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The nomination of Andy Puzder is a nomination for wage growth

By: Alfredo Ortiz

Last week, President-elect Donald Trump nominated Andy Puzder, CEO of CKE Restaurants, as the next Secretary of Labor. This is exciting news for working Americans, who have experienced nearly two lost decades of wage growth. Mr. Puzder promises to draw on his experience as one of the nation's leading job creators to change the Labor Department from a barrier to facilitator of job, wage and economic growth.

The current administration's approach to wage growth has failed. Its support for using the force of law to dramatically raise the minimum wage, double the overtime eligibility threshold, require employer-sponsored health insurance, and push for paid leave (to name a few) may seem appealing. But the lack of results speak for themselves. Median household income adjusted for inflation is less than what it was in 2007. Labor force participation among the "prime-age" population is hovering near a generational low. And the number of people working multiple jobs is near a generational high.

The election of Donald Trump, who promises a new wage growth strategy based on economic growth, signals that Americans get that a new approach is needed. Now Mr. Trump has doubled-down on his job creation mandate by nominating Mr. Puzder who understands from personal experience as a top CEO why wage regulations fail. Simply put, they create perverse incentives and market distortions that reduce job growth and economic activity, which are the real harbingers of wage growth.

Speaking this truth to the pop-culture powers that cling to wage mandates as the answer to wage growth is not popular. Mr. Puzder has been attacked recently for his opposition to, among other regulatory policies, dramatic minimum wage increases, doubling of the overtime exemption threshold, and requiring employers to offer health care. These attacks mischaracterize and demagogue his positions.

Consider the minimum wage. The nonpartisan Congressional Budget Office has estimated that a minimum wage increase to $10.10 would kill 500,000 jobs. Last December, the Federal Reserve Bank of San Francisco released a paper finding that the "most credible" research showed minimum wage increases resulting in "job losses" for "the least skilled workers" that wage hikes were "intended to help" and "with possibly larger adverse effects than earlier research suggested." Mr. Puzder's opposition to significant minimum wage increases stems from wanting to avoid job losses for low-skilled employees.

Same story with the overtime mandate that was recently struck down by a Texas judge. This rule would have doubled the salary threshold under which employees are eligible for overtime pay to $47,500. For many beginning managers, this rule would have reduced or eliminated the flexibility and bonus potential that come with a salaried position. That's because most employers, including Mr. Puzder, incentivize their managers to run the business they manage like they own it, with a compensation structure that rewards performance over time. Rewarding time spent rather than time well spent is hardly an improvement on the path from the working class to the middle class.

Finally, economic and anecdotal evidence show that the Affordable Care Act's employer mandate has had the unintended consequence of encouraging employers to convert full time jobs to part time jobs. It has done this by requiring employers to offer health insurance — often several thousand dollars a year — to their employees who work over 30 hours per week or pay up to a $3,000 per employee penalty. Employers have no such obligation for employees working under 30 hours, making part-time employment more attractive. This is hardly an "anti-worker" position.

Though the specific wage and benefit regulations vary, the principles underlying why they don't work remain the same: Make something more expensive and you will get less of it. Fewer job opportunities and a less robust economy reduce the demand for labor, resulting in wage stagnation.

There is a better way. And it doesn't involve any regulation. But it does rely on economic growth and a competitive job market to raise wages. These are the factors behind creating the richest and most vibrant middle class in the history of the world. Getting rid of burdensome employment mandates will incentivize hiring, expansion and economic growth. This in turn will increase the demand for employees, bidding up wages in a way that regulations never could, and finally giving American employees a raise. The next labor secretary understands this and soon working Americans will too.

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