

The Big 3 Myths Surrounding the Minimum Wage

Raise the Minimum Wage

“Raising the minimum wage is going to cause unemployment!”

This has been the hysterical cry¹ from opponents since the first minimum wage was instituted at the beginning of the last century. Yet the latest research shows at worst a moderate raise in the minimum wage causes no change in unemployment² and at best it has a positive effect on the economy³. The fault lies in opponent’s reliance on a simplistic economic framework: Minimum wage goes up, employer has to pay more than he can afford, employer lays off workers, resulting in higher unemployment. A recent paper⁴ by researchers at Amherst, UNC-Chapel Hill, and UC Berkeley rebuts that narrative revealing methodological flaws in previous anti-minimum wage research and firmly shows there is no tie between unemployment and raising the minimum wage.

“It hurts youth workers, who make up the majority of minimum wage workers and need these low paying jobs to gain experience”

False. This myth takes advantage of the popular misconception that minimum wage jobs are held by teenagers working while in school to gain experience. The data does not bear this out. Over 80% of those effected by a raise in the minimum wage are over 20 years of age. As for the claim that raising the wage would exclude the unskilled, recent research⁵ examined youth employment and found raising the minimum wage did not affect employment for young workers

“There are better ways to help the poor. We should focus on tax breaks like the Earned Income Tax Credit (EITC)”

The EITC gives additional tax breaks to families making low to moderate income. It’s a good program. But the magnitude of its effect is tied to regular increases in the minimum wage. As inflation devalues the minimum wage the efficacy of the EITC is also reduced.⁶ The two policies actually work in tandem to help ensure a living wage to workers.⁷

Other Myths

\$10.10 is too much! \$7.25 is plenty.

Remember, we are not raising the minimum wage to risky unknown heights. \$10.10 is still less than the real value of the minimum wage in 1968 which was around \$10.50 in today’s money.

There is no consensus among economists on the effects of raising the minimum wage.

While there are a few naysayers a recent survey of economist’s research on minimum wage has shown the majority do not find significant effects on unemployment.²

Raising the wage is enough. There is no need to index it.

Actually indexing is probably the most important piece of this legislation. Incremental raises each year designed to keep up with inflation is the best way permanently protect the wages of low wage workers.⁸

1. <http://www.nelp.org/page/-/rtmw/uploads/Consider-The-Source-Minimum-Wage.pdf?nocdn=1>
2. <http://www.cepr.net/index.php/press-releases/press-releases/new-paper-finds-modest-minimum-wage-increases-have-little-impact-on-employment>
3. <http://www.epi.org/blog/10-10-minimum-wage-give-economy-wage-workers/>
4. http://nelp.3cdn.net/98b449fce61fca7d43_j1m6iizwd.pdf
5. <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>
6. <http://www.help.senate.gov/imo/media/doc/Dube.pdf>
7. *Boosting Paychecks: The Politics of Supporting America’s Working Poor.* Daniel P. Gitterman 2009.
8. <http://www.epi.org/publication/bp251/>