

Jason Oliveira

The Effect of Fifteen Dollars per Hour on Small Business Owners

Essay Topic #1

During the era of The Great Depression in the United States, President Franklin Roosevelt signed a bill that would ensure every working American a minimum wage that would be sufficient enough to cover the cost of living. When this law was enacted in 1938, the minimum wage was set at twenty-five cents per hour. Since then, the federal minimum wage has increased as the cost of living has also increased. In addition, most states have established their own minimum wage standards to accommodate those who live in higher priced areas. California has recently raised minimum wage from nine dollars per hour to a reasonable ten dollars per hour; however, advocates for higher minimum wages are pushing for another increase that would set minimum wage at fifteen dollars per hour in California. This drastic increase in wages would call for many complications in California's economy, and most directly effect small business owners. Effects of this proposition on small business owners would include forcing them to lay off employees, limitations during the hiring process, or even forcing businesses to shut down. These are all effects that can be detrimental to a community and would affect the economy as a whole by increasing unemployment, inflation, and poverty rates in the United States.

Raising the minimum wage to fifteen dollars per hour would make it difficult for many business owners to be able to afford all of their employees. This would result in many people getting laid off. In an article written by ProCon.org, they stated that in a projection from the Congressional Budget Office a minimum wage increase would result in an estimated loss of 500,000 jobs nationwide. So many people losing their jobs has negative effects on both sides. On one side there is the employee who was working hard to keep up with increasing costs of living only to have to be let go due to insufficient

funds, something that the employee has no control over. This person now has to enter the unemployment field where finding a new job will not be an easy task. On the other side, the employer is daunted with having to make a decision to potentially lay off some of their valuable workers in order to afford a financially stable business. With less people now employed, the business would become less efficient as it would not be able to take in as much business from consumers then previously before.

As employers are laying off their employees, this does not leave much room for small business owners to hire on young workers who are looking for work experience. The hiring process when minimum wage is at fifteen dollars becomes much more difficult. Employers will no longer be able to afford the time or money to train a young ambitious worker the skills necessary to operate in a working environment. Instead, they have to search for those who have experience and can contribute to the business immediately, which can be hard to find for some businesses. Another article by ProCon.org also suggests that some businesses will opt out of paying fifteen dollar minimum wages to low-skilled workers and turn to an automated solution where machines and robots would begin to take more and more jobs. With newer technology emerging, it will not be very long before most or all low-skilled jobs are taken over by machines. Raising minimum wage will only make that process quicker and easier for the employer to switch over. The goal of a business owner in our capitalist economy is to maximize profit and when cheaper and more efficient labor is available it would not be a questionable decision to cut out the high standards of minimum wage.

It would take a very strong business to be able to overcome the effects of a raised minimum wage. The reality however, is that most of these smaller businesses just can not

afford to stay in business in such conditions and ultimately lead them to closing their doors. As a resident of a small town and employee of a small business, these locally owned businesses is what keeps the city going. So many people rely on these businesses for their consumer needs and not having them around would make it difficult to fulfill those needs. Small businesses contribute to a majority of job opportunities and are the main component of economic growth in a community. As these businesses begin shutting down, the capacity for economic growth decreases and leaves little opportunities for those living in the surrounding communities. This then results in larger corporations to take over where inexperienced workers have almost no chance of attaining a job. Without small businesses in the economy, there will surely be hardships to maintain a job and the cost of living, which is not healthy for an economy.

Those who stand in favor for a fifteen-dollar minimum wage argue their case by claiming that an increase in wages will provide an incentive for more people to go out and get a job. While earning fifteen dollars per hour does seem like a good motivation, as mentioned before, there would just not be enough capacity for all these now inspired people to have employment. Starting out low-skilled workers at such a high wage does not leave room for other employees to move up which again leaves no room for more jobs to be filled. The current ten-dollar minimum wage would be sufficient enough to accommodate low-skilled worker. If an inexperienced worker performs well then there is also room for them to grow and eventually earn higher wages without ruining the small business establishments. The belief that higher wages will also lead to an increase in job availability is implausible without also creating a higher standard of living expenses. The consumer market would become very expensive to maintain a decent life style and we

would see higher poverty rates as a result. So in all likelihood, raising the minimum wage would actually mean that more people are without a job, which contradicts what the opposing side claims.

Something else that those who support an increase in minimum wage claim is that the current minimum wage standards are not sufficient enough to keep up with the economy's inflation. What these supporters do not realize is that minimum wage is in fact for those with low skills and inexperience. As Americans, we believe in the age-old phenomenon of the "American Dream". This is the value that states that anyone can be successful if they work hard enough for it. The problem we are having today is that no one wants to work hard for a better paycheck and expect the government to step in and hand it to them. If a worker has really nothing to offer to a business then they should be paid accordingly. They should use their low income as a motive to work harder so that they can become a more essential part of the company, which would entitle them to receive raises as they move up the ladder. Everyone wants to be financially successful but the reality is that not everyone can be. There will always be poverty in the world, but if someone is willing enough to work hard for what they want, this can be avoided.

Supporters of an increased minimum wage also believe that it would reduce the high school drop out rate as families would be receiving a higher income and the need for students to drop out early to provide for their families would not be as common as before. This again would not be true for a couple of reasons. First, as mentioned before, families would not all of a sudden be making any more money. If we are taking inflation into account, families would be in the same situation as before but would be paying more for their living expenses and some families would continue to rely on their children to help

out. Second, with inflation aside from the equation, the wage of fifteen dollars per hour is very attractive to those who have no desire to be in school in the first place. This puts those who opted out of school to begin the labor force at a disadvantage, as they will not have the skills necessary to attain a job suitable to meet living standards. Raising minimum wage to fifteen dollars, as appealing as it sounds, is not the right path to helping out the new generation of workers.

Not only does the increased minimum wage affect small businesses, it also will have terrible effects on the economy as a whole. It is clear that unemployment rates will only increase as a result of small businesses no longer an option to provide as many jobs as it does today. After the local businesses are not around, communities will begin to see more people struck in poverty. Higher wages does not equal better living qualities, in fact the contrary is what is most likely to happen. It does not benefit in anyway and for such reasons, should not be enacted.

The worst result of a higher minimum wage is that it would cause inflation rates to shoot up causing those who were doing well with their living situation to fall behind as inflation would catch up with the high incomes and the economy would become to expensive for most to keep up with. Increased inflation rates also negatively affect small businesses as they are forced to raise their prices accordingly. The problem with this is that larger corporations are finding ways to sale the same goods or services at a much lower price, which would eliminate any competition between the two, and result in these large businesses to dominate the market.

When my first employment opportunity came about I of course settled for minimum wage as I had zero working experience and nothing to offer the company

besides the desire to do whatever task that was given to me to the best of my ability. I was content with the wages I was earning but not satisfied. I knew that the only way for me to attain a higher wage was to prove to my employer that my role in the company was valuable and over time I have seen my hard work pay off.

The power that small businesses possess in today's economy is the ability to offer so many people an opportunity to make something out of their life. The employee has a choice to use this opportunity as a stepping-stone to move onto other ambitions they have in life, or as an opportunity to work themselves up. For this reason is why small businesses are so important and without them there are not going to be as many of these opportunities. If minimum wage is raised then small businesses are very likely going to suffer the effects. As employees become too expensive to afford, small businesses are going to have to employ fewer workers. With little room available in these businesses, employers are going to have to limit who they can hire as the expense of having a low-skilled worker on hand will be hard to afford. Finally with so many factors coming from the result of such a high minimum wage standard, more small businesses will no longer be able to afford the business and force them to shut down. America will be making a huge mistake if this new standard is this case. It cannot be stressed enough how important small businesses are in the American market, and without them it will be even harder to have a stable employment in the United States.

Works Cited

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