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### Raising the Minimum Wage

In 1938, after years of worker's rights movements pushing for better treatment of low-skilled laborers, the Fair Labor Standards Act was passed into law by President Franklin D. Roosevelt. As part of his New Deal plan, the bill established overtime pay, prohibited employment of minors in many jobs, and lastly established a federal minimum wage. Since its adoption, the federal minimum wage has been raised several times up to its current rate of \$7.25 per hour which was enacted in 2007. Seven years later, Congress debated whether or not to raise the minimum wage up to \$10.10 per hour over a two year period. Though strongly supported by President Barack Obama and many Democratic Senators, the bill has been equally resisted by Republican congressmen and has stalled in the Senate. Many believe that raising the minimum wage is necessary and would result in increased quality of life for low-wage workers while also reducing poverty and inequality. On the opposite side, many think that raising the minimum wage would be counterproductive and instead increase unemployment and poverty as well as hurting businesses. As it not only affects those who earn minimum wage but also the companies who employ such people and therefore those who pay for services provided by said companies, the debate of whether the minimum wage should be raised or kept the same is an ongoing debate that has polarized public opinion.

**Pro: The federal minimum wage should be raised**

The federal minimum wage has dropped in value significantly. In 2013 dollars, the federal minimum wage is down from \$10.60 per hour in 1968 to the \$7.25 per hour we have today, a 32 percent decrease. In order to earn enough to not be below the poverty level, a worker must make an hourly rate of \$8.11, a rate that the federal minimum wage has been below since 1982 (Dube). As a result, an increasing number of Americans are in poverty, and the income gap between the general public and the top earners is widening. Peter Edelman raises a startling statistic: “one-third of the population has an income below what would be \$36,000 for a family of three,” earnings that are roughly twice the poverty line of roughly \$18 thousand per year; “not poor but struggling all the time to make ends meet,” (Edelman). Furthermore, 20.5 million Americans, 6.7 percent of the population, make less than half of the poverty line. These Americans are in deep poverty; in addition, around 6 million of these people have no income other than food stamps (Edelman). This coupled with the rising cost of living in most metropolitan areas paints a grim picture for millions of Americans.

A raise of the federal minimum wage would firstly increase how much money low-wage workers would earn, therefore increasing their quality of life. As a result, these workers would be open to new opportunities they could not afford before, such as college, better education for their children, and other quality-of-life improvements. By opening up new gateways, people can move up in the income bracket, thus reducing poverty and income inequality. Furthermore, these workers would be able to spend more on goods and services, increasing business earnings and employment.

Many argue that an increased minimum wage would hurt businesses and thus cause job losses; however, research shows that this is not the case. A small rise in costs of goods or services would be enough to compensate the change in wages. According to Arindrajit Dube,

“Existing research suggests that if you raise the minimum wage by 10 percent, you can expect the price of a \$3 burger to rise by a few cents, which is enough to absorb a sizable part of the wage increase.” (Dube). Furthermore, by increasing minimum wage, workers would have less incentive to quit and take other jobs, reducing turnover and increasing the number of available jobs.

**Con: The federal minimum wage should not be raised**

Despite the preconceived notion that raising the minimum wage will boost the families living from paycheck to paycheck out of poverty the facts actually point in the opposite direction.

In reality, increasing the minimum wage will create unemployment for many minimum wage workers because their employers will not be able to keep as many employees due the increased wages. According to David Henderson’s article “Raising The Minimum Wage Will Not Reduce Poverty”, “A comprehensive survey of minimum wage studies found that a 10 percent increase in the minimum wage reduces employment of young workers by 1 percent to 2 percent” (Henderson). So by raising the wage of a few workers by a small amount, many young workers will be fired to compensate for this higher wage.

However, even the employees who keep their jobs will suffer from an increased minimum wage. Increasing the minimum wage will result in employees having to work fewer hours and receiving fewer benefits. James Sherk cited Neumark in his article “Raising the Minimum Wage Will Not Help the Poor” when describing the adverse effect of raising the minimum wage: “Workers who initially earn near the minimum wage experience wage gains. But their hours and employment decline, and the combined effect of these changes on earned income suggest net adverse consequences for low-wage workers” (Sherk). David Henderson

explains in his article how increasing the minimum wage forces employers to cut other things: “employers have found other ways to adjust, such as cutting on-the-job training” (Henderson)

On top of not benefitting the people it affects, raising the minimum wage would not even impact most poor people. This is due to the fact that most minimum wage workers are actually teenagers and young adults who are either still supported by their parents or don't live at or below the poverty. James Sherk states, “The average family income of a minimum-wage earner is almost \$50,000, and less than one in five live at or below the poverty line” (Sherk). This proves that raising the minimum wage would not correlate to less poverty in America.

David Henderson explains that increasing the minimum produces in an increase of high school dropouts, resulting in more uneducated Americans fighting for low paying jobs which would actually increase the poverty in America when he writes that “Economic studies have shown that a higher minimum wage entices some teenage students to drop out” (Henderson).

In addition to having a negative effect on America, raising the minimum wage will hurt the world's economy. This is stated in Thomas Sowell's article “Increasing the Minimum Wage is Counterproductive” when it is stated that, “multinational corporations may be pressured into setting wages well above what the local labor-market conditions justify” (Sowell). This is explaining that if companies that are multinational are forced to raise the minimum wage then local companies based in the third world will have increase wages to compete with these large companies which may result in the local business having to close due to not being able to offer competitive pay to its employees.

### **Pro: Rob's Personal Viewpoint**

As a low-wage worker, I personally support a raise in the federal minimum wage. My reasoning for this is that while some jobs are not worth more than minimum wage, the vast

majority of minimum wage jobs are important enough to warrant a raise. By raising the minimum wage, you put more money into the pockets of people who need it most. Although some argue that this will hurt businesses, most are well-equipped to handle the raise. If they cannot afford it, then often times a small price hike will suffice. The argument that raising the minimum wage would result in job loss is consistently shown not to be the case. Also, a common misconception is that most of those who would be affected by the raise in minimum wage would be teenagers who are already taken care of otherwise. Nowadays, less than 15 percent of low-wage workers are teenagers, a much more negligible percentage when considering the raise. Simply put, I feel the benefits of raising the minimum wage far outweigh the downsides. Raising the minimum wage could cause a positive influx of wealth from the bottom up as more people are able to spend more, leading to more revenues and eventually more jobs.

Furthermore, the notion that that one can work their way out of poverty through hard work alone, while significant in its message, holds less true than in the past. The United States is no longer the booming nation where everyone could find success given enough perseverance. After a damaging recession that left millions without jobs, “the American dream” is no longer readily available to those willing to work. Without a good education or connections, it is difficult to make a living in these times. Millions work dead-end jobs with no hope of getting out of poverty as they can hardly afford the basic necessities, let alone a higher education. By providing a higher wage to these people, they are now more able to afford a better education, and with this they become more qualified and can move up in society.

**Con: Zach’s personal viewpoint**

After witnessing somebody close to my family struggle with poverty after an unfortunate event in her life I realized that raising the minimum wage would not actually affect the majority

of impoverished Americans due to the fact that the majority of these people are not even employed. This means that raising the minimum wage will have no impact on poverty; instead of reducing it, it will increase the job competition while simultaneously decreasing the number of jobs available, making less likely that these impoverished Americans will receive any employment. After watching my friend struggle to find a job in the current job market I fear what would happen to countless Americans if the minimum wage was raised.

I also believe that people who really do want to escape poverty do not need an increased minimum wage; they can break the bonds of poverty with hard work and perseverance. Employees are paid and promoted based on their work effort, efficiency, and profit, therefore the employees who are motivated can work their way up the chain of command in their respective field, receiving pay increases along the way and eventually escaping poverty. On the other hand there are the employees who do not want to put in the work but still expect promotions and pay increases; it would be these people who mainly benefited from an increased minimum wage. However I do realize that this is not true for everyone and that there are hardworking Americans stuck in dead-end jobs, but I truly believe that a raise in the minimum wage will hurt more people than it will help and will cause more issues than it will solve, and that is why I am opposed to raising the minimum wage.

### **Negotiation/Conclusion**

The question of whether or not to raise the minimum wage has many long-reaching consequences. As every citizen of the United States relies upon minimum wage workers, whether it be for making a McDonald's burger, cleaning your car, or for other services that they help provide with their work, how much they are paid is a critical issue.

Raising the minimum wage could help employees get above the poverty line, allowing them to not have to live paycheck to paycheck; however, this can also result in layoffs due to the business's inability to make up for the increased costs. Furthermore, dissidents of the minimum wage increase argue that companies would just look elsewhere in the world for low-wage workers as American labor would be too expensive. On the other hand, certain studies show that only a nominal increase in prices could compensate for the increased labor costs. In addition, many argue that raising the minimum wage would provide these workers with new opportunities, such as a better education, through which they could become more skilled and thus more capable of moving up in their field.

We believe a fair compromise to this issue would be to index the minimum wage. This would be done by setting the minimum wage just above the poverty line and regularly increasing it to match inflation. By indexing the minimum wage, minimum wage workers would stay out of poverty, while also keeping the change in minimum wage small and regular so that businesses can more easily adjust to the increases.

It has been seven years since minimum wage has been raised; is it time for an increase, or rather, has the market shifted in a way so that a raise is no longer needed? Overall, there is no one answer to the issue of minimum wage. While the tenets of each side are heavily debated, both sides have their apparent benefits and drawbacks. The issue has been brought up in Congress numerous times, each time with its own debate and outcome. Whichever direction the nation chooses to take, there will be opposition and challenges to overcome, but we can all hope that the decision made is what is best for the country as a whole.

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