Don’t Ignore the Costs of Minimum Wage Increases When Celebrating the Benefits

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UPDATED SEPTEMBER 29, 2016, 3:22 AM

Given the good news in the Census Bureau’s [annual report](http://census.gov/newsroom/press-releases/2016/cb16-158.html) on poverty and income, can we conclude that minimum wage increases have proven their benefits? To consider, let’s take a step back and recall that an underlying reality of minimum wage increases is a familiar one in economics: tradeoffs.

Raising the minimum wage increases the earnings of some workers. That’s the benefit. The cost to businesses of that increase must be absorbed somehow. Advocates of minimum wage increases plausibly argue that reduced turnover, higher productivity, lower profits and the like absorb much of the increase. I have no trouble believing that this happens in many cases.

My reading of the [economics literature](http://ftp.iza.org/dp2570.pdf) also suggests that businesses absorb some of the costs of a higher wage bill by employing fewer workers and charging higher prices for the goods and service they produce.

The nonpartisan Congressional Budget Office [estimated the effects](https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/44995-MinimumWage.pdf) of increasing the federal minimum wage from its current $7.25 per hour to $10.10 per hour would generate $31 billion in extra earnings for 16.5 million workers. “However,” according to the C.B.O., “those earnings would not go only to low-income families, because many low-wage workers are not members of low-income families. Just 19 percent of the $31 billion would accrue to families with earnings below the poverty threshold, whereas 29 percent would accrue to families earning more than three times the poverty threshold.” And a cost of a $10.10 minimum wage, again according to C.B.O., is 500,000 fewer jobs.

The tradeoff, in sum: Some workers get a raise, and the cost of that raise is fewer jobs for low-wage workers. It’s also important to note that the vast majority of the increase in earnings would go to families that are not in poverty.

Beyond the question of whether this tradeoff is good or bad is the question of whether there are better policy alternatives to minimum wage increases.

One of the most significant issues facing the United States is [declining workforce participation](http://conservativereform.com/wp-content/uploads/2016/07/CRN_Employment_FINAL.pdf) among men. At a time when [men are not finding their place](https://www.amazon.com/Men-Without-Work-Americas-Invisible/dp/1599474697/ref%3Das_sl_pc_tf_til) in the labor market, shouldn’t we be finding ways to make it *easier* for firms to hire workers, and not instituting policies that will make it costlier?

Unlike minimum wage increases, earnings subsidies like the Earned Income Tax Credit (E.I.T.C.) make sure the dollars we redistribute find their way to the working poor by explicitly targeting low-income households. And [expanding the E.I.T.C.](http://www.nationalreview.com/article/365999/more-minimum-wage-michael-r-strain) would *increase* employment.

Have minimum wage increases proved their benefits? Sure, in the sense that there are benefits associated with minimum wage increases. But we need to look at costs as well — and there are real costs. We need to look at the broader canvas on which we will paint a minimum wage increase. And we need to ask whether there are better policies to help reduce poverty and increase household income. There are.

Oh, and by the way, eight states saw their [minimum wages](https://www.dol.gov/whd/state/stateminwagehis.htm) increase between 2011 and 2012, for an average increase of 4 percent, and the [headline](http://census.gov/content/dam/Census/library/publications/2013/demo/p60-245.pdf) from that year’s Census report is that neither median income nor the poverty rate budged. Median income and poverty were flat for [2013](http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf) and [2014](http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf) as well, even though 2013 saw 10 minimum wage increases and 2014 saw 18 minimum wage increases. In 2015, 24 states had a minimum wage increase, averaging 6.6 percent — similar to 2014.

It would be an error to overstate the success or the failure of minimum wage increases in any of these years.

Using this article, write an introduction paragraph and one body paragraph that answers the question: Has raising the minimum wage done more harm or more good?

Introduction Paragraph

General opening:

Introduction of the controversy (briefly explain both sides):

Thesis:

Body paragraph:

Topic:

Evidence:

Explanation: