# In Defense of the Minimum Wage

abridged

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Since July of 2009, the federal minimum wage has been $7.25 per hour. This is the lowest amount, with some exceptions, that employers can pay their employees—although 31 states plus Washington, DC, Guam, and the U.S. Virgin Islands have laws that set the minimum wage higher than $7.25. For instance, the state of Washington has its the minimum wage set at $11.50; and in Massachusetts and California it's $11.00. There are also some cities that have their own minimum wage laws. The minimum wage in Los Angeles and Washington, DC is $13.25; in Chicago, it's 12.00; and in Seattle, it's $15.00.

None of those wages will make a person rich, but a year working for $13.25 (for 40 hours per week and every week of the year) will bring in $27,560, while working full-time at $7.25 yields only $15,080. This raises questions about whether a minimum wage should also be a *living wage*; the latter of which is based on the cost of food, child care, transportation, housing, and some other basic expenses in a particular location. In Los Angeles, the living wage for one adult without children is $14.71 per hour or $30,597; in Lauderdale County, Mississippi, where the minimum wage is $7.25, it's $10.91 per hour or $22,693.[1] To the extent that a person's wage falls below the living wage, he or she will be unable to afford some necessities.

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[1] http://livingwage.mit.edu/

The questions that I will address is this essay are whether there should be a minimum wage at all and then whether the minimum wage should be a living wage. For both questions, I will defend the positive response.

## 1. The value of labor

### 1.1

Some folks labor for minimum wage (or less) while a very few receive millions per year in compensation for their work. Many people are somewhere in between. However much a person makes, there is still the question of whether she is earning what she deserves. This question falls within the realm of moral philosophy and, more specifically, the subset of moral philosophy that is economics. After all, this is a matter of value and a matter of what a person should be paid.

On the face of it, the easiest and seemingly most sensible approach to answering the question 'Is a person earning what she deserves?' would be to determine the value that the person contributes to a product or service and set that as the compensation the person deserves. To use a simple example, to determine the value added by a Big Burger employee to a Big Burger would involve subtracting out all the other contributions to the value of the burger, ranging from advertising costs to raw material costs. Naturally, the cost of managing the person would also be subtracted out. Since Big Burger employees are paid hourly wages and work with more than just burgers, the deserved wage would involve some estimations and calculations involving the average productivity of the worker. Other situations (such as those of salaried workers or self-employed people) would require appropriate modifications, but the basic idea would remain the same insofar as a person deserves to earn compensation based on the value that he or she adds to a product or service.

It seems, then, that people who are paid the minimum wage generally contribute more value than they are paid. To use a specific example, McDonald's enjoyed billions in profits last year. This would seem to indicate that even if the CEO is truly magic with money, the workers are creating considerably more value than they are being paid. If this was not the case, then the corporation would not have this sort of profit. Unless, of course, it can be shown that the bulk of the profit was created by other means—which seems unlikely. As such, it seems that in many cases the minimum wage is actually considerably lower than the value generated by the workers.

Of course, a business owner could claim that certain workers should be paid less than the minimum wage because they produce less value than the minimum wage. This is a fair point. After all, if it is accepted that a person should be paid based on the value that he contributes, then a person who creates less value than the minimum wage would be effectively robbing his employer. However, if the principle of paying a person what he is worth holds true for paying a person less than the minimum wage, then the same principle should still hold when it entails that a person should be paid more than the minimum wage. Interestingly, CEOs and their ardent supporters seem to fully embrace the principle that the value that a person contributes should determine what he or she is paid when it comes to the generous compensation of CEO positions. However, their grasp of this principle seems to fail when they examine the pay at the opposite end of the hierarchy.

Paying a person based on the value that he or she creates certainly seems to be a fair approach. If a person is paid more than the value of his work, then he would appear to be engaged in theft. If a person is paid less than the value of his work, then he would seem to be the victim of theft. Naturally, there can be obvious exceptions. For example, a person might help out a friend or charity by doing work at a rate far lower than she actually deserves without it being theft. As another example, a person might decide to help someone out by paying him more than his work is actually worth. This would be charity rather than theft.

On the idea that a person should earn what she deserves, the idea of minimum wage would seem to not apply in a meaningful way. After all, the minimum wage and the maximum wage would be the same in this case, namely the value of the person's contribution. In some cases, a fair wage would be less than the current minimum wage. But, in most cases it would certainly be higher. The actual minimum wage set by the government, then, could be seen as a rather weak guard against work being grotesquely undervalued. By setting a minimum, this means that people will at least get some of the value of their work. However, it certainly leaves considerable room for greatly underpaying workers relative to what their work is actually worth.

One might agree that people should be paid close to the value that they contribute to a product or service, but still maintain that there should not be a minimum wage. Rather, this matter can be sorted out by "market forces." That is, people whose work is more valuable can command better wages while people whose work is less valuable will command lower wages.

The obvious reply to this is that the alleged market forces tend to result in most people being underpaid and some people being compensated far beyond their actual contributions, even accepting the difficulty in assessing the value of any one person's work. In fact, the underpaying of most is what is needed for the few to have such generous compensation. After all, if people were paid based on the value of their work, then there would be no fair way to profit off this work. For example, if Bob contributes $50 of value per hour to my widgets, I would need to steal from Bob to make a profit off his labor. As another example, if a CEO is compensated with $10 million but contributes less in value to the company, then he is stealing the value generated by others.

### 1.2 Taxes and wages

In the United States, there is considerable overlap between the group of people who oppose the minimum wage and the group that opposes taxes. What I want to show in this section is that when we justify the claim that taxes, at least in some cases, are a form of stealing, then that same line of reasoning justifies having a minimum wage. (For simplicity's sake, I will just stick to discussing earned wages and stay away from such things as inheritances, lottery winnings, and such.)

Consider the claim, held by some, that taxes are a form of theft. When the issue is more specifically about taxes being used (or increased) to pay for government services such as welfare, then one might say that taxes are wrongfully taking money from the rightful owner and giving it to people who do not deserve the money because they have not earned it. This view seems to rest on two important assumptions. The first is that the people who are being taxed have earned (in the moral sense) their money and thus are entitled to keep it. The second is that the people who are imposing the taxes and the people who get the money have not earned it and thus are not entitled to it.

The basic principle at work here does, on the face of it, seems reasonable enough: people are entitled to what they have earned and not entitled to what they have not earned. This, in turn, seems to rest on the idea that people are entitled to the value that they create. After all, there has to be some foundation for the claim that an income is earned and thus justly belongs to a person. (The mere fact that a person gets the money is not automatic justification that it is earned in the moral sense and that they are thus morally entitled to the income.)

In the case of taxes, the application of that principle is easy enough to grasp: people believe that they are entitled to keep their money and it is not right for other people to get, via taxes, what they have earned. This is, as noted above, apparently based on a principle that people are entitled to the value they create. It also seems to follow that we owe payment for value that we receive. So, when someone receives goods and services provided by the state, then that person is, by this principle, obligated to pay the value of those goods and services; otherwise that person is stealing from others and violating the principle in question.

Now, back to wages. If the principle is accepted that a person is entitled to the value that he or she has created (and thus earned) and that for someone to take from that person is theft, it would follow that an employee is entitled to the value that he or she has created. For the employer to take that value for him- or herself is the same as the worker being taxed and that money being given, unearned, to the employer.

It might be countered that the employer earns what he or she receives by the value that the employer contributes. The obvious reply is that this claim is true—but this would entail that the employer is not entitled to profits acquired by underpaying employees. That is like someone being taxed so that the money can be given to people who have not earned it.

It could be countered that the employer-employee relation is different because of things like market forces, abundance of laborers and so on. As such, an employer can justly pay an employee less than the value that the employee creates by his or her labor because of these factors. The obvious counter is that an analogous argument could be made regarding taxation—that the various complex economic factors warrant taking money by taxes to give the money to those who have not earned it.

Thus, those who argue against taxes by contending that they have a right to what they have earned must extend the same principle to the wages of workers. They, too, would be just as entitled to what they have earned. So, if taxation is theft, then so is underpaying workers. As such, the minimum wage is, again, at least a barrier against stealing too much from workers.

**2. Subsidizing low wages**

One common way to argue against not raising (or even just eliminating) the minimum wage is to build a case based on claims about those who work such jobs. For example, one approach is to argue that the people on minimum wage are mainly high school and college kids who are just earning spending money. As another example, it is often claimed that minimum wage jobs are temporary jobs for most workers—they will spend a little while at minimum wage and move up to better pay. While these claims are true in some cases, the reality is rather different in general. For example, the average age of fast food workers is almost thirty—they are not just school kids. Also, a significant number of people get stuck in minimum wage jobs because there is nothing else available.

According to the 2014 Oregon Workforce Report, roughly a quarter of the workers in Oregon make no more than $12 per hour.[2] Because of this low income, many of the workers qualify for public assistance, such as SNAP (better known as food stamps). Not surprisingly, many of these low-paid workers are employed by large, highly profitable corporations. Many of the people who have minimum wage jobs need them primarily to pay for necessities, and many people are stuck in such jobs. The reality also is that a minimum wage job will typically not provide adequate income to pay for the necessities. Interestingly, some corporations recognize this. McDonald's, for example, generated a brief bit of controversy with its helpful guide for employees: the corporation advised employees in minimum wage jobs to have another job.

Given the gap between the actual cost of living and the pay of a minimum wage job, it is not surprising that quite a few of the people who work for minimum wage avail themselves of state support programs, such as food stamps (which now goes by other names) and Medicaid. After all, they cannot earn enough to pay for necessities and certainly prefer not to starve or end up on the streets. While one narrative about such people is that they are living easy on federal support, the reality is rather different—especially for the working poor who have families.

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[2] Reddy, R., Morris, D., Scott, E.K., Bussel, B., & Dyer, S. (2014). Oregon Workforce Report: The High Cost of Low Wages in Oregon. University of Oregon Labor Education and Research Center.

Obviously enough, one large source for the funds for these programs is the taxpayer. That is, those who pay taxes are helping to subsidize those who received state support while working minimum wage jobs. However, there seems to be another equally plausible way of looking at the matter: the taxpayers are subsidizing the employers who pay minimum wage to their employees. That is, these employers can pay their employees less than what they need to survive because other people pick up the tab, thus allowing the employers to increase profits.

According to Raahi Reddy, a faculty member at the University of Oregon, "Basically state and federal taxpayers are helping these families subsidize their incomes because they get low wages working for the companies that they do." As such, taxpayers are making up the difference between the actual wages and living wages. Interestingly, Oregon is a leader in two categories: one is the percentage of workers on public support and the other is having among the lowest corporate tax rates. This certainly suggests that the burden to pay for this public support falls heavily on the workers who are not on public support (both in and outside of Oregon). And the authors of the Oregon Workforce Report have recommended shifting some of the burden from the taxpayers to the employers in the form of an increased minimum wage and paid sick leave for workers.

Assuming that workers should receive enough resources to survive, the moral concern is whether or not this cost should be shifted from the taxpayers to the employers or remain split between taxpayers and employers. In the remainder of this section, I will examine some arguments for (and responses to) the latter position.

One might argue that taxpayers are not subsidizing the employers, such as McDonald's, because the money for Medicaid and such are not going to the corporation, but to the workers. The obvious counter is that while this is technically true, the taxpayers are still contributing to sustaining the workforces for these employers, thus subsidizing the employers and allowing them to pay sub-survival wages.

It could also be contended that the employer has no obligation to pay workers enough to survive without the addition of state support. After all, there are plenty of poor people and if some cannot survive on minimum wage, then economic selection will weed them out so that those who can survive on less will take their place in the economic ecosystem. This, of course, seems rather harsh and morally dubious, at best.

Another argument in favor of leaving the burden on the taxpayers is that it is not the moral responsibility of the corporations to pay a living wage. Their moral obligation is not to the workers but to the shareholders and this obligation is to maximize profits (presumably within the limits of the law).

One possible response to this is that businesses are part of civil society and this includes moral obligations to all members of that society and not just the shareholders. These obligations, it could be contended, include providing at least a living wage to full time employees. It, one could argue, might be more just that the employer pay a living wage to the workers from the profits the worker generates than it is to expect the taxpayer to make up the difference. After all, the taxpayers are not profiting from the labor of the workers, so they would be subsidizing the profits of the employers by allowing them to pay workers less.

Forcing the tax payers to make up the difference certainly seems to be unjust and appears to be robbing the citizens to increase the revenues of the companies.

It could be countered that requiring a living wage could destroy a company, thus putting the workers into a worse situation—that is, being unemployed rather than merely underpaid. This is a legitimate concern—at least for businesses that would, in fact, be unable to survive if they paid a living wage. However, this argument would obviously not work for business, such as Walmart, that have extremely robust profit margins. It might be claimed that there must be one standard for all businesses, be they a tiny bookstore that is barely staying afloat or a megacorporation that hands out millions in bonuses to the management. The obvious reply is that there are already a multitude of standards that apply to different businesses based on the differences between them—and some of these are even reasonable and morally acceptable.