

The case against a higher minimum wage

[Business](#), [Work](#)



The Case Against a Higher Minimum Wage raising the minimum wage hurts the poor. It takes away jobs, keeps people on welfare, and encourages high-school students to drop out. Policy makers should be clear on the consequence of higher minimum wages. Jobs and the Minimum Wage Economists have studied the job-destroying features of a higher minimum wage. It is important to recognize that the jobs lost are mainly entry-level jobs. By destroying entry-level jobs, a higher minimum wage harms the lifetime earnings prospects of low-skilled workers.

Side Effects of Raising the Minimum Wage It has been well documented that the minimum wage destroys jobs, particularly the jobs of low-skilled, young workers. However, there are other equally pernicious side effects of higher minimum wages. Higher minimum wages make it more difficult for people to leave welfare and induce high-school students to drop out. Dr. Peter Brandon of the Institute for Research on Poverty studied how raising the minimum wage affect the transition from welfare to work. [7] He found that raising it keeps welfare mothers on welfare longer.

Mothers on welfare in states that raised their minimum wage remained on welfare 44 percent longer than mothers on welfare in states where it was not raised. [8] The reason for this result is that raising the minimum wage induces some people to enter the labor market who would not apply if not for the higher level. With a larger labor market, employers choose higher-skilled applicants. Thus, raising the minimum wage hurts low-skilled workers in two ways. First, there are fewer jobs available. Second, with a larger pool of applicants, competition is stiffer.

Low-skilled workers have a more difficult time getting those job skills that are crucial to economic well-being. Another side effect of raising the minimum wage is that it increases the number of high-school students who drop out. [9] Some of these students do not find employment. Another group of students are part of those applicants that compete jobs away from welfare recipients. Dropping out of school is very destructive. High school drop-outs have a very difficult time improving their well-being. The Elusive Benefits of a Higher Minimum Wage

The proponents of a higher minimum wage argue that it is vitally important to raise it in order to improve the lives of poor workers. However, the raise will have only a limited impact on poor working families. [10] A single parent with two children living in California would gain only 26 cents from a 90 cent increase in the minimum wage. To put this gain in perspective, each minimum wage worker who earns \$4. 25 an hour brings home \$3. 92 for each hour worked once payroll taxes are deducted. The employer costs of a minimum wage worker is \$4. 8 an hour when the employers share of the payroll tax is included. [11] If workers could take home the amount of money it costs the employer to hire workers, they could have 62 cents more per hour. Clearly, the California parent would be better off if the tax wedge were reduced, rather than increasing the minimum wage. Conclusion we need a system that maximizes opportunities for economic well-being of low-skilled workers. Raising the minimum wage is a wrong-headed solution that will deprive young, poor Americans of an opportunity to improve their economic situation.