

INTRODUCTION: *Americans are concerned about stagnating wages and the lack of economic opportunity, particularly for those just starting out or with few skills. We want everyone who wants a job to be able to find one and everyone who works hard to be paid a fair wage and have the opportunity to get ahead. Currently, the federal minimum wage is \$7.25 per hour, and some argue that increasing the minimum wage will help alleviate poverty and boost the income of the working poor.*

To start this conversation, [take the quiz](#) to see what you know about the minimum wage and economic opportunity.

1: Proponents of a higher minimum wage suggest it is the best way to help families living in poverty earn more. What percentage of households below the poverty line include a full-time, year-round worker?

- A. 80 percent
- B. 60 percent
- C. 40 percent
- D. Less than 10 percent

ANSWER: D – According to the [U.S. Census](#), in 2012 (the most recent data available), just under one-in-ten working age adults living in poverty included a full-time, year-round worker. Two-thirds had no worker at all. Proposals to raise the minimum wage would do nothing to help these Americans who lack employment. Even worse, by raising the cost for a business to offer someone a job, it would make it even less likely that they will find jobs.

2: What percentage of minimum wage earners are under age 25?

- A. 10 percent
- B. 25 percent
- C. 35 percent
- D. 50 percent

ANSWER: D – According to the [Bureau of Labor Statistics \(see Table 1\)](#) 50.4 percent of workers earning the minimum wage or less are under age 25. Nearly one-quarter (24 percent) are between ages 16-19.

3: What is the most accurate description of the typical worker earning minimum wage??

- A. A single head-of-household living in poverty
- B. Someone contributing earnings to a household that makes less than the poverty level
- C. Someone who contributes earnings to a household that makes more than the federal poverty level.

ANSWER: C – The [U.S. Census](#) confirms that overwhelmingly households below the poverty line lack workers at any income level. In 2012 (the most recent data available), just under one-in-ten working age adults living in poverty had full-time, year-round work. Two-thirds had no work at all. [Heritage Foundation](#) analysts estimate that sixty-three percent of minimum wage earners contribute, along with other earners, to households with incomes that are more than double the federal poverty level.

4: Democrats have proposed increasing the federal minimum wage from \$7.25 to \$10.10. What did the Congressional Budget Office say would be the effect of the change on the availability of jobs?

- A. There would be more be one million more jobs under the higher minimum wage
- B. There would be more be 500,000 more jobs under the higher minimum wage
- C. The new minimum wage would have no impact on job creation.
- D. There would be 500,000 more be one million fewer jobs under the higher minimum wage

ANSWER: D – The non-partisan [Congressional Budget Office](#) concluded that raising the minimum wage to \$10.10 would result in 500,000 fewer jobs. This confirms the economic analysis of the vast majority of economists. Proponents of a higher minimum wage sometimes imply that reputable studies show that the laws of supply and demand somehow don't apply to the minimum wage and raising the cost of employment won't lead to fewer jobs. But when economists reviewed the dozens of studies on this issue that have been conducted in recent years, they found overwhelming evidence that a higher minimum wages does lead to fewer jobs, particularly for low-skilled and low-wage workers. For more information, see [Minimum Wages and Employment, by David Neumark and William Wascher](#).

5: Would a higher minimum wage mandate impact workers who currently earn more than the minimum wage?

- A. No, it will just impact those who currently earn below the new minimum wage threshold.

B. Yes, since many businesses—particularly those one’s with unionized workers—link compensation to the minimum wage, a higher minimum wage will increase pay for higher-income workers.

ANSWER: B – Many jobs with higher earnings have wages linked to the minimum wage. This is particularly true in industries with unionized workers. If the minimum wage goes up, already high-paying union wages will go up too. Businesses have to make up for higher employment costs, which mean that, in addition to fewer jobs overall, costs for products and services would also rise.

How Did You Do?

Check your answers and give yourself one point for each question you got right.

Did you get fewer than 3 points? That’s okay! This information isn’t well known, and in fact, most of the discussion you hear about this topic in the media ignores this kind of data and analysis. Take a look at our suggested readings and learn more about this important issue.

Did you get 3 points or more? If so, congratulations! You know your stuff about the minimum wage and labor markets. You should speak up when you hear discussion about this topic since so many people haven’t heard this information!

Real World Examples

Here are a few examples of people I know who would be affected by a minimum wage hike.

Jayden

Jayden lives in downtown Seattle with his mother and younger brother. His mom works very hard at her job with the city government, which provides for them. But Jayden wants to help out and help pay their expenses. He’s doing fine in high school, but doesn’t plan to go to college. He wants to start working right away. The problem is, there just aren’t that many jobs for young people these days. In fact, in Seattle, Washington, the unemployment rate for 16-19 year olds without a high school diploma is more than 30 percent! That means that there is one kid looking for a job for every two who are lucky enough to have a position. Jayden isn’t so concerned about his starting pay: What he wants is a foot in the door so that he can show that he is a reliable worker and he knows that then more and better opportunities will come his way. Unfortunately, if the minimum wage

goes up higher, there will be even fewer employers willing to take a chance on someone like him who is just starting out, which means it will be even harder to get the job experience he needs.

Maria

Maria immigrated to America just a few years ago. She very much wants to work to provide for herself and her family, and to be able to send some money back to her family in South America. She only speaks a little English, which makes it hard to find a good job. She is trying very hard to learn the language, and has been fortunate that some of her coworkers at the restaurant where she has been working are helping her. She worries that if the minimum wage goes up, her manager will have to combine her position with that of the hostess, which requires English fluency. Maria would then be out of job and would face a real challenge in finding another position that match her skills. She might then have to look for an under-the-table arrangement, which would mean less pay and fewer benefits and protections.

Carl and Juanita

Carl and Juanita have run a small, family-owned pharmacy and gift shop for more than twenty years. It hasn't always been easy, but they've consistently employed six workers, many of whom have been with them for years. They've always thought of them like a part of the family. Their lead sales clerk has a son who had spent some time in prison. He had cleaned up his act, and Carl and Juanita hired him to help keep the shelves stocked and help maintain the store. But they won't be able to afford to keep his position if the cost of employing him goes up. They worry because they don't know if someone else would take a chance on him and want him to have the opportunity to rebuild his life. Carl and Juanita face tough decisions trying to balance the needs of their customers and employees, while trying to keep the business afloat.

Discussion Questions

- Have you ever worked in a minimum wage job or does anyone in your family?
- Do you think that most minimum wage workers would still have jobs if the minimum wage increased to \$10 an hour? What about it went up to \$20? Or even \$50?

- Lots of teens and twenty-somethings from more well-off backgrounds take unpaid internships in order to gain skills and experience in the field that they want to enter. Do you think it's fair that they have these opportunities while someone who would be willing to work for less than minimum wage in another industry isn't allowed to?
- Do you think government should make it illegal for someone to offer someone else a job below a certain wage?
- Do you know someone who has run a small business with minimum wage workers? Was it always easy for them to keep the business going? What do you think they would do if the minimum wage went up by more than they could afford??

Articles to Read

Rachel DiCarlo Currie: Policy Focus: Why Earned Income Tax Credit Beats Minimum Wage: <http://www.iwf.org/publications/2793719/Policy-Focus:-Why-Earned-Income-Tax-Credit-Beats-Minimum-Wage>

Carrie Lukas: Policy Focus: Minimum Wage: <http://www.iwf.org/publications/2791929/Policy-Focus:-Minimum-Wage>

Carrie Lukas: Seattle's Minimum Wage Hike Sure to End in Disaster: <http://www.nationaljournal.com/next-america/perspectives/seattle-s-minimum-wage-hike-is-sure-to-end-in-disaster-20140808>

Action Items

- Ask your friends and family if they've worked in minimum wage job, or ever had an unpaid internship. Ask if they thought that the experience was valuable, even if the pay wasn't great. Ask them if they know of anyone who wishes that it was easier to gain work experience, even if a job pays less than \$10 an hour.
- Write a letter to the editor of your local paper the next time you read someone arguing that a higher minimum wage would help the poor. Remind them that what those living in poverty lack most are job opportunities and what they really need is a foot in the door so that they can gain needed skills and experience..