



## **Robots: \$15 Minimum Wage and the Law of Unintended Consequences**

Presidential candidate Bernie Sanders has vigorously campaigned on a pledge to more than double the federal minimum wage — currently \$7.25 per hour — to \$15. Major cities that have approved the sweeping increase include Seattle, Los Angeles, New York, Pittsburgh, and San Francisco, with more sure to fall in line as the “movement” continues.

Advocates argue that a large jump in the minimum wage will lift families out of poverty. Sanders even says so on his website:

Millions of Americans are working for totally inadequate wages. We must ensure that no full-time worker lives in poverty. The current federal minimum wage is starvation pay and must become a living wage. We must increase it to \$15 an hour over the next several years.

Christine Owens, executive director of the National Employment Law Office, agrees:

We’ve seen incredible momentum this past year in the fight to raise wages to a level that will make a meaningful difference to America’s workers and their families. I expect there will be even more energy around the issue of stagnant wages and economic inequality in 2016 — and an intense focus on what our elected officials, employers, working people, and voters can and should be doing about it.

Sanders *has* kept his focus squarely on the issue, in large part due to the fact that it is winning him support in his battle for the Democratic presidential nomination. Proponents, however, fail to consider the law of unintended consequences.

### **Unintended Consequences**

Last October, Clinton Alexander of *The New American* wrote about [Seattle’s new \\$15 minimum wage law](#) and how the city’s small businesses might be forced to react in order to keep their doors open. One of the obvious adjustments is to lower overall payroll, creating the effect of increasing unemployment in a manner that disproportionately hurts the very people the law was intended to benefit.

Studies have shown that economies are at significant risk of be harmed by a doubling of the minimum wage. In assessing the impact of a \$15 minimum wage on the city of Los Angeles, UC Berkeley economist Michael Reich authored a report that concluded as follows:

Los Angeles City: Combining costs and benefits and taking into account multiplier effects, we



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estimate a cumulative net reduction in GDP of \$135 million by 2017 and \$315 million by 2019, or 0.1 percent compared to a scenario with no city minimum wage increase.

These effects on the level of economic activity correspond to a cumulative net reduction in employment in Los Angeles City of 1,552 jobs by 2017 and 3,472 jobs by 2019, or 0.1 and 0.2 percent of all employment, respectively.

Despite the empirical evidence, advocates of a \$15 minimum wage dismiss these concerns, arguing the additional costs will be phased in over time, giving businesses time to absorb the additional expense. What they fail to take into consideration is the chance that many of the lost jobs will never return.

### **Robot Waiters**

In addition to the real possibility that thousands of small businesses will permanently downsize in lieu of paying above-market wages, larger businesses may look to technology to sidestep higher minimum wage laws. According to a former CEO of McDonald's, the fast food giant may eventually replace an untold thousands of jobs with robot waiters.

Said former CEO Ed Rensi:

I was at the National Restaurant Show yesterday and if you look at the robotic devices that are coming into the restaurant industry, it's cheaper to buy a \$35,000 robotic arm than it is to hire an employee who's inefficient making \$15 an hour bagging French fries.

For those who think this is the stuff of science fiction decades down the road, think again. Robot waiters debuted in 2014 and have already been tested in the Chinese city of Guangzhou. Although they performed in a less-than-impressive manner, technological improvements are in the works. Rensi's observations confirm that at least in the fast food industry, deployment of robots is right around the corner.

Rensi continued:

If you can't get people at a reasonable wage, you're going to get machines to do the work. It's just common sense. It's going to happen whether you like it or not. And the more you push this it's going to happen faster.

At \$15 per hour, the cost/benefit ratio of investing in technology to replace a human worker is clear. Considering an annual cost factor of roughly \$30,000 per employee, the \$35,000 robot waiter pays for itself in a little more than a year. Although it may happen eventually regardless of the minimum wage level, the likelihood is higher and the pace will certainly be quicker as the push for a "living" minimum wage continues.

### **Should Minimum Wage Be a "Living" Wage?**

The federal minimum wage was enacted in 1938 and originally set at \$.25. Adjusted for inflation, that would equate to \$4.13 today, substantially less than the current level.

In a 2015 poll, 63 percent of Americans favor raising the minimum wage to \$15 by the year 2020. However, it's a fair bet that nearly 100 percent of Americans oppose paying higher bills for groceries, fast food, and day-to-day services, so the movement's apparent popularity should be tempered by the not-in-my-backyard human nature of the general populace.

The debate over the proper amount for the federal minimum wage falls along philosophical lines. From a political perspective, on one side is socialist Vermont Senator Bernie Sanders and his legions of



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followers, exhorting to more than double the current hourly amount. On the other is Libertarian presidential candidate Gary Johnson and his calls to “let the market place function.”

Senator Rand Paul reflects the views of millions of Americans with his belief that minimum wage jobs are designed for students and transitional economic circumstances, calling them “temporary” employment:

It’s a chance to get started. I see my son come home with his tips. And he’s got cash in his hand and he’s proud of himself. I don’t want him to stop there. But he’s working and he’s understanding the value of work. We shouldn’t disparage that.

No, we shouldn’t. Nor should we allow the law of unintended consequences to eliminate thousands upon thousands of jobs or usher in the age of robot servitude any sooner than necessary. *Westworld* was just a tad too creepy for my tastes.



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