Fight for Fifteen

BY ALLEN R. SANDERSON

Fight 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.

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.

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ON THE ECONOMY

CHICAGO LIFE OCTOBER 2016