

Answer question

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Running head: ARTICLE 27TH June Question The central question that this paper by David Card and Alan Krueger is trying to figure out is the impact of the law of increasing minimum wage on employees' behavior. Additionally, the paper studies the implication of the law on the rate of employment.

Question 2

The authors obtained the data for this study from 410 fast-food restaurants that are based in New Jersey and Pennsylvania. This was after the New Jersey minimum wage was increased from \$4.25 to \$5.05 on hourly bases. The study was done on two periods, which included February 15-March 4, 1992 and November 5-December 31, 1992.

Question 3

For the study to have reliable findings, the authors provided allowances for other sources of variation in employment including differences across the chains. To get such variation, the main equations used were as indicated below.

Source (David and Alan, 1994)

Represent change in employment from wave 1 to wave 2 at store i

Represent set of characteristics of store i

Represent dummy variable that equal 1 for stores in New Jersey

Indicates an alternative measure of the effect of the minimum wage at store i , as compared to the initial wage at the same store Source (David and Alan, 1994)

Question 4

The study found that 18 percent increase in the New Jersey minimum wage

was predicted to reduce employment at fast foods outlets by 0.4-1.0 employees per store (David and Alan, 1994). Secondly, the study revealed that even in local areas, employment rose faster at the stores that increased wages due to the minimum wage. Thirdly, the paper found that relative price changes played a role within the fast food industry as the result of raising the minimum wage.

Question 5

One of the aspects that make this study to have counter intuitive result is that when minimum wage is raised, low skill workers retain their jobs.

Additionally, it is one of the ways of attaining minimal standard of living.

References

David, C and Alan, K. (1994). Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania. *The American Economic Review*, Volume 84, Issue 4 (Sept., 1994), 772-793.