



## Minimum Wage Cruelty & Minimum Wage Cruelty Update

Edited/Excerpted Compilation of Articles by Walter Williams, 4/14/10 & 5/26/10

*"The high rate of unemployment among teenagers, and especially black teenagers, is both a scandal and a serious source of social unrest. Yet it is largely a result of minimum wage laws. We regard the minimum wage law as one of the most, if not the most, anti-black laws on the statute books."*

~Milton Friedman, Nobel Prize-winning economist

Which allows for a higher standard of living: being employed at \$3.26 per hour or unemployed at a higher wage? As a result of the 2007 minimum wage increase, Chicken of the Sea International moved its Samoan operation to an automated cannery plant in Lyon, Georgia. Net results: 2,000 jobs lost in Samoa and a gain of only 200 jobs in Georgia.

Given Samoa's low cost of living, \$3.26 provided Samoan workers a higher standard of living than some of their neighbors on other islands. Now, these Samoans are unemployed.

On May 14th, 2010, StarKist, the island's remaining cannery, announced the layoffs of between 600 and 800 people over the next six months, reducing the company's Samoan workforce from more than 3,000 in 2008 to less than 1,200 workers. StarKist CEO Don Binotto remarked that it's difficult to compete when Samoan workers' wages are nearly 10 times those of its competitors in Thailand and other countries.

The Samoan standard of living has been even further reduced by the increased cost of goods it imports. Ships delivering goods from the U.S. and elsewhere to Samoa do not have as much cargo on their return trips, making shipping to Samoa a costlier proposition when so many are now unemployed.

Samoa's location and exemption from American minimum wage increases helped their economy to flourish. Del Monte, StarKist's parent company's location in San Francisco, and Chicken of the Sea's in Southern California

had Republicans rightfully suggesting that Pelosi's intended exemption for Samoa from the increases in the minimum wage reflected political payoffs and a conflict of interest. It did and it was, but exempting American Samoa from minimum wage increases would have been the compassionate thing to do, short of the universal repeal of minimum wage laws.

Mainland U.S unemployment is also affected by minimum wage laws. Adult unemployment hovers around 10 percent, while teenage unemployment overall is at a record 25 percent. The unemployment rate among black teenage males, however, stands at a record high of 50 percent. Why is black teen unemployment so much higher? The answer is simple.

1. **Discrimination against the employment of less-preferred workers:** If you have to pay all entry level employees a higher amount, it only makes sense to higher the more skilled workers. Teens are typically the lowest skilled and least reliable workers. Black teens have the added disadvantage of living in less economically developed areas where fewer jobs are available, and thus, they shoulder the greatest burden of minimum wages.
2. **Minimum wages also lower the cost of racial discrimination.** In fact, minimum wage laws are one of the most effective tools in the arsenals of racists everywhere, as demonstrated by just a couple of examples.

- a. **South Africa's racist unions during its apartheid era were the major supporters of minimum wages for blacks.** South Africa's Wage Board said, *"The method would be to fix a minimum rate for an occupation or craft so high that no Native would likely be employed."*
- b. **In the U.S., in the aftermath of a strike by the Brotherhood of Locomotive Firemen:** when the arbitration board decreed that blacks and whites were to be paid equal wages, the white unionists expressed their delight saying, *"If this course of action is followed by the company and the incentive (lower wages—ed.) for employing the Negro thus removed, the strike will not have been in vain."*

Labor unions spend millions lobbying for increases in the minimum wage because higher minimum wages protect their members from competition with lower-skill, lower-wage workers. Most other minimum wage supporters are decent people with a concern for low-wage workers, but their actions suffer from a misguided or misinformed understanding of how the world operates.

If it were true that an employer must have a fixed number of workers to do a particular job, it would make sense to help workers by mandating higher wages, whereby employers would earn lower profits. But that's not how the real world operates. Individuals are

rightfully motivated to do what is best for them and their families. There is **not** a fixed number of workers necessary to get a particular job done.

When faced with minimum wage increases, an employer can:

- 1) substitute capital for labor — automate;
- 2) shift the higher cost on to the product price where consumers can choose to purchase substitute goods, including goods from foreign producers, or
- 3) relocate to cheaper-wage countries.

These and other responses to higher wages reduce employment. **Poor people are not poor because of low wages; they're poor because of low productivity which translates into low wages.** Congress can easily mandate higher wages, but they cannot mandate either higher worker productivity or that a particular worker be hired in the first place.

Most people, no matter their age, usually receive raises sometime in their first year of work. The numbers employed at minimum wage remain constant as new workers continually enter the workforce. **Minimum wage legislation is not an anti-poverty tool, and actually increases poverty by reducing employment opportunities.**

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Jewish World Review, <http://jewishworldreview.com/cols/williams041410.php3>, and <http://jewishworldreview.com/cols/williams052610.php3>