

Minimum Wage? Won't Someone Think of the Children!?

Written by Chris Baecker.

I was quite proud of my 12 year-old recently. She bought her own iPad with money she had saved from babysitting her younger sisters (a joint-effort with her 13 year-old sister) on the nights that I have class. It reminded me of my first job working at the gun range where my dad shot skeet & trap. I earned about \$55/week, paid the same way; in cash. I would do simple stuff, like load targets, 'pull' for shooters, maintain the grounds, etc.

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Fortunately my daughters have good habits, usually allowing me to stash their earnings & allowances into a little safe (I hope as much with my eldest, as she prefers to keep hers). They'll need to save all they can for a car or computer in the future because the minimum wage acts to shut them out of market work until later in their teens.

At its core, the minimum wage is a coercive extraction of resources from one party (a business owner) to be given to another (a worker) at the behest of elected representatives and/or referendum voters. This is a disconcerting dynamic in a free society where employment is supposed to be a voluntary transaction between employee and employer: a person wants to work, a business needs labor.

From an economic perspective, the minimum wage is counterproductive. When you want less of something, you raise the cost of it. In this case, employment is the 'something' and wages are the cost. Think about it. When the cost of clothes decreases, you are more likely to buy another shirt or pair of jeans than you otherwise would have at the higher cost. The same applies to labor. When the cost of labor increases, business owners buy less of it.

Fortunately, in Andy Puzder, CEO of CKE Restaurants, we now have a labor secretary-designate who understands this.

The Sordid History of the Minimum Wage

The minimum wage in the U.S. dates back about 100 years, when a handful of states enacted the first such requirements. Congress & FDR soon jumped into the fray, adding a federal version to the mix. After striking it down a couple times at both the state & federal levels (once declaring it an "unconstitutional interference with the liberty of contract ... the individual"), the Supreme Court eventually validated it.

Since then, states and municipalities have continued to enact their own minimum wages

higher than that of Uncle Sam, at times ostensibly due to the fact that the federal version is not indexed to inflation (absent an explicit link, the real value of it declines over time). It's not terribly evident, moreover, that such actions are due to different political leanings, given that the states that have enacted raises in the last couple elections have been both red & blue.

Big Business and the Minimum Wage

Nonetheless, such price controls do harm businesses, especially the smaller ones. They can't absorb higher wages in the same way as big businesses can. By mathematical definition, they feel a more pronounced effect on their bottom line, and you can bet Big Business is certainly aware of such an advantage.

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Such a realization would likely explain why companies such as Subway & McDonalds have at best been indifferent about, and at worst supported, a hike in the federal minimum wage. This is unfortunate given that these businesses started out small themselves. Either that or they're OK benefitting from the strong arm of government at the expense of small business. What's more, given the hybrid nature of the way such chains are constructed, it's quite likely that many of their respective franchisees were not in agreement. My aunt & uncle used to be two such people, and incidentally, they had an employee who believed his subsequent increased purchasing power would probably dissipate due to corresponding price hikes that were a likely (short-term) tool to cover the increased cost.

The first time I remember hearing of the minimum wage, ironically enough, was when I worked at McDonalds while in high school. Like many teenagers, I needed gas money if I wanted to drive, and some pocket change when I arrived at wherever it was I was going. That brings me back to my girls.

The Unseen Victims of the Minimum Wage

By now it's probably no secret that the percentage of those who support a family primarily on a job paying minimum wage is so negligible as to equate to a rounding error. The people most adversely affected by such a policy are the ones who need unencumbered access to low-skill level jobs. These are the jobs where they can build basic employment abilities: punctuality, taking orders, commercial interaction, etc. It's not surprising therefore, that the demographic with one of the highest unemployment rate in the U.S. is teenagers. When businesses need to hire labor, but face a price floor, they need more from a worker than they can acquire from people with little to no experience under their belt.

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According to a Bureau of Labor Statistics report in 2015, 81% of those earning at or below the minimum wage were 20 years of age & older (56% over 25!). This cohort is essentially being subsidized at the explicit expense of businesses, and at the implicit expense of those who we as a society usually deem as worthy of support, our youth. Does “what about the children” not apply here?? If the labor market was allowed to find its equilibrium price naturally, market forces would likely compel twentysomethings to seek higher education, skill-enhancement or the like. Instead, many such employees (and their union & special-interest group ‘supporters’) at fast food restaurants have been engaged in the so-called “Fight for \$15”. One wonders, if there’s no harm in it, why stop at \$15/hour? Why not go for \$20 or \$25??

Naturally, a teenager’s top priority is excelling in school. When I first experienced a hike in the minimum wage, I took it for what it was worth. I didn’t imagine working for such pay indefinitely. I always figured I’d get more serious about college and leave those days behind me. If my daughters could find a job that paid, say, \$4 an hour, that’s \$100 or so per month they could be saving for an efficient used car. As it is, they might have to rely on Daddy Baecker Inc. for employment until the market deems their skills worth what Big Brother says their minimum pay should be.

Now I just need to figure out who the four of them will babysit when my youngest is old enough to interview with CEO Daddy for a gig.

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