

# Pros and cons of minimum wage critical thinking sample

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Minimum wage can be defined as the lowest daily, hourly, or even monthly payment that employees can legally be given by employers. This is defined as the lowest wage in which employees can sell their labor. It is the statutory remuneration that is fixed by the Agricultural Wages Advisory Board and the General Wages Advisory Board or any other council of any sector which has been established by the ministry of labor. Constitutional minimum wages were suggested in order to control the explosion of different sweat shops and especially in manufacturing industries. Sweat shops were known to employ large numbers of young workers and women who were paid wages that were deemed to be substandard wages. Minimum wages was therefore proposed since such sweat shops were deemed to have imbalanced bargaining power to their workers. The focus later changed to help individual and particularly families in becoming more self-sufficient. Currently, minimum wages laws affect employees in low paying employment field (Neumark & Wascher 23).

Minimum wage employment for very many American workers was a temporal teenage condition. However, according to Bureau of Labor Statistics, in the year 2011, approximately 3.8 million American workers above teen condition were earning federal minimum wages of about \$7.25 dollars per hour or even much lesser (Shemkus 1). Currently, debate has heated up regarding if the government should raise the minimum wage where it will increase both employers' costs and earnings of low-paid employees. Also, although minimum wages goals are accepted widely as proper, there has been great disagreement whether they have been effective in accomplishing their goals. From the introduction of minimum

wage laws, there has been controversial political debate and especially on the cost and benefits of the laws. Although there exist different many jurisdictions, many people give different opinions on the drawbacks and benefits of minimum wage.

## **Pros of Minimum Wage**

There are different advantages of minimum wages which include the following:

Promoting economic equity across the country: - Minimum wage is viewed as an important strategy for promoting economic equity in United States as it allows for a fairer wealth distribution. For instance, in the absence of the minimum law, free economy forces may exploit workers. Businesses usually have power in abusing labor market and particularly when left unchecked. A job market that is tight and mostly in recession times gives workers the opportunity of accepting business terms of even starving. Minimum wage therefore gives different business reasonable floors on amount that should be paid on labor on unskilled and skilled labor.

Another important advantage of minimum wage is the fact that minimum wage usually reduces the rate of unemployment and especially in adult population in United States as compared to Canada which has no such laws. If minimum wage was done away with, adults who are presently working for the minimum wage will probably lose their jobs to the teen population (Vij 1). Adults who try to make a living mostly are working for the minimum wage. If this was therefore taken away, companies will therefore be forced to hire teenagers in order to pay them fraction of the entire wage.

Additionally, minimum wage usually provides incentive to employees to work

on the job that they have been given. For instance, OECD reports laws on minimum wages usually provide employees incentives for unemployment and unskilled for finding employment (Anderson & Media). Poverty usually put burden on a country's economy since the government is forced into trying and assisting unemployed. Minimum wage therefore ensures people with low skills that they will get paid on the minimum amount guaranteed and therefore encourages them into finding jobs in order to fend themselves.

Minimum wages therefore increases low income earners wage in order to help them earn for their living. Workers will have a minimum amount of money from their income for their daily survival and paying for their bills. Minimum wage therefore has the meaning that even the poorest American workers will have an amount of money to put back into the country's economy. Similarly, this law protect individual as without the law, American small companies will not be in a position to pay their workers fairly.

Companies may decline paying fair wages to their employees without the government action.

Minimum wage offer job security as part time employees who earn minimum wages may be given the opportunity of working full time hence saving the employer the cost of training and hiring other new employees. Additionally, minimum wage will reduce disparities in income in different employee's categories. It therefore helps in containing discontent among different workers and promoting greater work satisfaction for the reason of fair work reward.

## **Cons of Minimum Wage**

Minimum wage has a list of disadvantages as discussed below:

Minimum wage may drive small businesses in United States where the law stands out of business. Minimum wage has an effect to small businesses which is a challenge as they cannot afford to pay the stipulated minimum wage to all the employees. It therefore obstructs their opportunity in their growth and development hence hampering their economic growth in the country. Also, due to lack of control on the workers' wages, small businesses may be forced in limiting employee hours or even hire few employees whom they can avoid and this may have some productivity negativity. Minimum wages represents new expenses that businesses will try to avoid by not hiring new employees but would rather pay the same amount through outsourcing to foreign workers since labor is cheaper. For instance, in United States where laws on minimum wages are followed, it is common for companies to outsource their business to foreign workers other than their fellow Americans. Increasing minimum wage give companies' incentives in hiring their jobs to Mexicans, Canadian and other foreign workers where labor is cheap. This is because companies such as Mexico and Canada has no laws on minimum wage and will therefore be in a better position to accept the work without minding the amount paid as below the minimum wage. Additionally, minimum wage usually creates a competitive advantage for other foreign companies to provide yet another challenge in the capability of American companies in competing globally. Due to the increasing United States trade deficit which has the meaning that the country is actually exporting less that the country is importing, America companies should be

given the opportunity of turning out the best and cheapest products.

Minimum wage which only applies to United States gives them a competitive disadvantage in different ways. For instance, direct labor cost per hour of goes up forcing some companies to hire less employees to keep up with the cost. This affects the quality of their productivity hence poor final output that is not competitive in the market. Since American companies have to compete with other foreign countries, they work hard to earn profits while their product reputation and quality get damaged hence explaining the major trade deficit. As consumer and production cost increases due to increased minimum wage, this therefore lead to increase in consumer costs. This result into increase in the cost of living of individuals.

Also, minimum wage works against low skilled workers, teenager, interns and trainee, part time workers as well as university students since their work opportunities are curtailed by this type of law. Larger employers usually suffer from higher taxation. For example, employers in such large companies are expected to counterpart employee's contributions in social security that rises due to minimum wages. Additional costs are also borne such as Medicare tax.

In conclusion, United States has minimum wage policies that guide employers on the minimum wage that it can pay to its workers. Minimum wage has both pros and cons which have been a controversial debate in United States. To some extent, minimum wage is recommended while it's not recommended to some extent due to its disadvantages.

## **Work Cited**

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