

Evaluating the Minimum Wage Policy

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### **Problem That Necessitates the Policy**

Anchored on the fair labor standards act (FLSA) of 1938, the minimum wage policy in the united states of America is aimed at reducing poverty on employees in the lowest rung of the social economic status in the society. Prior to this legislation and so the policy of the minimum wage, low-level workers who did not have the bargaining power to command a fair remuneration package from the government and other kinds of employers were subjected to longest working hours and lowest pay robbing from the economic power (Rodriguez, 2013). The policy was therefore developed as a guard against employee exploitation with regards to payment of their wages by placing a wage floor which all employers had to abide by.

The minimum wage policy was achieved through long struggles by municipalities, advocates and unions whose issues were valid then as they are today- left unchecked by strict legal obligations both government and private entities as employees are not able to resist the temptation to exploit their employees (McCarty et al., 2016). The policy is, therefore, the only refuge of vulnerable employees, low social economic employees, children employees and youth employees who do not have the ability to agitate for decent pays from their masters (McCarty et al., 2016). The policy's presence sets the stage for future negotiations aimed at achieving even more fair remuneration packages for employees, a tool the government intends to use to promote economic equality and end poverty in the country.

Based on the inflation and price index in the year 2009 in America, the minimum wage policy raised its floor wage to \$ 7.25 per hour compared to that of 11 cents per hour prior to the fair labor standards act and the subsequent minimum wages policy in 1938 (Rodriguez, 2013). Going by the spirit of the policy, as of January 2018, 29 states had even a higher minimum wage than that spelt out by the federal labor authorities (Rodriguez, 2013). Analyst suggests that this is a revision in line with the individual state inflation index and a demonstration of best standards in employee compensation in these states (Rodriguez, 2013). Today, employees below the ages of 20 years earn a minimum of \$ 4.5 per hour (Rodriguez, 2013). Economics have stated that the provisions of the policy with regards to promoting the welfare of workers are responsible for the fact that today over 80% of Americas are employed either in the private or the public sector.

### **Policy Description**

The minimum wage rule sets the minimum amount of payment an employer can pay their employees for work done. As at now the policy, based on the 2009 revision, directs all employers should pay their staff a minimum of \$7.25 per hour regardless of whether they are exempt or non- exempt employees (David et al., 2016). The different states are therefore bound by these guidelines in that they cannot set a local minimum wage that is below that spelt out the federal labor authorities. For instance, Washington has the highest amount of minimum payment with \$11.1 per hour with others setting theirs lower than this (David et al., 2016). The policy also captures the welfare of employees below the ages of 20 years who should only be hired based on the dictates of the fair labor standards act (David et al., 2016). For their case, the policy sets their minimum wage as not less than \$4.5 per hour. In yet another provision, the policy. Additionally,

the policy covers the aspect of tipped labor where employers can pay their employees a minimum of \$2.3 per hour provided the hourly pay plus the tipped payments per hour will at least add up to not less than the set \$7.25 per hour (David et al., 2016).

The application of this policy in its entirety has had major implications on the employment sector as the employer is obligated to pay the following;

- Pay employees a minimum of \$ 7.25 per hour for work done,
- For employees younger than 20 years, the employer is bound to pay them at least \$4.25 per hour,
- In the case of tipped labor, the employee should pay at least \$ 2.13 per hour and an added hourly payment both which should be at least \$ 7.25 per hour,
- The policy also allows individual states to set their own minimum wage levels which must be equal or greater than those set by the federal law. The employer is bound to abide by the locally set provisions and,
- The employer should adjust their payment package with inflation based improvements on the minimum wage provisions.

It is quite difficult to identify the winner of the minimum wage, although at a face the face value the employee seems the winner. The difficulty is anchored on the fact that even though the subsequent amendments of the minimum wage legislation have progressively increased the minimum hourly employee compensation, some analysts have argued that some of them fail to match the soaring inflation rates. Other economists, in support of the policy term employees as the biggest beneficiary by suggesting that before the policy, the minimum wage was 11 cents which translates to today's \$ 4 per hour. The mere increment is enough gesture on the state's commitment towards minding employee welfare. It also serves as a shield used by politically weak employees against exploitative employers. As it is, the frequency of increasing the minimum wage in the united states of America is not predetermined but is either subject to pressure from activists, advocates and employee unions or the goodwill of the local state department of labor. The mechanism by which the policy is benefits employees is anchored on the fact that it gives economic empowerment by giving employees a purchasing power through payments that enables them to afford basic amenities.

### **The History of the Policy**

The history of the concept of the minimum wage, as an aspect of the fair labor standards act, in the united states of America traces its footsteps in the late nineteenth century when New Zealand and the Australian Victoria states developed their minimum wages in 1894 and 1896 consecutively (De Hart & Dayton, 2015). This coupled with the increased concern by American on what used to be referred to as sweatshop only charged agitators of women and children rights to advocate for the same. The term sweatshops were used by activists to refer to the horrible conditions of workers especially with regards to the little pay they received, one which could not enable the afford basic amenities (De Hart & Dayton, 2015). This wave was sustained by the American Association for Labor Legislation and the National Consumers' League, a group led by women and in 1912 Massachusetts became the first state to adopt the policy. In 1923 the

American supreme court termed the concept illegal but due to public pressure, President Franklin Delano Roosevelt introduced the policy amid resistance from the judiciary which termed the move as unconstitutional (De Hart & Dayton, 2015). His course was received massive backing from the people an aspect that led to the adoption of the legislation. Here the minimum wage was set at 25 cents per hour based on the inflation levels in the country at the time.

Since its inception, the legislation has been revised for a number of twenty-two times with the most recent case being on the year 2009. These changes have been based on the changing levels of inflation and congress action as a result of pressure from the public regarding the government's commitment towards employee welfare (De Hart & Dayton, 2015). The subsequent revisions of the act have brought a situation where all states have localized the federal law by developing legislation in support of the minimum wage set with others even surpassing the minimum rate set. A study conducted early this year indicated that twenty-two states have minimum rates higher than those set by the federal law (De Hart & Dayton, 2015).

### **Augments for and against The Minimum Wage Policy**

*Seperate for & against*  
The concept of minimum wages tops in the list of the most controversial issues in the public debate with critics arming themselves with facts, statistics and even research work to support their opinions. Those for the minimum wage policy argue that;

First, the minimum wage policy ensures that the lowest social economic level employees enjoy fair remuneration payments from their employers. social progressive maintains that those targeted by the policy are the vulnerable employees- women, children and the youth, who do not have the bargaining power to demand better payment rates from the government and other types of employees (Commons, 2017). As a result, the set rates act as shields against exploitative employees.

Secondly, those in support of the policy suggest that the policy improves employee productivity. They argue that contrary to the general notion, that the minimum wage only minds the welfare of employees, the policy is to the benefit of the employer as he or she has a productive workforce. Research works have attributed employee motivation and the consequent productivity as a result of a fair remuneration of the employees (Commons, 2017). Productive employees provide quality goods and services and give the employer a positive reputation and sustained financial success.

Finally, the social progressives for the policy indicate that it inspires many to train and join the workforce as they are assured of fir payments. Studies in the labor market have indicated that employees are wooed into professions by promises and assurances of big payment of their services by employees (Commons, 2017). They, therefore, state that the minimum wage is the reason why the current job market is full of specialized professionals with the most productive workforces being experienced in the contemporary job markets.

In light of the above positive attributes of the policy has the potential to guarantee employee welfare especially with regards to payment of their services. Additionally, the policy proves a viable antipoverty tool which can be used by the government to economically empower

low-level employees and result in economic equality. Further, the minimum wages policy will get rid of exploitative employers in the American job market.

Critics of the policy, however, maintain the following;

The policy interferes with the free labor markets whose liberty is a prerequisite to a healthy economy in a country. Setting minimum wage rates is encouraging an employee government imposed value which may not necessarily be the case with regards to their productivity at the workplace (Commons, 2017). It is the employee who can come up with the most accurate employee value as they can compare employee payment and their contribution to the enterprise financial success.

Secondly, critics argue that the minimum employee wage rates lower the rates of employment in the job market. The fact that the government imposes its own rates on how employees should be paid, which is often higher than the employer can afford, forces the employer to lower the number of employees he or she needs (Commons, 2017). The result is many people who are qualified but have not secured employment opportunities due to the opportunity's scarcity. If, however, the employer chooses to maintain a higher number of staff, they are bound to increase the cost of their products and services to raise enough revenue to pay their employees, a condition that leads to inflation.

Based on the valid criticism against the policy, one would be justified to infer that the policy results in more harm on both the economy and the individual employees. This is because an increase in the amount a corporation pays its employees results to increased costs of goods and services produced by the firm leading to an inflated economy.

### **Policy Evaluation**

Despite the sustained attack on the minimum wage policy as provided for in the fair labor standards act, the policy has tremendous positive effects on both the welfare of the employed staff, the industry standards and even on the overall economy. Its successes are based on three main facts. First, the policy is able to cushion the employee from inflation fluctuations in an economy due to its aspect of flexibility, allowing for frequent revisions. At its inception, the employee was paid 25 cents yet in today's 16% inflation employees are paid \$7.25 per hour (Brown, 2018). Secondly, the policy motivates employees as they are assured of fair payments by the end of the day which gives them positive feelings towards the tasks assigned to them and consequently a higher productivity. This is the reason we have employment rates at 86 % compared to the 63 % before the policy was formulated in 1938 (Brown, 2018). Thirdly, the policy promotes economic equality and decrease in poverty levels as employees are paid in a manner where they have an almost equal purchasing power with other employees. Today the poverty rates in the united states have dropped from 32% before 1938 to 12.7 % which has been attributed to economic empowerment of the low-level employees (Brown, 2018). One and a half centuries after the institution of this policy in the united states has seen more people train and prepare themselves to join certain industries. The policy is, therefore, a step in the right direction in the government endeavor to lower poverty levels, boost employee productivity and mid the welfare of lower-level employees in the country.

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### Policy Recommendations

I strongly believe that the minimum wage policy should be retained. However, to fix its failure to accurately match the inflation rates, it should be changed to incorporate a provision of the automatic rise of the minimum wage with the rise of inflation levels. This will help strike the intricate balance between high wages demanded by employees and the low wages paid by employers. Additionally, the government should harmonize the minimum wages in all states to promote a fair competition in the job market and avoid a case where some states have a higher number of employees than others.

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