

Roots in Ripon

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Chuck Roots

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Minimum Wage Increase

Recently, my daughter, Laura Spence, wrote an article for her Face Book page. She takes on the new California law signed by Governor Jerry Brown, authorizing a gradual increase to the Minimum Wage until it tops out at \$15.00/hour. I asked her if I could share it with the readers of my *Roots in Ripon* column. Enjoy!

So many of you are excited about the new California \$15 an hour minimum wage increase because you think you will be making more money. And you will, sort of. Let me explain to you how the minimum wage increase actually works.

Let's say you are a small business owner and your profit (personal take-home) is \$100,000 a year after all of your expenses (using nice round numbers for simplicity). As the business owner you have 2 full-time employees who currently make \$10 an hour working a 40 hour week. As the employer, on top of the wages you pay, you are also responsible for the overhead: insurance, sick pay, taxes, gas, transportation costs, etc. Now if you take those same 2 employees and increase their hourly wage from \$10 an hour to \$15 an hour they go from making \$20,000 a year to \$30,000 a year (accounting for two weeks of vacation). That is now \$20,000 more a year (or the equivalent of hiring a 3rd employee).

Now, as the business owner, are you going to take that out of your \$100,000 a year take-home profit leaving you with \$80,000 a year? Or will you pass that raise increase and additional expenses on to your consumers by raising your prices? Of course you will pass it on. Keep in mind that along with the business owner's prices being raised, all the prices of doing business up and down the chain go up: taxes go up (got to pay the government more, too), insurance goes up, transportation costs go up, overhead goes up, etc., etc. So instead of raising prices just a little bit to cover the salary expenses, business operators will raise their prices a LOT to cover ALL their expenses in order to make a profit! A cheeseburger for \$1.50 will now be \$3.00; a \$5 latte will now be \$7; a \$20 clothing item will now be \$25; a \$20,000 car will now be \$25,000, etc. So tell me, are you really making more money? Technically, yes, you will bring home more money (But maybe not! Since you will be making more, your personal taxes go up too!). In the long run your money will not go as far, and you will be just as broke as you were before.

Now what about those people who already make \$15 an hour? They either worked their way up to that amount, or they have acquired a skill in their trade (went to school to learn it). What happens to them? Do they get a wage increase too? Nope! They lose that pay difference and will now be making what everyone else makes (reducing their value to the company, or damaging the incentive to work harder). And they have to pay the higher prices along with everyone else.

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Minimum wage was not designed to be a lifelong career choice, or to support a family. It's meant to be a stepping stone or a starting point for young people to gain experience and learn by working their way up the career ladder. I wish that the lawmakers in Sacramento would stop assuming they know what is best for "We the People" and allow the free market to run itself. They obviously have no clue how this all works!

Wake up California! We will ALL be losing in this deal. Raising the minimum wage is one more step toward embracing socialism. If you think otherwise, then you are severely mistaken! But don't just take my word for it. Study any country that has attempted to engineer socialism. Cuba, Greece, Russia, England, and others. It never works! It never has, and it never will.

Next week I will delve into the life of the first player to be inducted to the Baseball Hall of Fame.