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Living Wage

A living wage is defined as a wage that is high enough to maintain a normal standard of living. Unlike a minimum wage, the living wage is not legally enforced. Companies are allowed to pay their employees less than the amount that is needed to have a decent lifestyle. Although it seems like a very simple and easy solution to just increase everyone's salaries, the economy could be damaged if the government simply raised the minimum wage to a certain rate. In the 2016 election, politician at every level of government need to address the issue of minimum wage.

In many locations, the minimum wage is below the living wage. In San Francisco County, the living wage is $14.37 (Glasmeier). The minimum wage as of May 1st 2015 is $12.25 (Office of Labor Standards Enforcement). This means that people in minimum wage jobs earn about $2 per hour less than they need to have a decent standard of living. Fortunately San Francisco is slowly changing their minimum wage to $15, which is above their living wage. However, many other cities and counties are not following in San Francisco's footsteps. For example, Sonoma County's living wage is $11.94, but their minimum wage is only $9 (Glasmeier). Even when the minimum wage increases to $10 in January 2016, minimum wage earners will still earn less than needed to live in the county. Given this information, it seems clear that the minimum wage should be increased so that all people make a living wage.

According to economic principles, however, the issue of the minimum wage is not as clear-cut as it may seem to be. There is a tradeoff involved with raising the minimum wage. A minimum wage is an example of a price floor, which is a government law that prevents people from selling specific things for under a specified price. In this case, the laborers are selling their labor to employers. The laborers and employers work together to find a price that they can both agree upon. The wage at which the amount of labor supplied equals the amount of labor demanded is called the equilibrium rate. At this point, everyone who wants a job has one, and everyone who wants laborers has them.

When the minimum wage rate is set below the equilibrium rate, it has almost no effect on the economy. The wage will naturally shift upward until it is at the equilibrium rate. The minimum wage will be almost obsolete since most employers will give their employees wages above that amount. A minimum wage that is above the equilibrium rate, however, creates a surplus of labor. More people will be willing to supply their labor than employers will be willing to pay. Therefore, according to the economic theory of price floors, some people that are currently employed would be laid off if the minimum wage rose, and the unemployment rate would increase.

However, in reality, many economists say that the opposite is true. According to a letter written to President Obama and several congressional leaders by over six hundred economists, "a minimum-wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth, and providing some help on the jobs front" (Henry et al.). Raising the minimum wage would increase consumer spending. If minimum wage workers earned a higher wage, they would have an increased purchasing power. With this increased power, they would buy more goods, which would increase the aggregate demand for goods and services. This would lead to rises in both employment and real gross domestic product. In these ways, the economy would be in a better state overall.

However, creating a standard living wage at the federal level would be difficult. Different states have varying standards of living. For example, mid-Western states like Montana are less expensive to live in than states like California. A national living wage would make the people living in the less expensive states richer than those that live in more expensive states. Similarly, creating a living wage law at the state level poses the same difficulties. Different regions within states have different standards of living. Del Norte County in California has a living wage that is $4 less than San Francisco County's living wage (Glasmeier). A minimum wage that would be sufficient for the people in one part of the state might not be high enough for those from a different part.

Any solution to the issue of a living wage would have to be solved at a county level. Each county would have to set a new minimum wage that would be close to the living wage. They would have to find the average cost of living in their county and calculate how much a full-time worker would have to earn each hour in order to afford to live in that area. The counties would have to increase their minimum wages gradually so as to not upset the economy too greatly. To help, the federal and state governments could pass a law stating that it is required for all counties to set these new minimum wage laws.

Although the minimum wage workers represent only 3.9% of the working population (U.S. Bureau of Labor Statistics), it is important that laws protect their rights too. Many people think of minimum wage labor as trivial, but society could not last a day without them. If there were no workers in the food and service industries, the American people would not be able to continue with their way of life. These people are as integral to society as people who work above minimum wage, and their rights deserve to be protected too. They deserve a wage that allows them to live at least a semi-comfortable lifestyle. If counties passed living wage laws and were backed up by state and federal requirements, minimum wage workers across the country would have better standards of living.

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