

Not deciding yet

[Business](#)



Employment Effects of a Minimum Wage Increase According to the research study, it is possible to say that employment effect is negatively related to the increase or decrease in the minimum wage rate. However, it seems very unusual that increase in a minimum wage rate may cause a decrease in the employment rate. The reason may be the monopoly of the employers, i. e. they may have many other options of hiring cheap labor as compare to the US labor market. Due to the availability of cheap labor market, the increase in the minimum wage rate may cause a decrease in the employment rate of that particular US labor market. In other words, we can also say that the gradual increase in the minimum wage rate will show relatively negative values of the employment rate in the US labor market. The maximum wage rate will result into the highest negative value of the employment rate.

These statistics are shown in the research study conducted by the Federal Department, which was conducted to check the implications of the proposal of increase in the minimum wage rate maximum up to \$ 9 - 10 / hour.

In case of a perfect competition in the market among different firms, all the resources are equally available to all the possible market players. The firms are facing a neck-to-neck competition between each other competitive firm.

In this situation, every decision should be taken very carefully because the firm managers will have to compete with many other game players also.

Therefore, according to my opinion an increase in the minimum wage rate in case of a perfect competitive market will cause a decrease in the employment rate of that particular labor market. Because if any State or Government is increasing the wage rates then firms or the employers still have other options available to hire the cheap labor from where it is available. In case of a monopolistic competition, all the firms have individual

products and services; they are not competing directly with each other just because of the reason that their products are not exactly substitute to each other. In case of a monopolistic competitive market, the increase the minimum wage rate may also cause an increase in the employment rate just because of the reason that every firm will require certain skills and expertise for their production. They cannot hire any available labor if they are cheap as compare to the home market. The products and services of the firms are not similar to each other therefore; there will be certain set of skills, which is required by any manager of the firm. Therefore, we can predict that in case of a monopolistic competition the increase in minimum wage rate may cause an increase in the overall employment rate effect.

We can say that there is a possibility of lack of internal validity in the results of some case studies. One of the reasons behind this lack of internal validity is the economic conditions. It can be possible that the fluctuations in the economic conditions of any country will influence these kinds of research studies' results and thus experts may call it as the invalidity in the results. Another reason may be the partiality towards any small group because these research studies focus small labor markets then it can be possible that actual results may vary from the expected results.