Minimun wage

Business, Employment

Market failures have negative effects on the economy because the best allocation of resources is not attained. In other words, the social costs of producing the good or service (all of the opportunity costs of the input resources used in its creation) are not minimized, and this results in a waste of some resources. Take, for example, the common argument against minimum wage laws. Minimum wage laws set wages above the going market-clearing wage in an attempt to raise market wages. People worry that this higher wage cost will cause employers to hire fewer minimum-wage employees than before the law was implemented. As a result, more minimum wage workers are left unemployed, creating a social cost and resulting in market failure. The minimum wage is the minimum hourly wage an employer can pay an employee for work. Currently, the federal minimum wage is $7. 25 an hour. Employees that earn the minimum wage tend to be young, and work in businesses that keep a few cents of each sales dollar after expenses. When the minimum wage goes up, employers are forced to either pass costs on to consumers in the form of higher prices, or cut costs elsewhere—leading to less full-service and more customer self-service. As a result, fewer hours and jobs are available for less-skilled and less-experienced employees. Minimum wage increases do not help reduce poverty. Award winning research looked at states that raised their minimum wage between 2003 and 2007 and found no evidence to suggest these higher minimum wages reduced poverty rates. While the few employees who earn a wage increase might benefit from a wage hike, those that lose their job are noticeably worse off. Employees who start at the minimum wage aren’t stuck there. Research found that the majority of employees who start at the minimum wage, move to a higher wage in their first year on the job.