the German courts.[33] A lower court handed them a preliminary victory, ruling that the new law violates competitors' rights, but the German government is appealing the decision.[34] In addition, TNT and Axel Springer are calling attention to Deutsche Post's continued exemption from Germany's 19% VAT, which they claim is another steep barrier to competition in the German postal market.[35]

EU Commissioner for Competition Neelie Kroes is reportedly also troubled by the hefty minimum wage in Germany's postal sector and is examining whether it represents preferential treatment that violates EU rules.[36] If she decides it is a violation, she could begin action against the German government. Similarly, the EU's Internal Markets Commissioner, Charlie McCreevy, wrote in a letter to the German government, "[T]he introduction of unsuitably high minimum wages and the retention of different sales tax rates for postal carriers could hinder competition in the German market."[37]

Another repercussion occurred in the Netherlands, where TNT is based. In a retaliatory move aimed at limiting Deutsche Post's expansion opportunities, the Dutch government abruptly postponed the planned demonopolization of its own postal market, which had been scheduled for January 1, 2008.[38] This retaliation may be politically satisfying but it hurts Dutch mail users, who will have to wait longer for full postal liberalization.

Using Germany's experience to evaluate claims and counterclaims regarding the minimum wage.

Normally economists must rely on complicated econometric models in trying to discern empirically the actual effects of minimum wage laws. However, because Germany has imposed such a large and unexpected minimum wage on its postal sector, the dramatically different "before" and "after" behavior of businesses intending to compete with Deutsche Post spotlights the minimum wage's effects.

A minimum wage costs some low-wage workers their jobs. The thousands of workers being thrown into unemployment at two of Deutsche Post's main competitors provide vivid evidence that a high minimum wage badly hurts some of the workers it is supposed to help. Nor are the job losses confined to the two competitors in the headlines. Although it does not make the news, many smaller firms that had seen opportunities in the German postal market are now also being forced to scale back their plans, which means they will be hiring fewer new workers and may have to lay off some current employees.

A statutory wage floor primarily helps workers already earning more than the minimum-wage. It is often supposed that the main beneficiaries of a wage floor are minimum wage workers, at least those who keep their jobs. However, as the leaders of the trade union Ver.di shrewdly realized, a wage floor is often most valuable to workers who earn above the minimum wage, such as those at Deutsche Post. The wage floor protects those employees' generous wages by outlawing much of the competition from workers willing to accept less. The minimum wage certainly strengthened Ver.di's hand in contract negotiations with Deutsche Post this year. Taking a hard line in the negotiations, Ver.di won a 7% wage increase for its members at Deutsche Post while successfully resisting concessions sought by the company.[39] If not for the government's barrier to competition, Ver.di would have had greater difficulty persuading Deutsche Post to accept its terms. As indicated above, the losers from minimum wage laws are lower-wage workers and entrants into the labor market.

With the minimum wage protecting jobs for higher-wage workers while costing jobs for lower-wage workers, can one make any prediction about total employment in the postal sector? Before Germany imposed the wage floor, many companies had intended to enter or expand in the German postal market. To capture sales, they would have needed to offer lower prices, better service, or more innovative products than the established company, Deutsche Post. Those price and quality changes would have benefitted customers and encouraged them to mail more items than otherwise. As a result, the mailing industry would have become larger, and, to process and deliver the added mail, it would probably have needed more workers. Consequently, total industry employment would have increased if not for the minimum wage law.

Minimum wage laws harm consumers. Although employers are the ones who write payroll checks, business owners frequently claim that much of the cost of minimum wage laws is passed forward to consumers in higher prices and reduced service. The burden on customers is unusually direct and visible in the German case. It had been expected that with the demonopolization of the German postal market, German mail users would enjoy lower prices and expanded service choices due to increased competition. Instead, when the minimum wage became a substitute barrier to competition, many would-be competitors pulled back. That hurt mail users because they lost some of the cost savings, service options, and product innovations they had been about to see.

Minimum wage laws are not always motivated by a desire to help the less fortunate. Many people support minimum wage laws because they believe (mistakenly) that a government-ordered wage floor is an effective way to assist the poor. However, the behavior of Deutsche Post and Ver.di demonstrate that not all supporters of minimum wage laws have altruistic motives. In the German case, a high-wage company is explicitly using a government-mandated wage floor as a barrier to competition from lower-wage rivals. Similarly, the union Ver.di is supporting a minimum wage that is below what its members make because it limits competition from low-wage workers while not threatening members' jobs.

Conclusion

For those who believe that governments can effectively use minimum wage laws to give a helping hand to low-wage workers, the experience in Germany's postal sector should be an eye opener. The new minimum wage there has cost many lower-wage workers their jobs, harmed businesses expecting to compete with the dominant mail carrier, and hurt mail users by reducing competition. While many people favor minimum wage laws because they want to help those who are less fortunate and assume that minimum wage laws will operate as advertised, the German experience also shows that some supporters have less charitable, but more realistic, motives.

Minimum wage laws would be wonderful if the governments passing those statutes could simultaneously wave magic wands to conjure up an abundant supply of high-wage jobs. Unfortunately, when governments pretend that minimum wage laws are magic wands, the usual effects are to cut employment, reduce production, and saw off the bottom rungs from the job ladder.

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This paper is an outgrowth of the work IRET has done examining the U.S. Postal Service. IRET's studies on the Postal Service began in the mid 1990s. Norman Ture, the organization's founder, believed that growth and prosperity are advanced by restricting government to a limited set of core functions. From this perspective he was concerned about the activities of government owned and sponsored businesses. The Postal Service stands out among government businesses because of its size – it employs about 30% of the federal government's civilian workforce. For many years – but fortunately much less so under the current Postmaster General – it was also notable for aggressively trying to expand beyond its core mission.

Endnotes

1. For a history of federal minimum wage rates in the United States, see U.S. Department of Labor, "History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 - 2007," accessed at http://www.dol.gov/esa/minwage/chart.htm.

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3. See PollingReport.com, with the poll results cited in the text accessed at http://www.pollingreport.com/work.htm. Ipsos Public Affairs conducted the Associated Press-AOL survey, Opinion Research Corporation conducted the CNN survey, and Gallup conducted its own poll.

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6. Thomas Sowell, "A Glimmer Of Hope," Townhall.com, August 8, 2006, accessed at http://www.townhall.com/columnists/column.aspx?UrlTitle=a_glimmer_of_hope&ns=ThomasSowell&dt=08/08/2006&page=full&comments=true.

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8. For the underlying employment and unemployment data, see Council of Economic Advisers, *Economic Report Of The President, 2008*, February 2008, Tables B-37 and B-38, accessed at http://www.gpoaccess.gov/eop/2008/2008_erp.pdf.

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10. For detailed examples of some of the conflicts between the Card-Krueger numbers and actual employment, as revealed by payroll records, see Employment Policies Institute, "The Crippling Flaws In The New Jersey Fast Food Study; 2nd Edition," April 1996, accessed at http://www.epionline.org/studies/epi_njfastfood_04-1996.pdf.

11. David Neumark and William Wascher, "The Effect Of New Jersey's Minimum Wage Increase On Fast-Food Employment: A Reevaluation Using Payroll Records," *American Economic Review*, December 2000, pp. 1362-96.

12. David Neumark and William Wascher, "Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research," October 2006, accessed at http://econpapers.repec.org/scripts/redir.pl?u=http%3A%2F%2Fwww.econ.uci.edu%2Fdocs%2F2006-07%2FNeumark-08.pdf;h=repec:irv:wpaper:060708.

13. *Ibid.*, p. 115.

14. Rea S. Hederman, Jr. and James Sherk, "Who Earns The Minimum Wage--Single Parents Or Suburban Teenagers?" *WebMemo No. 1186*, The Heritage Foundation, August 3, 2006, accessed at http://www.heritage.org/Research/Economy/wm1186.cfm. This is also the source for the numbers cited later in the paragraph.

15. Kent Hoover, "Gallup: Many Little Firms Favor Hike In Federal Minimum Wage," *Sacramento Business Journal*, April 21, 2006, accessed at http://sacramento.bizjournals.com/sacramento/stories/2006/04/24/smallb7.html?t=printable.

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17. See DHL, "DHL Timeline," http://www.dhl-usa.com/Company/mergernews.asp?nav=companyInfo/History/ciH1. Also see Mike Esterl and Corey Dade, "Deutsche Post Reviews Its U.S. Road Map," *Wall Street Journal*, January 29, 2008, p. A10, accessed at http://online.wsj.com/article/SB120155713965823319.html?mod=googlenews_wsj.

18. See "Deutsche Post Head Under Fire For Selling Shares At Key Moment," EUX.TV, December 06, 2007, accessed at http://www.eux.tv/article.aspx?articleId=18757.

19. See European Parliament, "Postal Services: Open To Competition By 2011, But Subject To Safeguards," January 28, 2008, accessed at http://www.europarl.europa.eu/news/expert/background_page/056-8767-190-07-28-909-20070703BKG08766-09-07-2007-2007-false/default_en.htm.

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21. Jann Bettinga, "Deutsche Post Faces 'Bloodbath' As Mail Monopoly Ends," The Market Traders.August 09, 2007, accessed at http://www.bloomberg.com/apps/news?pid=20601109&sid=aBwsZYcYky74&refer=home.

22. Reported by *EUX.TV*, "Deutsche Post Head under Fire For Selling Shares At Key Moment," *op. cit*. Mr. Zumwinkel's unhappiness was also due to the fact that Germany repealed its mail monopoly ahead of most of Europe.

23. *Ibid.*

24. Reported by Bertrand Benoit and Ivar Simensen, "Merkel Wrongfooted In Bid For German Mail Minimum Wage," *The Financial Times*, December 14, 2007, accessed at http://www.ft.com/cms/s/5fb19632-a9e9-11dc-aa8b-0000779fd2ac,dwp_uuid=ebe33f66-57aa-11dc-8c65-0000779fd2ac,print=yes.html.

25. For a behind-the-scenes look at how the minimum wage proposal was developed and adopted, see Benoit and Simensen, "Merkel Wrongfooted In Bid For German Mail Minimum Wage," *op. cit.*

26. See "Axel Springer Chief Blasts German Govt Over Postal Wages," AFP, Dec 15, 2007, accessed at http://afp.google.com/article/ALeqM5hg0XbDnj0-11fDZCWvpFMKodRe4w.

27. "Minimum Wage Threatens Postal Market Liberalization," *Spiegel Online*, December 4, 2007, accessed at http://www.spiegel.de/international/business/0,1518,druck-521247,00.html.

28. Jann Bettinga, "Deutsche Post Net Drops On Lower Postbank, DHL Profit," Bloomberg.com, May 16, 2008, accessed at http://www.bloomberg.com/apps/news?pid=20601100&sid=a8h8qoFz7N.c&refer=germany.

29. For a discussion of the vigorous competition that had been expected if not for the minimum wage, see David Gordon Smith, "Gloves Off As German Post Monopoly Ends," *Spiegel Online*, August 1, 2007, accessed at http://www.spiegel.de/international/business/0,1518,druck-496493,00.html.

30. See "Axel Springer Chief Blasts German Govt Over Postal Wages," *op. cit.*; and Ivar Simensen and Bertrand Benoit, "Springer Puts Postal Division Up For Sale," *Financial Times*. December 15, accessed at http://www.ft.com/cms/s/0100660a-aab0-11dc-a779-0000779fd2ac,dwp_uuid=ebe33f66-57aa-11dc-8c65-0000779fd2ac,print=yes.html.

31. "Axel Springer CEO Says PIN Mail Buy Was A Mistake," Reuters, Apr 24, 2008, accessed at http://www.reuters.com/articlePrint?articleId=USL2485658820080424.

32. See "TNT, Hermes Cancel Plans To Offer Universal Postal Services In Germany," AFX, December 3, 2007, accessed at http://www.forbes.com/markets/feeds/afx/2007/12/03/afx4396778.html; and "Minimum Wage Threatens Postal Market Liberalization," *Spiegel Online*, *op. cit.*

33. See Jann Bettinga and Jeroen Molenaar, "TNT Profit Drops On Cost Of Cutting Dutch Postal Jobs," Bloomberg.com, February 18, 2008, accessed at http://www.bloomberg.com/apps/news?pid=20601085&sid=afkl5vH6E8vY&refer=europe; and "TNT CEO Says Co May Withdraw From Germany In Legal Spat Over Liberalisation," Thomson Financial News, 2008, accessed at http://www.hemscott.com/news/latest-news/item.do?newsId=60316373333829.

34. See Kerstin Rebien, "Court Opposes Minimum Wage In German Postal Sector," Reuters, March 7, 2008, accessed at http://www.reuters.com/article/PBLSHG/idUSL0755851420080307?sp=true.

35. See "TNT CEO Says Co May Withdraw From Germany In Legal Spat Over Liberalisation," *op. cit*; and "Logistics Group Hermes Demands Exemption From German Value-Added Tax - CEO," Thomson Financial News, January 15, 2007, accessed at http://www.forbes.com/markets/feeds/afx/2008/01/17/afx4541814.html.

36. See "Minimum Wage Threatens Postal Market Liberalization," *Spiegel Online*, *op. cit.*

37. "TNT Complains To EU Over German Minimum Wage," Reuters, March 27, 2008, accessed at http://www.reuters.com/articlePrint?articleId=USL2715903520080327.

38. "German Minimum Wage Causes Rift With Dutch," *Financial Times*, December 6, 2007, reprinted by MSNBC.com, accessed at http://news.moneycentral.msn.com/provider/providerarticle.aspx?feed=FT&date=20071206&id=7909590.

39. See "Postal Strike Averted After Wage Agreement," Thestar.com, May 1, 2008, accessed at http://www.thestar.com/ printArticle/420098.