

NOT SAYING TO TAKE AWAY.

Raising the Minimum Wage: No

Minimum wage:

<http://www.aei.org/publication/ten-reasons-economists-object-to-the-minimum-wage/>

[Mark J. Perry, American Enterprise Institute](#)

- Minimum wage is usually arbitrary
 - “One size fits all is usually a one size fits none”
- Minimum wage laws cost money to enforce

Arguments pro:

- The value of minimum wage has dropped significantly. Since minimum wage was last raised in 2009, the price of many products have increased due to inflation, while minimum wage has stayed the same.
- Thus, due to inflation, minimum wage is much lower than it should be. Adding to this, in the 1960's minimum wage was about half the nation average wage. If that still applied today, the minimum wage would be \$12.50

Arguments against other side:

- Raising minimum wage causes inflation due to cost-push. If a manufacturer is suddenly forced to pay his workers \$7.25 an hour instead of \$6.55 an hour, he needs to raise the price of his product to recoup the costs. The argument that minimum wage is too low in accordance to inflation is invalid because minimum wage itself is one of the biggest culprits of inflation.

Their Arguments

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Who is receiving minimum wage?

<https://object.cato.org/sites/cato.org/files/pubs/pdf/PA701.pdf>

[Mark Wilson, The Negative Effects of Minimum Wage Laws, Policy Analysis](#)

- Most people believe that the minimum wage helps full-time adult workers in low-income families
 - Data proves otherwise
 - The people that receive minimum wage are young workers, part time workers, or workers from non poor families
- According to the Bureau of Labor Statistics, 1.8 million paid hourly employees were paid the federal minimum wage of \$7.25 in 2010 out of to 309.2 million US population
 - About half were teenagers or young adults ages 24 or under

- They live in families with incomes of two or more times the poverty level
 - Average income was almost \$70,600
- The other half are people age 25 or older
 - More of these workers live in poor families (29.2%) or near the poverty level (46.2% had family incomes less than 1.5 times the poverty line)
 - 24.8% of this group work voluntarily part time and just 34.3% are full-time full-year employees
- Only 20.8% of all minimum wage workers are family heads or spouses working full time
 - 30.8% were children and 32.3% are young Americans enrolled in school
 - The idea that the minimum wage workers are poor adults working full time, trying to raise a family is mostly untrue
 - Most minimum wage workers live in families with incomes above the poverty line
- Teenagers and high school dropouts are main receivers of minimum wage
- Income redistribution is another way to think about how wage can be distributed
 - Best way to do this may to let the labor market allocate resources and create social surplus
 - Then use the power of government to ensure everyone gets sufficient share of the wealth the market creates (

<https://fee.org/articles/3-reasons-the-15-minimum-wage-is-a-bad-way-to-help-the-poor/>)

[Matt Zwolinski, Foundation for Economic Education](#)

Lowring Minimum Wage vs. Firms

- Minimum wage is an artificial, government imposed value for an individual worker
 - The real value of a worker should be decided in the open market
- Higher wage makes it more expensive for firms to hire workers
- Factory owners are forced to pay young workers at high minimum wage, they are less likely to hire the workers
 - So now the worker is unemployed
- Causes inflation
- If a manufacturer is forced to pay his workers \$7.25 an hour instead of 6.55 an hour, the manufacturer has to raise prices of the product produced
 - This is called cost-push inflations
 - Placing burden on business owners to solve the problem
 - <http://money.howstuffworks.com/personal-finance/budgeting/minimum-wage4.htm>
- Cost-push inflation

- Because an employee is paying his workers more, he is now forced to increase his goods in order to maintain a profit.
- More low skill jobs will be lost → low skill and low wage workers lose more jobs with a hike of minimum wage because employers will not take as many low skill and low wage workers due to having to pay more for just a few
- New machines can replace low skill workers and if minimum wage increases employers will be more inclined to use machines that can replace many workers than to hire these employees
- In the summer of 2009, the increase in the minimum wage was too high for business to pay for unskilled workers
 - Number of part time workers declined by half a million and two thirds of these workers were teenagers
 - Two thirds of all adult minimum wage workers have a high school degree or less
 - Probably unskilled workers then
 - <http://cms.bsu.edu/-/media/WWW/DepartmentalContent/MillerCollegeofBusiness/BBR/Publications/MinWage.pdf>
[Michael J. Hicks, Ball State University, Policy Brief](#)
- Firms adjust to minimum wage increase (Joint Economic Committee research on 50 years of research)
 - Increasing the likelihood and duration of unemployment for low-wage workers
 - Encouraging employers to cut workers training
 - Increasing job turnover
 - Discouraging part-time work, reducing school attendance
 - Driving workers into uncovered jobs
 - Increasing inflationary pressure
 - Encouraging employers to hire illegal aliens
 - Replace unskilled workers with high-skilled workers
 - Harm the least skilled workers (usually people with low income under poverty line)
 - Insisting job duties are completed faster
 - Imposing additional tasks

Price of good and services increases:

- A 2007 study from the Federal Reserve Bank of Chicago found that restaurant prices increased in response to a minimum wage increase
- Raising minimum wage causes producers to raise prices of goods for consumers in order to compensate the increase in wage
 - Poor consumers will be able to purchase less with their earnings

- Number of minimum wage jobs available will decline because people will decide to spend less on labor-intensive goods and services now that products are more expensive
- <http://www.businessinsider.com/raising-the-minimum-wage-to-15-an-hour-would-hurt-millions-of-vulnerable-people-2015-4>
[Reihan Salam, Business Insider](#)
- Common sense says that every dollar a minimum wage worker receives must have come out of somebody else's pocket, either small business owners or their customers.
 - The money for a higher minimum wage does not come from thin air.
 - The Law of Demand always works: the higher the price of anything, the less that will be taken, and this includes labor

Does an increase in minimum wage help solve poverty?

- Research published in 2010 by two economists concluded that when the federal minimum wage was increased to \$7.25 an hour to \$9.50 an hour, only 11.3% of workers that gain from this increase belonged to poor households
 - 63% of these workers were second or third earners living in a household with incomes twice the poverty line
- Fed minimum wage increase between 2003 and 2007 had no effect on state poverty rates
 - Low skilled workers lost their jobs or had work hours reduced
- Those who earn minimum wage are the secondary earners (most of the time younger people)
 - Data from the Bureau of Labor Statistics demonstrates that workers under the age 25 make up 20% of those earning on hourly wage, this young population makes up half of the all the workers making minimum wage or less
 - So increasing minimum wage is not helping people supporting low income families
 - therefore, raising the wage will not solve poverty
 - “Full-time minimum wage workers don’t exist”
 - These types of workers provide a second or third source of income
- Many poor Americans (63.5%) do not work
 - Raising minimum wage will make it harder for those who do not work to find work
 - Workers must bring at least as much value to the firm as they are paid or the firm will fail and all jobs will be lost
 - Raising the minimum wage raises the hurdle a worker must cross to justify being hired.
 - <https://www.forbes.com/sites/williamdunkelberg/2012/12/31/why-raising-the-minimum-wage-kills-jobs/#63e5b0c91b6e>
[William Dunkelberg, Forbes](#)

- Nonpartisan Congressional Budget Office found that expanding the earned income tax credit would be more efficient when combating poverty than increasing the minimum wage.
 - Nation's debt is \$20 trillion
 - Treasury Secretary Steven T. Mnuchin said growth from the tax cut would be about \$2 trillion
 - Enough to pay for the cuts and start paying down deficits
 - (<http://www.latimes.com/politics/la-na-pol-gop-taxplan-20171005-story.html>)
[Lisa Mascaro, LA Times](#)
- Research over the past 70 years has shown that an increase in minimum wage, reduces employment
 - The higher the minimum wage relative to the competitive-market wage levels, the greater the employment loss
 - The unemployment effects the least skilled workers, immigrants and ethnic minorities
 - Economist Milton Friedman concluded that the people that want to reduce poverty support a higher minimum wage, but this solution only hurts the people most poverty stricken
- Low skill workers have failed to share in overall economic productivity gains
 - Labor-replacing technologies and trade with other countries → these competitive market forces play a part in small growths in low-skill workers' wages
(<https://www.usnews.com/news/the-report/articles/2016-03-28/ask-an-economist-will-a-minimum-wage-hike-help-or-hurt-workers>)
[Andrew Soergel, US News](#)
- Minimum wage receivers are not necessarily “poor” people
 - Poor that are unemployed, stay-at-home parents, etc receive no direct benefit
 - Teenagers living at home with their parents, who may not be poor are a large part of low-wage workers
 - If raising minimum wage is meant to help people in poverty it's not an effective way to achieve this (<https://fee.org/articles/3-reasons-the-15-minimum-wage-is-a-bad-way-to-help-the-poor/>)
[Matt Zwolinski, Foundation for Economic Education](#)
- Estimated that less than 15% of the total increase in wages resulting from an increase in the minimum will go to people below the poverty line and less than a third of those receiving the minimum wage are families below the poverty line
(<https://www.forbes.com/sites/williamdunkelberg/2012/12/31/why-raising-the-minimum-wage-kills-jobs/#63e5b0c91b6e>)
[William Dunkelberg, Forbes](#)

- Most minimum wage workers are from above median income families-- most of the people benefiting from the minimum wage are not the intended targets of the “anti-poverty” aspect of raising the minimum wage.

Increase in minimum wage causes a loss in jobs:

- Sharp decline of part-time workers in the later half of 2009 after the minimum wage increase
 - Accounts for roughly 550,000 fewer part-time jobs
 - Particularly in young minorities
- In 2008, the minimum wage increase accounted for 550,000 fewer part-time jobs
 - The minimum wage made it too costly for the value of the workers’ contribution
- Teenage workers are a bulk of the minimum wage holders
- Data for the Bureau of Labor Statistics was used and workers age 16-19 were used
 - Unemployment rate rose from 17.3 to 18.9 percent for white teenagers (2008)
 - Unemployment rose from 28.5 percent to 43.6 percent for African American teenagers (2008)
 - <http://cms.bsu.edu/-/media/WWW/DepartmentalContent/MillerCollegeofBusiness/BBR/Publications/MinWage.pdf>
[Michael J. Hicks, Ball State University, Policy Brief](#)
- Many people are fighting to increase minimum wage to \$15
 - “Fight for 15”
 - Raising minimum wage this much will “damage economic prospects of many vulnerable people”
 - If this works, why not raise it to \$50/hour (This would provide someone working 2,000 hours a year an income of \$100,000, eliminating poverty and stimulating the economy. Obviously, \$50/hour would be detrimental to employment as is \$7/hour, it’s just a matter of degree.)
 - <https://www.forbes.com/sites/williamdunkelberg/2012/12/31/why-raising-the-minimum-wage-kills-jobs/#63e5b0c91b6e>
[William Dunkelberg, Forbes](#)
- Employers will likely hire less better-skilled workers and replace pricier labor with machines
 - This leaves low-skill and low-wage workers with even less of a chance of getting the job position than before
 - Ex: teenagers, less-skilled immigrants, ex-offenders wanting a new start, people who have been unemployed for years
 - These people need job experience now in order to get higher wage jobs in the long run
 - If minimum wage increases, these people will not get the experience they need now and will not even get the opportunity to receive better jobs with better pay in the future

- <http://www.businessinsider.com/raising-the-minimum-wage-to-15-an-hour-would-hurt-millions-of-vulnerable-people-2015-4>
[Reihan Salam, Business Insider](#)
- Increasing cost of labor, reduces the demand for it
 - Card and Krueger's 1997 study → shows that studies have caused economists to doubt the unemployment effects of a minimum wage have focused on minimum wage much lower than \$15/hour which is what people are fighting for
 - At some point, increasing minimum wage has to cause unemployment
 - Since minimum wage fits like “one size fits all” a minimum wage set at \$15 might work in a city like LA but not in cities such as Fresno(
<https://fee.org/articles/3-reasons-the-15-minimum-wage-is-a-bad-way-to-help-the-poor/>)
[Matt Zwolinski, Foundation for Economic Education](#)
- Congress raised the minimum wage 10.6% in July, 2009
 - In the next 6 months, nearly 600,000 teen jobs disappeared,
- When you raise the price of anything, people take less of it, including labor

reduce job opportunities for low-skilled and inexperienced workers

- employees won't want to hire them because It just doesn't make financial sense
 - Paying a wage higher than the person deserves based on the work they are doing.
 - 2012, the New York State minimum wage increased from \$5.15 to \$6.75 per hour. The outcome was a “20.2 to 21.8 percent reduction in the employment of younger less-educated and inexperienced individuals because employees

People argue \$1.00 isn't that much. But look at this, a SMALL business is considered to have 100 people. That means an increase of about \$4000 a day or about 1,050,000 a year. All that money could go to improving facilities or producing more goods to sell.

Questions

- If minimum wage is arguably too low due to the inflation that has occurred since 2009, what is explanation for the cost-push inflation that results from increasing minimum wage?
- Where does the idea that increasing minimum wage significantly helps low income families originate from?