

\$15 Minimum Wage ... YES!!!

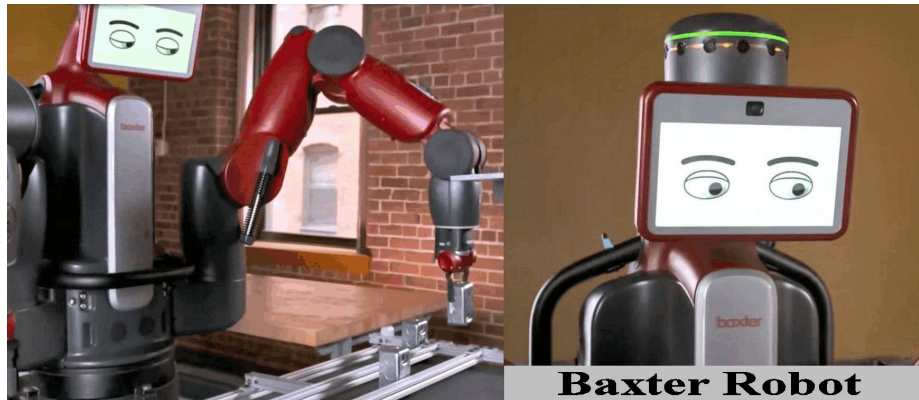
Why an Engineer supports a \$15 Minimum Wage and why Millennials should worry!

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The latest hot button topic of the social activists and now the sixteen election, is to make the world a better place for humanity by nearly doubling the minimum wage. As an engineer and technologist, I say YEA!!, because it will mean more work for my brethren. As so often the case of social activist, they look at the world in a very simplistic way, almost with the innocence of a child, considering that if they can raise the amount the bottom strata of workers are earning, then with more money to live on, their lives will be much improved.

But with just the threat, employers of minimum wagers are already looking for new technologies, with the new industrial robot Baxter by Rethink Robotics being a prime example. Introduced in 2012 and costing just \$25,000 to buy, it's



unlike conventional industrial robots with its ease of use, with Baxter not needing computer programmers. A worker can pull the robot's arm through the desired motions to program it without any need for technical skills or knowledge. For the present minimum wage of \$7.25 per hour plus say 30% burden (workman's comp, insurance, etc.), this makes for \$9.43 an hour. For the \$25,000 cost of a Baxter robot that calculates out to 2,651 hours of minimum wage work, which is about one and a quarter years of work. After that, it's essentially free labor. Double the minimum wage, and you half that "break-even point" to about nine months.

Doubling the minimum wage will only increase the demand for more machines like Baxter, to replace those more expensive humans. And that demand means more work for engineers, computer programmers, electronic and mechanical technicians ... which means more money for my brethren. But technology isn't waiting for the minimum wage to be raised, for businesses are already looking for and experimenting with new technologies to reduce their labor needs. Already, there are kiosks for freshly made foods such as pizzas. Fast food restaurants such as Taco Bell are experimenting with using smart phones and the internet for people to make their orders thereby reducing the need for people to man the front counter. The big box stores are

experimenting with using arrays of video screens to display merchandise instead of stocking shelves. The customer will use their smart phones to put merchandise into their “carts” which is in the back storage area where semi-automated warehouse technology is used to actually fill that cart. Using their smart phone, their purchases are already paid for when the cart is brought out to them. Over the years, ATMs have replaced the number of bank tellers needed, and now personal computers and smart phone apps are further reducing the need for tellers.

But there is a second major dimension to this proposal, which as you might expect, isn't considered by any of the advocates for doubling the minimum wage. What happens to the skilled and educated workers already making \$15 an hour? Will their pay stay the same? Will they be satisfied making the same amount as those with very little to no education or skills? Of course not, they will want more. Supply and demand, and our labor (commodity) is something we are trying to sell. When there is a large supply of a commodity, then the price is low. That's the real problem with those working at minimum wage ... there's lots of them ... a large supply of commodity (labor) so a low price (wage). For those already making \$15 an hour, they make that because of the education and skills they have, and there are fewer of them (smaller supply) so the price (wage) is higher. We see the same thing with each higher tier of pay scales—shrinking supply, so therefore increasing pay. As you might expect, if the minimum-wagers move up to the pay of those already making \$15 an hour, they in turn will move up for more money, which causes the next tier to also move up ... and so on, and so on, and so on. Pay scales just shift upwards until the pay strata is equal again. This is called inflation resulting in the devaluation of the dollar.

Net result: the minimum-wagers are right back where they started. No real gains and fewer jobs.

Now why should this be any concern for the millennials? Well, this is all about the problem of obsolete people and how they are falling further and further behind. It's a concern for the millennials because this is the environment they are coming into as evident by the 20% to 25% new college graduates finding themselves either unemployed or under-employed. Increasing pressure to raise the minimum wage, while a benefit for the people of technology, puts pressure for further advances in automation and therefore technology displacement. Increasing minimum wage increases obsolete people. This is another sign of how millennium's future is slipping away. The world of their parents and grandparents continues to slip away leaving millennials in a desert of job opportunity because the automation and technology displacement doesn't just center on the low strata of jobs, it's all up and down the labor strata. The driving force in this new economy is the basic axiom of automation:

Any time you can reduce the intellectual or skill level of a job, you reduce your labor cost.

This applies equally for the lowest minimal pay manual labor job to the highest levels of skill such as medicine or law. The minimum wage is a simple form of a cartel, and cartels are dynamically unstable systems, it's very hard to maintain control over a segment of the economy. Just look at OPEC and how their members continually act in their own self interest, nullifying much of the power and control of OPEC. However, the real revelation is how ill prepared those who govern us are, those who seriously propose doubling the minimum wage, who have so little understanding of the twenty-first century world. This is the real reason why the millennials are

falling out of the social-economic system— so many of those who are charged with governing us are themselves so very far behind and ill prepared to lead us into the twenty-first century. They have so very little understanding of how their world really works as typified by proposing doubling the minimum wage as the way to close the wage gap and expecting no repercussions.

And the millennials are the ones who are paying the price for these leader's deficiencies.

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