How do minimum wage laws affect the distribution of wages, the number of jobs, worker incomes and poverty

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1 Introduction

In economics and public policy, minimum wage laws are a contentious and hotly contested subject. The fundamental goal of minimum wage legislation is to guarantee that workers receive a set amount of pay in exchange for their labour, which can assist to combat poverty and raise the standard of living for low-paid workers. However, minimum wage regulations have complicated effects that economists continue to dispute, including how they affect the distribution of salaries, the number of employment, worker earnings, and poverty.

While some contend that laws requiring a minimum wage can result in job losses and higher inflation, others contend that they can serve to alleviate pay disparity and stimulate consumer spending. To comprehend the potential effects of minimum wage rules on the labour market and the larger economy in this setting, it is critical to assess the facts and tradeoffs involved carefully. The effects of minimum wage legislation on the distribution of earnings, the number of jobs, worker incomes, and poverty will be examined in this term paper, along with the different factors that affect these results.

Government agencies, such as federal or state labour ministries, often determine the minimum wage after consulting with various parties, including companies, workers, and labour unions. Many procedures may be used to determine the minimum wage depending on the nation or area.It's crucial to remember that minimum wage determination procedures might differ significantly depending on the nation or jurisdiction. In some nations, the process of determining the minimum wage rates at the national level is centralised, whilst in others, state or local governments are given this authority. Additionally, depending on factors like skill level or working conditions, certain nations may have various minimum pay rates for various industries or occupations.

2 Literature Review

We will be looking at certain Research papers to examine the impact of minimum wage. We will review the papers and gather ideas about the same. In the end we will try to conclude the most obvious possible impact,

2.1 Minimum Wages and Poverty by John T. Addison and Mckinleyl. Blackburn

According to the conventional competitive textbook model, a certain increase in the effective minimum wage causes a decrease in the employment of unskilled labour. This unemployment effect suggests that it is uncertain how raising the minimum wage will affect the distribution of wages for low-paid workers. Changes in the minimum wage may also have an impact on the labour supply of other family members of workers who are directly impacted. Finally, as a result of their altered incomes, both losers and beneficiaries of the minimum wage hike may alter their living arrangements. These issues produce murky theoretical predictions about how raising the minimum wage will affect society.

The impact of increasing the minimum wage on the family income distribution has been modelled empirically. Poverty rates, the ratio of income to needs, and quintile or decile shares are examples of outcome metrics. Elasticities suggested by time-series research are used to quantify unemployment effects, although this underestimates the inferred effect. Studies of simulation make the assumption that the simulated minimum hike will benefit all low-wage workers.

Studies that examine how minimum wages affect young people's employment often estimate equations of the form ($E = \beta_1 f(M_t) + \beta_t X_t + \epsilon_t$) For the 1983–1996 period, this study used a panel of state-level observations, which comprised indicators of poverty and high socioeconomic status for specific population subgroups in each state (including the District of Columbia). The March Current Population Surveys (CPS) for 1984–1997, which include data on individual and family income from the preceding calendar year, served as the primary sources for these measurements. The revised poverty lines, which are 1.25 times the official poverty line, were used to compute the poverty rate. The poverty rates for people in the prime age group (those between the ages of 25 and 54) were also determined.

The authors estimate a number of models where the dependent variable is the group's poverty rate. They also estimate specifications using independent variables that are state- and year-specific and that calculate the impacts of state-specific cycles. Because the minimum wage variable differs depending on the state, it is possible to identify the minimum wage effect by combining increases in the minimum wage for higher-income states as their state minima are raised and increases for lower-income states as the federal minimum was subsequently increased.

A weighted average of the minimum wages, with the weights set equal to the percentage of the year in which the specific minimum was in place, can be used to solve the measurement problem of minimum wages changing within a

calendar year. The error variance is inversely related to the sample size and the dependent variables are estimates of the genuine population quantities.

These demographics have poverty rates that are at least twice as high as those of people in their prime years, and studies have shown that poverty rates can be decreased by raising the minimum wage. According to the calculations, a 10% increase in the minimum wage would result in a 5% decrease in the poverty rate among dropouts, which is equal to a full percentage point for both teenagers and junior high dropouts. Furthermore, a persistent and statistically significant decline in poverty is associated with the proportion of the group that is white and non-Hispanic. The paragraph also goes over numerous definitions and estimating methods that have been used to evaluate the connection between poverty rates and minimum wages.A quick calculation shows that a 25% rise in the minimum wage would result in a 9% reduction in the combined poverty rate for the three low-pay groups. Finally, the chapter connects the findings to earlier research to demonstrate that the influence on reducing poverty is consistent with that reported by past studies. Renew your effort

The authors find evidence that dropping out of junior high school has a poverty-reducing effect, but the effect on teenagers and young adults is less certain and more susceptible to specification concerns. In order to allay worries regarding the arbitrary nature of the poverty-line threshold and the assumption of stable state effects, the authors carefully discuss the significance of the sample period choice and incorporate additional controls. Overall, the authors draw the conclusion that there is strong evidence that raising the minimum wage has a negative impact on poverty among junior high dropouts, and there is some evidence that it has a positive influence on poverty among teens. However, further study is required to completely understand the effects on various groups.

The logs of yearly or weekly earnings are used by the authors to estimate equations, and they discover that greater minimum wages have an increasing influence on earnings for all three low-wage groups, with teenagers experiencing the biggest effects. However, when looking at the effect on employment, the findings are unexpected because the point estimate is positive for all three categories, with junior high dropouts having a disproportionately high positive elasticity. These results differ from earlier findings, however the authors speculate that this may be due to the different time periods that were looked at. The authors also found evidence that raising the minimum wage had a negative impact on poverty, particularly in the 1990s when minimum wage impacts on employment changed. Overall, the evidence points to a potential benefit of higher minimum wages for low-wage workers, who may see an increase in earnings without a corresponding drop in employment.

According to the study, minimum wage rises in the 1990s helped junior high dropouts and teenagers with their poverty rates and may have even improved employment for these populations. However, minimum wage rises in the 1980s had little effect on employment or poverty rates. Although the causes of these discrepancies are unclear, the study contends that more research is required to better understand them. The study also took into account a number of variables that might have affected the findings, such as variations in state-level economic

conditions and the relative supply of low-skilled labour, but concluded that these variables did not fully account for the variations in the effects of minimum wage increases over the course of the two decades.

2.2 The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss by James Bishop

The topic of minimum wage and its implications on employment in Australia are covered by this author. The author points out that despite thorough study, there is still disagreement over how the minimum wage affects employment. Using Australia's distinct institutional aspects of pay setting as an identification tool, the author suggests a new methodology for evaluating the effects of minimum wage on wages, hours worked, and the rate of job loss. In contrast to earlier datasets used in Australian and international literature, the author employs a novel job-level dataset that offers a number of benefits.According to the author, salary changes brought about by award revisions are almost entirely reflected in hours worked and the rate of job loss. According to the author, a more exact investigation of the impacts of minimum wage on employment is possible when using job-level data that includes both a precise measure of real earnings and an indicator for whether a job's wage is determined according to a minimum or award salary. The author draws the conclusion that Australia serves as an effective test case for examining the impacts of wage floors and that additional empirical data are required to establish the link between minimum wages and employment.

The National Minimum Wage (NMW), which establishes a legal floor for wages, and the intricate structure of award wages that sits on top of it make the administration of minimum wages in Australia complicated. Adjustments are done at the national level each year to award pay based on variables like age, skill, industry, and location. The author of this article uses changes in the distribution of minimum and award wages as a unique source of variation to estimate the impacts of minimum wages, which have historically been challenging to estimate due to Australia's system of awards.

The impact of award pay on labour market outcomes over the ten years before 2008 is then covered by the author. During this time, the Fair Work Commission (FWC) regularly granted flat dollar increases to all awards, which caused the distribution of minimum wages to become significantly more compressed over time. This policy choice was made with the intention of encouraging higher income earners to directly negotiate salaries with employers, allocating a larger proportion of salary increases to those who most need them, and reducing the overall economic impact of minimum wage decisions. Since then, the FWC has changed to annually increasing all awards by a flat percentage.

Empirical Strategy Prior to each FWC ruling, the author concentrates on employees who are paid exactly an award salary. To calculate the effects of award salary adjustments on wages, hours worked, and the rate of job destruction, the author used a difference-in-differences model. The model contrasts jobs that saw a very significant percentage increase in their award compensation with

those that saw a relatively small increase in each outcome variable surrounding each FWC decision. The author employs a single estimate to combine all of the decisions rather than taking each one into account separately. This strategy is distinct from the majority of earlier research, which focuses on the demographics most likely to be impacted by minimum wage hikes.

The author estimates the effects of award wage adjustments on earnings, hours worked, and the job destruction rate for adult employees on award rates using job-level data from the ABS Wage Price Index survey. 32,174 job-period data covering 11 decisions between 1998 and 2008 make up the estimation sample. Wages, hours worked, and the rate of job destruction are the main determinants of outcomes. The analysis does not include junior, apprentice, or trainee occupations since the author employs a difference-in-differences approach to evaluate the effects. While the job destruction rate is a binary variable, the estimates for salaries and hours worked depend on the job being included in the sample during the before and after periods for a particular FWC ruling.

The study discovered compelling evidence that award modifications are nearly fully transmitted through to wages, with an estimated wage elasticity of 0.84 to 0.93. There was no proof, however, that award adjustments would have a negative impact on hours worked or job loss. According to the study, jobs receiving larger award wage increases had greater increases in hours worked than jobs experiencing lower award salary increases, and the rate of job destruction actually decreased when the award wage was increased.

The author acknowledges that 'parallel trends', which holds that low-award-wage workers would have experienced the same trajectory in wages, hours worked, and job loss in the absence of a change in award wages, may be necessary to support the validity of their findings. If other policy changes, such as a change in tax policy, occur that differently impact low-wage people, the assumption may be broken.The author uses a difference-in-difference-in-differences (DDD) technique to handle any potential violations of the parallel trends assumption because they do not have enough pre-treatment data to test this assumption. Due to the fact that award salary choices do not affect jobs whose pay is determined by enterprise bargaining agreements (EBAs), the DDD approach uses these positions as an extra control group. In order to account for shocks that differ in how they affect low-wage occupations, the author develops a separate DD model utilising jobs on EBAs and subtracts these estimates from the baseline DD estimates. This makes it more likely that any effects will be attributable to changes in award salaries rather than other policy changes.

With the use of a distinctive identification approach and dataset, the author contributes to the body of knowledge on minimum wage hikes in Australia. The study offers the first causal estimates of how minimum wage rises in Australia will affect incomes, hours worked, and job loss. According to the results, minor tweaks to awards tend to raise earnings in jobs that depend on them, with no negative impact on hours worked or job loss. The findings could not hold true for significant, unexpected changes, and they might not completely rule out negative effects on job seekers. The report also identifies areas where further investigation could estimate marginal effects at various minimum wage levels.

2.3 Minimum Wage, Trade and Unemployment in General Equilibrium by Sugata Marjit, Shrimoyee Ganguly, and Rajat Acharyya

The paper "Minimum Wage, Trade and Unemployment in General Equilibrium" by Sugata Marjit, Shrimoyee Ganguly, and Rajat Acharyya investigates the impact of minimum wage policies on unemployment and trade in a general equilibrium setting. The authors review the existing literature on the relationship between minimum wage policies and unemployment and the literature on the relationship between trade and unemployment. They argue that the impact of minimum wage policies and trade on employment may depend on factors such as the level of wages, the competitiveness of the industry, and the bargaining power of labor and capital.

The authors use a general equilibrium model to analyze the impact of minimum wage policies on employment and trade. The model includes equations for labor supply and demand, as well as equations for production and trade. They use a labor demand function that represents the amount of labor that firms demand at a given wage rate. They also consider the elasticity of labor demand, which measures the responsiveness of labor demand to changes in the wage rate.

The authors find that minimum wage policies can have a significant impact on employment and trade. Specifically, they find that minimum wage increases can lead to higher wages for workers, but also to reduced employment and increased outsourcing in some industries. They also find that the impact of minimum wage policies on trade may depend on the level of competition and the degree of trade openness in the economy. The authors use graphs to illustrate the impact of minimum wage policies on employment and trade. For example, they use a supply and demand diagram to show how an increase in the minimum wage can lead to a reduction in employment, as the labor demand curve shifts to the left.

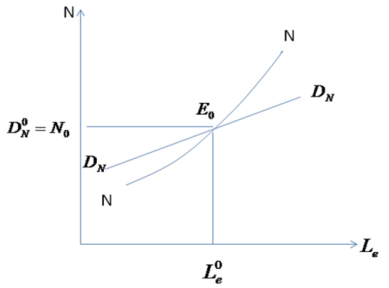

Figure 1: Aggregate Employment Determination

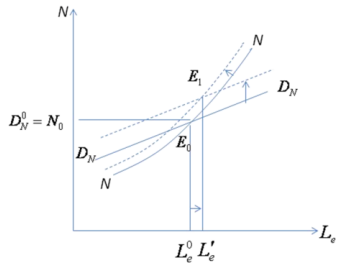

Figure 2: Hike in minimum wage and employment.

The adjustments following the wage hike is shown in Figure 2. At the initial equilibrium employment, the NN curve must shift upward as higher minimum

wage leads to substitution of labour by capital generating a surplus which needs to be absorbed by a rise in N. This is a standard general equilibrium output effect.

In conclusion, the authors argue that minimum wage policies and trade are two important policy levers that can affect employment and welfare in a general equilibrium setting. Policymakers need to carefully consider the potential trade-offs between these two policies when making decisions about their implementation. The rigorous theoretical framework, combined with the use of mathematical formulas and graphs, provides a clear and concise representation of the authors' findings. Further research is needed to fully understand the complex interactions between minimum wage policies, trade, and employment.

2.4 Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania by David Card Alan B. Krueger

The minimum wage in the state of New Jersey increased from $4.25 to 5.05. This paper tries to evaluate the impact of this law on employment through surveys in the fast food stores of New Jersey and Pennsylvania. Since the law was only passed in New Jersey, the stores of Pennsylvania will act as the control group. It is an empirical study of the impact of minimum wage on change in employment and leads to some debatable result.

Fast food establishments in New Jersey and eastern Pennsylvania were the focus of the authors' survey since they represent a significant source of low-wage employment. The poll concentrated on employment, beginning salaries, retail prices, and other store attributes. The authors completed interviews from 410 restaurants out of the sample frame of 473 Burger King, KFC, Wendy's, and Roy Rogers locations, yielding an overall response rate of 87 percent. Only the 410 stores that replied to the first wave of the poll were contacted for the second wave, which was done in November and December 1992, or roughly 8 months following the rise in the minimum wage. In the second round of interviews, the writers were successful with 371 (90%) of these stores. FTE(full time equivalent) term was used to measure employment which is basically 1 times the number of full working staff plus half times the number of part time working staff.

The data is collected and divided in groups. First is a set of all stores which had minimum wage at $4.25, second which had minimum wage between $4.25-5.05$ and the third in which stores had their minimum wage above $5.05. The stores in New Jersey were initially smaller as compared to that of Pennsylvania but grew after the Law. The relative gain (the "difference in differences" of the changes in employment) is 2.76 FTE employees (or 13 percent), with a t statistic of 2.03. It is also interesting to note that the stores in New Jersey which had the minimum wage already above $5.05 saw a decrease in employment, numbers very similar with the group of Pennsylvania. This further verifies the validity of the Pennsylvania control group.

Two equations were used for regression. One uses a dummy variable for stores in New Jersey. Other equation incorporates a GAP variable for regression defined as:

GAP = 0 for stores in pennsylvania
= 0 for those stores in New Jersey with minimum wage > \$5.05
= (5.05-w)/w for rest of stores of New Jersey

The regression coefficients for both the equations came out to be positive indicating increase in minimum wage increases employment and the coefficients were statistically significant. Even a stronger test was done by including regional dummy variables to account for any regional shock. But those coefficients were insignificant.

Full time and part time substitution: For at least two reasons, raising the minimum wage might result in more people working full-time compared to part-time. First, full-time employees might be more productive than part-time employees, and second, an increase in the minimum wage might make it easier for businesses to hire more full-time employees, who are by nature more productive. Regression analysis on the shift in the share of full-time workers in New Jersey and Pennsylvania produced conflicting results, which do not show a statistically significant change in the share of full-time workers in New Jersey.

Non wage offsets: Restaurants may reduce non-wage compensation, such as free and reduced-price meals, to balance the minimum wage hike, which could be one explanation for the lack of a decline in employment. There is little evidence, however, that companies dropped fringe benefits to match the increase in the minimum wage. Instead, the study shows that fewer restaurants offer meals at reduced prices, while more eateries give free meals. The study also looked at the likelihood that businesses reduced on-the-job training and flattened the tenure-wage profile in response, but it found no differences between Pennsylvania and New Jersey retailers that were statistically significant.

Price Effect of Minimum wage: The industry's competitive model indicates that an increase in the minimum wage will result in price increases corresponding to the percentage of minimum-wage labour costs in total factor costs. According to the report, meal costs increased 3.2

Interpretation:The authors investigated whether more employment in the fast-food sector would result from raising the minimum wage. Using the monthly Current Population Survey (CPS) information, they compared employment trends in New Jersey and neighbouring states. They discovered that while New Jersey performed somewhat worse than other states among adult employees, the situation was the opposite among teenagers, and the state's teenage employment rate increased. This statewide proof confirms their in-depth conclusions for the fast-food business that, after the new law was passed, the relative employment of workers who were most negatively impacted by the minimum wage increased.

The study's authors found no proof that the state's fast-food employment decreased as a result of New Jersey's minimum wage increase. On the contrary, a minor rise in employment was brought on by the higher minimum wage. Additionally, they discovered no proof that minimum wage rises cause fewer

McDonald's restaurants to open in a state. However, compared to Pennsylvania, New Jersey saw an increase in the price of fast food meals, indicating that a large portion of the cost of the higher minimum wage was passed on to consumers. The results are challenging to explain using the usual competitive model or models where employers are constrained by supply.

2.5 The Effects of Minimum Wage Increases in New York State: Evidence from a Natural Experiment by Richard Burkhauser, Kosali Ilayperuma Simon, and Jordan Matsudaira,

"The Effects of Minimum Wage Increases in New York State: Evidence from a Natural Experiment" is a research paper that examines the impact of minimum wage increases on low-wage workers in New York State. The authors, Richard Burkhauser, Kosali Ilayperuma Simon, and Jordan Matsudaira, use a difference-in-differences approach to compare the outcomes for low-wage workers in New York State to those in neighboring states, providing valuable insights into the economic effects of minimum wage policy. In this paper, we will delve deeper into the findings of this study, including the authors' use of age group and education level as additional factors in their analysis.

One of the key findings of the study is that minimum wage increases led to a significant increase in earnings for low-wage workers in New York State. The authors found that the minimum wage increases led to a 2.3% increase in weekly earnings, or an additional $11 per week for a full-time minimum wage worker. This finding is consistent with previous research that has found that minimum wage increases lead to increases in earnings for low-wage workers. Importantly, the authors also found that the minimum wage increases did not have a significant effect on employment or hours worked. This challenges the conventional wisdom among economists that minimum wage increases lead to job losses. The lack of significant effects on employment suggests that minimum wage increases may not lead to widespread job losses, as some critics of minimum wage policy have argued.

The authors further explored the effects of minimum wage increases by age group and education level. They found that the increases did not have a significant effect on employment among workers of different age groups. This suggests that minimum wage policy may not have a negative effect on overall employment levels, regardless of the age group of workers. The authors also found that the increases did not have a significant effect on employment among workers with different levels of education. This is an important finding because it suggests that minimum wage policy may not have a negative effect on employment levels among workers with less education, who are often cited as being particularly vulnerable to the costs associated with minimum wage increases.

One notable aspect of the study is the authors' use of age group and education level as additional factors in their analysis. By examining the effects of minimum wage increases on employment and earnings by age group and edu-

cation level, the authors provide a more nuanced understanding of the impact of minimum wage policy. The lack of significant effects on employment among workers of different age groups and education levels suggests that minimum wage increases may not lead to widespread job losses, as some critics of minimum wage policy have argued. However, the authors note that more research is needed to fully understand the effects of minimum wage policy on specific industries and groups of workers.

Another important finding of the paper is that the minimum wage increases had a larger impact on workers in urban areas than in rural areas. This finding is significant because it suggests that minimum wage policy may be particularly effective in reducing poverty and inequality in urban areas, where wages tend to be higher and living costs tend to be higher as well. This finding highlights the potential geographic variation in the effects of minimum wage policy and underscores the importance of considering the unique economic circumstances of different regions. Policymakers may need to tailor their minimum wage policies to the specific needs of different regions in order to maximize their impact.

Despite the important findings of the paper, it is important to note that the authors acknowledge some limitations to their analysis. One limitation is that the study focuses only on New York State, and it is possible that the effects of minimum wage policy could vary in other regions or under different economic conditions. Additionally, the authors note that their analysis does not consider the potential long-term effects of minimum wage policy, such as changes in job training or automation that may occur over time. Finally, the authors acknowledge that their study may not fully capture the experiences of workers who are employed in informal or cash-based work arrangements, which are more difficult to measure.

Overall, "The Effects of Minimum Wage Increases in New York State: Evidence from a Natural Experiment" provides valuable insights into the impact of minimum wage policy on low-wage workers in New York State. The study finds that minimum wage increases led to a significant increase in earnings for low-wage workers without having a significant negative impact on employment or hours worked. The authors also provide a more nuanced understanding of the impact of minimum wage policy by examining the effects by age group, education level, and geographic area. The study's findings suggest that minimum wage policy may be an effective tool for reducing poverty and inequality, particularly in urban areas. However, the authors acknowledge that more research is needed to fully understand the impact of minimum wage policy on different industries and groups of workers, as well as its long-term effects. In conclusion, "The Effects of Minimum Wage Increases in New York State: Evidence from a Natural Experiment" makes an important contribution to the ongoing debate about the impact of minimum wage policy on low-wage workers. By using rigorous econometric analysis and considering a range of factors, including age group, education level, and geographic area, the authors provide valuable insights into the potential benefits and limitations of minimum wage policy. Policymakers can use these insights to make more informed decisions about how to structure and implement minimum wage policy in order to maximize its impact on

low-wage workers and the broader economy.

2.6 The Effect of the Tipped Minimum Wage on Employees in the U.S. Restaurant Industry by William E. Even and David A. Macpherson

The restaurant industry is one of the largest and fastest-growing industries in the United States, employing over 14 million people. However, the industry is also known for low wages and high turnover rates. Tipped minimum wage laws, which allow employers to pay their employees a lower wage if they earn a certain amount in tips, are common in the restaurant industry. In this paper, William E. Even and David A. Macpherson examine the effects of tipped minimum wage laws on restaurant employees in the United States. The authors use data from the Current Population Survey (CPS) and the National Longitudinal Survey of Youth (NLSY) to analyze the impact of tipped minimum wage laws on employment, hours worked, and wages of restaurant employees.

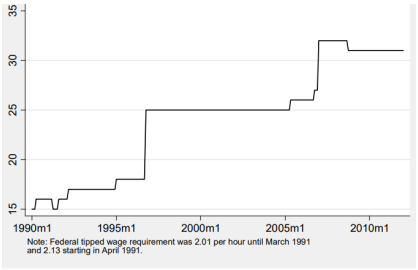

Figure 3: Number of States With Tipped Minimum Wage Above Federal Requirement.

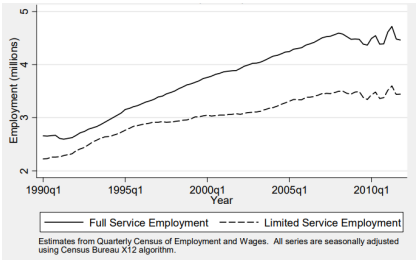

Figure 4: Restaurant Industry Employment: 1990-2011.

The minimum wage in the United States is a federally mandated hourly wage that employers must pay their employees. The current federal minimum wage is $7.25 per hour, which has not been increased since 2009. However, there is a separate minimum wage for tipped employees, which allows employers to pay their employees a lower wage if they earn a certain amount in tips. The current federal tipped minimum wage is $2.13 per hour, which has not been increased since 1991.

The tipped minimum wage is controversial because it often results in low wages for restaurant workers. Since restaurant workers rely heavily on tips for their income, employers can pay them less than the minimum wage and expect them to make up for the difference in tips. According to the Economic Policy Institute, tipped workers are twice as likely to live in poverty as non-tipped workers.

The authors cite several studies that find no significant effect of minimum wage increases on employment, including studies by Card and Krueger (1994)

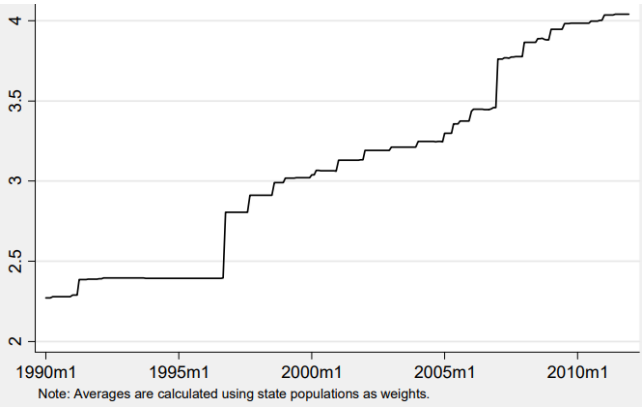

Figure 5: Average Tipped Minimum Wage: 1990-2011

and Dube, Lester, and Reich (2010). However, the authors also note that there are studies that find a negative effect of minimum wage increases on employment, including studies by Neumark and Wascher (2000) and Clemens and Wither (2014).

The authors then discuss previous studies on the effect of the tipped minimum wage on employment. The authors cite studies by Clemens and Wither (2014) and Allegretto, Dube, and Reich (2011) that find a negative effect of the tipped minimum wage on employment. The authors also note that there are studies that find no significant effect of the tipped minimum wage on employment, including studies by Allegretto and Reich (2015) and Schmitt and Rosnick (2011).

Overall, the paper by Even and Macpherson contributes to the ongoing debate about the impact of tipped minimum wage laws on restaurant employees in the United States. Through their analysis of data from the CPS and NLSY, the authors find that increasing the tipped minimum wage has a statistically significant negative effect on the probability of being employed in the restaurant industry. The authors also find that increasing the tipped minimum wage has a statistically significant negative effect on hours worked in the restaurant industry. The authors' findings are consistent with previous studies that have found a negative effect of the tipped minimum wage on employment. However, the authors' findings are also in contrast to studies that have found no significant effect of the tipped minimum wage on employment. In terms of wages, the authors find that increasing the tipped minimum wage has a positive effect on wages. This finding is consistent with previous studies that have found a positive effect of the tipped minimum wage on wages. Overall, the authors' findings suggest that increasing the tipped minimum wage may have a negative effect on employment in the restaurant industry but may have a positive effect on wages. However, it is important to note that the authors' analysis does not take into account potential changes in consumer behavior or employer responses

to an increase in the tipped minimum wage.

In conclusion, the paper by Even and Macpherson provides valuable insights into the impact of tipped minimum wage laws on restaurant employees in the United States. The authors find that increasing the tipped minimum wage has a negative effect on the probability of being employed in the restaurant industry and on hours worked, but has a positive effect on wages. The authors' findings contribute to the ongoing debate about the appropriate level of the tipped minimum wage in the United States and highlight the need for further research on the impact of labor policies on the restaurant industry and its employees.

3 Conclusion

Overall, the literature suggests that the effects of minimum wage increases on poverty and employment are complex and depend on various factors, including the specific context and the characteristics of the workers affected. Studies by Addison and Blackburn, and Bishop suggest that minimum wage increases in the 1990s reduced poverty for low-wage workers, particularly for junior high dropouts, and possibly for teenagers. These studies also find some evidence that higher minimum wages during the 1990s may have even increased employment for low-wage workers. On the other hand, Burkhauser, Simon, and Matsudaira found that a minimum wage increase in New York resulted in significant reductions in employment rates for less-skilled, less-educated workers. They suggest that the Earned Income Tax Credit program may be a more effective anti-poverty tool. In contrast, Marjit, Ganguly, and Acharyya argue that increasing the minimum wage can lead to increased employment for unskilled workers in a small open economy with a diverse export basket, as long as the economy experiences a trade surplus at the initial level of employment. And David Card and Alan Krueger found that a minimum wage increase in New Jersey did not result in a decrease in fast-food employment, but instead caused a minor rise in employment. However, it did lead to an increase in the price of fast food meals. Finally, Even and Macpherson suggest that increasing the tipped minimum wage can lead to increased earnings for workers at full-service restaurants, but it may also result in reduced employment and hours for tipped workers in the restaurant industry.

In summary, the effects of minimum wage increases on poverty and employment are complex and depend on various factors, including the specific context and the characteristics of the workers affected. The studies by Addison and Blackburn, Bishop, Card and Krueger, Marjit et al., Burkhauser et al., and Even and Macpherson provide evidence of the varied effects of minimum wage increases.

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