

Raising the Minimum Wage and its social and economic effects

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Introduction

Wages are the compensation for the time and hard work employees provide the company. The answer to whether an increase in the minimum wage has positive or negative effects on a country's economy has been given differently by most economists in the world. Let's first understand the meaning of minimum wage. Minimum wage is defined as the lowest amount given to an employee hourly, daily, or monthly by the employers. It is the smallest amount the employees get based on their services and market conditions. Before minimum wage was introduced, employers took advantage by paying less to women and children.

In most countries, employees are now protected by law to receive a minimum of the amount for their labor in jobs. Minimum wage regulations give the perfect example of price control as it varies with the market. This variation appears in the form of reduced employment, affecting the employers paying more to their employees. The advantage of higher minimum wages is that it helps poor employers and increases the overall financial strength of the employers. Its significant disadvantages are that it may discourage employees from working at a low wage, which further results in unemployment. However, the [increase in minimum wage](#) is never assumed to provide a "free lunch" to the employees.

The analysis done by Nuemark and Washer (1992) shows that minimum wages mainly affect young employees and teens and affect the unemployment rate. Some studies have shown that the employment rate and the minimum payments do not negatively or positively impact each other. Kruger (CKK) explains these contradicting explanations by providing statistics. As the policy decisions affect the minimum wage study, this discussion needs a lot of statistical research and economic proof. This essay aims to provide arguments against the increase of minimum wages. We will further discuss its social and economic effects and will try to provide suitable evidence for our argumentation.

Discussion

I argue against the increase in the minimum wage. Compelling evidence from some researchers has suggested that imposing high employee wages leads to unemployment. Researchers have given the stoutest indication that setting the minimum threshold of salaries resulted in a decrease in the number of jobs for inexperienced employees. The jobs that demand a high level of skills if imposed with an increase in minimum wage, their standards for skills in employees are increased readily.

Higher minimum wages have proved to be ineffective in improving the financial status of the communities.

To understand the effect of minimum wages on employment, we will use the research by Card and Krueger (1994). Imposing minimum wage standards decreases the demand for inexperienced employees and increases the demand for experienced professionals. If any company needs employees, if the minimum wage is high, they will prefer selecting candidates with more experience and skills rather than those who are new to the field. When this condition arises many companies fire their inexperienced workers as they consider them a liability. The most adversely affected group is inexperienced, and they suffer the most as a result of the increase.

Now, let's look at its economic effects. For some industries, an increase in minimum wage increases marginal costs. The companies' actions in such a scenario are to cut employees' working hours and decrease their monthly earnings. Another issue called "Pay leapfrogging" is the increase in the number of wages for exerting employees to maintain the difference between their and minimum wage. Let's look at it with the help of a study. In a survey made in 2004, there were 520 companies surveyed, and their production and costs were analyzed. It was observed that the increase in minimum wage dramatically increases the costs and most groups to balance out the expenses cut five works of employees weekly resulting in a total of 11563 pounds per year, which was not enough to make a standard living.

Minimum pay should not be increased as it has various social effects. According to an economist, high benefits and less compensation lead to a society that manipulates the system and tries to enjoy the benefits. Increased minimum wages also cause issues in a country's politics, as we see that when the minimum wages were increased in the UK, due to the resulting unemployment, most people tried moving to other European countries to get better chances of jobs and earn their livelihood. The cost of living in the UK was also a factor in the increase in wages, but with the rise in unemployment, the employees had to move to other countries to make a living. An increase in minimum wages and unequal pay distribution is also a reason for social injustice and poverty in unemployed people and resulted in depression and hate for the government. With the increase in wages, there is always an increase in taxes, which eventually results in a decline in the social status of the country.

Looking at some of the positive effects, there are many employees for whom a job means living. For the people living in poverty, an increase in wages pushes them to keep up with inflation and the increasing cost of living. Its application has also resulted positively in some countries like America, where increasing minimum wages helped overcome poverty in specific areas. Some factors like tax credits when lower than the earnings of poor people improve the financial status of the people. It increases citizen's respect for the government and thinks of the state as a help in their time of need. It also decreases the financial difference between the rich and the poor. In a study, it was observed that increasing the minimum pay increased employee retention. This study described how an increase in minimum wage increased pay rates and motivated workers to work more productively. With the addition of motivation, the businesses flourished as the employers did not have to invest more in

training new employees, this helped in the expansion of companies.

Conclusion

In my opinion, low wages lead to a direct rise in the financial status of poor and low-income people. Higher minimum wages help desirably to increase the economic stability of the country. Still, it also results in some negative factors that are more critical and important in a country's policies. The minimum wage has both negative and positive effects. However, after considering the negative factors, the arguments against it seem more powerful than the ones in favor. From a society's point of view, it is beneficial that minimum wages increase. Still, the economic structure of the whole country and people in business are negatively affected. However, there is little evidence to support the fact that increasing minimum pay increases the financial stability of nations. It has been proved that minimum wage discourages employees from using very low-wage employees and supports those with skills and experience. However, looking at the big picture, the evidence we collected from these researchers helps us believe that an increase in minimum had proper short-term but adverse long-term effects. For a country's economy, the long-term benefits matter more.

By this conclusion, I am against the increase of minimum wages.

References

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