

Minimum Wage as An Ethical Issue

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Abstract

Minimum wage is defined as the minimum amount of remuneration that employers legally have to pay to workers for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract. The main purpose of the legislation is to ensure that employers do not exploit their workers, and thus it protects workers against unduly low pay. Minimum wage tries to provide a minimum living wage for a considerable amount of working people. Minimum wage exists in more than ninety per cent of the ILO member states. In recent years, global real wage growth has fallen from 1.6 percent in 2012 to 0.9 in 2015. Decrease in the earnings in the form of wages perpetuates and augments income inequalities. In order to come over inequality gaps, many countries have adopted or strengthened minimum wages. Some researchers claim that raising the minimum wage causes job losses. They build their assertions on the assumptions of the mainstream labor market which predicts that a higher minimum wage will lead to job loss among low-skilled workers. This assumption has been corrected by other researchers that it might have such an effect in some industries and only on young people, not on the other millions of workers. Labour force and wages are the fundamental components of the labour market. However, minimum wage legislation is within the domains of economy, policy, and ethics. In that sense, minimum wage cannot be analysed and discussed in economic terms. When child labour was banned in many countries, it was not regarded as a loss in production but was thought of as praise of dignity. In this study, which the methodology is theoretical, I tried to highlight the characteristics of minimum wage in order to claim that it would be rightful to treat minimum wage within an ethical, not within an economic perspective.

Keywords: Minimum, Wage, Ethical Issue

Introduction

Minimum wage has been defined as the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract. The purpose of minimum wages is to protect workers against unduly low pay (ILO).

Minimum wages exist in more than 90 per cent of the International Labour Organisation's (ILO) member states. Minimum wage laws are well-entrenched labour market institutions in most countries nowadays. In contrast to its wide application, minimum wage has always been on the agenda of the opponents. Minimum wage is a legislation that requires the wages do not fall below a certain level and provides a mechanism to enforce this. Minimum wage is also used as a policy which its basic arguments have remained substantially the same for decades (Wilkinson, 2004: 351). As a policy, minimum wage helps ensure a just and equitable share of wealth to all and overcome poverty and reduce inequality.

Opponents of minimum wage position their arguments on the basis that the markets are perfect and government should not intervene in the case of imperfections, which are seen as temporary. Advocates of minimum wage state that there is no perfect competition, that labour market is different from other markets, and that it is humanitarian to protect the working poor. Minimum wage is regarded as a humanitarian or moral and ethical issue by some researchers, and as an economic issue by the others.

Minimum wage encompasses less-skilled, unskilled, or inexperienced workers. Its target is not directed to other workers. The discussions usually omit this aspect and assume that minimum wage is an interventionist measure. However, a raise

in minimum wage has an automatic impact on all wages, and pushes them up too. I suppose that this impact which the employers feel uneasy about it, is not openly discussed and put forward in the discussions and arguments.

Minimum wage is a type of wage which is enforced by a legislation. It arises in the labour market but is legislated by the government. Opponents of minimum wage regard the presence of this legislation as an intervention in the free, perfect market. However, the actors in the labour market are not even. Employers have greater power in setting the wages and managing the hiring-firing process. It is not a competitive market. Adam Smith correctly observed that this negotiation typically favors the employer (Prasch and Sheth, 1999: 470). Minimum wage is an income for the employee, and a cost for the employer. No such characteristic and relation exist in other markets except the labour market. Therefore it would be fallacious to assume labour market the same as the other markets.

Opponents of minimum wage also state that minimum wage contradicts with self-ownership and that it is against freedom of contract. In particular, considerations of exploitation and freedom do not make a case for or against the minimum wage. Some propose the minimum wage because they believe that employers have duties not to exploit their workers, whereas others oppose it on the grounds that it wrongly restricts the freedom of workers to contract as they choose (Wilkinson, 2004: 350-353).

As being a type of wage, minimum wage is an economic issue belonging to the labour market. In addition to its economic aspect, minimum wage is also a legislation which is within the domain of policy.

This paper, which its methodology is theoretical, discusses minimum wage and claims that though minimum wage has an economic and political aspects, it should be regarded as an ethical issue in order to protect and uplift the labour of the vulnerable, unskilled, and/or inexperienced workers. The paper starts with an introduction, proceeds to concepts and definitions. In the following section, some theoretical approaches about minimum wage have been summarised. Next, in the homo oeconomicus section, economic characteristics and outcomes of minimum wage have been studied. Following it, the ethical perspective has been presented. The paper ends with concluding remarks which underlines the ethical and moralistic conduct and discourse for minimum wage.

Concepts and Definitions

Ethics and morality are the terms related with 'right and wrong' and 'good and bad' conduct. Usually these terms are used interchangeably. Ethics and morals are quite different, and they might contradict or even rule out each other. What is immoral for someone or for a community might not be immoral for another. Morality refers to an individual's or a community's own principles regarding 'right and wrong' and 'good and bad', and ethics refer to the rules provided by codes and/or principles. Besides being personal or local, morality has a religious connotation for many people, also. Ethics or moral philosophy is a branch of philosophy. The term ethical is recently used in conjunction with economics, business, medical activities, law, etc.

Justice, which has been discussed since the ancient period, is one of the main virtues of classical moral philosophy. Justice means giving each person what s/he deserves or, giving each person his or her due. Fairness, impartiality, truth, equity, goodness, righteousness, uprightness are closely related terms which are often used interchangeably with justice. Justice is universal, independent of the culture and the society that the people live in.¹

Economic justice is defined as a set of moral principles for building economic institutions, the ultimate goal of which is to create an opportunity for each person to create a sufficient material foundation upon which to have a dignified, productive, and creative life beyond economics. Economic justice involves distributive justice as well as participative and social justice.² Welfare economics, and in general normative economics, though Atkinson (2001:195) regrets the strange disappearance of it, deal with distributive justice.

Markets are the fundamental institutions of the economies. Markets are various and differ in content and scope from each other. Therefore, it would be fallacious to treat all types of markets in the same manner. In goods and services market, only

¹ Center for Economic and Social Justice, www.cesj.org

² Stanford Encyclopedia of Philosophy, <https://plato.stanford.edu/entries/economic-justice/>

goods and services are produced, and sold and bought. In labour market, only labour is exchanged but not like a good or service because labour is a part of the human being, the worker. Labour market is usually monopsonic, not competitive. Even in that sense, labour market is totally different from all types of markets. When a worker's labour is hired by the labour-demander (employer), s/he gets paid for that in the form of money income which is called a wage/salary.

Minimum wage is a type of wage which arises in the labour market but applied by legislation made by the government. It can be also used as a policy instrument for redistribution. Therefore, minimum wage has economical and political aspects.

Related with minimum wage, various types of incomes, such as 'income living', 'universal income', 'minimum income', 'good-life minimum' are brought forward to the discussions. Some refer to the minimum income sufficient for a good life as the "good-life minimum" and argue that its establishment as the minimum wage is morally incumbent upon the citizens of a democratic society (Cordero, 2000:207). A recent offshoot of the minimum wage movement is the so-called "living wage" initiative, in which some local governmental authorities, for example, municipalities, have undertaken to define and enact a just wage level for certain workers in excess of the existing federal minimum wage in the US ((Gaski, 2004: 219). Living wage is an income that provides employees and their families with the opportunity to move towards a decent standard of living. Conceptually it differs from a legal minimum wage. The living wage involves an assessment of quality of life, whereas the minimum wage is grounded in a subsistence approach to basic needs(Parker et al, 2016: 36-37).

Minimum wage tries to cover the basic needs of the workers. In that sense opponents claim that there are other means to protect the workers such as subsidies, transfers and tax cuts. They base their arguments on the grounds of rational choice and freedom, and assert that it is unethical to harm other workers by leading to their unemployment due to the increase in minimum wage. In the following part, related with minimum wage, some theoretical propositions which particularly the opponents base their arguments upon, will be summarised.

Theoretical Propositions about Minimum Wage

The discussion about minimum wage evolves around some axes such as the outcomes and consequences of minimum wage as an economic matter; resource allocation, income distribution, and public policies in normative economics; minimum wage policy in political philosophy which is closely related with normative approach; and justice and rightfulness of minimum wage in moral philosophy. Political philosophy focuses on arguments and basic principles and the general issue of social justice. Normative economics covers resource allocation and the public policies. Normative economics uses the formal apparatus of economics which helps to derive non-intuitive conclusions from simple arguments. Moral philosophy deals with the justice and rightfulness of minimum wage.

Even though many religions in the World have had principles about ethical and just wages, for most westerns Greek philosophers, for instance Aristotle, and the Catholic Church, with the work of Thomas Aquinas were the founders of a just, equitable, fair earning (wage). Early economists believed that a day's work should earn a day's equitable wages, not a day's subjective wages. They believed that subjectivity skewed the value of labor, goods, and services (Leonard, 2008: 83-84).

In an effort to enhance their arguments about minimum wage, researchers often refer to the prominent works of some philosophers. Immanuel Kant, stating that reason is the source of morality, has been referred to his philosophy and logic about ends and means. Jeremy Bentham, the famous founder of utilitarianism, John Stuart Mill, with his famous ideas on liberalism, most classical economists, more recently John Rawls have often been cited by the researchers who might have different and contradictory ideas.

For instance, Gaski (2004:212) refers to Immanuel Kant's "categorical imperative" which is the preeminence of rights, duties, and justice with respect to the individual, implying that the end does not justify the means. As Kant himself expressed it, "the categorical imperative . . . concerns only the action [means] itself without regard for any other purpose [end]" In other words, some means are not ethically allowable regardless of the purpose. Then Gaski deduces from Kant's categorical imperative that raising low incomes may be a worthy aim in isolation, but it does not excuse the forced unemployment of 100,000 or more workers already at the low end of the pay spectrum, according to this model.

Utilitarians regarded the matter of pay more of an issue about achieving the most productivity in the most ethical way possible. Mill discussed this type of ethics as the theory of the greatest good for the greatest number (Leonard, 2008:78)

Utilitarianism, the best-known version of consequentialism, is concerned only with maximization and critics often recommend supplementing maximization with some concern for equality or argue for giving some kind of priority to the worst off. As for maximization, the various consequentialist views will probably converge. Both egalitarians and prioritarians favor the worst off, but in practice many utilitarians do too because of diminishing marginal utility. The thought here, then, is that when it comes to the minimum wage, there will be some consensus on a criterion giving priority to the worst off. Utilitarians will argue that the loss to the marginal workers is too great, especially given that they are already badly off and so could get more welfare for given jobs and income than others would. Egalitarians and prioritarians will focus on the decline in the position of the worst off people and that, again, will lead them to condemn the minimum wage. Indeed, one reason why economists do not tend to discuss how to evaluate the effects of the minimum wage might be because, once one sets them out in this way, the very description would persuade anyone with consequentialist sympathies (Wilkinson, 2004: 359-360).

The Classical Economists did not recognize an imperfect market but made assumptions about free agreements of prices and wages made in perfect freedom and perfect competition (Leonard, 2008:84). The standard (neoliberal/mainstream) theory assumes the markets as competitive and states that the minimum wage causes big losses to marginal workers and smaller losses to employers and consumers, while there are small offsetting gains to some workers. If those are the effects, then consequentialist views of any plausible kind will condemn the minimum wage.

Karl Marx looked forward to a society in which each could contribute "according to his abilities" and receive "according to his needs". Thus it is clearly not unreasonable to think of Marx as favoring wages minimally sufficient for a good life (Cordero, 2000:207).

More recently, John Rawls is often cited in regard to justice, rationality, choices, etc. Rawls considers the quality of wages in a just society, taking into consideration such factors as supply, demand, and savings required to be made for the benefit of future generations. He maintains specifically that a minimum wage is not an effective way of regulating income to provide for basic needs. He advocates instead a system of economic transfers such as family allowances or a negative income tax to provide a "social minimum"(Cordero, 2000:208).

Rawls asserts that if potential losses and gains are both unlimited, it is rational to be more concerned to avoid the worst possible outcomes than to insist upon preserving the possibility of the greatest possible gains. If the choosers are able to ensure that the minimum guarantee is an attractive one, they may feel little need to ensure the possibility of securing significantly greater advantages. It is important to emphasize that Rawls does not claim that choosers in the original position will seek to achieve the guarantee of a minimum income or bundle of primary goods. Rather, Rawls argues that the 'satisfactory minimum' that choosers will attempt to secure constitutes 'an adequate minimum conception of justice' – that is, the conception that provides the most satisfactory minimum guarantee of protections of their fundamental interests. In particular, Rawls argues, the choosers will choose a theory that: (i) minimizes invasions of fundamental rights, (ii) promotes equal opportunity to develop and exploit their talents and (iii) mitigates the inequalities that continue to exist in a social order that ensures equal opportunity. Thus, justice as fairness will minimize the strains of commitment, Rawls argues, precisely because it guarantees the most acceptable minimum protection of liberty interests (Kaufman, 2013: 354-359).

Some authors argue that minimum wage should be evaluated using a consequentialist criterion that gives priority to the jobs and incomes of the worst off. The conclusion is that, at worst, the minimum wage is a mistake and, at best, something to be half-hearted about (Wilkinson, 2004: 351).

Robert Nozick states for the libertarian position that significant but justified inequalities may develop through voluntary exchanges between individuals. Kai Nielsen in contrast argues for an "equality of conditions" as the social, ideal, with "an equality of the overall level of benefits" at least in the normal case (Cordero, 2000:208-209).

Some analysts have studied minimum wage by using game theory and deducing various conclusions. Mukerji and Schumacher (2008: 2-3) have used two models of game theory, namely renegade model and standard model. They show that minimum wages are justifiable only under a *renegade model* of the labour market which assumes that employers have monopsony power over workers. If the labour market is subject to such market imperfection, it can be shown that outcomes will be inefficient. A regulatory minimum wage can help to overcome inefficiency and is thus justified within the economic-ethical framework. If, however, the *standard model* of perfectly competitive markets is presupposed, then the minimum wage is not justifiable, since better alternatives exist. Under standard assumptions it follows that minimum wages need to

be repealed in favour of a free market arrangement in conjunction with a tax-financed wage subsidy. They continue to say that economics and ethics can be mediated from a scientific-theoretical viewpoint and economic and ethical rationality can be accommodated in one coherent framework. They draw attention to the importance of institutional change and assert that well designed economic institutions enable individuals to interact egoistically and behave ethically at the same time which resolves the conflict between economic and ethical rationality and thus solves the implementation problem.

Continuing with the decision theorists, some have suggested the maximin principle: if the worst possible outcome of one act is better than the worst possible outcome of another act, then the former act should be chosen. If the worst outcomes of two or more acts are equally good, the maximin principle tells you to be indifferent between them. But that doesn't seem right. For this reason, fans of the maximin principle often invoke the lexical maximin principle ("leximin"), which says that if the worst outcomes of two or more acts are equally good, one should choose the act for which the second worst outcome is best. (If that doesn't single out a single act, then the third worst outcome should be considered, and so on.) Why adopt the leximin principle? Advocates point out that the leximin principle transforms a decision problem under ignorance into a decision problem under partial certainty. The decision maker doesn't know what the outcome will be, but they know what the worst possible outcome will be. But in some cases, the leximin rule seems clearly irrational. It has been concluded that only the weak leximin criterion can provide grounds for choosing maximum basic income. All remaining criteria reject that choice, and some squarely support the zero basic income alternative. (Veen, 2004: 170)

Another distinct approach is about the situations for decreasing the wage levels. Identity Economics proposed by George Akerlof and Rachel Kranton, investigates how social norms associated with expected behaviour in social groups influence individual behaviour and choice. They are arguing that if the workplace is militarized by promoting firm loyalty type social identities, wages can be reduced while maintaining or even increasing output (Davis, 2011: 331-337).

Economics of Minimum Wage : Homo Oeconomicus

Neoclassical economic theory views workers as a means of production and competition as determining wages which are, in turn, lined to productivity (Leonard, 2008: 77). According to this standard, mainstream theory the market will automatically ensure that each worker is paid according to her marginal productivity. However it neglects the most important premise of such an argument – the employer must be forced to bid for workers in a competitive market against other employers if employees are to realize the full value of their work. To understand the economics of the minimum wage, the labor market cannot be treated as simply another market, subject to the textbook theory of "supply and demand." The reason is that the labor market is so much larger and all-encompassing than the market for carrots or cocoa futures (Prasch and Sheth, 1999: 467; 470-471)

According to the neo-liberal theory, if the minimum wage is at or below the competitive rate for labor, it has no effect, whereas if it is above that rate, it disemploys people. If the price of labor goes up, demand will fall. Employers will substitute capital or more skilled but more expensive labor for those who would have been employed below the minimum wage. While some workers will receive a pay rise and more experienced workers might find jobs, workers at the margin, who would be willing to work for low wages, will be disemployed (Wilkinson, 2004: 354). According to the mainstream theory, the minimum wage leads to lower profits, levels of savings, investment, and growth rates, hence lower wages in the future This idea presumes that investment is a function of savings. This argument is refuted by the existence of excess capacity (unemployed plant and equipment) in the economy. Consumption, the most important component of the final demand for goods and services, is determined both by the level and distribution of income. As was argued in the previous section, an increase in the minimum wage, through its effects on income distribution, can increase total consumption, and thereby, business activity. This will, in turn, have a favorable effect on the level of effective demand and the level of investment. It follows that minimum wages are consistent with an enhanced rate of growth within a nation's economy - indeed, through its effect on consumption, it is an important contributor to a healthy economy (Prasch and Sheth, 1999: 482-483).

The standard model of competitive labor markets predicts that a higher minimum wage will lead to job loss among low-skilled workers. This theory considers a competitive labor market for a single type of labor, as if all types of labour are uniform. According to the theory, a binding minimum wage that is set higher than the competitive equilibrium wage will reduce employment for two reasons. First, employers will substitute away from the low-skilled labor that is now more expensive towards other inputs, such as equipment or other capital. Second, the higher wage and new input mix implies higher prices, in turn reducing product and labor demand (Neumark, 2015).

Proponents of the mainstream theory presumes that the markets, including the labour market, are competitive and perfect. Opponents to the neo-liberal economic theory claim that markets are imperfect, especially labour market has uneven, asymmetrical characteristics.

In reality, most businesses focus on profit and if profit is the sole goal of the business, then paying workers the lowest amount possible can, perhaps, make some sort of logical sense. But if the primary outcome or goal of the firm is a quality product, then paying the lowest amount possible is logically counterproductive. If the focus is profit, then you will do anything to achieve the profit and thus will try to lower the costs, including wages. As Giddings state, "...this action of competition may be imperfect in the particular case [of rewards for labor]. So far as it is imperfect, the wages system is ethically defective..." (Leonard, 2008: 78).

Much of the debate centers on whether raising minimum wage causes job loss, and leads to a fall in profits. Recent research shows conflicting evidence on both sides of the issue. There are some studies that only a fragment of the labour market can be harmed by being unemployed, other studies suggest that overall employment could be harmed, while some other studies show that there is no negative impact of raising minimum wage.

Mainstream economists think that a minimum wage would result in increased levels of unemployment and diminished opportunities for the acquisition of job skills among relatively low-wage workers, as proposed by Katz and Rosen. It was stated by Hirschman that a well-intentioned social policy (the minimum wage) inadvertently harms the very group that it was designed to assist (Prasch and Sheth, 1999: 466).

On the other hand, it has been claimed that workers have varying skill levels, and a higher minimum wage will lead employers to hire fewer low-skilled workers and more high-skilled workers. This "labor-labor" substitution may not show up as job losses unless researchers focus on the least-skilled workers whose wages are directly pushed up by the minimum wage. Moreover, fewer jobs for the least-skilled are most important from a policy perspective, since they are the ones the minimum wage is intended to help (Neumark, 2015).

Some researchers have long argued that the rate of spending out of wages is higher than spending out of profits, so it would follow that redistribution from profits to wages would induce an increase in the marginal propensity to consume for society as a whole. Higher levels of consumption and the capacity utilization of firms should, in turn, induce higher levels of investment. If the economy were operating at less than full employment such a policy would, all things being equal, lead to an increase in effective demand, thereby contributing to an increase in the overall level of employment (Prasch and Sheth, 1999: 467-468).

It has been asserted that the dire predictions made by neoclassical economic theorists concerning the impact of minimum wages on aggregate unemployment are not supported by empirical research. The best evidence suggests that the minimum wage has not been a major cause of unemployment. Some job loss due to the wage floor has been detected, but it is much smaller than that claimed by orthodox economists (Levitan and Belous, 1979: 17-18) . Some recent findings support this claim.

It has been underlined that the labor market is not homogenous. It is made up of at least two sections. The "primary" market features relatively high and stable wages, in addition to high benefits and comfortable workplaces. "Secondary" labor markets are characterized by high turnover, low-wages, difficult or dangerous working conditions, and almost no benefits. Low-wage markets embody many of the characteristics of the "free market" of the textbooks (Prasch and Sheth, 1999: 472).

The negative impact of a rise in minimum wage has been accepted at a certain extent by some analysts who favour the minimum wage. They underline that the impact of a rise in minimum wage on unemployment is mostly seen among young workers. But this is not the same as saying that MWs are the primary cause of youth unemployment (Levitan and Belous, 1979: 18). Even the opponents of minimum wage state that the unemployment effects of minimum wage are most pronounced for younger workers and in industries with a higher proportion of low-wage workers.

On the other hand, there are valid analyses based upon extensive empirical studies by other researchers (such as Card and Krueger, Schmitt, Spdggs and Schmitt) who have shown that the minimum wage has no discernible effect on the level of employment, and may even be correlated with increased levels of employment (Prash and Sheth, 1999: 466-467).

David Card and Alan Krueger claim that increases in minimum wages in the USA did not increase unemployment and may even have decreased it. Their most striking piece of evidence is from a comparison of employment in fast food restaurants in New Jersey, which raised its minimum wage, with those in Pennsylvania, which did not. The standard theory predicts a decline in employment in New Jersey relative both to before the increase in the minimum wage and to Pennsylvania. In fact, there was a slight increase in employment. Their studies indicate that the minimum wage may have little, if any, impact on employment, even among the young and relatively unskilled (Wilkinson, 2004: 355-356).

Other studies have shown that there is no observable correlation between the level of the minimum wage and the rate of small business bankruptcies. Another study of small business owners, based on an extensive survey, could not find any inclination to lower the level of employment in the event of an increase in the minimum wage (Prasch and Sheth, 1999: 473).

Minimum wages have been found to have a positive effect on poverty levels and a positive effect on wages that are not in the sectors covered by the legislation. In many countries, lower paid workers are concentrated in industries or parts of the economy where there is little job generation in any case, and, where jobs are available, the workers are neither paid well nor do they have much employment security. In the United States, only a small percentage of workers are affected, so there are only small changes in the number of jobs lost (Leonard, 2008: 80-83).

Gaski (2004: 212) underlines the negative impact of wage gains as the unemployment of hundred thousands, by naming the proponents of minimum wage as "ideologically charged segment of the economics community".

Some academicians and researchers say that people ought to get a minimum wage because, in general, nobody should be poor, or people's needs should be met. Wage regulation policies have a broad base of supporters who think they can justify interventionist measures ethically.

Obviously, minimum wage is not the rational choice of the workers. They are well aware that by some more extra skills that they might have obtained, they could have received more than the minimum (Kaufman, 2013: 360-368).

Some Economic Policies for and against Minimum Wage

Minimum wage raise is often compared by subsidies and taxes. One of the studies compare normative arguments for adopting either an unconditional and equal basic income as the policy instrument of a responsibility-sensitive maximin objective or a uniform subsidy on market wage rates. The wage subsidy instrument, however, creates a positive incentive to earn for the beneficiaries of redistribution—these being the low wage earners, whose productivity is correspondingly low. The incentive arises because for low wage earners, a uniform wage subsidy adds more to income per hour than is taxed away in order to finance the subsidy; in other words it increases their net rate of reward. As a result, low wage earners will supply more labor than they would do at the same rate of income tax under a basic income, and without the subsidy (Veen, 2004:148).

Related with maximin and leximin criteria, under the maximin objective of responsibility-sensitive justice, government redistributes income in favor of those who are worst off in well-being as a result of their productivity level. It is stated that only the weak leximin criterion can provide grounds for choosing maximum basic income. All remaining criteria reject that choice, and some squarely support the zero basic income alternative (Veen, 2004: 151; 169).

Wilkinson (2004: 357-358; 361) asserts that there are many ways to prevent poverty or meet people's needs, such as income subsidy. While the minimum wage might be part of a poverty reduction strategy, it does not seem to play much of a role in alleviating poverty. This is partly because minimum wage workers are a fairly small proportion of the total workforce and partly because many poor people are not minimum wage workers. They are often outside the workforce altogether, for instance single parents and their children, or else they are being paid above the minimum wage but have to share their money with many family members. There is an interaction between unemployment and poverty, since those who lose their jobs usually lose income too.

On the other hand, it has been stated that the ethical dimension of minimum wage debate has been neglected. It is argued that the minimum wage is a successful economic policy that is consistent with economic justice (Prasch and Sheth, 1999: 466).

A higher minimum wage would be of substantial assistance to workers who have little or no bargaining power vis-a-vis their employers. It would improve their quality of life, and to the extent they are able to use their higher wages to cover their basic needs, it would give them access to education and skills development. In the presence of a minimum wage, firms would have a direct incentive to modify their management strategies, adopt new techniques of production, and/or invest in their secondary labor market workers (Prasch and Sheth, 1999: 472).

Workers also face "overhead" costs, the cost of the maintenance of themselves and their families. If they are unemployed, or if their wages are insufficient, these costs must be covered by either their family, the community, or the state. It follows that either these costs are borne by society at large, or society must tolerate the gradual diminishment in the quality of its labor force (Prasch and Sheth, 2004: 471).

Subsidies and transfers cover the whole needy population whereas minimum wages cover only a segment of workers. It would be erroneous to substitute one for the other, or to make a trade-off between them. Minimum wage can be and should be regarded as an ethical issue in itself to support the needy, vulnerable, low-income workers.

Ethics of Minimum Wage: Homo Finitus

The model of homo oeconomicus is a misleading foundation upon which to build economic policy. The labour market encompasses real human beings, homo finitus, who have physical obstacles (a limited life time and energy), and needs, aspirations, wants, and wishes for a better life. In that regard, it has been argued that an adequate minimum wage not only better addresses the pervasive economic problems faced by real individuals, but ethically is a sound policy that should be promoted by a responsible society (Prasch and Sheth, 1999: 473).

Ethical or moralistic views have been resorted to by different opinion holders. Conservatives claim themselves as abiding to the moral rules. They assert that the deep principles of justice require far more of them than simply rejiggering the distribution of wealth. They state that they are not against increase in incomes of the poor but say that raising the minimum wage is a bad instrument for achieving a worthy good- namely boosting the incomes of working people (Brooks, 2016:16).

The minimum wage legislation is regarded as an unethical and ideological attempt made by the government and it is stated that possibly hundreds of thousands of soon-to-be-unemployed will be merely the latest victims of such dysfunctional propaganda (Gaski, 2004: 222).

It is underlined that mainstream economists claim that economic thinking cannot be thought of as subordinate to ethical considerations and that economic rationality has to be transformed ethically (Mukerji and Schumacher, 2008:2).

Some consider minimum wage legislation 'immoral' because they say that it effects low wage workers negatively. Some distinctions have been made about moralities by dividing them into magnanimous morality and mundane morality. The first morality (magnanimous) is appropriate for families or small groups in which members are familiar with and have personal concern for each other. The second morality (mundane) is suitable for large groups in which members have little knowledge of or personal concern for each other. Both moralities make the world a better place. But the strong emotional appeal of magnanimous morality creates temptations to apply it to large-number situations, such as markets, where it does more harm than good by hampering the cooperation between large numbers of strangers that cannot be achieved without reliance on mundane morality. It has been pointed out that it is the exercise of markets' mundane morality rather than a minimum wage that provides the only serious hope for low-wage workers to improve their real incomes (Lee, 2014: 37-46).

The democratic state's responsibility to the individual consists generally of protecting the individual from any person who might deprive him of his rightful property, or the means by which he acquires and maintains his property- be these material or more intangible such as life and labor, and "to promote the general welfare. Even though not explicitly enumerated, the state has a responsibility to maintain the subsistence of those citizens who are healthy, able-bodied, and working full-time, as well as those of its citizens who are, through no fault of their own, unable to provide for themselves. By upholding a sufficient minimum wage or a "living wage," the state can ensure that individuals will have the material resources to continue working full-time on a daily basis while meeting their own and their families' needs for many years to come (Prasch and Sheth, 1999: 477-478).

In this context, a minimum wage, set at a responsible level, can enhance the performance of the economy even as it promotes economic justice by providing a more equitable distribution of the final product. Through its positive effects on the level of effective demand, the rate of technological change, the rate of economic growth, and the perception of fairness

that market outcomes can generate, the minimum wage can be thought of as an important institution in the creation of a just economic order (Prasch and Sheth, 1999: 484).

Markets are not perfect and competitive. Labour market differs from the other types of markets since the component of the labour market is the human being who mostly hires his labour for a living and for self-fulfilment. Justice is only applicable when both parties are acting justly—if one of the parties behaves unjustly, then unjust wages result (Leonard, 2008: 84). Inequality is often the basis for determining economic injustice, so when we see workers who are earning very little or discrimination against a group of workers, we feel that there is economic injustice (Leonard, 2008:83). In that sense, a legislation is needed (and thankfully exists) to provide the ground for a minimum income to meet the basic needs of the labourer.

Concluding Remarks

Markets are imperfect, and labour market has the highest asymmetries in the sense of material and financial proprietorship. Typical mainstream analytical tools to be used for minimum wage would be misleading. For instance, the neoliberal income/leisure trade off is a like a bad joke for the minimum wage receivers. They have no money to spend for leisure.

Minimum wage shouldn't be analysed with an efficiency-increasing, cost-minimizing, profit-maximizing approach. The minimum basic needs (food, shelter, travel to work and to school) of the workers need not be a subject of vast and voluminous economic analyses. It is not just to be in favour of the more powerful in the labour market where the bargaining and bidding power of the employers are much greater than the employees.

Most of the minimum wage earners are from sociologically vulnerable groups, the young, the old, the females, the immigrants, the second-rate citizens, etc. Even a little increase in minimum wage means a lot to these people. Employers face overhead costs but employees also face, food and shelter.

Economic transfers, subsidies, and negative income tax can only be used to augment the minimum wage practice but cannot take its place. Minimum wage legislation is a solid guarantee for the workers though I find most of the wages very low compared with the increasing rate in profits and in high incomes.

I suggest that the minimum wage should be treated within an ethical (moralistic) framework without taking into account of any macroeconomic implications.

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