

## **Creating A Better Country, One Raise At A Time**

Kayla Steil

Audience Analysis: There are two clear sides to the minimum wage debate: those who support an increase, and those who do not. While all social classes should be concerned with a topic such as this one, the most neutral audience would be the working middle class. These people likely do not earn minimum wage as their primary source of income, so they would not be biased in any way. Since the minimum wage plays a larger role in the state of the economy, the middle class would be more apt to care about the topic. An increase would affect the middle class as well as those earning minimum wage.

It is not shocking to hear that tens of millions of Americans are living in poverty. Startling statistics about the poor are constantly being tossed around on television with images of run-down neighborhoods and malnourished children. The real surprise, however, is that millions of those in poverty are full-time, minimum wage earning workers. Many say one should feel morally obligated to help these people. President Barack Obama said it best in his February 2013 State of the Union address, “Let’s declare that in the wealthiest nation on earth, no one who works full time should have to live in poverty” (Lowrey n.p.). When minimum wage was created, President Roosevelt declared its purpose was to “maintain a minimum standard of living necessary for health, efficiency, and general well-being, without substantially curtailing employment” (Raising the Minimum Wage 1). Considering the poverty rate and poor living conditions present today, this vision is no longer being fulfilled. In order to create a nation with acceptable living conditions, lowered poverty rates and income inequality, and a stable economy, the minimum wage must be raised to a livable rate. Opponents of an increase argue that the

economy would suffer, but the reality is quite the opposite. Economic conditions could be greatly improved with a rise in minimum wage, and that is exactly why this is an issue much larger than just the working class. Minimum wage affects all classes and has a large effect on the state of the economy. For these reasons, I propose that minimum wage should be increased to a rate that will adequately provide working families with the funds necessary to survive.

Minimum wage was first enacted in 1938 to ensure that workers were maintaining a livable wage. This was mandated under the Fair Labor Standards Act (FLSA) of 1938, which also made sure that workers were free from exploitation and unsatisfactory workplace conditions. At the time of this legislation, minimum wage was set at \$0.25 per hour; this equates to approximately \$4 in 2013. Congress monitored the economy and, through the 60s and 70s, made increases to keep minimum wage at an appropriate level. Minimum wage reached its highest value in 1968 when it was raised to \$1.60, or about \$10.50 per hour today, according to the Bureau of Labor Statistics. Since then, the worth of minimum wage has declined drastically, and now federally stands at \$7.25 per hour. FLSA was received well by workers but opposed heavily by business owners, who argued that a required pay rate would hurt the economy and smaller companies. These are the main arguments still heard today. The continuing minimum wage debate in the United States argues if the current hourly rate of \$7.25 is a livable wage in today's dollars. Simple arithmetic shows that the answer to that question is no. A full time employee, working forty hours a week and fifty weeks a year, will earn \$14,500 per year. For a family of four, the poverty line is set at \$23,550 for the year of 2013 (Sebelius n.p.). This means that a full-time worker (and the worker's family) is earning \$9,050 below the poverty line. Clearly, the current federal minimum wage is not sufficient and must be increased to provide workers with the funds necessary to support themselves and their families.

As a college student, I have worked several minimum wage jobs, and I currently have two part-time jobs. In high school, I held multiple minimum wage positions. Young workers, like myself, contribute to a big misconception that all minimum wage workers are high school students, and this is not true. Many argue that a minimum wage increase will not be beneficial because the majority of minimum wage workers are not full-time or working to make a living. The reality, in fact, is that about four-fifths of minimum wage workers are over the age of 25 (Minimum Wage Workers 11). This means that the majority of minimum wage workers are likely full-time, either still students in college or well into adulthood. Their low-paying job is their career; it is their sole source of income. Coming from a student's perspective, I would love to see an increase in minimum wage for obvious reasons: college is expensive, and who wouldn't want to earn more money? However, I do understand that full-time workers are in much more need of a pay raise. These are the people that an increase is targeted at. These are the people that would benefit the most.

The most important aim of increasing the minimum wage is to reduce the rate of full-time workers living in poverty. By keeping the minimum wage at an unlivable rate, we make certain jobs unworthy of even the lowest standard of living. Government subsidy programs have diminished the value of low-paying jobs, and while they provide protection from poverty, these programs should not be a primary source of income for working families. Raising the minimum wage eliminates the need for such programs because all the necessary funds would come from one source: a hard-earned paycheck. Opponents of raising the minimum wage claim that an increase would do nothing to solve poverty, and this is not far from the truth. Poverty is a much larger issue than raising the minimum wage can solve. According to the United States Census Bureau, about 50 million Americans were living in poverty in 2012 (Bishaw 1). Of these

millions of people, only about 10.4 million were working or looking for work (Plumer n.p.). The remaining 40 million were not looking for work and are now surviving through programs such as the Earned Income Tax Credit and food stamps, which are funded by the working American's tax dollars. This data does support the opposing party's position that increasing minimum wage will not solve poverty. However, the aim of the increase is not to solve the larger problem, but to remove *working* class families from poverty. This is a feasible goal that can be accomplished by indexing the minimum wage to inflation and providing workers with a paycheck that will buy them the necessities.

Many opponents believe that an increase in minimum wage will cause small businesses to crash. The idea is that by putting more money into the employees, the companies will not have enough money to remain profitable. At a glance, this makes sense, but the reality proves otherwise. Lew Prince, co-owner and CEO of a small record store called Vintage Vinyl, is proof that higher wages do not destroy companies. His independent music company is one of the largest in the country and has stayed afloat for thirty-four years. He credits this success to the higher wages he pays his employees. Prince writes, "From day one, we have built this business on wages above the minimum. For this small, extra investment, I get loyal, long-term employees who are devoted to my company" (Prince 22). Prince believes that paying his employees more makes his business more competitive. By maintaining a consistent staff, he avoids the excessive costs of training new employees and creates a familiar environment that regular customers come to expect. In his article, Prince discusses why minimum wage should be raised and how it would be beneficial to small companies. Coming from a highly successful business owner, his insight is incredibly valuable and should be taken into consideration. Prince argues heavily that minimum wage should be indexed to inflation. This means that raises would be gradual, and company

CEOs would be able to better predict the cost of rent, insurance, supplies, etc. Prince's argument is all about organization, and he writes, "If a business can't plan for or absorb that tiny cost increase, it's already dead in the water and is not going to survive even the slightest competition" (Prince 24). If small companies run on poor planning and direction, a minimum wage increase will only be the tipping point of an already doomed business. By following the techniques presented by Prince, small business owners can remain profitable and successful overall while paying their hard-working employees a fair wage.

Much like the argument made previously regarding small businesses, those opposed to a minimum wage increase believe that the economy will suffer more than it will benefit. Companies, big or small, need to earn more money than they spend in order to be successful. Opponents believe that by raising the minimum wage, this balance will be thrown off and business profits will go under, thus damaging the overall health of our economy. These arguments, however, fail to recognize that an increase in minimum wage will also foster an increase in consumer spending. A study done by the Federal Reserve Bank of Chicago shows that a \$1 increase in minimum wage will boost a single household's spending by approximately \$2,800 per year (Aaronson, Argawal, and French 3). The small amount of extra money that companies pay their employees will be put right back into the economy through the purchase of necessities such as groceries and other household items, as well as investments in daycare and schooling for working families.

Opponents also argue that increasing minimum wage will cause unemployment. They believe that if employers are forced to raise wages, they won't be able to afford as many employees, but with a rise in consumer spending, there will be a greater demand for jobs and employers will not be forced to cut their staff short. Studies have shown that increasing the

minimum wage has little to no effect on employment availability, such as the one conducted by Arindrajit Dube, T. William Lester, and Michael Reich in 2007. The researchers studied the employment rates of a specific restaurant in San Francisco between minimum wage changes. Dube, Lester, and Reich found no significant change in the job availability during this time (Dube, Lester, and Reich 2). This supports the claim that a raise in minimum wage does not increase unemployment. An increase in pay would also improve job retention. When employees are making more money, they will not need to search out jobs with higher pay. This is a benefit for both the workers and the employers. Businesses will not have to compensate for constant employee turnover and will be staffed with long-term workers. The employees will avoid the hassle of job hunting and feel confident in the job they have. This would boost job satisfaction and workers will be more likely to put their best effort into their jobs, creating a more positive work environment overall.

Currently, a minimum wage increase is still being debated in Congress. While the majority seems to agree that a raise will be in the near future, there is still argument regarding how high that raise will be. In February 2013, President Obama passed a bill stating that the federal minimum wage will be raised to \$9 by 2015 (Lowrey, n.p.). This is a huge step in the right direction. If the Federal government increases the minimum wage, workers will see an immediate change in their income. For many families, a raise would be the necessary push to get them closer to the poverty line. However, an increase will do little good if it is not adjusted to inflation. For an individual supporting a family of four to meet the poverty line, the minimum wage would have to increase to approximately \$12 per hour. So, in response to Obama's original proposal, Democratic representatives Tom Harkin and George Miller insisted on an increase to \$10.10 per hour. This raise would be gradual and adjusted to inflation in small increments

(Sullivan n.p.). With this raise, full-time workers would earn about \$20,000 per year: not quite enough to push them over the poverty line, but still a noticeable improvement from their current yearly earnings. In early November 2013, President Obama announced his support of the legislation titled the Fair Minimum Wage Act of 2013. The act promises to increase the minimum wage and consistently index it to inflation, as well as increase the pay for tipped workers until it is 70% of the federal minimum wage.

The benefits of raising the minimum wage reach much further than just the lowest paid workers. Removing full-time workers from poverty is a goal that all Americans should be aspiring to achieve, and an increase in minimum wage will help this dream become a reality. Along with the reduction of poverty will come an economic boom, as well as stable businesses for employees to rely on. Let us be reminded that although the entire population does not work at a minimum salary, all workers should be concerned with the state of minimum wage. No full-time worker should be forced to live uncomfortably. The Fair Minimum Wage Act of 2013 is intended to solve these problems by raising the minimum wage to a livable amount. Indexing the minimum wage will help our country grow to its fullest potential by providing sufficient wages, thus providing each employee with the comfort of knowing they live in a nation which treats all minimum wage workers with fairness and respect.

## Works Cited

- Bishaw, Alemayehu. "Poverty: 2000-2012." *U.S. Census Bureau*. Sept. 2013. Web. 24 Nov. 2013.
- Lowrey, Annie. "Raising Minimum Wage Would Ease Income Gap but Carries Political Risks." *The New York Times*. 13 Feb. 2013. Web. 4 Dec. 2013.
- "Minimum Wage Workers: Characteristics of Those Employed at or Below the Minimum Wage." *Congressional Digest* 92.5 (2013): 11-32. *Academic Search Premier*. Web. 7 Nov. 2013
- Plumer, Brad. "Here's why 10.4 million American workers are still in poverty." *The Washington Post*. 12 April. 2013. Web. 5 Dec. 2013.
- Prince, Lew. "Should Congress Increase the Federal Minimum Wage and Index It To Inflation?" *Congressional Digest* 92.5 (2013): 22-26. *Academic Search Premier*. Web. 2 Nov. 2013.
- Sebelius, Kathleen. "Annual Update of the HHS Poverty Guidelines." *Federal Register*. 14 Jan. 2013. Web. 4 Dec. 2013.
- Sullivan, Sean. "White House official: Obama supports Harkin/Miller bid to increase minimum wage." *The Washington Post*. 7 Nov. 2013. Web. 29 Nov. 2013.



## Bibliography

Bishaw, Alemayehu. "Poverty: 2000 to 2012." *U.S. Census Bureau*. Sept. 2013. Web. 24 Nov. 2013.

Dorn, James A., and David Cooper. "Should the Federal Minimum Wage Be Raised?" *U.S. News Digital Weekly* 5.18 (2013): 14. *Academic Search Premier*. Web. 2 Nov. 2013.

Kinsley, Michael. "Walmart Can Solve the Inequality Problem." *New Republic* 244.17 (2013): 12-14. *Academic Search Premier*. Web. 7 Nov. 2013.

Lowrey, Annie. "Raising Minimum Wage Would Ease Income Gap but Carries Political Risks." *The New York Times*. 13 Feb. 2013. Web. 4 Dec. 2013.

"Minimum Wage Workers: Characteristics of Those Employed at or Below the Minimum Wage." *Congressional Digest* 92.5 (2013): 11-32. *Academic Search Premier*. Web. 7 Nov. 2013

Plumer, Brad. "Here's why 10.4 million American workers are still in poverty." *The Washington Post*. 12 April. 2013. Web. 5 Dec. 2013.

Prince, Lew. "Should Congress Increase the Federal Minimum Wage and Index It To Inflation?" *Congressional Digest* 92.5 (2013): 22-26. *Academic Search Premier*. Web. 2 Nov. 2013.

Sebelius, Kathleen. "Annual Update of the HHS Poverty Guidelines." *Federal Register*. 14 Jan. 2013. Web. 4 Dec. 2013.

Sullivan, Sean. "White House official: Obama supports Harkin/Miller bid to increase minimum wage." *The Washington Post*. 7 Nov. 2013. Web. 29 Nov. 2013.

Warren, John Robert, and Caitlin Hamrock. "The Effect of Minimum Wage Rates on High School Completion." *Social Forces* 88.3 (2010): 1379-1392. *Academic Search Premier*.

Web. 2 Nov. 2013.