

A higher minimum wage will cause job loss in the united states research paper sam...

[Business](#), [Marketing](#)



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Business

Introduction

In the United States, the minimum wage was imposed in 1938, by the federal government via the Department of Labor. Almost all the governments of the states have imposed the minimum wages. The minimum wage was imposed in order to prevent the employers from giving wages below the instructed level. But, the minimum wage generally ends up hurting the workers and the economy. “ A higher minimum wage will cause job loss in the United States”.

In this paper, the job loss and unemployment that is resulting because of the minimum wage is discussed with the help of the facts that the higher minimum wage employers are replacing adults with teenagers, higher minimum wage is decreasing entry level positions, higher minimum wage is not effective for controlling the poverty, it attracts workers but does not guarantee job, and the minimum wage higher than the market wage rate decreases employment.

Body

The higher minimum wage was introduced in the United States to reduce the the unemployment and to encourage workers so that they enter into the labor force. Moreover, the higher minimum wage was also introduced with the intention of lifting the low income families out of the poverty. But, as a matter of fact a higher minimum wage will pave the way to the unemployment, it will just lead to the reduction of the employment, and entry of the affluent workers into the labor force. However, the higher minimum wage compels the employers to replace the adults with the teenagers, leading to the job loss. As a matter of fact, the adults require a job, but the teenagers do not require a job.

Minimum wage increases often lead to employers replacing disadvantaged adults who need a job with suburban teenagers who do not. The long term consequences of the minimum wage can be analyzed from the fact that the positions offered at the minimum wage are generally the learning positions, which help the workers to acquire the skills needed to become productive on the work/job. When the workers get skills and become productive they demand higher pay and take an upward step in the ladder of their career. However, about two-thirds of the minimum wage workers get increase in their wages just within a year (Brown, Gilroy, ad Kohen). So, increase in the minimum wage decreases the entry-level jobs, which badly affects the bottom step of the career ladders of the workers and also their career prospects. An example of this fact is that, in 2004-2006, New York State has raised the minimum wage from 5. 15 dollars to 6. 75 dollars an hour, which paved the way to about 20. 2%-21. 8% decline in the employment of the less

educated young people, badly impacting the people having ages from 16 to 24 years (Dorn). Further, the higher minimum wage is also not playing any significant role in order to control the poverty, because stagnant poverty rates are observed since the era of 1960s. In the year 1967, the OPM, i. e., official poverty measure was 14. 2%, and it was 15% in the year 2012, which is indicating that there is now no war on the poverty (C. W).

According to Milton Friedman, the the poverty stricken people are mostly hurt by the the higher minimums (Leffler). Furthermore, a higher minimum wage is useful in attracting new entrants in the job market but it does not assure them of a job. It can, however, be realized from the market's demand side, where, if the minimum wage rate become higher than the prevailing wage in the market that is determined by the forces of demand and supply then some employees will lose job, or they will have the hours cut. The minimum wage, however, exerts its greatest influence on the teenage labor market, because the equilibrium wages of the market of teenagers are not high as they are not skilled and experienced affiliates of the labor force. Additionally, the teenagers are usually willing to take lower wage for on-the-job training. Moreover, the research of Kusters and Welch (1972) has indicates that that the higher minimum wage harms the low wage worker specifically during the cyclic downturns.

In a normal competitive labor market, the employers or the organizations bid for the most skilled and productive workers, and resultant wage distribution indicates the productivity of the workers. However, in the case of the imposition of the minimum wage, the workers having low productivity, i. e., below the level of minimum wage will get just a few employment

opportunities in the market. So, basic theory of the competitive labor market foresee that the minimum wage that is imposed above the wage rate of the market pave the way to the reduction of employment (Filer, Hamermesh, and Rees).

Furthermore, politicians also promise higher wages to the low-skilled workers (Dorn). But, if the employer will not be benefitted from hiring and retaining the low-skilled workers, then there are high chances that these promises will not be kept. The job will, however, be lost; they are not created, paving the way to high unemployment because workers will search for the jobs, but they will not find any job above the market wage.

Conclusion

In the tough conditions of the economy, the employers will not hire the workers who have low productivity as compared to the hiring cost. The employers will, however, not pay more to hire a worker on hourly basis whose efforts produce less. A higher minimum wage will cost more and more low skilled workers out of the job. Only a few employees will get raise in their pay, and the others will lose the employment opportunities. The minimum wage does not distribute the income from the employers to the workers; rather in this case the income is given to the few lucky workers at the expense of the unlucky workers who have lost their jobs. In this regard, the higher minimum wage should be used in order to reduce the poverty; it should be used in removing the income inequality, which can be done by stimulating the employment opportunities in the economy, and providing jobs to more and more people.

Instead of pursuing the policies of the increase in the minimum wage that lead to the winners and the losers, the policymakers should consider those policies that ensure higher economic growth so that all the workers can be benefitted. Laws should be introduced in order to protect the job of the adults, so that the minimum wage employers will not replace them with the teenagers having low productivity as compared to the adults. The minimum wage can be considered as a meaningful attempt for helping the workers, but in the case of minimum wage someone has to pay the price for increase, and that someone includes unfortunate and low skilled workers.

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