Minimum wage

Business, Employment

The concept of a minimum wage has been around for over a century; New Zealand was the first country to have a minimum wage, enacted in 1894. The United States introduced minimum wage during the Great Depression in 1938. (Anderson) A minimum wage is a price floor; this sets a base line wage that companies have to pay their employees. Currently in the United States nearly 75 million people work minimum wage jobs. (Goldstein) In 2004 the federal minimum wage was $5. 15 an hour and only 12 states had higher minimum wages. (Wall Street Journal) Today it is $7. 25, last updated in 2009. Polling shows that the public supports an increase in the minimum wage. (Kusler) Minimum wage brings together theoretical economics and real world economics, by coming up with a number that is as close as possible to the natural equilibrium while still providing a wage that workers can live on. It has positives and negatives, but I think the positives outweigh the negatives. Proponents of the minimum wage want a base line wage that workers can earn so they are not taken advantage of and can earn enough to provide for their families. This side of the argument assumes that the employers are making a profit for themselves and will exploit their workers as much as they can. Minimum wage is a protection for workers from getting exploited and not being able to provide for their families. Many argue that minimum wage is too low at this time, leaving millions of workers still needing assistance from the government, which is paid by tax payers. As tax payers we are picking up the slack of low wages paid to low earning employees. By increasing the minimum wage, we would be giving more purchasing power to the people who are most likely to spend it. For example, in 2009 in Georgia the minimum wage was the current minimum wage of $7.

25. If you spend a third of your income in housing, the recommended amount, to rent a one bedroom apartment in Atlanta of about $800 you would need to earn $16 an hour. (Gatlin) As this example illustrates, the wage that workers are getting today is not allowing them to support themselves, making the government have to step in with social services to help them. (The Wall Street Journal) If minimum wage had increased with inflation from 1968, people would be earning $9. 92 an hour, which is a lot closer to a living wage. (Gatlin) Other calculations suggest that if it had followed that path today, the minimum wage would be $10. 55. (Goldstein) Earning more is a reward for low wage workers, they are more likely to be loyal, more productive, less likely to not show up for work and shirk their duties. What owners think they save in payroll with paying workers less, they spend looking for new employees because old employees are leaving for jobs that pay higher wages. They also lose the investment that they made in training the person, that training will now have to be invested in someone else. Micah Domato, who runs A. L. Bazzini, a store that sells nuts, in New York City pays his employees an entry wage of $8; he keeps it at that level because other stores would not be able to compete with his pricing. (Wall Street Journal) If employers restructure their wage scales almost 400, 000 more workers would benefit; they are the ones working slightly above minimum wage. Indeed, on January 1st, 2012 eight states raised their minimum incomes to adjust for inflation and over 1 million workers benefited. There is so much agreement on this topic that both Mitt Romney and President Barack Obama have said that they support an automatic increase to keep up with inflation. (Kusler) In conclusion, raising the

minimum wage will give purchasing power to low income earners who are the people who need it the most. It will also create more business because people will be buying more with their increased incomes. People who are against minimum wage feel that it creates a surplus of unemployed workers. This surplus can’t get hired because there isn’t enough money to pay them from the profits that they are making at that level of production. Not only will it slow job growth, but an increased minimum wage will actually lead to even more job losses than the first minimum wage. For example, in 2009 in Georgia, the unemployment rate rose from 4. 5% to 10. 7% in 18 months around the time when the latest minimum wage was set. This price floor will limit job creation in the long run for the least skilled workers. Their employers will have to calculate if the new hourly wage exceeds their hourly product of labor, and then employers will have to see if they should substitute the worker with a more productive worker that will work at a level that is more than his or her wage or they will keep the costs they would have spent on a worker. In both cases, increasing minimum wage is a risk for the current worker. An alternative for minimum could be income subsidies, which can be considered less market intrusive. (Kusler) The National Federation of Independent Business says a tax credits for heads of households is another good alternative that won’t shrink job opportunities or place collateral damage on small businesses. Higher wages can discourage employers from hiring new employees because they can’t afford them. They will in turn maximize their profits with their current employees. The governor of New York in 2004 George Pataki said he would rather the increase be federal minimum wage than state wide because it gives states with lower minimum wages an advantage. In the end, an increase in the minimum wage is feared to only bring disaster. Fewer people will get hired and small business will have to take on a cost they cannot afford. This issue has been debated close to home as well. On November 6 of this year, San Jose passed a law with 58% of the vote that would increase the city-wide minimum wage from $8 to $10 an hour. This new minimum wage is what it was in 1968, adjusted for inflation. Only San Francisco, Washington DC, Santa Fe and Albuquerque have set their own minimum wage before. The measure started in a San Jose State University classroom. The students drafted the measure and got enough signatures to turn their idea into Measure D. (Goldstein) In San Jose an average minimum wage worker salary is $1, 280, which is not even enough to cover the average rent of $1, 800. More people, therefore, have to rely on government assistant to get by. This new law will help 40, 000 low wage workers. (Myers-Lipton) The Mayor of San Jose, Chuck Reed, sided against it and the City Council was divided. The Mayor says that it will take about $600, 000 to put the law in place because they have to make sure everyone follows it. This will put a huge strain on the city’s budget, in addition to the 25% increase in their pay roll for the city’s own minimum wage workers. The opposition says that this increase would lead to cuts in staffing or hiring fewer workers. For example Fourth Street Pizza says that they will have to consider some increase in their prices so they don’t have to lay any one off. (Rusk) Measure D will go in effect early 2013. Only the future will say what effect this measure will have on the economy of San Jose, I hope it proves to be a positive outcome. Minimum wage helps keep a balance between the theoretical economic world and the real world by giving workers better wages than they would otherwise have. The big debate now in many states and municipalities is whether to keep it or increase it. Increasing would lead to workers having better lives and being more loyal and productive at work. Others say increasing it would lead to staffing cuts and fewer jobs because firms wouldn't be able to cover their cost of paying workers more or having more of them. San Jose just raised its city minimum wage by voter approval. In the future it could go both ways, but hopefully it will improve the economy because people will have more money so they will spend more money.