Minimum Wage Guards Against Greed

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In the context of the current debate over raising or even retaining the federally mandated minimum wage, the focus has been whether it is an effective anti-poverty measure.

In Pennsylvania, opponents of an increase in the state minimum wage also argue that increases would introduce into the labor marketplace a point of fact, however, whether the minimum wage is an optimal anti-poverty measure should not be the question for debate. The question for debate should center around the real purposes of the minimum wage. An examination of these real purposes demonstrates why opposition based on market intrusions has no merit.

The minimum-wage law was designed to provide a scale of wages to employers in businesses and industries where they had almost no bargaining power and where they were subject to exploitation. It was also designed to prevent employers and industry cliques from maintaining their profits and market positions, or even their businesses based upon these exploitative practices.

Thus, the minimum-wage law does not exist in the marketplace, nor is it designed to provide social benefits at the expense of a properly functioning market for labor, but to remedy imperfections in the labor market. The real question for debate then is whether the minimum-wage law still promotes these purposes.

The argument between proponents and opponents has followed this pattern. Given the undisputed fact that the minimum wage has declined in terms of purchasing power as well as in relation to average wages, proponents urge that, because of wage inadequacy, guarantees a "living wage," an increase is necessary in order to restore a full measure of dignity to all minimum-wage workers.

Opponents respond by offering similarly unconvincing evidence that the vast majority of the poor do not earn the minimum wage, while the vast majority of minimum-wage workers are not poor.

Since lack of employment rather than low wages is alleged as the primary cause of poverty, opponents argue that as an anti-poverty measure, the statutory minimum wage is inefficiently over-inclusive and under-inclusive. It aids more non-poor workers than poor ones and misses most of those who are poor. More over, because virtually all economists agree that raising the minimum wage will lead to at least some increased unemployment among low-paid, teen-age workers, opponents say that the costs may outweigh the benefits.

What has tended to disappear from view is that the original purpose of government intervention in the form of mandatory minimum wages was not primarily to alleviate poverty, but rather:

1. To help those workers whose wages have been determined by a competitive subject to "market failure."

2. To help, their employers by forcing them to internalize the average social cost of maintaining a workforce in the words of the U.S. Supreme Court: "The community is not bound to provide what is in effect a subsidy for unemployable employers."

The question for debate should center around the real purposes of the minimum wage.

New Deal, "chilling" replaced "sweating," then as now women and teen-agers (and non-whites) form the vast majority of minimum-wage workers. In Pennsylvania, these minimum-wage workers include non-union garment workers, nursing-home workers, janitors, sales clerks and gas-station attendants.

Enactment of a legal minimum wage was again in the words of the Supreme Court, "a recognition of the fact that due to unequal bargaining power as between employer and employee, certain segments of the population required federal regulatory legislation to prevent "sweating" by the most competitive employers that work to undermine the viability of their competitors and society in general, which would have to make up for his exploitative practices.

While the federal and state minimum-wage laws were designed primarily to undermine the viability of wage cuts through other industries, their salutary purposes are also achieved where entire industries maintain themselves from labor "market failure" resulting from an overabundance of workers willing and able to take the jobs they offer.

Pully those fourth of all minimum-wage workers are concentrated in retail trade, clerical occupations and services. Since these occupations are by and large interchangeable to commodity import and export of jobs, any increase in costs associated with increased minimum wages in such industries does not present a major risk of loss of employment "from foreign competition."

The usefulness of the minimum wage in promoting these anti-exploitation and pro-productivity purposes has not diminished since the 1930s. Nor can its effectiveness in promoting these purposes be judged on the basis of its effectiveness as an anti-poverty measure. Moreover, these purposes would not be displaced by the tax credits of social welfare programs and the adoption of policies specifically designed to ameliorate the condition of the working poor.

Therefore, if well-targeted, anti-poverty governmental policies, such as the negative income tax or increased earned income tax credits according to family size, were instituted, such policies would not usurp the role of the minimum-wage laws in preventing exploitative practices of employers that work in the detriment of both employees and responsible employers alike.

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