Topic Overview

Resolved: The United States ought to require that workers receive a living wage.

Since the US minimum wage was introduced in 1938, its effect on employment has been hotly debated. The current federal minimum wage in 2024 is $7.25 per hour. Additionally, Minimum wages are often slow to adjust to inflation and rising costs of living.

The modern living wage movement was born in Baltimore in 1994, when the city passed an ordinance requiring firms to pay employees a rate above the minimum wage while working on city contracts. Since then, over 120 communities have followed suit, some setting wage floors more than twice the federal minimum wage, and some requiring various benefits.

The astounding growth of the living wage movement has been a response to the predicament of Americans who work but are unable to make ends meet, as well as to the public policies contributing to the problem.

Public policies have exacerbated the problem from the federal level to the local level. Since the early 1980s, the federal government has generally neglected the minimum wage; by 2005, a minimum wage paycheck bought less than it had in 49 of the last 50 years. Despite having common goals, living wage laws vary considerably in practice. Most cover employees working under municipal contracts. Some also cover municipal employees, employees of businesses receiving public economic development dollars, or employees of businesses located in districts that have benefited from significant public investment. Wage levels vary from one dollar above the federal minimum wage to over twice the minimum. Some exempt nonprofit organizations, while others primarily affect human service providers.

One characteristic most share is considerable scrutiny—by pushing for higher wages and challenging the way municipal governments operate, living wage policies have generated significant interest from many different parties.

Additional reading

https://www.epi.org/publication/bp170/?gad_source=1&gclid=CjwKCAjw2Je1BhAgEiwAp3KY78xYrI96EeGZVwf87sxFug1jVYre-useTTof2GaPWCQ4R76YkZQUCxoCsfAQAvD_BwE

https://worldpopulationreview.com/state-rankings/livable-wage-by-state
https://drexel.edu/hunger-free-center/research/briefs-and-reports/minimum-wage-is-not-enough/

https://livingwage.mit.edu/pages/methodology

Affirmative

<u>Definitions</u>

Ought

- Merriam Webster Dictionary
- “Ought.” *Merriam-Webster*, www.merriam-webster.com/dictionary/ought. -WR
- **“Used to express obligation, advisability, natural expectation, or logical consequence; can also be an expression of duty”**

Require

- Merriam Webster Dictionary
- https://www.merriam-webster.com/dictionary/required
- **“stipulated as necessary to be done, made, or provided”**

Receive

- Merriam Webster Dictionary
- https://www.merriam-webster.com/dictionary/receive
- **“To get something that is given or paid”**

Living wage

- Merriam Webster Dictionary
- https://www.merriam-webster.com/dictionary/living%20wage
- **“a wage sufficient to provide the necessities and comforts essential to an acceptable standard of living where they live”**

Framework

Value- Equity refers to “justice according to natural law or right; specifically: freedom from bias or favoritism.” This is an appropriate criterion because it investigates how a livable income might promote equity.

Equity. (2024.). Retrieved from https://www.merriam-webster.com/dictionary/equity

Criterion - maximizing opportunity

Opportunity refers to “a good chance for advancement or progress.” Therefore, my case demonstrates how a livable wage produces progress both individually and in society thus maximizing opportunity.

https://www.merriam-webster.com/dictionary/opportunity

<u>Contentions</u>

<u>Contention 1: Social welfare improvement</u>

Discuss the new data of what a living wage is in 2023, and how it exceeds the poverty threshold.

Glasmeier 2023, “NEW DATA POSTED: 2023 Living Wage Calculator” *Livable wage MIT,* 2023. Retrieved from: MIT.https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator#:~:text=A%20typical%20family%20of%20four,often%20used%20to%20identify%20needs.

“While the minimum wage sets an earnings threshold under which our society is unwilling to let families slip, it fails to approximate the basic expenses of families in 2022. Consequently, many working adults must seek public assistance and/or hold multiple jobs to afford to feed, clothe, house, and provide medical care for themselves and their families.

<u>Establishing a living wage and an approximate income needed to meet a family’s basic needs would enable the working poor to achieve financial independence while maintaining housing and food security. When coupled with lowered expenses for childcare and housing, the living wage might also free up resources for savings, investment, and the purchase of capital assets (e.g., provisions for retirement or home purchases) that build wealth and ensure long-term financial stability and security.</u>

The minimum wage does not provide a living wage for most American families. A typical family of four (two working adults, two children) needs to work more than two full-time minimum-wage jobs (a 96-hour work week per working adult) to earn a living wage. Single-parent families need to work almost twice as hard as families with two working adults to make a living wage. A single mother with two children earning the federal minimum wage of $7.25 per hour needs to work 252 hours per week, the equivalent of almost six full-time minimum-wage jobs, to make a living wage.

Across all family sizes, the living wage exceeds the poverty threshold, often used to identify needs. State minimum wages provide for only a portion of the living wage. For two adult, two children families, the minimum wage covers 58.5% of the living wage at best in Washington and 28.6% at worst in New Hampshire. This means that families earning between the poverty threshold ($27,750 for two working adults, two children on average in 2022) and the living wage ($104,077 on average for two working adults, two children per year before taxes) may fall short of the income and assistance they require to meet their basic needs."

Subpoint: when basic needs are covered people are able to move to independence.

Drexel University, 2021 "Minimum wage is not enough: A true living wage is necessary to reduce poverty" *Drexel University Center of Community,* 2021. Retrieved from: https://drexel.edu/hunger-free-center/research/briefs-and-reports/minimum-wage-is-not-enough/

"Food Insecurity

Low wages and food insecurity go hand-in-hand. One in ten working adults faced food insecurity in the period between 2015 to 2017. In states with a minimum wage set at $10 or higher, 8.6 percent of employed adults were food insecure in 2016. However, in states with a minimum wage set at the federal minimum of $7.25, that number was much higher–9.9 percent were food insecure. As one would expect, households with low-wage workers and those working part-time or multiple jobs (oftentimes all three) are significantly more likely to be food insecure than those working full-time at one job paying higher wages. Not surprisingly, front line, low-wage workers such as those in childcare, health care, grocery store, and food service roles are more likely to experience food insecurity. Many roles praised as essential during the COVID-19 pandemic were also more likely to need federal assistance such SNAP to get by even prior to COVID. More than 5.5 million essential workers relied on SNAP at some point in 2018. Some reports estimate increasing the federal minimum wage to $15 per hour would support almost 1.2 million households in becoming food secure, reducing food insecurity by 6.5 percent.

Food security and health are intertwined. When workers do not have sufficient income to cover basic expenses, they are forced to skip meals or purchase nutritionally deficient food for their families. This causes an urgent crisis, especially for children. Research finds even very low levels of food insecurity can impact children's brain development, social development, mental health, and physical health that can have lasting impact into adulthood. Food insecurity also impacts children's academic performance and school attendance, which impairs their future wage-earning potential and creates an intergenerational cycle of food insecurity and poverty. But food insecurity does not just impact the individual family. We all pay the price for hunger in the U.S. The health-related costs of food insecurity for just one year (2014) were estimated at $160.7 billion with another $18.8 billion estimated related to poor educational outcomes.

Mental Health and Well-being

When families do not have enough money to afford rent and other basic necessities, their physical and mental health suffers and stress increases, impacting both adults and children. Adequate family income helps children long-term by reducing severe poverty-related stress, which is linked to life-long impact on children's brain development and physical health and allowing families to afford better learning environments from childcare through college. Increased wages have been linked positive health impacts as a result of improved mental health including decreases in smoking among adults and specifically among pregnant women resulting in increased child birth weights.38 They have also been linked to a reduction in suicides, specifically in those with high school or lower education levels. Improvements in worker mental and physical well-being also positively impacts businesses. The Integrated Benefits Institute estimates that illness-related productivity losses cost employers $575 billion in 2019 on top of the $950 billion spent on healthcare benefits by employers. Reducing poverty-related stress and improving overall health results in fewer sick days taken and improved performance.

Self-Reliance and Personal Freedom

With increased wages, workers rely less on public assistance programs laden with rigid and confusing guidelines. When families are allowed greater freedom and flexibility in how they spend their income, it allows them to make decisions that best meet the needs of their families and help them move out of poverty. Specifically, means testing associated with public assistance programs limit assets, which are necessary for families to move out of poverty and off public assistance. Workers cannot become self-reliant without building savings. It is essential for their transition away from assistance programs. Benefit cutoffs from small wage increases when families are unable to build sufficient savings result in poor child and caregiver health outcomes as well as food and energy insecurity and housing instability. increased wages offer workers the opportunity to save for major purchases or financial crisis. Low wages paired with means-tested public assistance programs often trap people in poverty.”

<u>Contention 2: living wage benefits companies and individuals</u>

Ecclissato 2022, "What's a 'living wage' and why's paying it good for business and workers" *World Economic Forum, May 2022.* Retrieved from: https://www.weforum.org/agenda/2022/05/living-wage-business-benefits-unilever/

"Living wages provide a competitive advantage. Consumers are increasingly seeking out ethical brands and companies that are prepared to lead the charge on issues of importance to them, and they will vote with their wallets when they discover a brand is not living up to those expectations. With social performance in supply chains under growing scrutiny, living wages can deliver significant reputational benefit. Additionally, there are several other reasons, beyond brand image and customer loyalty, as to why the adoption of living wages can be viewed as an investment for success, rather than a cost to mitigate. <u>Elevating workers out of working poverty grows consumer markets particularly in emerging and developing countries, increasing consumer spending, stimulating further demand and creating more economic opportunity. A recent Canadian study found that a 1% increase in minimum wages translates into a 0.5% rise in retail sales. Furthermore, living wages increase engagement and productivity, reducing turnover of workers and associated recruitment and training costs. Businesses that adopt living wages may also benefit from reduced business disruptions due to better worker relations.</u> PayPal, for example, attributes much of its recent growth to the decision to pay 'decent wages' to all employees. On a wider level, living wages can also strengthen value chain stability, performance, and resilience. It shouldn't be a surprise that many companies highlight a direct correlation between supplier performance and their treatment of workers. Therefore, responsible procurement practices and investments in longer-term supplier relationships are incredibly important."

Paypals approach to better livable income leads to an 18% Net Disposable Income (NDI) raise for U.S.-based hourly and entry-level employees, and a large company growth.

Financial health network, 2023, “Employer Case Study PayPal Is Setting a New Standard for Employee Financial Health” Financial health network, 2023. Retrieved from:
https://finhealthnetwork.org/employer-finhealth-toolkit/identify-solutions/paypal-case-study/

“A few years ago, **PayPal’s** President and CEO Dan Schulman wanted to re-examine how well the company’s mission – to offer affordable financial services around the world – was faring closer to home among its employees. What the company’s leaders found was the opposite of what they expected: Many hourly and entry-level employees were struggling to make ends meet. In fact, a 2018 assessment revealed that almost two-thirds of surveyed employees said they were periodically running out of money between paydays, even though the company was paying at or above prevailing market wages. When they reviewed the applications for the company’s emergency relief fund, they discovered another troubling fact. Many of the requests were for everyday expenses, like medical bills, student loan payments, or car repairs. Not only did these findings cause **PayPal** to rethink its own approach to compensation and benefits, the company is now setting a new standard for other companies. “The number one responsibility that we have is the health – financial health – of our employees. Nothing is more important to a company than having financially secure, passionate employees working for you,” Schulman said in a 2020 TedX interview.

A New Metric

Under Schulman’s leadership, the company took action. PayPal launched its employee financial wellness initiative at the end of 2019. At the center of this initiative was a new metric called **Net Disposable Income (NDI)**, which goes beyond a simple wage calculation to estimate the discretionary income remaining for employees after taxes and typical living expenses are paid. PayPal found that the estimated NDI was as low as 4-6% for some of the company's U.S.-based hourly and entry-level employees; the company set a goal of at least 20% for all employees globally. "At 20%, you actually have the ability to save and to put money away, and have money left over for discretionary expenses," Schulman said. Using a percentage metric also means the NDI adjusts to the cost of living in different geographic locations.

Raising Wages, Reducing Expenses

More recently, PayPal has continued to prioritize the financial wellness of its employees by awarding additional equity grants and providing wellness stipends to offset the costs of working from home. The company also began offering one-on-one financial coaching, enhancements to retirement plans, and early wage access through partnerships with Even and Hastee.

Tracking Impact

To continue to track results and progress over time, PayPal plans to conduct an annual financial health survey for all its employees and benchmark against the Financial Health Network's national Financial Health Pulse data. The company is also capturing the real-life stories of 20 employees through a "financial diaries" project. PayPal's results are early but impressive. By the end of 2020, these initiatives helped raise estimated NDI to at least 18% for U.S.-based hourly and entry-level employees, making significant progress toward the company's goal of at least 20% for all employees globally. At the same time, the company is experiencing double-digit growth year over year. While there are many reasons for PayPal's success – including the rapid rise of digital payments – the company's leaders believe that the results also show that treating employees better has contributed to becoming a stronger business. Drawing on its success in improving worker well-being, PayPal – in partnership with JUST Capital and with additional support from Financial Health Network and the Good Jobs Institute – is now spearheading a broader corporate movement. The Worker Financial Wellness Initiative calls on CEOs to make employee financial well-being a C-suite priority. “You take care of your employees and other things naturally flow from that,” Schulman said in an interview with Inc. “They love being a part of that company. They take care of customers better. And all of those things inevitably accrue to the benefit of a company in terms of how it’s trying to serve its ultimate end market.”

Contention 3: less reliant on failing welfare systems

Macaluso 2021, "The Shortcomings of a Work-Biased Welfare System" *The Federal Reserve Bank*, May 2021. Retrieved from: https://www.richmondfed.org/publications/research/economic_brief/2021/eb_21-15#:~:text=I%20conclude%20that%20the%20welfare,is%20unfortunately%20not%20the%20case.

"I conclude that the welfare system has not been successful in lifting people out of poverty in a permanent way. Simplifying somewhat, we could say that it is a system that brings people *out* of poverty, but not *up* the income distribution. Despite its emphasis on self-reliance, the current structure of welfare programs has done little to foster independence and long-term income growth for poorer households. If it had, we would see the pre-transfer poverty level drop as fewer families would rely on public transfers to avoid poverty. This is unfortunately not the case. Welfare support is relatively meager. As mentioned earlier, a single mother with two young children needs to work at least 30 hours to qualify for TANF. Even then, though, benefits are typically a small fraction of a state's median income. For example, a single mother with two children is eligible for a monthly benefit of $170 in Mississippi and a little over $1,000 in New Hampshire. The latter may seem large but is only 1.3 percent of New Hampshire's median income (and Mississippi's benefits are only 0.4 percent of that state's median income)."

Cooper 2016, "Balancing paychecks and public assistance. How higher wages would strengthen what government can do" *Economic Policy Institute,* Feb 2016. Retrieved from: https://www.epi.org/publication/wages-and-transfers/

"The lower block of results in Table 3 shows the predicted effect from a $1 increase in hourly wages on the annual value of benefits received by workers in each wage range. Again looking at the first column, the results indicate that for each additional dollar in hourly wages paid to workers earning up to $9.91 per hour, total benefit dollars received from all public assistance programs decline by $199 per worker annually, on average.

This means that if the 15.5 million workers with wages in this range received, on average, a $1 increase in hourly pay, total means-tested government benefit expenditures would decline by about $3.1 billion annually."

<u>Extension</u>

Contention 1:

a global commitment to a living wage could help transform lives.

Heggie, 2022 "Toward a living wage: What it is and why it matters" *National Geographic,* 2022. Retrieved from: <u>https://www.nationalgeographic.com/environment/article/paid-content-toward-a-living-wage</u>

"<u>When workers earn a living wage, they have money to not only buy enough food, but to buy more nutritious food that brings health benefits for the whole system—workers are less susceptible to illness, less likely to take sick days, and can afford health care that helps them recover more quickly when they do get sick. A worker earning a living wage is also more likely to afford housing that offers a decent standard of living—protection from the elements, privacy, sanitation, and clean water.</u> What's more, a living wage provides the security and means to make improvements to homes and even neighborhoods. Having a little "disposable" income might encourage people to plant trees for shade, pay for street lighting to combat crime, and contribute to building schools and sports facilities. Such improvements can help to create safer and more stable communities. Social improvement is also associated with education. With enough to live on, parents don't need their children to bring in extra income, so they can afford for their children to go to school instead of work. That education improves a child's future job and life opportunities, especially when the little extra from a living wage can pay for college. This can have a positive impact on the rest of the family, and makes it more likely that future generations will also benefit from education. A living wage means more community members are able to afford free time to engage in cultural activities like forming a choir or coaching sports. It also supports the spread of gender equality by ensuring women (among the world's lowest paid workers) receive an equitable wage. Essentially, boosting the income of all the world's lowest paid workers would be a powerful driver of social and political inclusion—reducing social and economic inequality across the globe."

Contention 2:

Productivity leading to better businesses

Fisman, & Luca 2018 "How Amazon's Higher Wages Could Increase Productivity" *Harvard business review,* Oct 2018. Retrieved from: https://hbr.org/2018/10/how-amazons-higher-wages-could-increase-productivity

by Ray Fisman and Michael Luca both professors of economics at boston university

Higher wages mean better productivity because it provides motivation.
"First, higher wages allow firms to attract and retain better employees (assuming competitors don't follow suit and raise their wages as well). But there is an important — and often overlooked — second effect. Paying wages that are above the market rate (known within economics as "efficiency wages") can also be an important motivating force for your existing employee base. The intuition is straightforward: higher wages makes a job more desirable. This leads to a larger applicant pool waiting to take over when openings occur, and makes it easier to replace a slacker employee. It also means that workers have more to lose by slacking off — who cares if you're fired from a $7.25 an hour job, but where else will you find somewhere that pays $15 per hour? The concept of efficiency wages is an old idea, dating back at least to Henry Ford's introduction of the "five dollar day" in 1914, at a time when the daily wage at manufacturing plants near his Highland Park factory was $2.30. Ford himself called it his finest cost-cutting move, because of the boost to productivity that came as a result.

There's good reason to think that Jeff Bezos's $15 per hour will be as successful as Ford's $5 a day. The manner in which Amazon announced its $15 wages is likely to boost the productivity gains coming from the wage hikes. How so? Beyond the classic notion of efficiency wages — I work harder because I fear losing a better-paying job —

above-market wages can lead to a second productivity gain driven by employees' innate sense of reciprocity. Research (including our own work) has found that when a company gives unexpected pay increases, workers often reciprocate by working harder than is required (even if they don't worry about getting fired). And, what better way to signal your good intentions and concern for workers than through a flamboyant public announcement of a substantial pay raise."

Contention 3

Cost break down

Lind, 2023 "America Pays a High Price for Low Wages" *The Wall Street Journal 2023*. Retrieved from: https://www.wsj.com/articles/america-pays-a-high-price-for-low-wages-d706894d

We can call the current American labor market system the low-wage/high-welfare model. It is a success from the perspective of employers who get to pay lower wages. It is also a success for some consumers, since lower wages mean lower prices. The losers include taxpayers, the working poor themselves and workers who are not poor but fear poverty. The low-wage model also saps the incentives for technological innovation, because cheap labor so often substitutes for labor-saving machinery. <u>Topping up low wages with redistributive welfare benefits does save millions of American workers from poverty, but it comes at a terrible cost to self-reliance. Underpaid workers who rely on means-tested welfare are often required to take any available job, including jobs that pay poverty wages. In a vicious cycle, the low-wage job creates welfare dependency, and the welfare state encourages low-wage work. Inevitably, this system creates a two-tier labor force, with an underclass of the working poor who derive part of their income from employers and part from government transfers.</u> The creation of so many low-wage jobs has far-reaching effects on the majority of Americans who are not poor. The fear of being trapped in a low-wage job fuels credential inflation, in the form of unnecessary occupational licensing and the pursuit of a college degree by young people who end up in jobs that do not or should not require one. Credentialism, in turn, prolongs the time that many Americans spend in expensive and often worthless higher education or needless occupational training, forcing them to postpone starting a family or to forgo one entirely. American taxpayers also lose out. For the 2022 tax year, 31 million American workers and their children received an average of $2,043 in EITC benefits, for a cost to taxpayers of $63 billion. That is $63 billion in taxpayer money that could have been saved if employers had paid those workers a little more each month. The beneficial effects often attributed to the EITC -- including lifting workers out of poverty, increased employment and reductions in child neglect and youth violence -- would also result from higher wages. And needless to say, a job that pays a living wage has a work requirement by definition.

Other reading

https://www.epi.org/publication/bp170/

https://www.brookings.edu/articles/the-ripple-effect-of-a-minimum-wage-increase-on-american-workers/

https://www.cnbc.com/2024/04/29/29percent-of-us-households-have-jobs-but-struggle-to-cover-basic-needs.html

Negation

Definitions

Ought

- Merriam Webster Dictionary
- "Ought." *Merriam-Webster*, www.merriam-webster.com/dictionary/ought. -WR
- **"Used to express obligation, advisability, natural expectation, or logical consequence; can also be an expression of duty"**

Require

- Merriam Webster Dictionary
- https://www.merriam-webster.com/dictionary/required
- **"stipulated as necessary to be done, made, or provided"**

Receive

- Merriam Webster Dictionary
- https://www.merriam-webster.com/dictionary/receive
- **"To get something that is given or paid"**

Living wage

- University of Cornell Carow school of Policy
- https://www.ilr.cornell.edu/carow/carow-policy/what-living-wage
- **"A living wage is simply the minimum hourly amount that a full-time worker must earn to afford basic necessities. In this case, a full-time worker is defined as someone who works at least 2,080 hours a year. Because the costs of basic necessities are so**

different in different places living wage only makes sense for a particular location. The living wages of a big metropolitan city will be different from those of a rural community."

Framework

- Value- societal welfare / well-being - community care

the welfare of society, esp. of those segments of society that are underprivileged or disadvantaged because of poverty, poor education, unemployment, etc. Furthermore, it **concerns the collective well being of members of a society and the social responsibility for its** ongoing improvement.
https://www.marquette.edu/social-cultural-sciences/major-social-welfare-justice.php

- Criterion - Cost Benefit Analysis

The framework should be cost benefit analysis. If we, the neg side of the debate, proves that requiring a living wage for workers has more costs than bens, we win the debate. Subsequently the aff has to show that the bens outweigh the cost. CBA is the best way to decide if an action is worth pursuing,

Hayes 2022 Adam Hayes is a financial writer with 15+ years Wall Street experience as a derivatives trader. “What Is Cost-Benefit Analysis, How Is it Used, What Are its Pros and Cons?” Investopedia, 07-4-2024 (https://www.investopedia.com/terms/c/cost-benefitanalysis.asp)

A cost-benefit analysis is a systematic process that businesses and governments use to analyze which decisions to make and which to forgo. The cost-benefit analyst sums the potential rewards expected from a situation or action and then subtracts the total costs associated with taking that action. Some consultants or analysts also build models to assign a dollar value on intangible items, such as the benefits and costs associated with living in a certain town

Contentions

Contention 1 too complex

MIT living wage Calculator “Frequently Asked Questions (FAQs)” *MIT living wage Calculator. Retrieved from: https://livingwage.mit.edu/pages/faqs*

The living wage, typical expenses, poverty wage, minimum wage, and typical annual salaries by occupation estimates are updated annually – by the end of the first quarter of the year – using the best available data as of December 31 of the previous year. Since states and municipalities change their minimum wages on an irregular and inconsistent basis, these values may be further adjusted over the course of the year to reflect the latest minimum wage statutes and ordinances.

World population review 2024 “Livable wage by state” *World population review,* 2024. Retrieved from: https://worldpopulationreview.com/state-rankings/livable-wage-by-state

To be effective it needs to change to compensate families v. individuals.
“District of Columbia

- Living Wage, Individual: $20.80
- Living Wage, Family of 4: $27.06
- Minimum Wage: $15.20

The District of Columbia has the highest livable wage for an individual, at $20.80 an hour or $43,258 a year. A family of four with two working adults requires $$112,551 annually to maintain a minimum standard of living. Housing in D.C. is among the nation's most expensive, costing an individual $18,156 a year. Childcare is also costly, setting a family of four back $22,492 a year - more than the same family's annual housing costs.

California

- Living Wage, Individual: $19.41
- Living Wage, Family of 4: $27.42
- Minimum Wage: $15.00

California's living wage is $19.41, or $40,371 a year for an individual. A family of four requires $27.42, or $101,378 a year. Childcare costs will cost a family with two working adults $22,259 a year, slightly more than the $24,682 they can expect to spend on housing.

States with the Lowest Living Wage

South Dakota

- Living Wage, Individual: $13.87
- Living Wage, Family of 4: $20.02
- Minimum Wage: $9.95

South Dakota has the lowest living wage for individuals, requiring $13.87 an hour, or $28,853 a year. The state's housing costs are among the lowest in the nation, setting an individual back $6,784 a year. A family of four with two working parents will spend $9,639 a year on housing and $15,000 on childcare. They will require $20.02 an hour, or $83,274 a year, to maintain a minimum standard of living”

Sub point : The cost is wide reaching just raising the minimum wage by 4-6$

Congressional budgetary office 2021 “The Budgetary Effects of the Raise the Wage Act of 2021” *Congressional Budgetary Office, May 2021. Retrieved from:* https://www.cbo.gov/publication/56975#:~:text=In%20an%20average%20week%20in,rate%20would%20also%20be%20affected.

“If enacted at the end of March 2021, the Raise the Wage Act of 2021 (S. 53, as introduced on January 26, 2021) would raise the federal minimum wage, in annual increments, to $15 per hour by June 2025 and then adjust it to increase at the same rate as median hourly wages. In this report, the Congressional Budget Office estimates the bill’s effects on the federal budget.

- The cumulative budget deficit over the 2021–2031 period would increase by $54 billion. Increases in annual deficits would be smaller before 2025, as the minimum-wage increases were being phased in, than in later years.
- Higher prices for goods and services—stemming from the higher wages of workers paid at or near the minimum wage, such as those providing long-term health care—would contribute to increases in federal spending.
- Changes in employment and in the distribution of income would increase spending for some programs (such as unemployment compensation), reduce spending for others (such as nutrition programs), and boost federal revenues (on net).

Those estimates are consistent with CBO’s conventional approach to estimating the costs of legislation. In particular, they incorporate the assumption that nominal gross domestic product (GDP) would be unchanged. As a result, total income is roughly unchanged. Also, the deficit estimate presented above does not include increases in net outlays for interest on federal debt (as projected under current law) that would stem from the estimated effects of higher interest rates and changes in inflation under the bill. Those interest costs would add $16 billion to the deficit from 2021 to 2031.

Contention 2: impact does not hit as many people as we think

National Bureau of Economic Research, 2023 “Minimum wages and poverty: New evidence from dynamic difference in differences estimates” *National Bureau of Economic Research,* 2023. Retrieved from: https://www.nber.org/system/files/working_papers/w31182/w31182.pdf

families will not see as much of an improvement, similar to raising the minimum wage the livable wage does not reach everyone equally.

“For nearly a century, advocates of minimum wage increases have argued that raising the minimum wage will reduce poverty. A highly influential study by Dube (2019) suggests that these claims have merit. During the period from 1983-2012, he finds that minimum wage increases had substantial poverty- reducing effects, with poverty elasticities reaching as high as -0.9 (Dube 2019). This study asks three questions: (1) How sensitive are the large poverty-reducing effects of minimum wage increases found by Dube (2019) to empirical specification choice, the definition of poverty, and the sample period under study? (2) Did minimum wage increases enacted during the decade following the Great Recession reduce poverty? (3) How well targeted are newly proposed federal minimum wage increases to the working poor? The answers to these questions are Very fragile, No, and Quite poorly. While we are able to replicate Dube’s results, we find his estimates of poverty-reducing effects of minimum wage increases enacted between 1983-2012 are (1) quite fragile with respect to macroeconomic controls that may, in theory, capture adverse low-skilled employment effects of the minimum wage, thereby negatively biasing estimated poverty effects, and (2) require “close controls” (control states within the same census division as treatment states) which are often less observably similar to treatment states In sharp contrast to Dube (2019), our preferred regression estimates show that minimum wage increases enacted over the 1983-2012 period has no effect on net poverty, including for demographic subgroups. Moreover, using data from the post-Great Recession era (2010-2019), we find that recent, frequent, and large minimum wage increases had no effect on the probability that an individual lives in poverty. The estimated poverty effect is economically small, relatively precisely estimated, and nowhere near statistically distinguishable from zero across non-elderly individuals, all individuals, lower-skilled subgroups, and children. The result is robust to the choice of resource sharing unit (household versus family), model specification, event-study analyses, and newly developed difference-in-differences estimators that account for heterogeneous and dynamic treatment effects. Finally, turning to the 1983-2019 full panel, we continue to show relatively robust evidence of a null effect of minimum wages on poverty. The poor performance of past minimum wage increases in curbing poverty can be explained by two important factors. First, most working-age individuals (ages 16-to-64) living in poor families are not employed and even fewer are steadily employed. Moreover, only 8 to 10 percent of working age individuals living in poor or near poor families earn minimum wages such that they are likely to be affected. Second, minimum wage increases may cause adverse employment effects among some low-skilled workers, generating income redistribution rather than net income gains for the poor and near-poor."

Contention 3. Loss of government social welfare support/ improvement

https://www.epi.org/publication/wages-and-transfers/ updated 2017

NAP; the Low Income Home Energy Assistance Program (LIHEAP); the Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Section 8 Housing Choice Voucher program; Medicaid; and the Temporary Assistance for Needy Families program (TANF) or equivalent state and local cash assistance programs.4

For all of these programs, eligibility is restricted to individuals with low total family incomes, often some percentage of the federal poverty line. Certain programs have additional requirements, such as the presence of young children in the family, income below some percentage of the median rental cost in the person's region, or total family assets below a certain threshold. Most programs also are designed to "phase out" as family incomes rise—i.e., as a family's income increases, benefits levels decrease at some proportional rate—such that higher labor earnings still result in a net increase in total (labor and non-labor) income. Medicaid eligibility, however, terminates above a specific income threshold.5

Medicaid would require more funding but would not increase anything quality or access. **Congressional budgetary office 2021** "The Budgetary Effects of the Raise the Wage Act of 2021"
https://www.cbo.gov/publication/56975#:~:text=In%20an%20average%20week%20in,rate%20would%20also%20be%20affected.

The Raise the Wage Act of 2021 would affect spending for the major federal health care programs. Some of the effects would involve workers employed in the home health care and nursing care industries; CBO projects that if current laws did not change, there would be roughly 3 million such workers by 2025, many of whom would earn less than $15 per hour. Federal programs, such as Medicaid and Medicare, pay for much of the care supplied by those industries. The effect of increases in the prices of health care stemming from a higher minimum wage is a key factor contributing to an increase in spending for those programs. The effect of changes in the distribution of income is another key factor. Those changes would put downward pressure on spending for Medicaid and increase spending for marketplace subsidies. Medicaid and CHIP. Under the bill, Medicaid spending would increase because the effects of increases in the price of health care services and increases in enrollment by people who would be jobless as a result of the minimum-wage increase would outweigh the effects of decreases in enrollment by people with higher income (see Table 2 on page 16). Prices, such as those for long term services and supports and medical services, would increase as a result of negotiations that accounted for higher costs of labor facing health care providers. The number of Medicaid enrollees would tend to rise because of increased enrollment among people who lost employment as a result of the minimum-wage increase and thus became eligible for the program. However, that tendency would be more than offset as the income of some enrollees rose above the thresholds for Medicaid eligibility, causing overall enrollment to decline.

<u>Extension</u>

Contention 1:

Employers avoid aspects of employment benefits due to increase in wages.

Yu, et al., 2021 "Research: When a Higher Minimum Wage Leads to Lower Compensation" H*arvard Business Review, J*une 2021. Retrieved from: <u>https://hbr.org/2021/06/research-when-a-higher-minimum-wage-leads-to-lower-compensation</u>

<u>"Specifically, we looked at worker schedule and wage data from 2015 to 2018 for more than 5,000 employees at 45 stores in California — where the minimum wage was $9 in 2015, and has increased every year since then — and at 17 stores in Texas, where the minimum wage was $7.25 for the duration of our study. We then controlled for statewide economic and employment differences between California and Texas in order to isolate just the impact of increasing the minimum wage.</u> Based on this analysis, we found that increasing the minimum wage had no statistically significant impact on the total number of labor hours employed at a given store. In other words, stores hired workers to work for the same overall number of hours regardless of whether minimum wage increased. <u>However, our data suggests that the way in which those hours were allocated among workers did change. For every $1 increase in the minimum wage, we found that the total number of workers scheduled to work each week increased by 27.7%, while the average number of hours each worker worked per week decrease by 20.8%. For an average store in California, these changes translated into four extra workers per week and five fewer hours per worker per week — which meant that the total wage compensation of an average minimum wage worker in a California store actually fell by 13.6%. This decrease in the average number of hours worked not only reduced total wages, but also impacted eligibility for benefits. We found that for every $1 increase in minimum wage, the percentage of workers working more than 20 hours per week (making them eligible for retirement benefits) decreased by 23.0%, while the</u>

percentage of workers with more than 30 hours per week (making them eligible for health care benefits) decreased by 14.9%. This suggests that as minimum wage increases, firms may strategically adjust their scheduling practices to reduce the number of workers eligible for benefits: Our estimates suggest that the average store in our California data set recouped approximately 27.5% of the increase in its wage costs through savings associated with reducing benefits. In addition to the direct reduction in wage compensation and associated reduction in eligibility for benefits, we also found that increasing minimum wage led to less consistent work schedules, both in terms of the number of hours employees worked from one week to the next, and in terms of the timing of those shifts. A $1 increase in the minimum wage corresponded to a 33.0% increase in fluctuations in the number of hours worked per week, a 9.5% increase in fluctuations in the number of hours worked per day, and 9.8% increase in fluctuations of shift start times. Furthermore, this negative impact on scheduling consistency was generally more severe for workers who had held their jobs for less time, suggesting that newer employees were particularly impacted by these shifts. Research has shown that a lack of schedule consistency can make it significantly harder for hourly workers to coordinate job activities with their personal lives, balance multiple jobs, and ensure long-term financial stability. Between these three factors, our data suggests that the combination of reduced hours, eligibility for benefits, and schedule consistency that resulted from a $1 increase in the minimum wage added up to average net losses of at least $1,590 per year per employee — equivalent to 11.6% of workers' total wage compensation (and this is assuming that workers were able to use their reduced hours to work a second job — an assumption which may not hold true for many employees). Of course, recognizing these issues is merely the first step. The next question we must consider is why firms act in the ways that they do, and how we might craft policies that are more likely to actually achieve their goal of supporting workers.

The first factor to be aware of is that today, federal regulations mandate that firms provide retirement benefits to workers who work more than 1,000 hours per year (around 20 hours per week), and provide health insurance to anyone working at least 30 hours per week. This means that firms are naturally incentivized to hire more part-time workers who each work fewer hours, in order to reduce the number of employees eligible for these costly benefits."

Parameshwaran, 2023 "Why Raising the Minimum Wage has Short-term Benefits but Long-term Costs" *Wharton School of the University of Pennsylvania,* June 202. Retrieved from:https://knowledge.wharton.upenn.edu/article/why-raising-the-minimum-wage-has-short-term-benefits-but-long-term-costs/

"But raising the minimum wage does not automatically guarantee workers higher income, employment, and welfare in the long run, according to a new paper by experts at Wharton and elsewhere, titled "The Macroeconomic Dynamics of Labor Market Policies." "A key question in evaluating the effects of a minimum wage will be: How easy or how hard is it for an employer to replace or substitute away from that worker?" said Wharton finance professor Thomas Winberry on the main driver of the paper. He co-authored the paper with Chicago Booth economics professor Erik Hurst, Stanford University economics professor Patrick Kehoe, and Stanford research scholar Elena Pastorino. If an increase in the minimum wage requires a firm to, say, double the wages it pays to a worker, it may decide "to just not hire that worker anymore and instead do their production with another worker," Winberry continued. However, it will take time for firms to reorganize their production practices in a way that no longer requires such workers, he added. The authors suggested a more effective way to improve the long-run lot of low-income workers than large increases in the minimum wage. Combining existing transfer programs, such as the earned-income tax credit (EITC) or a progressive tax system, with a modest increase in the minimum wage provides even larger welfare gains for those workers, they stated"

Contention 2:

Hozler, 2008 “Living Wage Laws: How Much Do (Can) They Matter?” *brookings,* Dec 2008. Retrieved from: https://www.brookings.edu/articles/living-wage-laws-how-much-do-can-they-matter/

In recent years many municipalities and counties throughout the nation have enacted living wage laws, which require businesses that benefit from government contracts or other forms of public financial assistance to pay wages well above the federal minimum wage, and sometimes benefits, to their workers. Advocates of these laws often view them as ways to raise the earnings of low-wage workers and reduce wage inequality. Opponents often believe that the laws reduce the number of jobs available to low-wage workers and drive businesses away from the jurisdictions that enact them.This discussion paper describes the living wage laws that currently exist and reviews the academic evidence on their impact. It focuses on the laws’ impacts on labor market outcomes such as wage levels, employment rates, poverty, and inequality. The review’s most important findings for policymakers and practitioners are:

> Living wage laws affect very few workers directly. Few workers work for firms that are subject to living wage laws. Most studies suggest that the laws cover only 2-3 percent of the bottom tenth of wage-earners. Even in a city of 1 million people, only about 1500 workers are likely to be covered. However, it is possible that the impacts of living wage laws spill over to other workers who do not work for covered employers.
>
> Living wage laws have both modest benefits and modest costs for low-wage workers. Living wage laws raise the wages of the lowest-wage workers. They may also result in lower turnover, better worker morale, and modest reductions in poverty. However, they lead to modest reductions in employment for the

lowest-wage workers and may also result in reductions in training and in the use of part-time or overtime work.

Living wage laws can be useful but meaningful increases in the earnings of low-wage workers and reductions in poverty require more powerful public policies. Because of their limited coverage and modest affects on wages, living wage laws cannot have a large impact on low wages or poverty. Other public policies, such as those to expand collective bargaining, education and training, and publicly financed health insurance and parental leave, are likely to have more impact. Living wage laws can be useful if they raise awareness of pay disparity issues and build support for more powerful policies to raise the earnings of low-wage workers.

Other reading

https://fee.org/articles/why-the-minimum-wage-can-t-solve-the-poverty-problem/

https://thomaswinberry.com/research/hurst_kehoe_pastorino_winberry_2023.pdf

https://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit#:~:text=The%20Earned%20Income%20Tax%20Credit%20(EITC)%20is%20a%20federal%20tax,federal%20payroll%20and%20income%20taxes. - possible counter plan