

Advantages and Disadvantages of Raising Federal Minimum Wage to \$15

By Victor N. Corpuz

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Meet the Authors



Victor N. Corpuz

Principal

(214) 520-2400

Victor.Corpuz@jacksonlewis.com

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In January 2021, legislators introduced the [“Raise the Wage Act of 2021”](#) to increase the federal minimum wage from \$7.25 an hour to \$15 an hour by 2025. If passed, it would be the first increase in more than a decade, the longest stretch since 1938.

While the federal minimum wage has remained stagnant, many state and local governments have already implemented a \$15 minimum wage. (For example, in 2014, Seattle required businesses to incrementally increase their minimum wage until it reaches \$15 an hour. [In 2021](#), the Seattle minimum wage is \$16.69 an hour.) Nevertheless, such a massive overhaul at the federal level is sure to be contentious among many and will be debated intensely.

Below is a brief overview of some of the key arguments both sides will present.

Advantages

Raising the federal minimum wage to \$15 an hour would improve the overall standard of living for minimum wage workers. These workers would more easily afford their monthly expenses, such as rent, car payments, and other household expenses. Representative Robert Scott, chair of the House Committee on Education and Labor, stated, “Today, a full-time worker cannot afford a modest, two-bedroom apartment in any county in the U.S.” Senator Bernie Sanders has also taken the position that the minimum wage needs to be \$15, as [he believes](#) full-time workers should not fall below the poverty line.

It has been argued that a second, less obvious, advantage to raising the minimum wage is increased employee morale. Not only will happier employees lead to a more cohesive, productive workforce, but also could result in higher levels of customer satisfaction. Additionally, if employees are satisfied with their job and their pay, they are less likely to leave, which in turn reduces the employer’s hiring and training costs.

Proponents argue that increasing the minimum wage to \$15 also will benefit minority workers and women. A \$15 minimum wage would give 31 percent of African Americans and 26 percent of Latinos a [wage increase](#). Additionally, a disproportional number of minority workers reside in one of the 21 states that maintains a minimum wage of \$7.25 an hour.

Disadvantages

Opponents to increasing the minimum wage argue small businesses would be adversely affected by such a drastic increase in the minimum wage. Just as small businesses begin to bounce back from the worldwide Covid-19 pandemic, an increase in the federal minimum wage would significantly increase small businesses’ operating costs and make margins tighter.

Raising the minimum wage to \$15 also would increase childcare [costs in the United States](#) by an average of 21 percent. In 2019, the average early childcare worker the United States

earned \$11.65 an hour. Therefore, a federally mandated \$15 minimum wage would increase the cost of labor for childcare providers by almost 33 percent.

Another argument against the Raise the Wage of Act is the vastly different state economies, with drastically different costs of living. A uniform minimum wage could disproportionately impact a small business in a state with a low cost of living. For example, to have the same minimum wage would be impractical in California and Oklahoma, as the average value of a home, according to Zillow.com, is \$635,055 in California but only \$143,173 in Oklahoma.

As the federal minimum wage debate continues to spark strong opinions, advocates on either side will continue to assert many reasons in support of their positions. Those opposing a minimum wage at all argue market forces should control. If the competition is fierce for qualified employees, an employer may have little choice than to adjust wages to prevent departures. Employers and employees should be aware of positions on both sides of the debate and prepare for what is an almost inevitable change in the federal minimum wage law.

Please contact a Jackson Lewis attorney with any questions.

(Spring Clerk Logan Adams, in our Dallas office, contributed significantly to this article.)

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