The Fifteen Dollar Minimum Wage And Its Effect On The American Dream

July 7, 2016 - In the event you hadn't noticed, there is a battle going on across the country to increase the minimum wage. Labor unions, with a lot of help from celebrities, have been pushing the narrative that a $15 minimum wage will provide a "living wage" to the millions of people who work in jobs such as the fast food industry. But a quick look at the economics of the proposal and that argument quickly falls apart. You don't have to be a rocket scientist to figure out that an ice cream parlor or yogurt stand simply can't sell enough cones to hire people at $15 an hour, pay its other operational bills and still turn a profit for the owner. That doesn't mean that ice cream parlors are going to disappear. But it does mean that they are going to have to figure out a way to stay in business and reduce or eliminate most of their personnel. Unions are being their own worst enemy in this fight and the end result is likely to be the loss of millions of jobs, with the workers being replaced by automated systemsâ€¦ otherwise known as robots. If you think that sounds far-fetched, read on. It is already happening.

Tweet

(function() {
var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];
s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();

(function() {
var po = document.createElement('script'); po.type = 'text/javascript'; po.async = true;
po.src = 'https://apis.google.com/js/plusone.js';
var s = document.getElementsByTagName('script')[0]; s.parentNode.insertBefore(po, s);
})();

The hashtag #FightFor15 has been growing in popularity on social media platforms. The argument being used is that a living wage is a "civil right." But businesses and investments are profit driven. On an annual basis $15 per hour for a full time employee translates to $31,200 just in wages. By the time healthcare, social security, unemployment insurance, training costs and potentially other benefits are factored in, employers will typically pay 25% to 40% more than the base salary. That means a full time minimum wage employee could be costing the employer more than $43,000 annually. And that is for an 8 hour day, without any sick days or overtime pay.

Let's just run through the math here. In the fast food industry, many restaurants are open 24 hours a day. So figuring that if you have three shifts of people per day and a separate weekend crew, also of three shifts, and figuring six people per shiftâ€¦ which is probably lowâ€¦ for just your weekday crew you would have annual costs of around $775,000. Add in the weekend crewâ€¦ figuring that these workers are part time and will cost somewhat lessâ€¦ you need to add another $280,000 to your payroll. That brings just your payroll costs in at around $1,055,000 annually. That's a lot of burgers. (On top of that, the owners still have costs for utilities, taxes, business loans, insurance, and of course for the food that they serve.)

But let's say I can buy a robot for $30,000 to run my grill, or bag my fries, or do any one of a number of other things. In return for the $30,000 investment, if I need one less person per shift, I can reduce my staff by that amount. Including my weekend staff, I've just eliminated 4 jobs and I can reduce my payroll by around $150,000 annually by the time I factor in my weekend staffing requirements. If I own the business, this is a no-brainer decision.

On top of reduction of payroll costs, I also have the benefit of knowing that my new robot will never call in sick. It will

never go on strike. I don't have to give it vacation or pay for healthcare coverage. I don't have to worry about it filing complaints with the state of the federal government. And it will never talk back to me. In short, about the only headache the robot is going to give me is if it breaks down.

If you don't think this is the way of the future, you are very much mistaken. In Arizona, there is a fully automated McDonalds that is currently under construction. Carl's Jr/Hardees and Wendy's have already announced that they are moving to this technology. Within the next ten years, I would be surprised if you saw fast food restaurants hiring more than a couple of minimum wage employees per shift. Instead, they're going to be hiring engineers to oversee their robots. And they probably won't need more than one engineer per shift.

All of this is being driven by economics. As employees cost more, automation becomes more attractive. Employees who push for a $15 minimum wage are actually making themselves expendable and the unions representing them are actually harming them.

The sad part of this is that the minimum wage was never intended to provide enough money to support a family. It was really for the kid in high school looking for a summer job, or the entry level employee with few skills. It was supposed to be a wage that allowed employers to bring in new employees, train them and make them more valuable over time. Eventually, minimum wage employees would either move up or move on to opportunities at other companies.

This new push for a $15 minimum wage will make it significantly more difficult for teenagers to find summer work and is likely to make it nearly impossible for low skilled workers to find entry level employment. Instead, business owners will turn to automation; and not just in fast food. Everywhere from hotels to pharmacies - yes, even skilled pharmacists are finding that their jobs are threatened - are likely to be using robots in the next few years. And the unions and labor organizations that are pushing for higher wages will actually be the ones to blame when all of those jobs disappear for good. Automation is a genie that can't be pushed back into the bottle. As with other technologies, as it becomes more prevalent, it will also become less expensive. Simply put, minimum wage employees won't be able to compete with their robot counterparts.
byJim Malmberg
Note: When posting a comment, please sign-in first if you want a response. If you are not registered, click here. Registration is easy and free.
Follow me on Twitter:

Follow ACCESS