

The Price of Minimum Wage

BY SHOUVIK MANI

Let's start with simple economics: an increase in price causes a fall in demand. And where prices are concerned, there is perhaps none as controversial as the base price of labor—the minimum wage. Recently, widespread calls for a nationwide \$15 minimum wage (the “Fight for Fifteen”) have been met with both popular and political support. While raising the minimum wage has always been popular, it remains economically unfeasible; and it does not take an economist to figure that out.

A raise in the minimum wage would disproportionately affect young workers who depend on low-wage, low-skilled jobs to gain valuable work experience. Instead of raising the minimum wage at this time of crisis-level unemployment, the government should combat poverty and reduce income

inequality in more sensible ways that are beneficial for employers, consumers and low-wage workers themselves.

Over the next few years, we are slated to see an unprecedented rise in the minimum wage at the local, state and federal levels. San Jose's minimum wage is set to increase this month by 15 cents to \$10.15 after a two-dollar increase in 2013. Last year, the California legislature approved raising the statewide minimum wage from \$8 to \$10 by 2016. Even the federal minimum wage may see a change, with President Obama supporting calls for a \$10.10 minimum wage. There's no question that if such a trend continues, demand for workers will fall, causing a rise in unemployment and making it harder for small businesses to drive the economic recovery.

Minimum-wage jobs form the founda-

tion of the American dream. They serve as stepping stones to better-paying jobs, positions and aspirations for young workers nationwide, from the high school student who is looking for her first job to the college student who is trying to pay for his books. Teenagers working on these jobs can gain valuable workplace skills such as customer service and time management, which they can carry on to their professional careers.

According to William Dunkelberg, chief economist for the National Federation of Independent Business, when the federal minimum wage was last raised from \$6.55 to \$7.25 in 2009, nearly 600,000 teen jobs were lost within 6 months. Today, the teen unemployment rate hovers around 30 percent compared to the overall unemployment rate of 6.7 percent. At a time when our economy is recovering and the unemploy-

MINIMUM WAGE THROUGHOUT THE CENTURY

Since the 2009 raise, federal minimum wage has stood at

\$7.25/hr

President Obama supports raising the minimum wage to

\$9.00/hr

The current minimum wage in Calif. is

\$8.00/hr

and by 2016 it may be raised to

\$10.00/hr

For work done prior to 7/24/07, the minimum wage was

\$5.15/hr



ment rate is slowly waning, we do not need another setback.

Data from the Bureau of Labor Statistics suggests that workers under age 25 constitute about half of all workers earning the minimum wage or less. If employers are burdened with a higher minimum wage, they will be discouraged from hiring young workers. Because of their immense utility to young workers, these jobs are far too valuable to lose.

Of course, high school and college students are not the only ones depending on a minimum wage job. Research published in 2010 by economists Joseph Sabia and Richard Burkhauser shows that if the federal minimum wage were increased from \$7.25 an hour to \$9.50 an hour, only 11.3 percent of workers who would gain from the increase live below the poverty line. For this 11.3 percent of workers, there are better alternatives to a raise in income. Federal and state governments should focus on creating strong safety nets and entitlement programs that protect lower-income Americans in times of crises and offer an escape route from poverty.

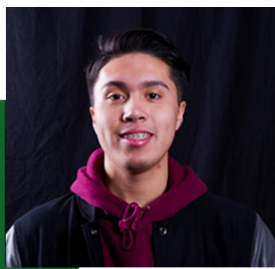
The basic framework to combat poverty is already in place. All we need to do is expand and innovate certain programs. Extending unemployment benefits specifically for low-wage earners is a solid proposition because they are most at risk of financial collapse when they become unemployed. Because these unemployment benefits reduce the incentive for finding paying work, they need to be supplemented by programs that support those who are already working such as the Earned Income Tax Credit (EITC) program. The EITC, which makes payments to workers in low-income households, should be expanded so that more low-income workers can avail its benefits. Finally, steady investment in public education will ensure that students have the resources they need to seek higher-paying jobs and make strides towards income equality in the long run.

While some people may be opposed to this type of big government spending, we have to realize that any effort to eradicate poverty requires significant wealth redistribution. Following the Keynesian view of economics, government spending in these types of programs can be especially fruitful during times of recession to boost economic output and trigger spending from low-income families. Properly executed entitlement programs that target society's most vulnerable will be far more practical than a blanket increase in minimum wage. We need to create focused solutions to help the people who need it the most instead of trying to help ev-

"WE NEED TO RAISE THE MINIMUM WAGE BECAUSE THERE ARE PEOPLE TRYING TO SURVIVE OFF THESE WAGES. I DON'T THINK A MINIMUM WAGE IS A LIVING WAGE FOR HEADS OF FAMILIES, YET THERE ARE MANY PEOPLE TRYING TO LIVE OFF IT."



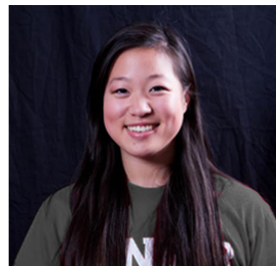
//BARB TAKAHASHI COLLEGE ADVISOR



"PERSONALLY, AS A HIGH SCHOOL STUDENT WHO STILL LIVES WITH HIS PARENTS, A RAISE IN MINIMUM WAGE WILL NOT AFFECT ME THAT MUCH. PEOPLE WHO LIVE PAYCHECK TO PAYCHECK ON THESE WAGES WILL DEFINITELY FEEL A DIFFERENCE."

//LAWRENCE ERISPE SENIOR

"MY PARENTS OWN A RESTAURANT AND A RAISE IN MINIMUM WAGE WILL MAKE IT HARDER FOR EMPLOYERS LIKE THEM, ESPECIALLY AT TIME WHEN SMALLER COMPANIES ARE STRUGGLING."



//AMY WEI SENIOR

KASTURI PANTVAIDYA-EPIC

everyone in a perfunctory manner.

Raising the minimum wage is a policy of inaction on the government's part. Instead of taking poverty eradication into its own hands, the government only delegates this responsibility to businesses when it raises the minimum wage. When there are clearly better alternatives available, the government needs to direct its efforts in funding and executing these programs with a mission to close the wealth gap.

Proponents of a minimum wage increase also explain that their motive for higher wages is fairness. But fairness is subjective. What may be fair to the 45-year-old father of three who works two minimum wage jobs may not be fair to the Chinese-restaurant-owner who is already facing the burden of a brand new labor cost: Obamacare. And who is to say who's fairness is more valuable? Raising the minimum wage is more than just an economic question; it is an ethical dilemma.

To get to the bottom of this confounding dilemma,

"MY HEART SAYS THAT THE MINIMUM WAGE SHOULD BE RAISED SO THAT MY CO-WORKERS CAN SUPPORT THEMSELVES, BUT IN REALITY, I KNOW THAT IT IS ECONOMICALLY UNFEASIBLE.

**//DANIEL ADHIKARI
SENIOR**

we need to understand the meaning of wages in the first place. Wages are not some sort of right or entitlement that we can complain about whenever we feel uncompensated. We earn our wages through hard labor and must make the most out of what we get. Demanding a raise in the minimum wage is no different from pleading a teacher for extra credit at the end of a tough semester.

Needless to say, calls for a minimum wage increase come with the noblest intentions. After all, there are countless families whose breadwinners work multiple minimum-wage jobs yet struggle to attain financial stability. While it is natural to sympathize with low-income workers, we must remember that a higher minimum wage comes at a cost - to employers, consumers, and perhaps most importantly, to the millions of Americans who will become or remain unemployed because of it. Policy, after all, should be shaped by reality, not by emotional impulses. ●



LETTER TO THE EDITORS

A Response to "Fashion: So last season"

by Kristen Wong (Issue 3)

It's true. Some of us value how we look over over necessities like logic and reason. But the biggest thing I'd like to say about this is that yes, some of us girls put in a lot of effort to look nice - but is that necessarily a bad thing?

I'd consider myself one of those girls that puts in a fair amount of effort when deciding what to wear in the mornings. But I really don't see anything wrong with it. For me, putting together outfits - as cheesy and cliché as it is - is my way of expressing myself. It's my art. What I wear defines me as a person.

Put it this way - putting together outfits is my hobby. Some people like sports, some like playing instruments, and I just like being in my room piecing together what to wear next. Everyone spends time on their hobbies, and cataloguing a fashion log really isn't much different than scrapbooking or having a sketchbook.

As for makeup, I personally don't wear makeup because I honestly don't have enough motivation to wake up in the mornings, but I respect individuals that can. Some of my friends don't even care for fashion but love makeup. It's their hobby, their art that they express on their own faces. Literally. It doesn't mean that someone is insecure or needs more confidence. It means that someone has enough confidence to put their work out there to display in front of everyone. And I admire them for that.

Which leads me to my next point. A lot of people say that wearing makeup is to cover up insecurities that the girls previously had. Sometimes it's true. But as someone that sometimes puts together terrible outfits, I feel like I have to have even more self-confidence myself to be able to put myself out there and stand out of the crowd.

As for the fashion police, most of my best friends don't wear anything other than a Lynbrook Hoodie and jeans or yoga pants. I don't know about others, but I've never told them to change what they wear to school, and they don't either to me. We acknowledge what we wear, and quite frankly, what we wear fits who we are - it would take a while for me if they decided to wear anything different.

So really, girls putting in time to put on makeup or to try to wear what's "in" shouldn't be viewed as something negative if in moderation. It's just another aspect of how someone can define himself.

Response submitted by junior Jessica Jiang

Disagree with an article? Have any commentary? Have a correction to make? Email enc.epic@gmail.com with your response. Limit: 300 words.

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