

Why the Minimum Wage Shouldn't Be a Family Wage

Nostalgia is a powerful drug, and one that seems to have a particular potent effect on politicians. Consider, for example, a [recent tweet](#) by Massachusetts's senator and Democratic presidential candidate Elizabeth Warren. Last Saturday she said:

Back when I was a kid, a minimum-wage job could support a family of three. Today, a full-time minimum-wage job in America won't keep a mama and a baby out of poverty. Our movement is about making real, fundamental change to fix this.

Many people said her claim was not even remotely plausible. I initially thought so too. But I ran the numbers, and to my surprise Warren is partially correct.

Warren, age 69, was born in 1949. When she was born the federal minimum wage was \$0.40 an hour, and from age 1 to 6 it \$0.75 an hour. It rose to \$1.00 an hour when she was 7, to \$1.16 an hour when she was 12, and to \$1.25 an hour when she was 14, where it remained until she became an adult.

Based on the assumption a person is able to work full-time for a year, a total of 2,080 working hours (40 hrs x 52 weeks), here is the salary data compared to the poverty threshold for a particular year during Warren's childhood:

<u>Age/Year</u>	<u>Minimum Wage</u>	<u>Yearly Wage</u>	<u>Two Adults/One Child</u>	<u>One Adult/Two Children</u>
Age 10 (1959)	\$1.00	\$2,080	\$2,362	\$2,496

Age 12 (1961)	\$1.16	\$2,413	\$2,423	\$2,560
Age 15 (1964)	\$1.25	\$2,600	\$2,512	\$2,654

While her claim doesn't hold up throughout her entire childhood, it does seem to have been true under certain circumstances when she was a teenager. We'll give her credit for the first part. However, adjusted for inflation, the minimum in 1963 (\$1.25) would be equivalent to \$10.24 an hour. That's higher than the current federal minimum wage (\$7.25) but much lower than the state minimum wage in her home of Massachusetts (\$12.00). So she only gets partial credit for the last part of the tweet.

Warren also seems to be saying that the minimum wage should not just be a poverty wage but rather a family wage, that is, a wage sufficient to raise a family. Is she right?

For now, we'll set aside the debate about whether the government should mandate any minimum wage at all and focus solely on where the minimum wage should be raised until it equals a family wage (mw = fw). We'll also ignore the effects of government benefits (such as SNAP) and wage subsidies (such as the Earned Income Tax Credit).

We also need to distinguish between a poverty wage, a living wage, and a family wage. For our purposes, we'll consider:

- The poverty wage as the wage needed to move an individual or family above the poverty threshold;
- The living wage as the wage needed for an individual to cover minimum food, health insurance, housing, transportation, and other basic necessities (e.g. clothing, personal care items, etc.); and

- The family wage to be the “living wage” necessary to cover a family of four (one working adult, one non-working adult, and two children).

Because the wages vary by geographic location, let’s use [Dallas, Texas](#) as our representative city (Dallas has an average household income of \$92,495.) In Dallas, the poverty wage for an individual is \$12,147 (\$5.84) and for a family of four is \$12,542 (\$14.14). The living wage for an individual is \$24,356 (\$11.71) and the family wage for a family of four is \$59,851 (\$28.77).

While it’s true that economists disagree about the effects of minimum wage increases on employment and the living standards of minimum wage earners, almost all of the disagreement is about relatively small increases (less than 20 percent, or an increase of \$1.45 increase to the current \$7.25). Almost all economists agree that significant increases to the minimum wage or attempts to bring it in line with a living wage for an individual (e.g., \$12-15 an hour) would lead to dramatic increases in unemployment. Raising the minimum wage to equal a family wage (a low of \$27.24 in Jackson, Mississippi up to a high of \$47.92 in San Francisco, California), would lead to *massive* unemployment across the United States.

We should also ask why would we want to increase the current minimum wage when it already discriminates against low-skilled workers? As [Anthony Davies explains](#),

The minimum wage prevents some of the least skilled, least educated, and least experienced workers from participating in the labor market because it discourages employers from taking a chance by hiring them. In other words, workers compete for jobs on the basis of education, skill, experience, and price. Of these factors, the only one on which the lesser-educated, lesser-skilled, and lesser-experienced worker can compete is price.

Proverbs 22:22 tells, “Do not exploit the poor because they are poor and do not crush the needy in court” Similarly, we should not exploit the poor by denying them jobs or crush the needy by implementing misguided and reality-denying government policies.

Increasing the minimum wage up to \$25-50 would ensure that millions of Americans would never be able to find a job—and thus never be able to support a family of their own. Warren is smart enough to realize the results would be disastrous. Unless she’s nostalgic for the era of the Great Depression—when unemployment peaked at 24.9 percent—she should recognize that increasing the minimum wage to a family wage would cause long-term harm to American families.

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