

Minimum wage and the impact on labour



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Minimum Wage: Is There a Golden Number

For over a century now, the economy of the United States has been an issue of constant debate. Even when it is at its strongest, it remains a very controversial topic. There are a number of factors, large and small, that all contribute to the disagreement on America's economy, but my research group has specifically chosen to examine wages and employment. My topic, the minimum wage has a very volatile effect on the value of labor which will undoubtedly change when artificial intelligence becomes a predominant part of the workforce. It can be argued that artificial intelligence decreases the value of some minimum wage jobs; artificial intelligence will displace jobs that currently exist and the minimum wage will likely have to be adjusted as a result. The minimum wage has less of a bearing on the gender pay-gap than it does on other issues. My project will be examining how the minimum wage affects a worker's quality of life, unemployment, and the economy as a whole. I will be researching how much the minimum wage needs to change if it even needs to change at all, and what that will mean for workers. Although the federal minimum wage is currently below the poverty line, evidence suggests that larger increases in the minimum wage have negative effects on worker health and unemployment all while raising the poverty line itself. While increases in the minimum wage can benefit workers, larger minimum wage hikes adversely affect their well being and economic status. In the best interest of the workers, any changes to the minimum must be kept small and made with caution. Recent evidence from Seattle's minimum wage hike to thirteen dollars per hour actually suggests that increases in the hourly wage of workers correlated with a lower number of weekly hours worked. This

culminated in a \$125 average decrease in workers monthly earnings. Worst of all, if workers saw a decrease in monthly earnings upon a minimum wage increase to thirteen dollars, it is difficult to contemplate what might happen if the minimum wage is increased to fifteen dollars like so many have proposed (The Times Editorial Board). Similarly, when the price of labor drastically increases, employers are likely to fire existing workers or hold off on hiring new workers to compensate for the increased costs (Romich). By the same logic, if corporations are spending more on employment, they may be inclined to raise the price of goods in order to raise revenue. In theory, this can expedite inflation and even work to raise the poverty line over time. On the other hand, there is a lack of evidence to oppose more minute increases in the minimum wage. Economist, Evan Totty has found that smaller, ten to fifteen percent increases in the minimum wage have not had any significant effect on employment rates of minimum wage workers over the past thirty years. However, increasing the minimum wage to fifteen dollars per hour would mark a 107% increase from its current value of \$7.25 per hour. Even if employment has been stable for thirty years with the minimum wage changing ten to fifteen percent each time it is adjusted, there is no guarantee that doubling the current minimum wage will not affect employment (Totty). This goes hand in hand with Romich's findings; if the price of labor doubles, employers are paying twice as much for work. Additionally, researchers have determined that increasingly large minimum wage hikes have increasingly adverse effects on both the mental and physical health of workers. Increasing the minimum wage by only ten percent has had relatively small effects on worker health with a " 3.74% increase in the probability of reporting fair or poor health among men and a

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1. 97% increase in the probability of reporting this outcome among women” (Horn). However, “ an increase to \$15 per hour (a 107% increase) is associated with a 28. 56% increase in the likelihood of reporting fair or poor health” (Horn).

Overall, it seems that ambitious minimum wage bumps have more disadvantages than they do advantages. That is not to say that there is no merit to smaller increases in the minimum wage. In fact, there are no real disadvantages of a ten to fifteen percent increase in the minimum wage. Smaller adjustments to the minimum wage can help adjust the minimum wage for inflation while also helping workers rise above the poverty line. This matters because every United States citizen is subject to receiving fundamental human rights. The current minimum wage of \$7. 25 per hour is too low for workers to meet their basic needs, but increasing that to fifteen dollars per hour has a serious backlash and will prove to be just as bad for workers. There is an optimal number for the minimum wage. It is only a matter of increasing the minimum wage in increments of fifteen percent or less until it hits the golden number.

Works Cited

Horn, Brady P., et al. “ Do Minimum Wage Increases Influence Worker Health?” *Economic Inquiry* , vol. 55, no. 4, Oct. 2017, pp. 1986–2007. *EBSCOhost* , doi: 10. 1111/ecin. 12453.

This study offers very strong empirical data showing the effects of various minimum wage increases on worker health. Rather than examining how the minimum wage affects the economy like so many other sources regarding

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this topic do, this source takes a brand new angle. In essence, the study concluded that general health and mental health of workers declined as changes in the minimum wage grew larger. While they found a very small decline in worker health when the minimum wage was increased by 10%, they found that the health decline was much greater when the minimum wage was increased to fifteen dollars an hour. The study found a general correlation where public health declined as the minimum wage was increased. This supports my research of how smaller adjustments of the minimum wage are actually more beneficial to workers in the long run than larger ones. It also helps debunk the idea that a fifteen dollar minimum wage will help workers. In examining how the public health of workers declines as minimum wage decreases, this study can help my research dismiss the common notion that a fifteen dollar minimum wage will help low-wage workers pay for their basic health needs.

Romich, Jennifer L. "Is Raising the Minimum Wage a Good Idea? Evidence and Implications for Social Work." *Social Work*, vol. 62, no. 4, Oct. 2017, pp. 367–370. EBSCOhost, doi: 10. 1093/sw/swx033.

In this article, Romich gives a very general overview of the topic of minimum wage, offering her opinion that it needs to be increased. However, she recommends that any amendments to the minimum wage should be made with great caution (367). She argues that adjusting the minimum wage is a very good way to help low-wage workers experience America's flourishing economy, but increasing the minimum wage by too much could actually harm workers more than it would help them in the long run (367). She states that as the price of hiring workers increases, employers will be much more

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likely to fire current workers and much less likely to hire new workers (367). On the other hand, there are obvious benefits to increasing the minimum wage. For one, workers get to take home larger paychecks, which, in theory, should help them meet their needs. Many skilled workers enjoy paychecks much larger than minimum wage workers; she believes increasing the minimum wage is “ a matter of fairness” (367). Overall, she concludes that there is a very important tradeoff to make when thinking about the minimum wage (368). What this source provides me is a more subjective argument rooted in facts that I can use in my research to weigh how much of a change in the minimum wage would be optimal.

Totty, Evan. “ The Effect of Minimum Wages on Employment: A Factor Model Approach.” *Economic Inquiry* , vol. 55, no. 4, Oct. 2017, pp. 1712–1737. *EBSCOhost* , doi: 10.1111/ecin.12472.

Totty’s study focuses very heavily on the empirical data behind how the minimum wage affects unemployment. In order to avoid the biases that he claims beset many other studies of this type, Totty used what is called a factor model to examine how unemployment is affected by the minimum wage. He states that the “ factor model methods provide a more flexible way of addressing concerns related to unobserved heterogeneity that are robust to critiques from either side of the debate” (1712). Using the factor model, Totty’s study analyzed thirty years worth of data and ultimately concluded that ten to fifteen percent hikes in the minimum wage have an insignificant effect on the unemployment of teenagers and restaurant workers (1735). However, he did state that there was evidence to indicate that larger increases could negatively affect unemployment (1735). This does support <https://assignbuster.com/minimum-wage-and-the-impact-on-labour/>

my argument that large minimum wage increases harm workers, but it, more importantly, displays that smaller minimum wage hikes are only beneficial to the workers.

The Times Editorial Board. “ It’s Too Early to Determine Whether Minimum Wage Hikes Help or Harm Workers.” *Opposing Viewpoints Online Collection* , Gale, 2018. *Opposing Viewpoints in Context* , https://link.galegroup.com/apps/doc/GTXWHQ098683981/OVIC?u=acd_ovrc&sid=OVIC&d=f7fad947. Accessed 10 Nov. 2018. Originally published as “ What’s the right minimum wage? We still don’t have the answer,” *Los Angeles Times* , 29 June 2017.

This article from the *Los Angeles Times* examines whether there is really an argument to be made regarding the minimum wage right now. It ultimately concludes that there is not enough data to support either side of the argument right now. The editors highlight how there is a very prominent “ clash of contrasting conclusions” between various minimum wage studies in Seattle. After the minimum wage was drastically increased in Seattle, a study from UC Berkeley concluded that pay went up and the number of jobs didn’t change. However, a different study from the University of Washington found that workers ended up earning less per month after the minimum wage changed to thirteen dollars per hour. This was because employers presumably made workers work fewer hours to account for the increased hourly wage. Even though the UC Berkeley study seemingly opposes my argument, the fact that its findings conflict with other studies ultimately helps my argument. Conflicting research gives reason to be more careful when increasing the minimum wage.

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