

SAVOTEUR

10 Best Insights: Why Won't They Raise Minimum Wage To Match Living Expenses in 2023?

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A member of an admired Internet forum called upon others to answer a vexing question. Why won't the Federal Government raise the minimum wage to a living wage? The Fair Labor Standards Act (FLSA) established the minimum wage, rules, payment of overtime, the definition of hours worked, recordkeeping, and prohibitions against child labor. You may not be aware of this, but the Federal minimum wage is seven dollars and twenty-five cents as of July 24, 2009. So the minimum wage has yet to be raised in fourteen years.

1. Your State Can Set a Minimum Wage

While the minimum wage has not been adjusted to compensate for inflation or rising standards of living, states can set a minimum wage, and workers will receive whichever wage is higher than their pay. FLSA became Federal law thirty-eight years ago and mandated an eight-hour day and forty-hour workweek. FLSA was part of Franklin Delano Roosevelt's New Deal after the Great Depression if that tells you anything about how long ago this happened.

2. It's a Minimum Wage, Not a Living Wage

So why doesn't the wage increase as times get more challenging and inflation soars? First, it is a minimum wage, not a living wage, and is meant to ensure that employees will receive a minimum amount of money per hour that the Federal government protects. It was never meant to be a living wage, merely a bulwark against employers paying little or nothing.

3. Keep Employers Honest

A response from a commenter was right on the mark about the Federal government maintaining a minimum wage. Without the Federal government's power mandating even as small an amount as seven dollars and twenty-five cents an hour, corporations and businesses would quickly set their rates without considering how it would affect workers. Companies will try to pay their employees as little as they think they can get away with.

4. It's All About Money

Compensation to workers at a business is part of their bottom line. If they lessen the amount of their bottom line, a frequent tactic of corporations to increase profits or pay for the business, then the company makes more money.

As we have seen with Elon Musk's acquisition of Twitter, when faced with the enormous debt that buying the company saddled him with, he immediately started firing employees and trying to get out of paying them severance or delaying payment when possible.

5. Fear

Although people may have regarded it as a living wage or hoped it was, that was never its purpose. When politicians argue against raising the minimum wage, they claim it will result in job losses and increase the deficit. A report from the Congressional Budget Office makes those claims, as does a report from The CATO Institute.

6. The Proof

The Economic Policy Institute gathered dozens of signatures from economists supporting raising the Federal minimum wage to fifteen dollars by 2024. However, as of 2023, thirty states in the Union have individually raised their minimum wage, following California's lead in 2016. None of those dire predictions happened for those states, including California, the fifth-largest economy in the world.

7. The States Had To Do It

Over these decades, the unwillingness to raise the minimum wage seems based on antiquated thinking and fear. When confronted with an unpopular policy change, the Federal government will frequently wait until individual states start to make the change themselves and prove the point. The states are often the testing ground where controversial policies are tested out until it becomes apparent that the change is necessary and will work.

8. But Is That Assumption Really True

Someone on the Internet always tries to convince you that raising wages would result in abnormally higher prices for the consumer. However, Daniel Kuehn, Urban Institute research associate quoted by Forbes Advisor, states that it is improbable because any necessary adjustments in the price of goods or services would be spread among the large customer base and not affect prices as much as fearmongers say it would.

9. Danish Big Macs

In fact, in Denmark, as the common example states, workers at McDonald's, an American company, are paid twenty-two dollars an hour. Workers in the country won this wage because the Danish unions and people set in motion strikes and boycotts until McDonald's agreed to their demands, as reported by Jacobin Magazine. According to The Economist's Big Mac Index, the Big Mac costs five dollars and forty-four cents U.S. dollars.

10. Unions Are Back

With the reappearance of unions organizing in retail stores like Starbucks and big employers like Amazon, the momentum to raise the minimum wage, and the power of unions, broken mainly by Ronald Reagan in the 1980s during the air traffic controllers strike, has made a return to American life. All of this does bode well for eventually raising the Federal minimum wage.