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## UPDATE POST



## How A Minimum Wage Hike Affects You

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We would all love a raise. That's why the current campaign to increase the minimum wage sounds so appealing. More money in the pockets of those who need it most, right? Unfortunately, the issue is not that simple. It turns out that increasing the minimum wage means decreasing job opportunities. And a raise doesn't do someone much good if they can't get a job in the first place.

Most minimum wage employees work in industries with very low profit margins. The restaurant industry, which employs close to half of the nation's minimum wage workers, has an average profit margin of only 2.4 percent. This means that on a \$100 restaurant bill, the company only gets to keep \$2.40—the rest goes to pay for food costs, rent, labor, etc. This also means that when these employers' costs increase – like when the minimum wage

is hiked – they must raise prices or cut other costs to stay profitable. Raising prices often isn't an option because customers might stay home if their favored goods and services became more expensive. So, that leaves cutting costs. In practice, this means layoffs, reduced hours, and hiring freezes.

The overwhelming majority of economic research confirms that minimum wage hikes cost jobs. The non-partisan Congressional Budget Office expects 500,000 of them to be lost if the minimum wage is increased to \$10.10 an hour.

Many commentators still say, however, that lost jobs are a small price to pay for lifting other workers out of poverty through higher wages. However, there is little evidence showing that increasing the minimum wage reduces poverty. Economists at Cornell and

American University studied states that raised their minimum wages and found no evidence that the wage hikes reduced poverty.

The irony in the minimum wage debate is that most minimum wage workers don't need the government to give them a raise; they can get one on their own. Research shows that the vast majority of minimum wage workers earn a raise in their first year on the job. Minimum wage jobs are a stepping-stone, an entry point into the job market to gain skills and quickly make yourself more marketable at higher wage rates. Raising the minimum wage weakens this bottom rung of the career ladder by forcing employers to reduce job opportunities—hurting the very people the wage hike is supposed to help.