



HOW DOES THE MINIMUM WAGE WORK? INFORMATION STATION

Politicians in Congress and several states are talking about raising the minimum wage. Unfortunately for employees most people don't realize the unintended consequences when the government starts setting pay rates.

Minimum wage or entry level jobs are generally for high school, college and those people seeking part time work. They are the first rung on the employment ladder. These jobs often teach what you don't learn in school.

Important skills like providing good customer experience, being prompt on delivering results, how to manage money responsibly, and how to work well on a team.

What happens to those jobs when the government gets involved in setting pay rates?

Here is one example. A typical minimum wage or entry level job is in the restaurant industry where the profit margins are very low. In fact restaurants only make \$5 in profit for every \$100 dollars in sales. One proposal in Congress would increase the minimum wage for tipped employees by over 200%. If the cost for employees goes up because the government increases the minimum wage for entry level jobs, what do you think will happen to employees?

The math simply doesn't add up. If the minimum wage is increased by that much a restaurant owner will either have to increase prices or hire less people to be able to pay fewer of them more.

So if you worked in that restaurant what would you recommend as an answer?

You can't raise prices much. That drives away customers. So most businesses in the service industry find a way to operate with fewer workers or reduce hours for current employees. Some may turn to self-service to eliminate the need for as many employees. The Congressional Budget Office recently determined that current proposals to raise the minimum wage could cost as many as 500,000 lost jobs.