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The Impacts of Minimum Wage Increase: Article Review

The debate on the minimum wage in the United States is back with states, such as California and New York, already embracing the 15% minimum wage proposal. Scholars and economists share a mixed reaction on this idea, with some opposing the idea while others embracing the proposal. The idea behind the minimum wage increase is to improve the state of living, mostly among the semi-skilled and unskilled workers. FurtchgottRoth Diana, WicksLim Jeanette, and Reisman George disagree with the rising minimum wage in their articles.

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These authors have a uniform voice on this matter as they claim that an increase in the minimum wage may lead to unemployment among the semi-skilled and unskilled Americans due to competition from the skilled labor.

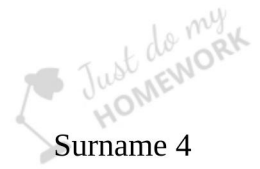
Reisman looks at this matter in regards to competition for the vacant positions in the industries. According to the author, a rise in the minimum wage would bring competition for the job posts, which are currently held by workers with lower skills and unskilled employees. The author claims that increasing minimum wage is a way to expose the unskilled and semi-skilled workers to competition from the educated and more experienced workforce. In his view, a minimum wage rate of \$7.25 per hour protects employees on that scale who work against competition from those who work for a minimum wage rate of \$8 to \$10 per hour. However, raising the minimum wage to \$15 per hour means that the workers who previously could not have paid attention to such jobs because of their low pay would go for them because they are favorite to get them, and they are well paying.

Furtchgott-Roth also voices a similar idea to Reisman on the relationship between regarding an increase in minimum wage and competition on job posts. In Furtchgott-Roth's opinion, the unskilled youths are fortunate to have jobs that pay less because such jobs do not appeal to the educated, skilled, and experienced employees. However, raising a minimum wage would trigger a situation where some skilled workers would have a second thought on such jobs, and in this case, they will out-compete the unskilled youths. WicksLim examines the matter in two ways. First, it looks at it from the skilled workforce out-competing the unskilled workers. The author also looks at the matter from the technology point of view. WicksLim claims that technology may replace workers. From Furtchgott-Roth's viewpoint, the rise in minimum wage will create a situation where it would be difficult for the companies to accommodate the unskilled labors. The author warns that with competitive factors for the job positions at the global level being education, America is risking by attempting to increase the minimum wage. It may lead to companies replacing the unskilled with skilled labors who will be accepting the pay rates. Also,

Furthgott-Roth is certain that layoffs will be the step for employers towards reestablishing to accommodate the change. In this case, the least experienced youths will suffer. Therefore, similar to Reisman, Furthgott-Roth is also confident that increasing the minimum wage to \$15 will lead to poverty by creating unemployment for the unskilled in addition to making it difficult for them to secure employment.

Finally, WicksLim defines the law of demand that claims that when an item is in demand, its cost goes high, and the reverse is true when the demand is low. If the government raises the minimum wage, demand for the job position at the lower scale will rise, and this will eliminate the unskilled. WicksLim claims that raise minimum wage will mean an increase in the cost of living. From WicksLim's viewpoint, the rise in minimum wage rate to \$15 per hour would mean that companies must find alternative ways to adjust to the cost. WicksLim claims that the best way for employers to adjust to the increasing cost of labor is to increase the cost of the products. The author gives an example of the first food industry to illustrate how an increase in minimum wage would lead to an increase in the cost of living. For instance, to cover the cost of rising labor, the average McDonald's outlet could cover about half of its total cost increase by raising the price of a Big Mac by \$0.15 per year for four years for example, from \$4.80 to an eventual \$5.40 in a bid to cover up the 3.5% increase in the cost of production in the fast-food industry as a result of the increase in the minimum wage. The increase in the cost of products would ultimately increase the cost of living.

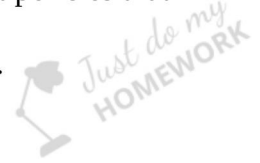
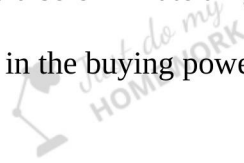
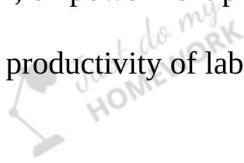
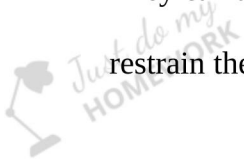
Raising the wage bill is not the solution to a better living standard. It will increase competition on the job positions currently held by unskilled and semi-skilled labor. In the end, it will increase unemployment among such workers. The authors also claim that a rise in wage bill is likely to stiffen the economy. It may increase the prices of services and products, and this will in-



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crease the cost of living. From FurtchgottRoth , WicksLim, and Reisman viewpoint, the government should try other alternatives ways to make the economy better to stabilize citizens' lives.

They can try education, empowerment programs and also eliminate all government policies that restrain the rise in the productivity of labor and thus in the buying power of wages.



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