



## Minimum Wage

In recent months the minimum wage debate has returned to the spotlight due to new legislation that has been passed by both California and New York, two of America's most populated states, raising their legal minimum wage to \$15 an hour. Now people around the country are pushing for Congress to enact legislation that would increase the federal minimum wage limit from the \$7.25 an hour number that is in place now up to \$10, \$11, \$12, and even \$15 an hour to match the figure we are seeing in California and New York. The National Council of Agricultural Employers (NCAE), while in opposition to any minimum wage hike, would be less inclined to vehemently oppose a raise in the minimum wage to the \$10-\$12 range over a period of time. Any increase greater than this figure though would be rash, careless, and irresponsible and would not only do great damage to many agricultural employers, but would harm small business owners around the country and would be incredibly injurious to our national economy as well.

NCAE does not want to see any increase in the minimum wage at this time. Research in the past has shown the detrimental effects that raising the minimum wage can have on our economy. Since we last raised the minimum wage in 2009 to \$7.25 an hour we have seen a decrease of 550,000 part time jobs as well as 310,000 teenagers working part time.<sup>1</sup> Additionally, an examination of twenty different minimum wage studies has shown that a ten percent increase in the minimum wage has led to a four percent increase in the price of other goods.<sup>2</sup> This not only renders a part of the wage hike negligible, but also raises the cost of living for those making above the minimum wage as their incomes stay the same but the prices of the goods they purchase begin to rise. Other studies that have been conducted on this subject have shown that increasing the federal minimum wage may result in both reduced employment, reduced hours, and reduced profits for employers effectively shrinking our economy.<sup>3</sup>

Although the NCAE is in support for the federal minimum wage remaining the same, we do see the benefits to employees that a slight raise could possibly have and increasing the benefits of the employee is a goal that agricultural employers strive to accomplish every day. Their employees are important to them and they really do want what is best for them. The issue with raising the federal minimum wage to achieve this though is that government legislation that is a one-size-fits-all policy simply does not work.<sup>4</sup> Raising the minimum wage to one set amount for all Americans would be incredibly unproportional.

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<sup>1</sup> [cms.bsu.edu/-/media/WWW/DepartmentalContent/MillerCollegeofBusiness/BBR/Publications/MinWage.pdf](http://cms.bsu.edu/-/media/WWW/DepartmentalContent/MillerCollegeofBusiness/BBR/Publications/MinWage.pdf)

<sup>2</sup> <http://object.cato.org/sites/cato.org/files/pubs/pdf/PA701.pdf>

<sup>3</sup> [http://object.cato.org/sites/cato.org/files/four\\_reasons\\_not\\_to\\_raise\\_the\\_minimum\\_wage.pdf](http://object.cato.org/sites/cato.org/files/four_reasons_not_to_raise_the_minimum_wage.pdf)

<sup>4</sup> [www.buzzfeed.com/coralewis/business-lobby-learns-how-to-oppose-policies-supported-by-bu#.tu22QdAM3](http://www.buzzfeed.com/coralewis/business-lobby-learns-how-to-oppose-policies-supported-by-bu#.tu22QdAM3)

California and New York make two perfect examples as to why they were able to raise their state minimum wage laws to a level as high as \$15 an hour. Along with being two of our most populous states, they also are two of the most expensive states to live in in the United States. In those areas, many workers already make good pay and the cost of living is leaps and bounds above what it is in rural America so it would make sense for the minimum wage to be higher there to compensate for the increased prices.<sup>5</sup> The majority of Americans enjoy a lower cost of living than most Californians and New Yorkers so they do not need to make as much as them. On top of this, small business owners in rural areas do not generate as much income as those in urban environments so they do not have the funds to cover a proposed wage hike as many business owners do in the city economies. Because of this, the NCAE believes that if there is to be a wage increase, it should be in the \$10-\$12 range. Anything above this is disproportionate to what the majority of small business owners could afford and would put upon them a pressure greater than the pressure felt right now by those making \$7.25 an hour.

The NCAE believes the \$10-\$12 range would be a safe hike due to the research conducted on this topic. Studies have shown that even though some employers cut jobs when the minimum wage is increased, others find that a higher wage floor allows them to fill their vacancies and reduce turnover as well, even though it eats into their profits.<sup>6</sup> Another reason we believe this would be a fair range to increase the minimum wage to is because of the case study that can be viewed in the British economy. One hundred and forty different research projects have been sanctioned by Britain's Independent Low Pay Commission to specifically study the effect that their new minimum wage laws have had on the country. They have found that the minimum wage has "led to higher than average wage increases for the lowest paid, with little evidence of adverse effects on employment or the economy."<sup>7</sup> If a \$12 an hour rate was to be implemented over the span of a few years in the States it would be about the same rate as Britain's minimum wage rate currently and we could expect to see the same results. Currently, we just do not have the research to see how a \$15 minimum wage would affect the economy. A \$12 minimum wage is about as high as the conducted studies postulate when exploring the economic impacts of raising the minimum wage rate. Any higher than this proposed rate would be beyond any international experience and could be detrimental to us in the long run. A \$15 minimum wage is completely uncharted territory.

Raising the federal minimum wage rate to \$15 for all workers in the United States is preposterous. Although some high-wage cities could absorb a minimum wage that high with no huge impact, it is very clear that this would not be the case in most instances. Other tools, such as earned-income tax credit, can be used in combination with a slight increase in minimum wage to improve the living standards of low wage workers.<sup>8</sup> Raising the federal minimum wage that high is not the answer. NCAE opposes across the board any hike in the federal minimum wage.

Prepared by Jake Oatess on June 20th, 2016.

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<sup>5</sup> <http://www.cbsnews.com/news/will-raising-minimum-wage-to-15-an-hour-kill-jobs/>

<sup>6</sup> <http://davidcard.berkeley.edu/papers/njmin-aer.pdf>

<sup>7</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/413415/](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413415/)

<sup>8</sup> [http://www.nytimes.com/2015/10/11/opinion/sunday/the-minimum-wage-how-much-is-too-much.html?\\_r=0](http://www.nytimes.com/2015/10/11/opinion/sunday/the-minimum-wage-how-much-is-too-much.html?_r=0)