

How to Talk to Kids About...

THE MINIMUM WAGE

A Quick Reference Guide for Conversations and Activities with Kids

Key Points

- * There is dignity in all work.
- * Many of the people earning minimum wage are teenagers and young adults working their first job.
- * Less than 3 percent of women earn at or below the minimum wage.
- * Two out of three minimum wage workers get a raise within a year of being on the job.
- * While raising the minimum wage sounds good, it would actually hurt small businesses like restaurants, hair and nail salons, and other small shops. And it would hurt the poor most of all because they rely on these entry level jobs to get a foot in the door.
- * Businesses have a budget: They get money (revenues) from selling goods or services. But they also spend money (costs) on raw materials and on paying workers.
- * If the government requires businesses to spend more to pay some workers, this means these businesses will have less money to spend on other costs. Businesses will respond by raising prices, eliminating jobs, or spending less on other things (like benefits that workers enjoy).
- * The better way forward for lawmakers is to help reduce the red tape business owners have to go through to employ people.

- * Big corporations—like Wal-Mart and McDonalds and online stores like Amazon—generally won't be hurt by higher minimum wage hikes because they can simply pass the costs on to consumers or replace workers with technology (such as touch screens).
- * It's true that raising the minimum wage will help some workers, but it would hurt a large number of other Americans. According to the Congressional Budget Office, raising the minimum wage to \$15 per hour would help 900,000 people, by increasing their pay. But it would hurt 1.4 million people by eliminating their jobs! That doesn't seem fair!

Questions and Answers

What is the “minimum wage”?

The minimum wage is the amount of money that a business is required to pay its employees as a dollar amount for each hour worked. If a business does not pay the minimum wage, that business will be fined for breaking the law. In 1938, the U.S. Congress passed the Fair Labor Standards Act, which included the establishment of a minimum wage at \$0.25 per hour. Today, the federal minimum wage is \$7.25 per hour, although some states and cities have established a higher minimum wage. In cases where the state minimum wage is higher than the federal minimum wage, employees are required to get the higher level of wages.

Is it true that the minimum wage hasn't been increased in more than a decade?

That's true and some have argued that a modest increase in the minimum wage is a good idea. But it's

important that a hike in the minimum wage does not come at the cost of jobs—especially for people who don't have the skills or education to qualify for higher paying jobs. Opposition to increasing the minimum wage isn't driven by indifference to the welfare of poor people. To the contrary, it's driven by a concern for job loss—particularly entry-level jobs and jobs that don't require particular skills or education.

I hear the phrase “living wage.” What does that mean?

Some lawmakers like to say that the minimum wage should be a “living wage,” meaning people should be able to live on what they earn through their minimum wage job. But that figure is hard to nail down. Some people might think \$15 an hour is too little and want the minimum wage to increase to \$50 an hour. Some might think that's too low and want \$70 an hour and so on. Where does it stop? It's also important to know that the majority of minimum wage workers are not married and don't have children or a family to support. Many still live at home with parents or have roommates to share the cost of living. This isn't to say these people don't deserve fair pay, but for some unskilled workers (people without high school or college degrees, teenagers looking for their first job, or immigrants who don't speak English), it is important to get a foot in the door in order to get job experience. Having work experience will help them apply to higher paying jobs. If the minimum wage is raised too high, there won't be many entry-level jobs for this group of people.

Isn't it the right thing to do to provide for poor people?

The government provides for poor individuals and families in a variety of ways. The trick is to do it in a way that doesn't cost jobs or hurt people. The federal government

provides food assistance, housing assistance, commuter and transportation assistance, energy assistance, and a variety of other programs designed to defray costs for the poor. Yet, the government has another important role—getting out of the way of innovation and job creation so that people can find jobs and provide for themselves.

But, I hear that many businesses are supportive of increasing the minimum wage. Is that true?

Yes, that's true. But it isn't all businesses. Larger corporations are generally in favor of increasing the minimum wage for two reasons: 1) Large corporations make so much money that a minimum wage increase won't hurt them financially. It's simply a cost they can absorb or that they'll pass on to their customers, and 2) Minimum wage hikes hurt small businesses, the corporations' competition. A consumer has a choice when he shops and eats. He can shop at a smaller store and eat at a locally owned restaurant, or he can shop at what's called a "big box store"—like Wal-Mart or Target—and eat at a national chain restaurant like McDonalds or Panera. Yet, for a variety of reasons (charm, location, community relationships, product specialization), larger corporations can't always compete with smaller, family owned businesses. Increasing the minimum wage puts unique burdens on small businesses and in many cases, forces them to close or scale back employees and operations. Ultimately, it's the consumer who loses because they'll have less choice on where to spend their dollars.

It's only a small amount of money. How can that really hurt successful businesses?

Let's say you run a small business and employ three teenagers. Business is steady, and you're able to pay

each employee the current minimum wage of \$7.25 per hour. These employees stock shelves, do light cleaning and organizing, help customers find items, and ring up purchases. Each employee works 25 hours per week for a total of \$181.25 per week. Your total costs for three employees is \$543.75.

Employee	Budget	Hrs/Wk	Pay @ \$7.25	Pay @ \$15	Over Budget
Todd	\$181.25	25	\$181.25	\$375.00	\$193.75
Claire	\$181.25	25	\$181.25	\$375.00	\$193.75
Maggie	\$181.25	25	\$181.25	\$375.00	\$193.75
Total	\$543.75	75	\$543.75	\$1,125	\$581.25

Now, if the minimum wage increased to \$15 per hour, your store's wage costs will increase to \$1,125 per week. But you've only budgeted for about half that—\$543.75. What are you to do? Well, you can either keep one employee full time, cut the second employee's hours, and fire the third, or you can reduce each employee's hours. In the first scenario, only one employee benefits but has to do the work of his former co-workers. The second employee gets less money and the third is unemployed. In the second scenario, each employee works fewer hours. Either way, the business suffers, the owner has to do more labor (for no pay), and the customers get less assistance while shopping. In other words, no one wins.

Suggested Activities

- * Encourage kids to think about a business idea: start their own restaurant, hair salon, lawn service, bakery, etc. They can practice some basic math skills to set prices for their goods and services and learn how much business they'd need to do in order to afford to create a job and hire someone to help them in the store.
- * Have kids set up a lemonade stand or a bake sale. Let them total up their earnings and explain that shop owners have to divide the earnings up to pay their employees.
- * Go to the library and ask the librarian to help you find books on economics for kids. Introduce your kids to a few economic concepts.
- * Give your kids an allowance for chores. Explain to them that this is their first job and that in order to get paid, they need to complete their tasks each day.

Further Reading and Watching

- * In *The Tuttle Twins and the Food Truck Fiasco*, Ethan and Emily see the damage the government can do when it gets in the way of the free market competition. This book will help young readers learn about business, regulations, economics, protectionism, competition, and other basic market principles.

- * In *The Tuttle Twins and the Messed Up Market*, Ethan and Emily save up some money and try to find other kids who might want to borrow their money to build their own small business. But the twins soon learn that lending money is risky business. People have different incentives for why they make the choices they do, and certain choices can cause their market to become messed up!

- * **Prager University:** In this short Prager University video, economist David Henderson explains why minimum wage laws ultimately hurt the poor and why these laws make it harder for unemployed people (particularly young people) to find work. Older children and teens will enjoy this video.

- * **Prager University:** In this second short Prager University video, Andy Puzder, former CEO of Hardees and Carl's Jr. restaurants explains why a nationwide \$15 per hour minimum wage would hurt American workers.

For more



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