

Formal business memo

Business



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Minimum wage policy MEMORANDUM Rahm Emanuel, Mayor of Chicago

Analyst October 23, RE: raising the minimum wage to \$ 15 per hour

Problem statement

The great recession hit the American nation thereby destroying 8 million jobs. In addition, it made individuals lose their homes and reduced the comfort of previously well-off families. The situation has been worse in Chicago whereby, until recently, the number of the unemployed people remained above 300, 000 (Lee 1). Since 1968, the US has lost 5. 8 percent of purchasing power to inflation. In addition, the Chicago's child poverty rate has increased since individuals play a huge role in taking care of their families. For instance, the state sources only gave 30 percent of revenue to elementary and secondary education in Illinois (Chicago Sun-Times 1).

Proposed solution

When the cost of living surges, the minimum wage should also rise. This is because workers face significant strain while earning figures that do not consider inflation. In the end, the quality of life diminishes as a large number of families are forced into poverty. It is essential for workers to feel that the state takes care of their welfare. Raising the minimum wage is one of the principal ways in which the state intervenes for workers who are majorly defenseless against businesspersons. It is essential to note that the current minimum hour wage of 7. 25 per hour does not care of taxes that every employee faces. At the end of the day, most workers probably earn \$ 4 per hour after taxes. This act will also favor the business community since higher pay raises the morale of workers. A workforce with increased morale easily manifests higher productivity. Besides, the city should target increased expenditure towards rising out of the consequences of the recession. This is

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only possible if workers' purchasing power increases. When the city raises the minimum wage, the action will affect more than 400, 000 workers who make a third of Chicago's workforce (CBS Chicago 1). This figure considers casual workers in areas such as hotels.

Implementation challenges

Hotel workers in Los Angeles recently won a \$ 15. 37 minimum wage policy. This happened after unions and right groups formed advocacy groups for the same. This is the highest minimum wage figure among all the states. It is crucial to highlight that hotel workers were the originators of the idea. This suggests that the minimum wage issue mostly affects the casual workers. Casual workers are predisposed to exploitation by business owners because such jobs do not require special skills. Consequently, the minimum wage is a serious concern for SME's and the informal sector such as hotels. A higher minimum wage increases the cost of business. A business, therefore, which cannot meet the requirement, is highly likely either to close down or move to a favorable location. A higher minimum wage may stifle certain start-up businesses that do not possess adequate economies of scale. Some employers, however, may oppose this move, not because they are affected, but because they want to retain large profits. It is essential, therefore, to conduct a pilot study that will assess the feasibility of the proposal.

Works cited

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Lee, Don. '5 years after the Great Recession: Where are we now?' Chicago Tribune. June 29, 2014. Web. October 23, 2014.