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**DEPARTMENT OF HOSPITALITY MANAGEMENT TECHNOLOGY**

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QUESTION:

Explain Cost of Labour and Minimum Wage

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**Cost of Labor**

The cost of labor refers to the total amount of money and resources incurred by employers to employ and maintain a workforce. It encompasses all the expenses associated with hiring, compensating, and supporting employees in a business or organization. The cost of labor includes not only the wages or salaries paid to workers but also various additional expenses such as benefits, payroll taxes, training and development, workforce management, and overhead costs.

Understanding the cost of labor is essential for businesses to make informed decisions about workforce planning, budgeting, and overall financial management. It directly impacts a company's profitability and competitiveness. By carefully analyzing labor costs, businesses can optimize their workforce, control expenses, and maintain a balance between attracting and retaining talent while ensuring financial sustainability. Additionally, labor costs play a significant role in determining the pricing of goods and services, as they influence the overall production and operational expenses of a business.

The cost of labor refers to the total expenses incurred by employers to hire and maintain a workforce. It includes not only the wages paid to employees but also various additional expenses associated with employing workers. The cost of labor is a critical factor for any business or organization that employs workers. It directly impacts a company's profitability and competitiveness. Understanding and managing labor costs effectively are essential for long-term sustainability and growth.

**Components of Labor Costs**

As mentioned earlier, the cost of labor is not limited to just the wages or salaries paid to employees. It encompasses various components that contribute to the overall expenses incurred by the employer. Let's explore these components in more detail:

1. **Direct Wages and Salaries:** This is the most visible and direct component of labor costs. It includes the basic compensation paid to employees for their work, which can be calculated on an hourly, daily, weekly, or monthly basis. The wage rate may vary depending on the job role, experience, skills, and market demand for specific positions.
2. **Overtime and Bonuses:** Overtime pay, provided to employees for working beyond regular hours, adds to the labor costs. Additionally, performance-based bonuses and incentives, given to reward exceptional performance, are part of labor expenses.
3. **Benefits:** Employee benefits are a significant part of labor costs and are aimed at attracting and retaining talent. Benefits may include health insurance, retirement plans (e.g., 401(k)), paid time off (e.g., vacation days, sick leave), maternity/paternity leave, life insurance, and other perks.
4. **Payroll Taxes:** Employers are required to contribute to various payroll taxes and social security programs on behalf of their employees. These taxes are often a percentage of employees' wages and can vary by country or region.
5. **Training and Development:** Investing in employee training and development programs incurs additional costs. However, it enhances the skills and knowledge of the workforce, leading to improved productivity and efficiency in the long run.
6. **Workforce Management:** Expenses related to managing the workforce, such as recruitment costs, HR personnel salaries, and employee engagement initiatives, are also part of labor costs.
7. **Overhead Costs:** Indirect costs associated with labor, such as providing a workspace, office supplies, utilities, and other administrative expenses, are factored into labor costs.

**Labor Cost Control**

For businesses, controlling labor costs is crucial to maintaining a competitive edge and ensuring profitability. Several strategies can help manage labor costs effectively:

1. **Workforce Planning:** Employers should align their workforce needs with the demands of the business to avoid overstaffing or understaffing. Effective scheduling and workforce planning can optimize labor utilization.
2. **Automation and Technology:** Adopting automation and technology can streamline processes and reduce the need for manual labor, leading to potential cost savings.
3. **Productivity Improvement:** Encouraging and supporting employees to enhance their productivity through training, skill development, and performance incentives can result in better output without significantly increasing labor expenses.
4. **Benefit Optimization:** Assessing and reevaluating employee benefit packages can strike a balance between attracting talent and managing benefit costs.
5. **Compliance with Labor Laws:** Ensuring compliance with labor laws and regulations helps avoid penalties and legal disputes, which can lead to unplanned costs.
6. **Outsourcing:** Outsourcing certain tasks or services to specialized firms can sometimes be more cost-effective than hiring full-time employees to perform those functions.

By analyzing and managing these components effectively, businesses can make informed decisions about labor costs and create a productive and motivated workforce while maintaining financial stability.

**Minimum Wage**

Minimum wage is the legally mandated lowest hourly, daily, or monthly wage rate that employers are required to pay their employees for their work. It serves as the lowest baseline standard of compensation that businesses must adhere to, ensuring that even the lowest-paid workers receive a certain level of income for their labor. The minimum wage is typically set and enforced by government authorities to protect workers' rights and improve their economic well-being.

The establishment of a minimum wage is a policy tool used by governments to address income inequality, support low-income workers, and promote social welfare. It is an essential aspect of labor regulations and can have significant impacts on workers, businesses, and the overall economy. However, minimum wage policies are often subject to debate and require careful consideration to strike a balance between worker protection and economic efficiency.

**The main features of minimum wage are:**

1. **Legally Established Rate:** The minimum wage is a legally binding requirement, and employers must comply with the set rate to avoid penalties or legal consequences.
2. **Economic Considerations:** The specific minimum wage rate is determined based on various economic factors, such as the cost of living, inflation rates, prevailing wage levels, and overall economic conditions.
3. **Poverty Alleviation:** One of the primary objectives of implementing a minimum wage is to help reduce poverty and ensure that workers earn enough to afford basic necessities, such as food, housing, and healthcare.
4. **Worker Protection**: Minimum wage laws aim to protect vulnerable workers from being exploited and ensure that they receive a fair compensation for their labor.
5. **Labor Market Impact:** While minimum wage laws benefit low-wage workers, they can also have effects on the labor market, such as potential job losses or changes in hiring practices by employers.
6. **Regional Variations:** Minimum wage rates can vary from one jurisdiction to another, as they are often set at the national, state, or regional level.
7. **Regular Adjustments:** In some cases, minimum wage rates are adjusted periodically to keep pace with inflation and changes in the cost of living, ensuring that the real purchasing power of workers is maintained.
8. **Industry and Category Specifics:** Some regions may have separate minimum wage rates for specific industries or groups of workers, such as tipped employees or young workers.

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