**Assignment #1: Summer Job**

If the businesses are made to increase the wages of the workers, they will have to increase the price of the product to increase their revenue for meeting the wages demands so their sales of goods or services might have a negative impact as the customer may not be willing to buy in the increased price. They may have to reduce the number of workers or work hours which may result in decrease of their production or the quality of the service they provide.

In the long term , there will be both positive and negative consequences . If we look at the positives, the increased wages might encourage the workers to perform better which will cause increase in productivity. Also , the company’s retention rate will be higher which will decrease their hiring costs, although its only the summer jobs, the employee who worked there might be willing to work next year as well and it will send a positive message about the company among the pool of workers suitable for that job which will make hiring easier. Talking about the negatives, the increased wages will hit the profit margins so the company may decide to go through different strategies to deal with it. Firstly , it could try to increase the price of its goods or services which may result in decreased number of customers. In some markets , increasing the price may not be a viable option as that may decrease the customers drastically so they might have to decrease the workforce or decrease the number of hours they operate to reduce wages. Also some companies may opt to invest in technologies to reduce human intervention to reduce the wage costs which may further result in increase in unemployment. It might specially hit hard small businesses whose margins are fairly low so they might go out of business. Others might see decrement in their profits which might affect their growth and limit their ability to invest further to expand their business so they wont be able to create more job opportunities. Also, since the price of the goods have to be increased to meet the wage increment, inflation occurs due to which wages have to be increased again which will go in circles and destabilize the market.