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Minimum Wage Impact

Pedace, Roberto. “The Impact of Minimum Wages on Unemployment Duration: Estimating the Effects Using the Displaced Worker Survey.” *SSRN Electronic Journal*, vol. 50, no. 1, 1 Jan. 2011, pp. 57–75., doi:10.2139/ssrn.1019923. Accessed 19 Feb. 2017.

Pedace’s article presents and analyzes relevant literature and statistical data to help back up his hypothesis that concludes the correlation between minimum wages and unemployment duration. Pedace emphasizes on the unemployment duration rather than the unemployment itself. He created a pooled cross-section with the Displaced Worker Survey supplement of the CPR from 1984 to 2000 to create a statistical data chart. This data indicates that on average, females experience longer spells of unemployment than males do (Pedace 2011). The data also showed that there is a significant variation within the gender groups. For males, those with lower-skills experienced longer unemployment spells than the people who are higher-skilled. The data shows that high school dropouts in both females and males, experience the longest unemployment duration. Male drop outs experience on average 26 weeks of unemployment and female high school dropouts experience an average of 34 weeks of unemployment(Pedace 2011). Pedace utilized the yearly out-going rotation group CPS files to calculate the state unemployment rate to create empirical work to predict the “percent at the minimum”(Pedace 2011). This data was then compared with the data that was collected from the DWS on state of residence. This was then able to conclude that 19 states had minimum wages above the federal minima (Pedace 2011). Pedace then was able to conclude that the effects of education, race, and the state unemployment rate had statistical significant similarities (Pedace 2011).

Pedace also studied work from Card and Krueger(1995) and DiNardo, Fortin, and Lemieux(1996) which presents the idea that when businesses are forced to pay low-skilled and younger workers more money, they will intensify the screening process for older and more skilled workers. This will make young and low-skilled people inapplicable for jobs. This will lead to an increase of unemployed amongst younger and lower-skilled people. The small demand for high school students would drop tremendously and the desire for ones who obtained a degree would be in high demand.The increase of minimum wage would primarily benefit the males who graduated high school the most (Pedace 2011). These findings helped Pedace conclude that males who have received a high school diploma and are currently unemployed would benefit the most from shorter unemployment if the minimum wage went up (Pedace 2011). As for females, they would not benefit much and would be subjected to longer unemployment spells if wages were to increase.

Pedace’s paper is very persuasive in my opinion and coincides with my argument as well. I liked the way he used the logos appeal with logic and studies from other publishers to help piece together his argument. He used the logical hard evidence in his statistical data that worked with the Displaced Worker Survey, and other sources, to help make his argument stronger. I really liked that he did use the logos appeal to touch a different surface of this topic, which is the duration of unemployment rather that the unemployment itself. From this I was able to conclude that the people without high school diplomas would suffer greatly if wages were to increase and the ones who did graduate high school would benefit more.

Gorry, Aspen. “Minimum Wages and Youth Unemployment.” *European Economic Review*, vol. 64, 2 Sept. 2013, pp. 57–75., doi:10.1016/j.euroecorev.2013.08.004. Accessed 19 Feb. 2017.

Gorry’s paper emphasized on youth workers and the effect raising minimum wage has on their job opportunities. He created a labor model that could implement the unemployment pattern. That was then used to quantitatively assess the way the youth is affected by the increase of minimum wage (Gorry 2013). Gorry presented how experienced workers have higher productivity than the inexperienced workers do. He states how the lower wages allow young workers to build experience without requiring any to apply. With the increase of minimum wage, it would implement a higher screening process for jobs and it would prohibit the youth from being applicable. They would no longer receive the experience that future jobs require to get hired. This then creates a chain of issues that would lead to the increase of youth unemployment and support Glorry’s argument.

Simulating the effects of the Fair Minimum Wage Act, the model implies that the increase in minimum wages generated a 2.8 percentage point increase in the unemployment rate for high school educated workers between the ages of 15 and 24. One contribution of this approach is that the model disentangles the unemployment effects of the minimum wage changes from the overall increase in unemployment as a result of the recession. Between 2006 and 2010, unemployment for 15–24 year old workers with high school education increased by 3.3 percentage points more than the overall unemployment rate for individuals with high school education. The model implies that the increase in minimum wages accounts for 59.2% of this difference or 25.6% of the total increase in unemployment for 15–24 year old workers during this period when overall unemployment increased substantially.[3](http://www.sciencedirect.com.liblink.uncw.edu/science/article/pii/S0014292113001104#fn3)

This shows the increase of unemployment of young workers through the increase of minimum wages. This further proves that this will enable youth workers to gain the experience that they will need to progress with further job opportunities.

Glorry used quantitative measured statistics from 2006 through 2010 to help predict what may happen if the minimum wage were to increase. “Between 2006 and 2010, the unemployment rate for high school educated workers aged 15–24 went from 11.3% to 22.5% while the overall unemployment rate for high school educated workers increased from 5.5% to 13.4%” (Gorry 2013), this statistic shows the increase of unemployment when The Fair Minimum Wage act of 2007 was implemented. The Fair Minimum Wage act of 2007 was an increase of minimum wage from $5.15an hour to $7.25 an hour. This helped Gorry determine a fixed pattern where he could implement an increase wage and see an increase of unemployment among younger workers.

Gorry uses aa lot of logic within his argument. Just like Padace, he used a ton of quantitative data to strongly support his point of the negative effects of increased minimum wages. I really liked his arugument and it was very persuasive in my opinion. I think the statistics helped Gorry a great deal because it is very factual and a good source of evidence.

Chao, Chi-Chur, and Eden Siu Hung Yu. “Minimum Wage and Capital Taxes.” *Review of Development Economics*, vol. 18, no. 2, Feb. 2014, pp. 195–202., doi:10.1111/rode.12078. Accessed 19 Feb. 2017.

Chao and Yu start off giving a good history description of when minimum wage was first implement and why it was. Minimum wage was originally implemented to protect the unskilled workers by keeping the gap between wages fair and small among the rich and poor. Chao and Yu then present the underlying problems that arise with the raise of minimum wage. They present the possible negative effects that factor mobility and social welfare will have on t0he economy. They present two possible ways that could help the increase of minimum wage through the example of other countries.

Broadly speaking, there are two ways to implement a national minimum wage: one approach is to impose the same minimum wage rate uniformly across all sectors, as in Hong Kong, or possibly to vary the rate based on the age groups of workers across the country, as in the UK. The second approach is to enact a minimum wage applicable only to certain sectors, cities or regions in the country, as in China and Germany. It should be noted that minimum wage rates can be applied on an hourly, daily or monthly basis.

This opens an idea to a potential positive look on increased minimum wage. Chao and Yu focus more on a small open economy because of their successful example. They use the example from Hong Kong where they are considered to be the world’s freest economy, meaning they have very little to no regulations or barriers on trade. “…to counterbalance the higher cost of production as a result of the introduction of a minimum wage, the business sector sought a reduction in the capital tax rate from 17% to 16.5% to match the rate in Singapore” (Chao and Yu 2014). Both Hong Kong and Singapore have the lowest capital taxes in the world. They use this to create a general-equilibrium model for a small open economy with minimum wage and capital taxes (Chao and Yu 2014). They also introduce multiple equations and different reforms that helped them conclude their argument. They introduced the idea of Individual and Joint adjustments which could improve the economy.

Chao and Yu used the general-equilibrium model to examine the effects of minimum wage and capital tax reforms on employment and welfare. This model focuses on the small open economy and the effects that minimum wage has on capital taxes and social welfare. Chao and Yu were able to conclude that both minimum wages and capital taxes decrease social welfare because they distort the factor markets (Chao and Yu 2014). This lead them to the idea that individual or joint adjustments made by lowering minimum wage and/or capital taxes could increase labor employment and improve the welfare of the economy (Chao and Yu 2014). They emphasis that change needs to be done to both minimum wage and capital taxes in order to maintain a stable economy.

This paper again uses a lot of logos due to the quantitative data that Chao and Yu use. There are many different equations that they used to calculate their findings which fully supported their idea of minimum wage and capital taxes. They had a very strong argument with all the facts. I especially really enjoyed the history of minimum wage and what it was originally implemented for.