

Minimum Wage

Preface

I haven't been able to decide where I stand on minimum wage. There are too many valid points from credible sources from both sides and this seems like a topic I'll need much more time and help to think through. But hopefully I can explain why I think this is a topic that deserves some careful thought.

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Minimum wage is a balance between the needs of workers to earn a living wage with the ability of businesses to operate profitably.

People who support increasing the minimum wage say it'll lift low-wage workers out of poverty and ultimately stimulate the economy. People who oppose it say it'll price low-wage workers out of the workforce and increase prices—making it even harder for people without jobs to support themselves.

To find a position to take on the issue, I looked at the effects of increasing the minimum wage from six perspectives: jobs; poverty; income inequality; public health; education; crime (research below).

- **Jobs/Unemployment:**
 - **Pro:** The Economic Policy Institute says that increasing the minimum wage would create jobs and Alan Krueger and David Card's 1994 study of New Jersey and Pennsylvania didn't find any effects in unemployment after NJ raised their minimum wage.
 - **Con:** A study done at Johns Hopkins University found that the average unemployment was 11.8% in EU countries with a minimum wage was 7.9% in countries without them. Researchers at the Oxford University found minimum wages would lead to increases in automation and at Duke University, found that 70% of CFOs would "increase contracting, outsourcing, or moving actual production outside the United States" if the minimum wage were raised to \$10 an hour. The CBO says that increasing the minimum wage to \$15 would lead to 1.4 million job losses
- **Poverty:**
 - **Pro:** The CBO says that a minimum wage of \$15 would give 27 million Americans a raise of over \$3,300 (17 mil because they currently make less than \$15/hr and 10 mil because of the ripple effect) and it would lift 900,000 people out of poverty.
 - **Con:** That same CBO report expects 1.4 million job cuts. The Federal Reserve Bank of Cleveland says that people would earn less because they'd end up working fewer hours. And a 2013 article by the Federal Reserve Bank of Chicago said that fast-food restaurants would pass on almost 100% of their increased labor costs to consumers. Other studies, like the ones at the Purdue University and NBC News, found the same and since poorer people disproportionately go to fast food restaurants, it hurts them the most.
- **Income inequality:**
 - **Pro:** A study done at the Booking Institute says that raising the minimum wage would reduce income inequality.
 - **Con:** A whole host of studies (like the ones by Jeffrey Clemens and Michael J. Wither or ones from the Cato Institute, Pepperdine University, University of Chicago, and University of California, Irvine) say that it would price low-skilled workers out of the workforce, especially teens and minorities.
- **Public Health:**
 - **Pro:** Studies done at the Human Impact Partners and the Bay Area Regional Health Inequities Initiative (BARHII) say that increasing the minimum wage would be great for public health.
 - **Con:** Studies at the Heritage Foundation and Duke University say that increases in the minimum wage drives fewer employee benefits and higher taxes.

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- **Education:**
 - **Pro:** A 2014 study at the United States Military Academy at West Point found that an increase in the minimum wage would let teens work fewer hours for the same amount of pay, leaving more time to study and reducing the high school dropout rate.
 - **Cons:** Mark J. Perry at the American Enterprise Institute says, “the attraction to higher wages from minimum wage legislation reduces high school completion rates for some students with limited skills, who are then disadvantaged with lower wages and career opportunities over the long-run if they never finish high school.” And in a study published in the American Journal of Economics and Sociology found that in Maryland, “a 25-cent increase in the real minimum wage... was associated with a 0.55 percent increase in the dropout rate for Hispanic” students. And in a Cornell University study, “a long term 10% increase in the earnings of low-skilled workers could decrease high school enrollment rates by as much as 5-7%.”
- **Crime:**
 - **Pros:** Obama’s Council of Economic Advisors and researchers in New York City both claim that raising the minimum wage decreases crime rates.
 - **Cons:** Economists at the Boston College found that crime went up among 14 to 30-year-olds as minimum wage went up in a 2013 study.