Biden Admins Push For 15 Dollar Minimum Wage More Likely to Hurt Employees Than Help Them

January 30, 2021 - If you have been paying attention to what the Biden Administration is doing, then you probably already know that one of the things they are focused on is increasing the minimum wage nationally to $15 and hour. And if you stand to get a raise from that increase, you may think that sounds great. But the truth is that capital - meaning the money that employers spend - is fluid. Much like water, it seeks the lowest point and drains to that level, or in this case, the least expensive place. And that is why the most expensive and heavily regulated states are constantly trying to retain the jobs they currently have.

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If you think that entry level employees are the biggest benefactors of an increased minimum wage, think again. Just three days ago the Congressional Budget Office estimated that an increase in the minimum wage to $15 an hour would eliminate 1.3 million jobs. Some of those jobs would go overseas. Others would simply be eliminated because employers can't make them profitable. Think about it. Does it make a lot of sense for an ice cream cone stand to pay someone 15 bucks an hour? By the time they take into account taxes and training costs, that number is actually significantly higher. It's just not affordable.

Given that, you have to ask who benefits from a national minimum wage increase. There are two obvious answers to that question. One is the politicians pushing the idea. It's a popular idea with a lot of their constituents who don't actually understand the economic realities associated with it. The other beneficiaries are the state and local governments that already have high minimum wages. That's because it makes them more competitive.

For instance, California is moving to a $15 minimum wage and some of the highest personal and business taxes in the country. On the other hand, Texas has a $7.25 per hour minimum wage and no state income tax. That's a huge difference for companies like Oracle and Hewlett Packard which are both moving their headquarters there. Recently, Elon Musk announced that he's moving there and he's opening a new Tesla facility there too. He already has operations in the state for SpaceX. A few years ago, Toyota made a similar move to the state. As I said earlier, capital will flow to t the places that make the most sense for the investors.

So what happens to Texas if the minimum wage goes up? Well, prices for everything there will start to rise, just like they have in California. And employers will start to look for less expensive ways to do business. Maybe that will mean using automation. Maybe it will mean cutting some jobs. And inevitably, it will mean off-shoring some jobs. In the end, the

people who will be hurt the most will be those who make minimum wage. They will have fewer job opportunities and, at the same time, the goods that they will need to purchase just to survive will cost more.

The only winners in this fight will be politicians who are pandering to their base of support, and high-cost states. Pretty much everyone else loses if this push actually gets enacted into law.
by Jim Malmberg
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