



Why is the Minimum Wage Still an Issue?

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Source: Paycor 1

In an incredibly eventful 2020, one big achievement has gone unnoticed. 9 years ago, there was a protest outside a McDonald's in which workers fought for the minimum wage to be raised to \$15. There has been incredible progress since then. On January 1st, 2021, a record 20 states and 32 cities and counties raised their minimum wage, 27 of which will maintain a pay floor of at least \$15. Originally a far-fetched concept, even by liberals, a federal minimum wage of \$15 is no longer out of the realm of possibility. President-elect Joe Biden has proposed a federal minimum wage of \$15, which seems enormous compared to the current federal minimum wage of \$7.25. As efforts to raise the minimum wage continue, there are strengths and weaknesses to both arguments.

If the federal minimum wage is raised significantly, there could be severe implications. The costs of necessities and the cost of living, which is already monumental compared to



wages, would skyrocket. This would also increase input costs for corporations, which will increase the prices of their products, causing inflation to rise more rapidly. Real wages, nominal wages adjusted for inflation, have been stagnant for decades. A large increase in the cost of living as a result of higher labor costs imposed upon companies could threaten real wage growth. A rise in the minimum wage will also result in more workers being laid off as a way for companies to cut costs. Corporations can easily outsource labor to workers in countries with a low minimum wage or more favorable labor laws.

Unemployment will rise and governments will have to spend money on federal programs to keep families afloat with rising costs. However, there are also advantages to raising the minimum wage. The overall standard of living would improve as the gap between the living wage and the minimum wage shrinks. Thousands of families would move out of poverty and would be able to more easily afford food and shelter. This raise would also drastically reduce the amount of federal and state aid provided through food stamps or cash transfers. Worker morale will also improve as they are happy with working for a living wage and help produce products more efficiently. Consumer spending will also simultaneously rise which will increase discretionary income and allow consumers to purchase more products and spend more lavishly.

Furthermore, keeping the minimum wage at its current rate of \$7.25 is unsatisfactory for how economic conditions are today. The living wage continues to rise, especially in large cities like Chicago and Los Angeles where the minimum wage is not rising at the same rate. The federal minimum wage has remained stagnant since July 2009, which was raised from \$5.15 following the 2008 Financial Crisis. As the economy strengthened in the 2010s, wages rose in many areas of the country, but living wages continue to rise at a faster rate. As we have seen as a result of COVID-19, people have struggled to pay rent as unemployment has skyrocketed and unemployment benefits are not enough to sustain families whose only source of income is federal programs. A low minimum wage does not provide enough support for people whose only source of income is a minimum wage job. Living wages are far too high in urban areas for a federal minimum wage of \$7.25.



In [Seattle during 2013](#), the minimum wage was \$9.50 and the city voted to raise the minimum wage gradually to \$15 per hour. This would start with an increase to \$11 per hour in 2015 and another increase to \$13 in 2016. This plan, however, was met with unintended consequences. The average low-wage worker's monthly paycheck decreased by \$125 and hours and jobs were being cut. The number one cost for businesses is salaries and wages, and as Seattle shows, businesses were unable to maintain operations with the drastic increase in the minimum wage. Conversely, Chicago has done a much better job of distributing this gradual increase. In late 2019, Chicago's mayor, Lori Lightfoot, [announced a plan to raise from \\$13 in 2019 to \\$15](#) in late 2021. This allowed companies to adjust budgets and payroll practices without taking drastic decisions such as laying off workers. COVID-19 has caused record levels of unemployment to almost every major economy but plans to raise unemployment have succeeded in the city for now.

As a result, I believe that although the federal government needs to raise the minimum wage from current levels of \$7.25, this increase should be done gradually. This is how most states that have raised their minimum wage have been building their way to a \$15 minimum wage. An Economic Policy Institute estimate claims that by 2026, [42% of Americans will work in a location with a minimum wage of \\$15](#). This is astounding considering this number was 0% just a decade ago. COVID-19 has caused businesses to tighten their ropes and lay off workers but as vaccine optimism spreads, businesses and the economy looks to rebound in late 2021. As the economy gains traction, the federal government needs to develop a plan to gradually raise the minimum wage. As the Biden Administration takes over on January 20th, only time will tell whether the minimum wage becomes a central issue for a Democratic Congress.