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Dave McClure • Feb. 10, 2014

The President of the United States, our champion of income equality, has once again called on Congress to raise the minimum wage from its present level of \$7.25 per hour up to \$10.10 per hour, a salary increase of just under 39 percent.

The logic is this: minimum wage is not a living wage. Figuring that a single minimum wage worker logs up to 1,950 hours of work per year (50 weeks at 39 hours per week) and will earn an annual income of roughly \$14,137.50 – an amount above the federal poverty level of \$11,480 per year, but hardly enough to live well on.

Let's sidestep the issue of why a person with minimum education, minimum skills, minimum ambition and minimum goals should only earn a minimum wage. And sidestep the questions of "fairness," "equality," and other moral imperatives. Instead, let's just look at the real impact of raising the minimum wage in terms of dollars and common sense. Here are the things you need to consider:

The single minimum wage worker (let's just call him or her the SMWW) currently pays taxes on \$4,137.50, after a personal deduction of \$3,900 and a standard deduction of \$6,100. That puts SMWW in the 10 percent tax bracket, paying about \$413.75 in taxes (plus small amounts for things like FICA and Social Security). But even without children, the Earned Income Tax Credit of \$496 (for a single person with no children) means the SMWW will pay nothing in taxes. With children and a spouse, the worker actually gets more money back.

But what happens when this same wage goes to \$10.10 per hour?

Now the worker is making \$19,695 per year (which is nearly what a soldier with four years of service in the Army makes for putting his or her life on the line). With the

same deductions, that means a taxable income of \$9,595, which boosts our worker

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records, generates sales of about \$800,000 in a good year, which after taxes nets a profit to the franchise operator of \$66,000, according to the Franchise Business Review. Yes, some kinds of franchises earn more, some less. We'll just stick with the average.

Raising the minimum wage to \$10.10 means that the cost of a 10 person shift for 20 hours per day (convenience store, fast food place, hotel, etc.) would increase the labor costs by more than \$208,000 per year (10 persons x 20 hours per day x 365 days per year x \$2.85 per hour increase in minimum wage – \$208,050). To make up this cost, you would need an average across-the-board increase in prices of 26 percent. Since this applies to virtually all purchases by companies that use minimum wage workers, the result would be an annual increase in prices of \$5,120 for minimum wage workers. Actually, these are just rough numbers. Figure in corporate taxes on gross income, and the total goes higher.

(Increase in minimum wage now results in a net loss of income to the worker of \$560 per year.)

Some employers will also make up this difference by cutting hours or the number of employees, so that minimum wage workers earn even less each year.

You might be wondering why the president of the United States, his financial advisors, and Democrats in general would push a phony pay raise that actually increases price and taxes on middle and lower class workers. Can't they understand that the math does not work for anyone?

Of course. They are simply pandering to a working class that does not have the education or skills to do the math, but still vote. They are hoping to salvage a disastrous policy year by dangling pretty baubles before their entrenched but poor voter base.

So if we wanted to help low-income workers, what could we do? After all, we've

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that such abuse is minimal and is generally caused by bad policies and inept bureaucrats. Fire the worst of them, prosecute the offenders, and put more money into the programs to keep families and children eating. Working families need a helping hand, and this one should be expanded. We only spend about \$80 billion a year on the whole program – about 2 percent of the total federal budget, and about twice what we give in aid to other countries.

- **Invest in skills training.** Politicians are slobbering all over themselves to promote a new “information economy,” pushing kids to go deeply in debt to get college degrees to take jobs that don't exist. Meanwhile, our manufacturing and service industries are dying for lack of trained welders, equipment operators, machinists and electricians. Put money into the trades, encourage basic skills, and get vocational-tech training back into our schools. Especially into our inner-city schools.
- **Tighten up immigration policies.** It is impossible to raise the American worker to a higher level when we face untold millions of unskilled laborers pouring across our borders to take all of the entry-level jobs. I don't advocate closing the borders, but I do advocate a better process to allow people into the country. They should, if they come here, have skills we need. They should not displace citizens of this country who need work. They should not be permitted favorable status – or any status – in receiving job and life support benefits if they are not here legally. We simply do not have the resources to care for the entire world to the detriment of our own poor.

Dave McClure is a longtime internet technologist, journalist and [blogger](#).

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