Evaluating legal prices research paper

Business, Marketing

Introduction

The term minimum wage denotes the lowest sum of money paid to workers or employees by employers in a given country or state. Minimum wages are expressed as the amount of money per hour that employees are entitled to from their employers. Calculations and formulation of new minimum wage rates in Florida is effected annually on the 30th of every September (Dittrich, 2011). The employers have the right to decide when they make minimum wage payments to their employees. Notably, the employers are not obliged to increment of employees' wage rates based on the period that the workers have provided services. In addition, the minimum wage payment is universal and benefits all employees except in situations where the law provides otherwise. Individuals providing domestic services that are not accessible for a period beyond twelve hours, are legally excluded from the minimum wage entitlement (Dittrich, 2011). Students who work have a right as any other group of employees to receive the minimum wage payments from their employers regardless of the number of hours they provide the employers with the intended services. However, the tasks or services that can be provided by an individual at the age of 18 years or below are defined in legislation governing the national minimum wage rates.

The purpose of minimum wages

The minimum wage payments are directed towards a particular goal in the United States. Minimum wages were introduced to enhance stability of the economy in the post- depression time and shield workers by offering particular protection in the overall labor force. The purpose of a minimum wage was to safeguard the health of employees and improve their well-being. In addition, the government's plan for introducing a minimum wage targeted the establishment of a minimum standard of living. Implementation of the minimum wage aimed at assisting the lowest paid individuals of the nation's labor force (Neumark, 2008). Ultimately, the lowest paid in the working population have limited bargaining power to achieve a minimum subsistence payment for themselves. Though viewed as universal, minimum wages are not paid to individuals considered having higher bargaining powers and are not vulnerable. These employees include professionals, administrators, executives and outside sales persons. The secretary of labor is mandated to employ several mechanisms in assessing the conducts of employers in order to achieve the enforcement of minimum wage obligations.

Impacts of minimum wages on market labor

Minimum wages have remarkable effects on the labor market. The extent of such effects is dependent on the nature of the markets in question. Notably, the minimum wages impacts are different in competitive markets from those in non-competitive markets. This is because the powers of employers in competitive and non-competitive markets are considerably varied. Increase in the minimum wages is not free (Neumark, 2008) It is important to understand that the cost of minimum wages must be met by individuals. Minimum wages effect on employment is analyzed by keen observation of the changes the price firms and employers adopt in response to increased minimum wages. The increased costs are passed to an individual in the long run; the question is who. Studies based on the economic theory in the past have shown that increments in minimum wages reduces employment. When minimum wages are increased in competitive markets, there is significant resultant job losses. The relationship between increased minimum wages and job losses is directly proportional such that as one increases, other reciprocates in similar measure. The economic welfare of the working poor is adversely impacted by increments in minimum wages. This is because most individuals who lose jobs are the unskilled vulnerable lot comprising of the youth, immigrants, disabled and the semi-skilled employees (Dittrich, 2011). Remarkably, the greatest effect of increased minimum wages befalls the teen labor market. The teenage wages are considerably low because such individuals are not fully experienced. Additionally, the teenagers readily exchange lower wages for job training. In competitive markets, skilled workers are absorbed more readily than the non-skilled or semi-skilled. For example, when minimum wages are imposed by the government, the employees whose productivity lies below the minimum wage hardly find opportunities for employment.

In a business, any effect of increased minimum wage is addressed by adoption of strategies that can compensate for the increment. The incentives that business give to workers such as training and promotions may be cut-off. Employers consider it prudent to abandon training expenses. The shift towards hiring skilled labor becomes evident. Thus, the employees lose training opportunities and become prone to employment loss.

When minimum wages are increased, the employers hire highly skilled labor force to replace the semi-skilled workers. In competitive markets, the quality of labor or human resource is vital in extending the competitive edge of an organization. Absorption of skilled labor is advantageous because individuals are efficient in the management, production and can easily innovate counter strategies against competitors. The business cut costs on training that otherwise become a necessity in the case of semi-skilled labor force. The vulnerable groups such as the disabled, youths, immigrants, low skilled individuals in the labor force lose jobs. The sacked individuals opt for low paying jobs that are uncovered, and reduces the wages in such organizations or sectors (Neumark, 2008).

Evaluation of purpose achievement

There is a negligible number of individuals who would have benefited from the increased wage bill in Florida, negative employment effects notwithstanding. The recent increase of federal minimum wage to $7. 25 from 5. 15 benefited only 15% of the poor (Dittrich, 2011). This is miserably off the target. In contrast, the increased wage benefited a significant population of with incomes that are twice as far from the poverty line. The semi-skilled lose jobs and their work hours are reduced. This worsens the living conditions of the poor and subjects them to abject poverty. Also, about 63. 5% poor Americans are not working, and thus are excluded from earning wages (Dittrich, 2011). The increments in the wage bill do not significantly improve the lives of the poor in Florida. Thus, the introduction of this legal price slightly meets the intended purpose.

Conclusion

Instead of pursuing minimum wages strategies that result in the creation of losers and winners, government decision makers ought to adopt policies that stimulate faster economic growth. The introduction of raises in minimum wages directs adverse impacts to the poor. Therefore, formulation of policies that benefit all is significantly inevitable.

References

Dittrich, M., Knabe, A., & Leipold, K. (2011). Spillover effects of minimum wages: Theory and experimental evidence. Munich: CESifo.

Falk, A., Fehr, E., & Zehnder, C. (2005). The Behavioural Effects of Minimum Wages.

Neumark, D., & Wascher, W. L. (2008). Minimum wages. Cambridge, Mass: MIT Press.

Neumark, David (1999). A cross-national analysis of the effects of minimum wages on youth employment. Cambridge, MA: National Bureau of Economic Research.