

LEGISLATIVE PRIORITY

Gearing up for January

BY RHETT RUGGERIO

THE FALL SEASON HAS ARRIVED, brining crisp air and changing leaves, football and tailgating, Halloween, and if you work in government relations, talk of legislation in Dover that is on the horizon for January – such as minimum wage.

Proponents of a minimum wage increase assume this increase will result in a fair living wage for employees, all while stimulating the economy and increasing employee productivity. Increasing the minimum wage would in fact do the opposite. A minimum wage increase would be detrimental to businesses, the economy, and most importantly, would result in low employment rates due to the fact it would become increasingly difficult to find employment.

The Congressional Budget Office estimated that if the federal minimum wage was increased to \$15 per hour, 1.3 million Americans would lose their jobs. This is due to the fact that it is becoming more and more expensive to hire employees. The average cost for a business to hire a new employee is \$4,000, according to a Kaiser Family Foundation study. An employer pays on average \$20,000 annually for a family medical plan, a 5% increase just in the past year. A minimum wage increase will only heighten the burden put on employers and result in a decline in entry level jobs.

We have already seen the effects of higher employment costs. Many entry level jobs such as fast food chains, large retailers, and warehouse facilities have decided to move towards automation. This alleviates many of the employee costs that have substantially risen over the years. According to a new report by the Brookings Institution, titled, “Automation and Artificial Intelligence: How Machines Affect People and Places.” Individuals aged 16-24 are most at risk to have their jobs taken over by automation. The studies show that as an individual ages, becomes more established, and leaves the entry level positions, their chances of losing their job to automation substantially decrease.

An increase in minimum wage would not only negatively impact readily available entry level jobs, but it would create hardships for the job market as a whole. Employers from all industries would have to raise the wages of 17 million employees. This would cut the number of readily available jobs substantially.



The minimum wage is intended for entry level employees who are working to become established and move towards a better career, leaving an opening for the next generation to follow that same path. A minimum wage increase will not result in the benefits many advocates have promised such as economic growth, and a spike in employment opportunities. Increasing amounts of evidence from studies conducted indicate that higher minimum wage levels lead to fewer jobs. Entry level jobs requiring low skills are the jobs most likely to decline with increased minimum wages.

Although a minimum wage increase is well meaning, the facts are facts, the “Fight for \$15” is not only a job killer, but an employment opportunity killer as well. Minimum wage increases reduce employment opportunities in the long run. If the Delaware General Assembly passes a minimum wage increase, the negative impact on individuals seeking employment will be immense. Our economy will also see significant negative side effects due to the fact that businesses will be forced to downsize and look at other options in order to make up for the significant costs a higher minimum wage creates.



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