Raising the Minimum Wage to $15 Per Hour

Background

After a legislative struggle for over ten years, the Fair Labor Standards Act was passed in 1938 and allowed the federal government to set a minimum wage standard and established that those covered by the law are entitled to a certain amount of pay for their work.

The minimum wage continues to provoke controversy because it does not adjust to the rising cost of living and it is dependent on political negotiations for an increase.

Although many political struggles have occurred throughout history regarding the minimum wage, it has been raised 22 times by 12 different presidents. But after 1968, the minimum wage is not linked with rising inflation.

In 1989, Congress mandated that smaller retail businesses are subject to the FLSA during any workweek in which they either engage in interstate commerce or make goods that will be sold in other states. In 2009, the federal minimum wage was raised to $7.25 per hour.

In 2016, New York and California passed laws raising minimum wages in their states to $15 per hour. As of 2019, twenty-nine states maintain a higher minimum wage than the current federal standard, and eight states automatically increase wages based on cost of living.

President Joe Biden has stated that raising the minimum wage to $15 an hour will enable many workers to overcome poverty. However, some businesses and economists argue that it could cost jobs while the U.S. is recovering from the pandemic. President Biden endorses a plan to more than double the wage, in steps, **over four years**. The bill would increase the wage to $15 an hour in four years after the law's effective date, with the first increase to be $9.50 an hour the day the law becomes effective. After the rate becomes $15 per hour, it will be reviewed annually and adjusted based on changes to all employees' median hourly earnings.

Also being proposed is a gradual removal of subminimum wages for workers who earn tips. That wage is currently at $2.13 an hour. The proposal also includes the elimination of subminimum wages for youth and disabled workers.

Many minimum wage workers in America, such as those working in retail or hospitality jobs, often qualify for government assistance, despite having full-time jobs.

The issue continues to be divisive and Republicans proposed a budget amendment last year to prevent Congress from raising the federal minimum wage to $15 an hour during the pandemic. Senator Bernie Sanders (I., VT.), an outspoken proponent of raising the minimum wage, countered that the proposal would not raise the wage all at once, but over several years. He said he saw no problem with the Republican amendment. As a result, it passed by unanimous voice vote.

The federal minimum wage is currently in force in 21 states that either do not have a state minimum wage or set a level at or below $7.25 an hour. The federal rate would cover more states should it be raised to $15 an hour in the coming years.

ARGUMENTS FOR A MINIMUM WAGE INCREASE:

- A higher minimum wage would boost the pay of about 27 million workers and lift 1.3 million Americans out of poverty.
- Boosting lower-paid employees' wages would allow them to spend more and boost local economies.
- Giving local communities the ability to set a standard minimum wage based on their local economies and adjust it based on living costs would benefit low-paid workers.
- According to government guidelines, at $15 per hour, a family of four would be slightly above the poverty level.
- Several large employers have raised their starting wages in recent years and some have suggested a federal increase could help level the playing field among businesses.
- Some economists have looked at past state and local increases and found little job loss relative to nearby areas with lower minimums.

ARGUMENTS AGAINST A MINIMUM WAGE INCREASE:

- The increased wage would cause job losses in low-wage industries, such as the leisure and hospitality sector, which shed 3.8 million jobs last year during the pandemic.
- The pandemic caused many small businesses to consider bankruptcy. Businesses such as restaurants and other small firms expect profits to return when the economy can get back to normal. Increasing the minimum wage now would cut into those expected returns to profitability and cause businesses to close or reduce employment.
- Because the pandemic has disproportionately harmed many low-wage workers, the government should support them through direct payments and other government programs rather than mandating that private firms raise wages.
- Many elected officials believe a $15 an hour wage is too high for rural areas and regions of the country with a lower cost of living.
- This level would cause businesses not to hire workers or cut current workers' hours.
- Many economists believe a dramatic increase in the minimum wage would accelerate the move to automation and Artificial Intelligence (AI) and would profoundly shift employment and labor, changing jobs forever.

References

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