Why Federal Minimum Wage Needs to Increase

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For decades, millions of families in the United States fall under the power of the government's federal minimum wage. The federal minimum wage was put into place in the late nineteenth century to provide workers with the lowest wage required to secure a standard of living or the level of comfort and material goods someone requires. These comforts may include a living space, healthcare, nutrition, transportation, money, cell phones, and many more. In some cases, many people cannot afford these amenities, while others have enough money to afford greater luxuries. Since 2009, the government has set the federal minimum wage at $7.25 an hour, and it has not increased since. The government allows each state to enforce its own minimum wage, as long as it does not fall below the federal minimum wage. Almost 30 states have minimum wages above the federal minimum wage, those being New York, South Dakota, Minnesota, and even the District of Columbia, which leaves around 20 states having the same minimum wage laws, or no wage laws at all.

Minimum wage workers claim that the federal minimum wage is not sufficient in providing the standard of living, as they only take home a salary of roughly $15,000 a year, given their hours. This wage puts workers above the poverty line by only $2,000, confirming the claims from minimum wage workers. The minimum wage affects every worker, whether it is a white-collar worker or a blue-collar worker. If minimum wage remains the same for the next couple of years, many workers will suffer. The economy, families bringing home an annual salary, poverty lines, and racial differences are all affected by the federal minimum wage. The government needs to do something in order to provide minimum wage workers with the benefits and necessities they deserve, and the most efficient way is to increase the federal minimum wage.

Background

The concept of a federal minimum wage was first established in the late 1800s, yet it was not enforced until the mid-1900s partly due to an odd belief that a labor wage was unconstitutional. In the early 1900s, women and children worked in laboring mills under dangerous and monotonous conditions for only 15 cents an hour. These harsh conditions often led to many work-related deaths, primarily within women and children before the age of 25. Since there were no minimum wage laws, a company could not be held accountable for the harsh working conditions along with the unlawful payment. During President Roosevelt's New Deal operation in 1933, he proposed that labor workers be paid a minimum wage; however, the Supreme Court denied his proposal. The purpose of the New Deal operation was set up in order to assist the United States economy after the Great Depression. To achieve a better economy, the New Deal incorporated new programs, reforms, projects, and regulations that supported unemployed workers, youth workers, and farmers. In 1938, FDR set the first minimum wage to be $0.25, after the Fair Labor Standards Act. The Fair Labor Standards Act was primarily targeted towards those who work to produce or sell goods throughout the states. The current FLSA monitors youth employment, minimum wage, overtime pay, and many other conditions established with the federal minimum wage. This act prevents children under the age of 14 from working a laborious job, and it allows workers to get paid overtime if working more than 40 hours a week. The FSLA provides workers with a right to minimum wage and a right to no longer work in harsh conditions.

Over a period of time, the purchasing power of money typically decreases as a result of an increase in prices, also called inflation. Inflation is the main reason the minimum wage has increased over the years; however, if the minimum wage remained constant with inflation, it should be higher than $7.25. Ben Zipperer (2019) claims that minimum wage workers are paid 29% less than those working 50 years ago and that they should be paid roughly $20 per hour based on the labor productivity growth since 1968. For those working in an industry that receives tips, the employers are only required the pay employees $2.13 per hour as long as the tips and cash wage add up to $7.25 per hour (Browne, 2019). In each state, the minimum wage varies due to the location. For example, New York has many different wages; New York City varies from $13 to $15 an hour, while Upstate New York receives only $11.80 an hour. This discrepancy in wages makes it difficult for the government to establish a standard minimum wage throughout the United States.

Increase Family Income

Millions of parents working a $7.25 an hour job struggle to provide proper care for their families. If the federal minimum wage increased, families could afford the proper necessities to lead a healthy life and provide for their families. Hall and Cooper (2012) claim, "70.7 percent of affected families have a total family income of less than $60,000, and nearly a quarter (23.6 percent) have a total family income of less than $20,000" (p. 5) which is barely enough to provide for a family of two. The average family spends roughly $200 per month on grocery bills, $150 per person for health insurance, and many other monthly bills that a minimum wage job cannot afford. A worker with a wage job tends to only earn half of the total family income (Hall & Cooper, 2012). This means that if the total family income is $60,000, one individual only makes around $30,000 a year. Fortunately, increasing the minimum wage will not affect employment; therefore, families working a minimum wage job are at less risk of losing their job. For families working a minimum wage job, they often need to determine a budget to remain above the poverty line. Unfortunately, this budget does not include things like retirement, emergencies, health insurance, and many other luxuries; it only includes a few necessities to survive (Zipperer, 2019). An increase in the minimum wage would reduce household poverty rates among parents and children (Godøy, & Reich, 2019), and help provide families with more necessities and not just the basics.

Reduce Racial and Gender Gaps

A major problem in the United States aside from economics are gender and race. Minorities are a smaller group of people who have different characteristics and beliefs than those who belong to a bigger, more similar group. These minorities may include African American and Asian groups living in the U.S., the LGBTQ+ community, religious groups, and even women. In the United States, the largest minority groups involve race, mostly Hispanic and African American individuals. Centuries ago, women were considered a minority group and did not have the same rights as the majority group, white men. On many occasions, women would go on strike against the labor unions due to harsh and unstable working conditions. Women and children would be stuck working in sweatshops almost 60 hours a week for only a couple cents an hour. In response to a new law in Massachusetts that required employers to lower employee hours, they also cut wages by a whopping 32 cents. These cuts made workers furious, leading to the Bread and Roses strike, which included men and women protesting against the lowered wages (Hampson, 2014).

Even after the Bread and Roses strike, women continued to experience inequality in the workplace; receiving lower wages than men, employers not valuing them as much as men, and they did not have the same job opportunities as men. Along with women, many African Americans and Hispanics experience the same injustice. Of the workers affected by a minimum wage increase, there are 56.1% non-Hispanic white workers, 14.2% African American workers, 23.6% Hispanic workers, and 6.1% Asian or other ethnic workers (Hall & Cooper, 2012). Along with ethnic workers, “women comprise 54.5 percent of workers who would be affected by a potential minimum-wage increase” (Hall & Cooper, 2012). The differences in wages between races and genders creates a large wage gap in the economic system. Increasing the minimum wage would allow the lower-wage workers, including African Americans and Hispanics, to earn more and decrease the wage gap between races. Barbara Ehrenreich (2001) claims that the most undesirable jobs are held by Hispanic women and men, while employers tend to look for Caucasian individuals, simply because they appear more trusting. Increasing the federal minimum wage would overturn the past inequalities between wages and prevent any growth between the racial and gender gap in the near future (Zipperer, 2019).

Decrease the Poverty Line

Poverty is the absence of proper resources to support life, associated with limited wages. While poverty may be the lack of resources, it includes aspects tied to education, nutrition, basic services, and even discrimination. If the annual salary of an individual living in the United States lies under $15,000 a year, they are considered below the poverty line. The unfortunate aspect is that millions of Americans working minimum wage jobs barely bring home more than $15,000 a year, meaning most wage workers lie on the poverty line. There are roughly 30 million people in the United States that live in poverty. A government assistance program that helps those in need is SNAP, or the Supplemental Nutrition Assistance Program, which is intended to assist individuals in purchasing foods and necessities from the grocery store. Additionally, the government helps those in college or other institutes by providing them with student grants and federal aid, often giving less fortunate children the opportunity to attend. With the introduction of these programs, the poverty line has slowly decreased over the past five years. A graph created by the Congressional Budget Office (Browne, 2019) shows that there are more people leaving poverty than those going into poverty as a result of a wage increase, meaning that the overall poverty numbers will decrease greatly. A benefit of establishing a minimum wage is that many families that work wage jobs will progress above the poverty line due to a reduction in new hires (Mărginean, & Chenic, 2013). Increasing the minimum wage will help those who remain above the poverty line indefinitely.

Many researchers claim that increasing the minimum wage to a couple more dollars an hour would greatly reduce the number of individuals living in poverty. Specifically, Ben Zipperer (2019) states, “if the U.S. had a $12 national minimum wage in place last year, there would be 6.2 million fewer individuals living in poverty” (p. 4). Individuals living in poverty do not have proper resources, meaning they may live in trailer homes without proper amenities. In the Key West area, many people lived in trailer-homes with no air-conditioning, fans, screens, or television. These homes were also located close enough to town so the walk to town was achievable (Ehrenreich, 2001). Having homes close to stores made it easier to grab necessary supplies without having to purchase a car or transportation pass, which often cost too much to afford. If an employee makes tips, employers are only required to pay them $2.13 an hour as long as the cash wage and tipped wage add up to $7.25 an hour (Browne, 2019). Many states have declared a higher minimum wage for tipped workers, meaning that some tipped workers earn a higher wage than most other minimum wage workers. This difference shows that the poverty rate for tipped workers is much lower than that of a worker earning $7.25 an hour (Zipperer, 2019). The benefit of working as a waiter or waitress is the ability to take home the tipped wage right after work without having to wait for the weekly or biweekly paycheck.

Increasing the minimum wage would eliminate this discrepancy between tipped workers and wage workers.

Improve Economy

The United States is a highly developed first-world country with a mixed capitalist economy. The U.S. produces the world's highest amount of product, it holds the highest net worth and the second most purchasing power based on the currency. Along with a high productivity amount, the U.S. is one of the largest nations that participates in world trade. While the U.S. may have a high net worth and productivity amount, these efforts come with downfalls. The net worth of the U.S. is roughly $270 trillion; however, the country is in debt $145 trillion, making its net worth only $124 trillion. Roughly half of the debt owed by the U.S. is partly due to governments, households, and businesses that have financial burdens. Food assistance programs aimed at individuals living in poverty costs the United States a whopping $70 billion each year, and for welfare programs, it cost the U.S. roughly $361 billion each year. Increasing the federal minimum wage will reduce the demand for government assistance programs, which would save the U.S. billions of dollars each year. If the U.S. kept up with inflation and labor productivity, the economy could sustain an increase in wages, even if that wage increase meant giving individuals $20 an hour (Zipperer, 2019).

Increasing the minimum wage in the United States would give workers a raise, which in turn will increase their purchasing power. Purchasing power is the ability to buy certain goods and services. This purchasing power then provides businesses and governments with more money, increasing the amount those businesses can spend on a product or decreasing the debt they owe. Hall & Cooper (2012) claim that increasing the federal minimum wage to $9.80 would give direct and indirect workers an additional $39.7 billion nationwide to spend. Those working a minimum wage job suffer from the government's lack of priorities with their spending power. The government spends most of its money on the police force and penitentiaries, instead of public services for those in need. Businesses also focus on personality and drug testing for employees, which can cost hundreds of dollars (Ehrenreich, 2001). Drug testing and personality quizzes are often unnecessary and pointless. In some cases, many economic issues are not actually tied to economics. Mărginean and Chenic, (2013) state, "Minimum wage is the result of income and social policies, so is not related to the real economy. We have to accept that there are very different drivers of minimum wage comparing to other labor market variables." (p. 101); therefore, claiming that the federal minimum wage is not related to the economy, but the sociology of the surrounding area, the incomes of different individuals, and the policies the areas enforce. These statements prove that increasing the minimum wage would not harm the economy but help the economy.

Negatives of a Wage Increase

While there are many benefits to an increase in the minimum wage, there are many downfalls that affect the economy, employers, and wage workers. Governments need to find a balance between the effects of a minimum wage increase. If the federal minimum wage escalates, employees will benefit from the new wages, while employers struggle to keep up with the increasing wage. Unfortunately, the negatives of a minimum wage increase follow closely to the benefits of a wage increase. One of the main goals of a wage increase is to benefit wage-working families, but researchers found that this may not be the case. As a result of a federal minimum wage increase, employers need to accommodate by increasing their workers' wages, which in turn may result in higher production prices, loss of employee hours, increased consumer prices, and even business shut down. As a result of a wage increase, "income falls for some families because other workers lose their jobs, and business owners must absorb at least some of the higher costs of labor. For those reasons, the net effect of a minimum-wage increase is to reduce average family income" (Browne, 2019), meaning some families and others may lose their jobs in order for employers to accommodate for the high labor costs.

Another benefit sought out for a minimum wage increase is to close the race and inequality gap; however, looking at opposing researcher views, an increase would have the opposite effect. Mark Wilson (2012) speculates that an increase in the minimum wage would hinder the jobs of the minorities and lower-skilled workers by stating, "Minimum wages particularly stifle job opportunities for low-skill workers, youth, and minorities, which are the groups that policymakers are often trying to help with these policies" (p. 1). A wage increase is aimed towards the lower-skilled and minority workers, but a growing wage would just leave them with fewer jobs and opportunities to succeed. Job opportunities will decrease based on the increase in wages employers have to pay employees. Employers then have to cut working hours in order for them to accommodate for the higher wage costs; therefore, employers still spend the same amount in paying their employees, but there are fewer workers. The unfortunate issue with an increased wage is an increase in taxes. Homeowners will have an increase in the taxes they pay towards their houses, employers have to pay a higher amount of taxes for production buildings, and taxes on goods will increase. It is believed that a wage increase is "politically popular" (Hampson, 2014), and only found on one side of the political parties.

Another issue with increasing the minimum wage is higher production and consumer costs. With a higher wage, employers need to pay their workers more, meaning they may need to increase product prices to accommodate for the change (Hampson, 2014). After production costs increase, consumer prices increase, leaving employees with the same issue; the cost of products is too high, and wages cannot accommodate these high prices. In an interview produced by Rick Hampson (2014), an employer states, “a raise in the minimum wage would force them to reduce their three employees’ hours, or worse- ‘shut this place down and just do takeout.’”; the production costs increase at a rate that employers cannot maintain as a result of an increased wage, as well as the costs of renting the production building. Another issue is that many minimum wage workers are in fact younger workers ranging from 16-25. These workers often have no large bills to pay, partly due to residing in their parents’ home. If there are no bills to pay, the $7.25 minimum wage is sufficient in providing them with necessities. An issue with tipped workers is that a wage increase would provide them with more money than the average minimum wage worker due to the take-home tips.

Conclusions

Unfortunately, with the 2020 pandemic of the coronavirus, unemployment has been at a record high. Coronavirus is a virus that affects the upper respiratory system, and it has affected millions of people nationwide. Due to this outbreak, the United States has forced many businesses to shut down to prevent the spread of coronavirus. These shutdowns have affected employees in many ways; limiting the hours they work, preventing them from traveling for work, and even causing unemployment. The unemployment rate of the United States in October 2020 is 6.9%; two times that in the beginning of March 2020. The U.S. government has tried everything they can to provide for those that have lost their jobs by implementing new relief programs. One program introduced is the Coronavirus Aid, Relief, and Economic Security, or CARES act, signed by President Trump in March of 2020. The unfortunate aspect of these relief programs is the cost to the U.S. government. The government spends trillions of dollars on coronavirus aid policies as well as coronavirus stimulus checks. These stimulus checks are aimed to help the U.S. economy by providing individuals with “spending money,” which goes back to the economy. With the government sending millions of stimulus checks out, it only harms the economy by sending out trillions of dollars that the government cannot afford.

While the coronavirus pandemic has caused a multitude of unemployed workers, the benefits of increasing the minimum wage far outweigh the cons. Increasing the minimum wage during a global pandemic may not be the most beneficial; however, there needs to be an increase in the near future. The federal minimum wage provides workers with a sense of forever job security and a promising future. Increasing the minimum wage will give those workers a chance to better their future and the future of the economy. Questions that are commonly asked are, “why don’t workers look for higher-paying jobs?” or “why would someone working at McDonald’s want to get paid $15 an hour?” The answer is simple. There have to be workers in the field that are willing to take the most demanding, yet lower-paying jobs. If there were no individuals to take the less desirable and low paying jobs, there would be no fast-food workers, house cleaners, or waitresses. These minimum wage workers keep businesses open; a restaurant needs a waitress, hotels need housekeepers, and essential workers who are running late would not get the chance to grab a quick lunch. Many people consider low-wage workers non-essential, but they keep the country together. Increasing the minimum wage would help those low-wage workers provide for themselves and their families.

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