

# Pros and Cons of Raising the Minimum Wage

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Since 1938, when the [minimum wage](#) was first introduced (at a rate of \$0.25 an hour), the federal minimum wage has increased 22 times. The minimum wage is the salary floor or the lowest possible rate that employers can pay employees.

The most recent update to the federal minimum wage was in 2009, when it was raised to \$7.25 an hour. Currently, 29 states and the District of Columbia have a higher minimum wage than the federal rate. As of July 2019, 44 cities had also passed laws raising the minimum wage.

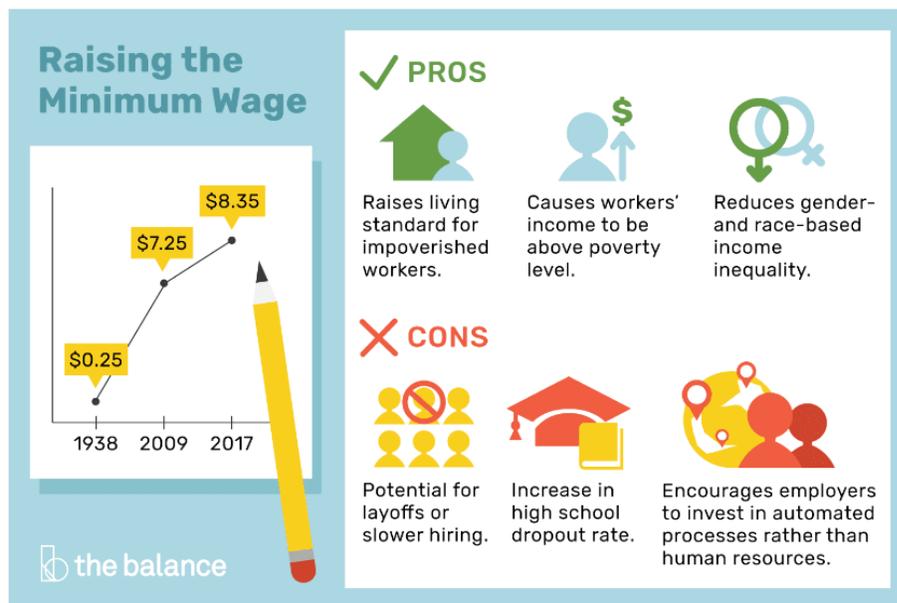
When the state and federal minimum wage are different amounts, employees are entitled to the higher rate of the two. The question is whether the federal minimum wage should be raised again – and if so, to what hourly rate?

## Should the Minimum Wage Be Raised?

Opponents believe that increases to the minimum wage will place a burden on employers, especially small companies, resulting in slower growth and decreased levels of employment. Proponents of an increase in the rate say that the minimum wage has not kept up with inflation and that many minimum wage workers are impoverished.

People on both sides of the issue point to economic studies and data to back up their viewpoint. Many Americans, however, have already made up their minds on the issue: A [2019 CNBC survey](#) showed that 60% of respondents favored raising the federal minimum wage to \$15 per hour.

Here is a summary of the pros and cons of raising the minimum wage.



## Why the Minimum Wage Should Be Raised

- An increase in the minimum wage raises the standard of living for impoverished workers.
- The minimum wage hasn't kept up with inflation. As a result, the pay of many workers, particularly those with families of three or more people, are now well below the poverty level.
- Studies show graduated increases in the minimum wage have a low impact on [unemployment](#).
- Consumers would spend more money if they earned more money, meaning that an increase to the minimum wage would have positive effects on the economy.
- Increasing the minimum wage could help reduce gender- and race-based income inequality.
- Government expenses for social programs aimed at the poor would potentially be reduced. This might result in slightly lower taxes for other Americans.
- Slightly more revenue for the government would be generated from [payroll taxes](#) for social security.

## Why the Minimum Wage Should Not Be Raised

- In companies with a fixed compensation budget, an increase to the minimum wage could result in layoffs or slower hiring.
- Employers might hire fewer workers in entry-level jobs, which might make it harder for workers to begin their careers.
- An increase to the minimum wage would provide an incentive for employers to invest in automated processes, technology, and machinery to increase productivity rather than human resources.
- Raises the incentive for companies to outsource labor to countries where minimum wage rates are lower.
- A higher minimum wage could result in an increase of the high school dropout rate.
- Prices might be increased to offset higher labor costs.
- For small companies, already stressed owner/operators might take on more responsibility.
- Wages for higher paid workers might be suppressed, and salary increases might be lower for those not impacted by a higher minimum wage.

## State and Local Initiatives to Raise Minimum Wage

Even though the federal minimum wage hasn't increased since 2009, the majority of states have a higher minimum wage than required by the federal government. In addition, some local municipalities have initiated minimum wage increases for their location. For instance, San Francisco's minimum wage is higher than the state of California's minimum wage. (And, in turn, California's minimum wage is higher than the federal minimum wage).

Twenty-two states and the District of Columbia increased their minimum wage during 2017, mostly due to previously passed legislation.

In 2018, the highest state minimum wage was \$11.50/hour, in Washington state, followed by Massachusetts and California at \$11/hour. Many cities also increased the minimum wage rate as well — as of Jan. 1, 2018, it was \$14/hour in Seattle, Washington (or \$11.50/hour, plus at least \$2.50/hour in tips and benefits) and \$15/hour in Sunnyvale, California, for instance.

**As of 2019, [29 states and the District of Columbia](#)** had minimum wages set higher than the federal mandate. Twenty-six states have changed their minimum wage laws in the last five years.



## The Bottom Line

### **THE FEDERAL MINIMUM WAGE IS \$7.25 PER HOUR:**

It was last raised in 2009.

### **MANY STATES AND LOCALITIES SET A HIGHER MINIMUM THAN THE FEDERAL MANDATE:**

As of 2019, 29 states and 44 cities have a higher minimum wage.

### **A RECENT SURVEY SHOWED THAT MANY AMERICANS FAVOR AN INCREASE:**

60% want a \$15 per hour minimum wage, according to a CNBC poll.