

Effects of Increasing the Minimum Wage

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Introduction

“Happiness lies not in the mere possession of money; it lies in the joy of achievement,” (Roosevelt, 1933). An achievement for a government should be to provide adequate living conditions for all who reside in it. Unfortunately, even though former President Roosevelt had this philosophy, some may think the government is sacrificing its residents' comfort and lives to get more money. Melinda Janko, a writer, and native american activist who graduated from Emerson University, talks about how the United States government was taking resources from the Blackfeet Native American Reservation and barely giving them any money back. James Kennerly, a resident who “lived in a modest home without running water, despite his 300 acres of oil producing land,” was given only \$89 even though he said, “over \$6,000 of oil [was] taken from my land,”(2013). Similarly, Alison Galvani, an epidemiologist with a Ph.D. in Public Health from Yale, explains that if we unified the healthcare system under the government and had individuals pay for it through taxes instead of independent organizations “\$225 billion could be saved annually,” by residents of America (pp.526, 2021). Robert I. Field, a professor of law and health management at Drexel University, explains in an American Medical Association Journal of Ethics that private companies use the resources they get from the Affordable Care Act and “use it to lobby legislators to retain and expand the programs on which they rely,” showing that the even though citizens can save money if health insurance and healthcare were unified under the United States government, they are not due to the governments greed. According to Alex Gangitano, a White House Correspondent for The Hill, this form of lobbying is called economic lobbying, where they donate money to certain political groups hoping to sway their votes in a democracy (2021). This is not yet bribery because the groups will be given the money regardless of the outcome, making it legal. Businesses are also lobbying about the current

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minimum wage(MW), which some Americans think is the government being greedy. According to the Bureau of Labor and Statistics (BLS), in 2022, over 1 million Americans were either making MW or lower, showing how many people are affected. Some say that we do need to raise the MW due to the inadequate living conditions of those who make MW. A chart given by Felicia Newell, a nutritionist and registered dietitian, along with many other researchers shows how while the lone man working 30-40 hours a week can live off the MW, a family of 4 with a combined work total of 60 hours a week has to opt for more unhealthy and processed foods to put food on the table for them and their family (pp.159, 2014). On the other hand, John W. Lopresti, a professor of Economics at William & Mary University claims that “low-wage workers who experience a small increase in the minimum wage tend to have lower wage growth than if there had been no minimum wage increase,” and increasing it by a large amount would make it so that the people making just over MW would have more negative socioeconomic effect, but it would still be wise to help those in need (p.1171, 2016). While lobbying against raising the minimum wage may seem like the government is greedy, the number of people who will benefit from an increase in the minimum wage may not outweigh the number of people who will be negatively affected by it.

Government Lobbying About Minimum Wage

Different groups lobby for MW differently with some lobbying to get it lower and others to get it higher. A company called ServSafe lobbies to keep tipped workers' wages low. According to Thalmon Joseph Smith and David A. Fahrenthold, economics reporters, when many food-related workers like cooks, waiters, and bartenders start working for a new company, they have to pay a \$15 fee to ServSafe to take a course about basic food safety and most of

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which is common sense, like if something white and fuzzy is on strawberries, it's mold or to wash your hands. With this money, they lobby to increase the federal MW but to keep the MW of tipped workers the same amount as it already is, at \$2.13. Smith says that when they do this course they are "largely unbeknown to them — are also helping to fund a nationwide lobbying campaign to keep their own wages from increasing," (2023). The workers though cannot start the job without paying for this course and when they need the money to live, they have no other choice but to pay for it. Even though the MW for tipped workers is only \$2.13, the United States Department of Labor says that "If an employee's tips combined with the employer's direct (or cash) wages do not equal the minimum hourly wage of \$7.25 per hour in each workweek, the employer must make up the difference," (2024) showing that even if a tipped worker doesn't make enough in tips, they will still make the federal MW regardless. Amazon on the other hand is lobbying to increase the MW. According to Kate Taylor, an English Language Arts Graduate from the University of Colorado, "Amazon has been lobbying for a federal \$15 MW since raising starting pay to \$15 in 2018," (2021). They were doing this because in 2021, when this article was published, Walmart's MW was \$11 an hour, and to gain a competitive advantage, they wanted Walmart to pay their workers the same so that they have less available cash flow and it is easier for them in the competitive space. Shortly after this, though, Walmart had increased their MW to \$15 to encourage employees to work during the COVID-19 pandemic. While it may seem that businesses are lobbying for higher wages because they want to focus on employee comfort, it is usually because they want to gain an advantage in the competitive space, meaning that they know it may not result in the best outcome for the employees of the companies. Both companies use the minimum wage as a tool to ensure their own positive outcomes, but despite

this many people call for a raise in the MW. There are MW workers who live well off the minimum wage, but others are currently struggling.

Current Living Conditions of Minimum Wage Workers

While the current MW may seem like it needs to be raised, most MW workers can live perfectly fine with it. Ben Harris, the director of economic studies at the Center of Economic Security at Brookings University, and Melissa Kearney talk about how “among those earning no more than the federal minimum wage of \$7.25 in 2011, fewer than a quarter were teenagers,” of which are usually, not always, dependent on their parent rather than themselves (2014). While some of these individuals are working to get the money they need to live, a significant portion are working to make extra money, meaning their living conditions would remain similar despite a wage increase. The previously mentioned chart given by Newell said that families of 4 with 2 parents working a combined total of 60 hours a week and single mothers of 3 cannot make ends meet (2014), but this chart could be inaccurate. This chart does not account for government benefits like food stamps, government housing, child support, chip tax deductions, etc. Even with this, the single mother would still make below the break-even line, leaving the single mothers in debt. According to Drexel University, “More than half of minimum wage workers are employed part-time,” (2021) meaning that some people making MW choose to work fewer hours. On the other hand, the BLS says that around 40% of these workers want more hours but can’t get them. The people who do want more hours but cannot get them are called “involuntary part-time workers” because they are forced to work fewer hours than the full-time threshold (2018). One reason for this is that some employers do not want to pay for benefits and when they work part-time they don’t have to pay for this. Since some of these individuals are struggling, some are

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calling for an increase in wages. According to California's Department of Industrial Relations, on April 1st, 2024, the State of California increased its MW to \$20 per hour for fast food workers only. As a result, Dominick Reuter, a senior reporter for Business Insider who reports on big box companies, shows that Chipotle itself has already seen "a 7% menu price increase at Chipotle locations in California," (2024) showing that if we did increase minimum wage beyond just fast food workers, we could potentially see mass inflation. This is one of the reasons that experts say that we should not increase the MW, but others claim that we should ensure struggling MW workers can have better living conditions.

Increasing Minimum Wage in the Future

Amina Dunn, a research analyst at the PEW Research Center, calls for a raise in MW to \$15 an hour. She shows that 62% of Americans believe we should raise it to \$15 and of the 38% who say we shouldn't, 71% believe we should raise it, just not to that extent (2021). These people may believe this because they think that the MW is not an adequate amount. After all, when they see people posting about it, they only see the people who cannot afford the cost of living rather than the people who are perfectly fine with their wages. They also may not understand the biggest demographic of people making MW, which according to Ben Zipperer, senior economist at the Economic Policy Institute, are single persons between the ages of 16-24 and not single parents or families (2023). Sodsriwiboon and Srouf of the International Monetary Fund talk about how if we did end up raising the MW, it would cause a lot of unemployment because when employers have to pay employees more, they tend to decrease the number of people they have to pay instead of increasing budgets (2019). Similarly, the United States Congressional Office posted charts showing that for every dollar the MW increases, almost

100,000 people will be unemployed but more people will exit poverty than enter (2023). Since the people making MW are already in poverty, when they enter even deeper poverty that is not shown on the graph. Quiping Yu along with other Harvard Professors found that after the last minimum wage, which was only 70 cents, hourly workers were allowed to work about 21% fewer hours than before the increase, sometimes dropping them down into the part-time range where they were not required to get benefits (2021). This made it so that even though these people were making more per hour, they worked fewer hours and sometimes did not receive benefits, so they may end up with less money than before the minimum wage increased.

Since raising the MW would cause many problems, we could raise the MW only for those who are working full-time and not part-time. This ensures that the ones who need it the most, those who are working for a full-time wage and not as a part-time job, would benefit, and those who would not require a wage increase as much would still stay at the same level. Since about half of all MW workers are part-time, this would minimize the inflation because some people wouldn't be affected by it, but the BLS chart also depicting involuntary part-time workers shows that they doubled to 40% in 2009, the last MW increase. When these hours are cut and the workers are forced to be part-time and not full-time, they do not qualify to receive benefits, meaning they have to pay for that themselves too. While they are making a higher hourly wage, between the fewer hours worked and the benefits they are not allowed to get, this pushes them further into poverty.

Conclusion

Since there is little way to improve the living conditions of MW workers due to the risk of causing more problems for them, it would be wise to help them without raising the wages.

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One way the government tried to reduce poverty rates is with food stamps. Drew DeSilver talks about how over 42 million people in the United States are currently on food stamps, proving it to be effective. If the government makes additional programs, this could further reduce poverty and improve living conditions. Instead of increasing taxes, which a lot of Americans would be opposed to, we could repurpose older, obsolete programs that still take funding. In 1997, Scott Hodge, a tax policy expert, listed 10 government programs that are no longer useful because they have become outdated, yet still talking about 5.18 billion dollars every year. Even reallocating half of this money could drastically improve the lives of struggling families. The biggest limitation of this though is that relocating government funds not only is a long legislative process but has to be agreed upon by everyone. Given that this would have the least amount of negative effects on those in poverty, as a community, it may be wise to attempt this to see if it works.

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