

A Brief Discussion of Minimum Wage

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Abstract: Generally speaking, the minimum wage ensures the minimum living standard for most people, however, it also creates embarrassments for some companies to some extent, especially manufacturers who sell materials being made at a low cost. Those employers may turn to countries with cheaper labour. So, this paper mainly discusses the pros and cons of the minimum wage, but lays importance on its benefits to demonstrate the importance of the minimum wage. It focuses on four aspects: from the personal, including work and life, to the society and the next generation, to illustrate the significance of the minimum wage and re-bring the issue back into the public lens.

1. Introduction

Currently, the world's economy is facing multiple issues, such as lack of working opportunities, low wages, and falling stock prices [1]. Among all, the minimum wage can play a vital role in solving the problem. A minimum wage is the lowest remuneration that employers can legally pay their employees [2]. It can be crucial in many circumstances. For example, it can help families to pay living expenses such as rents and bills; create more economic opportunities for the next generation to consistently improve their education and health care; increase employees work productivity. Therefore, the benefits of keeping minimum wage outweigh abolishing it.

2. The Benefits Brought by the Minimum Wage

The minimum wage creates more economic opportunities for workers. Firstly, the minimum wage provides the resources for workers to start their own businesses [3]. An entrepreneur who left a company then started his entrepreneurship journey, Andrei Negrau, stated, "If you're like most people, you're not appreciating enough the lifestyle you created. It's human nature to adapt and evolve, but my advice is to have some gratitude for the things in life that you take for granted[4]. " It's not only the financial support you gain from minimum wage but also the mental support from the change of mindset. Eckhart Tolle is a spiritual teacher and best-selling author. He has written in one of his books, "Acknowledging the good that you already have in your life is the foundation for all abundance. [5]" Therefore, the minimum wage can help the workers to lay a solid foundation.

2.1 From the Perspective of Work

The minimum wage is beneficial to business owners. The minimum wage encourages people to devote more to their companies and develop their capabilities. When employees are paid well, they will access better mental and physical health. Their self-esteem improves and they will be motivated to develop their working skills. As a result, business owners benefit from having high productivity and motivated workers in their companies. This is why many companies as well as in the industries in which low wages have historically been usual, will voluntarily pay more than minimum wage to their workers. Motivated workers may also be more likely to pursue career advancement in their current workplace, rather than departing the company, as soon as they receive a better offer. This enables employers to train and promote workers within their companies, which is often less risky than hiring someone outside the organization. As a result, workers will gain more work experience, enjoy a better work environment, as well as economically benefits them. According to the Economic Policy Institute report, this modest increase would give nearly 35

million workers a raise (28 million directly and 7 million indirectly) and lift approximately 4.5 million people out of poverty [6]. Therefore, the minimum wage will lead to an increase in employment and economic growth.

2.2 From the Life Point of View

Furthermore, the minimum wage is vital for low-income communities to pay living expenses, such as rent and bills. In the 21st century, many people in the United States rely on the minimum wage to survive in society [7]. A resident living on the minimum wage in the US, named Geoff Willian, was asked to describe his life living on minimum wage. He explained in the interview, “To cover the cost of living on minimum wage, it's best to keep expenses as low as possible. Look for deals at the supermarket, and preferably at a discount grocery. Use loyalty cards and coupons, and if you have kids, look into available free or low-cost lunch programs.” For Geoff, he cannot live without minimum wage and it became a vital income to support his living expenses. Therefore, if people are already struggling with minimum wage, it will be difficult for them to find an alternative way to support the family. Although people have to live frugally, at least they have the ‘qualification’ to survive in the current society. In 1933, five years before the first minimum wage became law, President Franklin Delano Roosevelt said, “By living wages, I mean more than a bare subsistence level. I mean the wages of a decent living” [8]. The first U.S. minimum wage was implemented in 1938 as part of the Fair Labour Standard Act [9]. It intended to support those families who have survival issues. The law established a minimum wage (25 cents per hour, soon to rise to between 30 and 40 cents per hour), a standardized 44-hour work week (which would later drop to 40 hours), a requirement to pay extra for overtime work, and a prohibition on certain types of child labor. Therefore, the minimum wage has created a crucial impact on low-income communities and provided them with a more decent life in the current society.

2.3 Considering the Next Generation

The minimum wage can help the next generation to improve their health care. First of all, an increase in the minimum wage throughout the next generation’s childhood is associated with a significant improvement in child health. According to the NBER (National Bureau of Economic Research), “much of the benefits of a higher minimum wage are associated with the period between birth and age five for. [10]” Economic conditions with children have far-reaching implications for health, academic achievement, and economic success in adulthood; these indirect effects may affect individuals’ well-being and their social and economic mobility. Furthermore, NBER’s research also stated, if minimum wage increases, children health is going to improve significantly. As they wrote on their web site “for these children, a \$1 increase in the minimum wage in each year of the child's life is associated with an 11% increase in the probability that the child is in excellent health; a 57% decrease in the probability of being in poor health, as measured by three indicators noted earlier.”

2.4 To the Extent of Our Society

The minimum wage can also provide social stability within communities. Workers who are assured of receiving a minimum income have a high possibility that they will stay in their current job. This is beneficial for employers because they face lower risks of dealing with the inconvenience of high turnover, which happens when workers leave the community to look for a better wage elsewhere. In addition, a large portion of every paycheck will eventually return to the economy in the process that employees use the earnings to consume the commodities and services they require. The more people earn, the more money they tend to spend, not only on infrastructure such as housing and food, but also on entertainment, travel, and consumer goods. Companies prosper when consumers feel confident enough to make purchases. In addition, prosperous businesses typically have to hire more workers, which can lead to a higher employment rate. As the number of employed people grows, so does the economy.

3. The Potential Disadvantages of the Minimum Wage

However, a minimum wage could have potential disadvantages – in particular, there is the risk of creating unemployment as firms cannot afford to employ workers. As Milton Friedman, who was an American economist and statistician who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory and the complexity of stabilization policy, explained in an interview “it has always been a mystery to me to understand why a youngster is better off unemployed at a \$1.60 an hour than employed at \$1.25”. In some cases, a higher minimum wage could raise costs, causing a firm to fall off industry because they can’t afford to pay wages to the workers. This might be a particular problem if the firm is competing in a global market. And higher wage costs make them uncompetitive compared to low-wage cost countries. For example, a higher minimum wage may encourage firms to manufacture clothes in China or Taiwan, where labor is cheaper than that in the UK [11]. Although a minimum wage can lead to these problems, the existence of minimum wage still brings people economic opportunities in the economy.

4. Conclusion

To conclude, the minimum wage plays a vital role in our society. Firstly, it can motivate and encourage people to set up their own businesses, which can lead to economic independence. Secondly, the minimum wage can help low-income communities to pay their living expenses. Lastly, it provides more economic support for the next generation to grow on a steady path and provide them with a promising future.

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