How The Increase in Seattle’s Minimum Wage Is Detrimental

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Businesses are interrelated in our economy. The basic business principals are to pay employees, which assists in bringing in revenue, therefore increasing profits and allowing the company’s expenses to be paid. Companies calculate their profit by subtracting both the fixed costs in addition with the variable costs from their revenue. Fixed costs are typically salaries along with other expenses that remain the same and repeat yearly. Variable cost are expenditures that differentiate based upon the quantity ordered. When you subtract those two costs from the total amount of money that the company brought in, you are left with the profit. Executives of the company then use the profit to either pay dividends to shareholders, reinvest within the company in hopes of generating a stronger profit for the following year, or both. However, a growing problem in the United States is that there is a gradual increase in the minimum wage which, in turn, affects the fixed costs of companies, therefore making profits slimmer. Arguments suggest that certain cities, such as Seattle, who has decided to raise the minimum wage to $15 per hour, are setting a trend in closing income and opportunity gaps between the rich and the poor. Needless to say, no matter which optimistic argument an individual may form, there is backlash and a downside to the increase. In this paper I am going to discuss the current problems occurring with Seattle’s increase in minimum wage; along with proposing an idea regarding how we as pivotal students in a university should use our influence to persuade local and state government to lobby against the increase in Seattle’s minimum wage, along with setting the federal minimum wage at a market equilibrium point.

The increase in the minimum wage in America is a growing problem- Seattle is paving the way for other cities to follow, and this issue needs to be stopped before severe economic downturn happens. The increase of minimum wage is detrimental to our economy because it makes profits fewer and hurts small businesses. It works two fold. First, the local economy is hurt because business owners are now exporting jobs to other cities because the price of labor locally is too high to reasonably pay; therefore, Seattle loses jobs. Second, local businesses are hurt because they do not generate enough revenue to pay their workers the increased salary. Therefore, the businesses either have their profit reduced, or they have to terminate jobs—which raises the unemployment rate. It essentially is a lose-lose situation. Oftentimes, businesses tend to collapse under such circumstances, which then hurts the economy because jobs and revenue are lost. Essentially, the economy in Seattle is not capable of undertaking such a drastic hike in wages. Although they implemented a policy where the increase is over a period of years, it is still hard for the companies to generate lost revenue, which then works out of favor with businesses who try to expand. In a way, it stunts local companies’ growth. It does this by increasing the fixed costs of the company, therefore limiting the profit. This is harmful to small businesses because the profit they earn is crucial to sustaining themselves and striving to operate on a continental or global platform. To a small business, additional fixed cost means that they have to sacrifice internal improvements, or other things that could help the business grow and generate additional revenue. Overall, it is slowing down the growth of companies. The increase in minimum wage thus restricts the profit, therefore limiting the improvements that executives could make within the corporation to better it, in efforts of increasing profits for the following year. This cycle leads to the negative outcome of harming small businesses and the economy.

The drastic increase in minimum wage in Seattle is also harmful because it is essentially closing the gap between the rich and the poor. Minimum wage is the least amount of money that can be legally paid to an individual. People still receive promotions, and are paid above the minimum wage. Likewise, the money that they are paid comes out of the pockets of the companies’ shareholders. Therefore, the owners of the company receive a smaller dividend at the end of the year, while the employees are paid more throughout the year. It is essentially a redistribution of wealth. The redistribution is unjust because it gradually eliminates what people have spent their entire life attaining. Someone could have gone to college to become a large shareholder or founder in the
corporation, and diligently spent their time and money to achieve a degree. On the other hand, someone could have gone directly from high school to work and invested no time or money into their future. If you redistribute all the wealth, then people who have chosen to waste their money are given more money to freely spend, while people who have diligently saved their money to attain wealth are essentially giving it away to others to dispose of at their own will. Wealth typically signifies that one has had a significant undertaking in their life to attain it. With the increase in minimum wage, people who underwent higher education to achieving a high-paying job have wasted their efforts, as they could have seemingly gone straight into working at McDonalds after high school graduation. People not only make a mental investment whenever they undergo higher education, but they also make a financial investment in their future. Statistics show that in 2012, 71% of all graduating college students graduated with student loans. Students take these loans to attend a university that will prepare themselves to operate on a global platform, thereby achieving higher paying jobs which will assist in paying off their debt; along with attaining a delayed gratification for the compensation they receive at higher pay grades later on in life. Historically, one is supposed to get out of something what they invest plus more. With this new stimulation, one could pick ‘the easy road’- investing nothing, and still be in the same tax brackets as those who invested everything into their future. One year after graduation, a high school graduate could essentially be in the same socioeconomic class as a first year educated college graduate—who underwent a mental and financial investment in their future. In 2013, a college graduate’s entry level job paid an average of $45,327 a year. If a McDonald’s employee works a 60 hour week at $15 per hour, they end up making $46,800 a year, plus promotions. This is extremely corrupt and needs to be repaired. Why should someone who did not make any effort to invest in their future earn more than someone who attended a university and made a mental and financial investment in their future? Additionally, the employees of McDonalds, or similar workplaces, do not require and expect much of you whenever you’re working. Typically, all they expect is for you to do what they tell you to do. While an entry level collegiate position, such as an Executive Assistant, requires much effort. You have to plan itineraries, attend board meetings, analyze and summarize for your employer, and more. This difference between these two is both frustrating and in need of fixing. It does not matter about closing the wealth barrier, if an uneducated worker is earning more than a college graduate, then they need to lower the minimum wage. Under no circumstances should one be rewarded for taking the easy road. This is a problem and it needs to be changed.

The minimum wage increase in Seattle is ridiculous. Not only does it hurt small business and the local economy, but it is also immensely biased. People do not understand the other half of the argument—that the increase is disadvantageous to the economy. Small businesses are oftentimes hurt because they cannot afford to pay their employees, so employers have to terminate some of their employee’s positions. Therefore, job creation is combatted—hence harming the economy—along with reducing profit margins. Additionally, the entire concept of an individual not being formally educated yet having the potential to make more their first year than someone who invested wisely in their future is an issue that needs to be attended to immediately. Sure, you have people such as a plumber, electrician, or real estate agent that have the potential to make more than an average entry level college job. However, they are skilled and trained in their individual fields to become experts of the trade. Controversially, a McDonald’s employee does not have to undergo much formal training in order to reach the position, yet still earns more per first year than someone who underwent higher education in hopes of achieving a higher paying job. The entire concept is corrupt and in need of repair. Overall, Seattle’s decision to increase the minimum wage to $15 per hour is one that will hurt the city in the long run.

In efforts to fix this trend, we as pivotal students in a university should use our influence to persuade local and state government to lobby against the increase in Seattle’s minimum wage! We have access to powerful people and world class technologies here at High Point University. We need to come together as a body and reach out to local and state government officials. Once we are in contact with them, we need to achieve an understanding of their viewpoint on the minimum wage, then explain to them how the downfalls outweigh the benefits. We need to show them that although it may look good on paper, once one delves into researching the topic thoroughly, they will discover that it is
not as promising as presumed. They need to understand that Seattle is currently setting a negative trend that other cities will soon be following. The increase needs to be readjusted before severe economic downturn occurs through small businesses collapsing and jobs being lost and exported to other neighboring cities because the price of labor is cheaper there. Most importantly, we need to instill a passion within them to lobby against raising the minimum wage, because they personally feel it will impact our country in the most significant manner. Lastly, we need to work with them about finding the market equilibrium point for minimum wage—the dollar amount that benefits everyone the most; then proposing and hopefully instilling that number into our federal system. If all works according to plan, we will become a happier and economically healthier country. Until then, hopefully Seattle will learn that they are making a mistake before the mistake is them.

References
Works Cited
Word Count: 1948