

By altering workplace power relationships and employers' incentives, minimum wage laws help ensure social equality

 blogs.lse.ac.uk/politicsandpolicy/why-raise-the-minimum-wage/

2/11/2014

*Egalitarian liberals have long been sceptical about a minimum wage, arguing that taxation and transfer programs are better at ensuring distributive justice. But even if we accept the claim that the minimum wage increases unemployment, there are grounds for the minimum wage on the basis of justice. **Brishen Rogers** argues that it helps reduce work-based class and status divisions.*



Labour markets and the workplace have been a long-standing challenge for liberal political and legal theory, largely because employment straddles the analytical categories that define philosophical liberalism. Employment is a private relationship that triggers recurrent public concern; it simultaneously advances employees' autonomy and requires their servility; and the law of employment incorporates elements of both status and contract. Even the "egalitarian liberalism" of John Rawls and heirs, which seeks to ensure material equality as well as individual liberty, struggles over whether and how to regulate employment.

For example, many egalitarian liberals are sceptical toward the minimum wage. Rawls himself set the template, suggesting in *A Theory of Justice* that taxation and transfer programs are "more effective than minimum wage laws" as means of ensuring distributive justice. While Rawls' assertion is mainly empirical — it builds on neoclassical economic models suggesting that minimum wage laws will tend to increase unemployment and therefore harm rather than help the working poor — it certainly resonates with the characteristic liberal concern to limit state interference in private conduct. In 1990s debates over welfare reform a leading egalitarian liberal tax scholar went a step further, arguing that work-linked regulations undermine the liberal state's neutrality, and defending a system of unconditional transfers in part on the grounds that doing so would "help clear the way for repealing minimum-wage" laws.



(Credit: [WisconsinJobsNow](#))

Such arguments are a bit jarring. How can egalitarian liberals oppose a law so central to modern egalitarian states — one that is wildly popular to boot, unlike many transfer programs? In contrast, many labour scholars, trade unionists and lay people intuitively view the minimum wage as a matter of justice. Insofar as that intuition reflects a commitment to a fair distribution of resources, egalitarian liberals have the stronger argument: transfers, especially unconditional transfers, are simply a superior means of ensuring distributive justice. However, there is little empirical evidence that minimum wage laws significantly increase unemployment while wage mandates are kept within historic limits, although at a high enough level minimum wage laws would certainly reduce employment.

In a forthcoming law review article, [I defend the minimum wage](#) on grounds of justice. To do so, I accept for the sake of argument—again, perhaps counterfactually—that the minimum wage increases unemployment, relative to either a laissez-faire labour market or to a laissez-faire labour market coupled with redistributive transfers. I then argue that a minimum wage is still worth having, because more than money is at stake here, namely *whether our work has social value*.

Even if transfers can ensure a more equality of resources, a just state must do more. It must also help ensure “social equality,” or more equal interpersonal relations. This ideal is most closely associated with left-communitarian and republican theories of justice, but it is also central to certain strands of egalitarian liberalism, including Rawls’ own thought. For example, despite his emphasis upon liberty and his acceptance of wealth inequalities that motivate the talented, Rawls made clear that the “social bases of self-respect” were the most important of the primary social goods. He also emphasized the status harms that can emerge from work. In a just society, he argued, “no one need be servilely dependent on others and made to choose between monotonous and routine occupations which are deadening to human thought and sensibility.” Indeed, Rawls and some other liberals have argued that social equality explains why redistribution is important in the first place: because severe economic inequalities undermine the self-respect of the poor.

To be clear, equality of resources and social equality are complementary rather than competing accounts of what justice requires. Similarly, transfers and minimum wage laws are complementary means of ensuring fairness in the low-wage labour market. Transfers can better redistribute resources, while minimum wage laws can better promote social equality.

Minimum wage laws do so by reducing work-based class and status divisions, in two interrelated ways. First, minimum wage laws alter workplace power relationships. The existence and enforcement of a right to a particular wage demonstrates that the state views unskilled workers as equal citizens worthy of protection. Minimum wage laws also require employers *themselves* to bear duties toward workers rather than mediating all distribution through the state. This is fair because employers reap benefits from low-wage work, including both a greater share of productive rents and the status of a prestigious place within the division of labour. Moreover, employers often dominate low-wage workers’ day-to-day lives, such that higher wages give tangible form to workers’ status equality. Transfers, however generous, come from the state, an abstract and (generally) faraway entity.

Second, minimum wages help ensure social equality by altering employers’ incentives. Due to demand elasticity of labour, any given minimum wage increase will lead to a proportionally smaller decrease in low-wage employment. As a result, minimum wage laws will deliver more resources to workers as a group, albeit while increasing unemployment. The minimum wage can also be a form of industrial planning, a means of forcing employers to compete on a basis other than labour cost. The net result may be higher unemployment, but also qualitatively better unskilled jobs. Transfers, in contrast, can incentivise business models that rely upon extensive low-wage labour, effectively subsidising class divisions.

Once we relax the assumption that minimum wages always increase unemployment, moreover, the case for the minimum wage appears especially strong—it then seems an effective means of equalizing resources *and* social relations. This argument may also counsel for setting the minimum wage above its historic inflation-adjusted limits, while addressing unemployment and higher consumer prices through alternative means, such as active labour market policies and more aggressive wealth transfers to low-income consumers. More centrally, however, it demonstrates that egalitarians—including liberal egalitarians—have strong reasons to support the minimum wage even if it is not the best means of ensuring equality of resources.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

Brishen Rogers is an Assistant Professor at Temple University Beasley School of Law in Philadelphia, United States. His research focuses on the relationship between labour and employment laws, contemporary production strategies, and social structures surrounding employment.

