The Increase In Minimum Wage

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The increase in the minimum wage to the subsistence minimum of the able-bodied population will not allow reducing the level of poverty and will not lead to an increase in labor productivity and a whitewashing of salaries. The idea of raising the minimum wage has recently become popular both in the government and among opposition politicians, economists recall. However, if we consider the minimum wage as an instrument for regulating the labor market, then its impact on the economy is rather negative. In particular, an increase in the minimum wage will lead to an increase in unemployment, informal employment, discrimination of age and gender groups (as young people find it more difficult to get a job), and reduce other payments to the employee, the researcher's list.

The impact of the minimum wage on poverty in the country is also minimal. As a result of raising the minimum wage to the subsistence level, poverty will decrease by 0.6 percentage points from the current 13-15%, which will practically not change. This is because poverty in America is concentrated in households with a large number of dependents: children, disabled workers, and the unemployed. At the same time, workers with low wages often have additional sources of income (a pension, or they are shared with their income by better-off household members), which follows from the calculations of experts. At the same time, they continue to see an increase in the minimum wage, which may lead to the fact that the growth of expenses for the payment of salaries will be compensated by the reduction of social payments. In addition, an increase in the minimum wage will not contribute to higher labor productivity and will not lead to a reduction in shadow employment. It is extremely doubtful and the opportunity to whitewash wages by raising the minimum wage. Employers can transfer a staff member on a part-time basis and raise labor.

An increase in the minimum wage will lead to an increase in the number of temporary disability benefits and maternity benefits, as well as an increase in budget expenditures for labor in budget institutions. The calculations show that the additional federal budget expenditures on labor payments and accrual on payroll payments with an increase in the minimum wage to the subsistence level of the able-bodied population will exceed billions of dollars per year, David Henderson calculates.

These figures refer to Russia's statutory minimum wage in rubles, not dollars. Russia increased the federal minimum wage to 9,489 rubles on January 1, 2018, and later to 11,163 rubles on May 1, 2018. As of January 1, 2026, the federal minimum wage is 27,093 rubles per month.

The volume of social assistance will decrease due to the gradual increase in the minimum wage. Of course, social assistance will decrease. The US will raise the minimum wage, and if people receive a higher salary by contacting the social protection authorities, surely one of them will not qualify for social assistance, which is very good because people will already earn money by themselves.

The primary contention is a larger amount of wages will diminish neediness and ease pay imbalance.

All in all, what do you consider saying in regard to the viability of raising the lowest pay permitted by law for destitution lessening? Lawmakers trust that raising the level of wages is a genuine way that will enable numerous families to break out of neediness. All things considered, the lowest pay permitted by law is focused on singular specialists with a low level of wages instead of families with low salaries. Insights demonstrate that the connection between low-wage specialists and low-wage families is exceptionally frail. Most poor families, whose heads are of working age, essentially don't work. So, the lowest pay permitted by law does not have any impact on the salary level of these families. Also, a noteworthy extent of low-wage specialists is new work showcase members, such as youths, who don't really live in low-salary families. Consequently, a huge offer of the advantages got from the development of the lowest pay permitted by law level, ruined families won't be influenced. Indeed, if the government's lowest pay permitted by law has been raised from $ 7.25 to $ 10.10, just 18% of expanded earnings have influenced poor families, and 32% have entered families with livelihoods three times the base. However, most economists hold a completely different opinion. A survey conducted at the University of New Hampshire showed that more than 73% of economists of the American Economic Association believe that a significant increase in the minimum wage will lead to a reduction in employment, and 68% believe that employers will prefer not to hire low-skilled workers. (Card & Krueger, 1994) The consensus on the minimum wage research conducted in the 1980s leads to the following conclusion: with every 10% increase in the minimum wage, the employment of young and unskilled workers is reduced by 1-2%. (Congressional Budget Office, 2019)

The level of the minimum wage is the most important indicator through which wages are calculated for employees of the budgetary sphere, social payments, and so on. The population is most concerned with the question: where will the money for such growth come from? The money for raising the minimum wage level is planned to be taken from the economy of the country. In no way is the growth of the money supply planned through its printing, and in no way is it planned for this attraction of foreign credit resources. We are talking only about the resources that exist today in the US economy and which are stipulated by the law on the US state budget. The forecasted level of inflation remains the same; the budget deficit remains the same; thus, there are no grounds for statements that it will untwist the flywheel of inflation or change the dollar. The size of the minimum pension is tied to the subsistence level for the disabled and not to the minimum wage. It is prescribed to increase pensions by 10%, but whether it will reach a two-fold increase is not yet clear.

In the off-budget sphere, the salaries of all employees should also be raised. From the point of view of the state budget, this is an absolute plus since a significant number of workers are now officially receiving a minimum wage, or so are people who receive money in envelopes. And accordingly, they will also have to raise salaries, which will lead to an increase in income tax. However, the growth of the minimum wage can provoke employers to withdraw even larger amounts of payments into the shadow. Entrepreneurs will pay twice as much to employees, and this will lead to the search for new ways of shadowing, even more cunning and complex, or to reduce production.

The ungrounded growth of the minimum wage in 2006-2007, even with a much lower pace, created the preconditions for the 2008 crisis, from which the country has not yet emerged. For the average and small businesses, which now partially pay a white salary, the innovation of the Cabinet will lead to a decrease in the personal income of the employee and/or transfer to shadow employment (part-time work). Medium and small businesses will partially lay off and/or transfer to shadow employment (part-time work) because of the growth of tax deductions from one legally working. It is especially painful in the province, where there is no possibility to increase staff costs. There has been no increase in income from the pension fund or local budgets. The growth of corruption is, as a consequence, the growth of shadow employment. Reducing the size of subsidies for the communal service of such workers is inevitable. For this reason, they will have less money in their purses than they are now. The main thing is that hardly surviving a small and medium-sized business is able to cope with the new burden. As a result: going to the "shadow", increasing the salary "in envelopes", increasing fiscal checks, and increasing corruption. An increase in the minimum wage will inflate the total costs of entrepreneurs to a wage fund amounting to billions of dollars on an annualized basis. The main burden will fall on the shoulders of small and medium-sized businesses, which are not able to contain the number of employees that they had before.

Conclusion

In general, the growth of the minimum wage will inevitably lead to an acceleration of inflation: The growth of tax revenues is the growth of business costs. Business does not deal with charity – these costs will be covered by us, and only us, and it is also predicted that there will be an increase in unemployment and corruption. Given that the greater part of the laborers who get the lowest pay permitted by law are between the ages of 16 and 24, a consistent increment in the lowest pay permitted by law basically guarantees that these youngsters, whose abilities don't yet meet this level of wages, stay jobless. Plainly, the lowest pay permitted by law is a wasteful apparatus for decreasing destitution and mitigating pay imbalance. The advantages of expanding the lowest pay permitted by law are plainly not for poor families. The dirt for the advancement of destitution isn't low-paid laborers but a non-working populace. Maybe the experts ought to consider the issue of changes that will add to financial development and employment creation.

References

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