



“**F**ight for Fifteen” has been a rallying cry from Seattle to New York to Washington DC for one of the most high-profile social, economic and political protest themes in recent years: the demand on the part of some workers for a higher minimum wage. But the issue is far more complicated and nuanced than what will fit on a poster or can be chanted at a demonstration.

Let us stipulate that we’re of one accord when it comes to the desirability of getting more resources into the hands of low-income households, especially as we and other nations confront income stagnation and escalating inequality. The conundrum is how best to accomplish that goal.

BY ALLEN R. SANDERSON

Let us also assume that self-interest is pretty much equally distributed. Firms want to charge as much as the consumer is willing to bear and pay their employees as little as possible. Consumers don’t want to cough up much for their purchases but want to be paid handsomely as employees. Politicians pander to gain, and then remain in, office. Just so we’re square here!

Some questions to ponder to ensure that those we’re trying to help are not made worse off by our actions:

First, why do we have a legal minimum wage at all? Restrictions on hours of work and requisite compensation stem from the 1930s – principally the 1938 Fair Labor Standards Act. (Subsequent complementary laws on worker health and safety date

from the 1970s.) The underlying assumption is that firms have disproportionate leverage vis-à-vis their employees; that is far from obvious in 2016.

Second, who are these people? There are about three million minimum-wage workers in this country, a little over 2 percent of all employment; half of them are under the age of 25. There are about 150 million workers, including me and virtually all employed *Chicago Life* readers, who make more – and generally considerably more – than Illinois’ minimum of \$8.25 an hour. If firms have so much power, why is anyone paid more than the minimum? If you can answer that question, it will go a long way toward understanding labor markets.

Third, can one live on \$8.25 an hour? Yes and no. For a single individual, that wage for a full-time employee is above our official poverty line. Supporting a child or a family? No way.

Has the minimum wage kept pace with the cost of living for the last 40 or 50 years? That depends. Activists cherry-pick their starting point from 1968 or the late 70s to illustrate the relative decline since. But if one adjusted the original \$0.25/hour in 1938 for inflation, today’s minimum hourly wage would be about \$4.25.

Fourth, would some current employees lose their jobs to higher skilled workers and through a faster pace of automation if the wage were to rise to \$15/hour? Of course. The only question is: How many? The non-partisan Congressional Budget Office estimates 500,000 job losses. Is that an acceptable tradeoff? What if it turned out to be 1 million?

Fifth, if someone gets an extra \$5 an

hour and works 1,800 hours a year, that’s a \$9,000 increase. Question: Who pays the \$9,000? McDonald’s customers, many of whom are from low-income households, because of higher menu prices? Other McDonald’s employees via wage compression? Lower profits for the individual franchise owner? McDonald’s stockholders in the form of lower dividends?

(Two canards: Wouldn’t firms be better off with a higher-skilled labor force and less turnover? No; or they would have already done it. Doesn’t that extra \$9,000 stimulate the economy? No; it’s just a swap – one person’s extra spending v. others’ reduced outlays – and thus has close to zero net impact.)

Sixth, is this a signal – Gee, if I drop out of high school I could make \$27,000 a year! – that we really want to send? Being unskilled in a high-tech world means that one’s economic life is essentially over.

Finally, don’t these workers – to borrow phrasing from personal-injury lawyers and other familiar purveyors on television commercials – “deserve” more? Emphatically, yes! But that still begs the question: Who pays them? And is there a less destructive alternative? Yes, several. (More private charity is simply not a feasible option.) One would be a wage subsidy to employers who hire low-wage workers. Another, an expansion of the Earned Income Tax Credit (EITC). Or perhaps it’s time to revisit the long-standing pipe dream of the political left and right: a Universal Basic Income system.

We as citizens should be willing to sacrifice together, and not be unwitting participants in a misguided, disingenuous ploy to browbeat McFirms. □