



WAGE WAR

How much should companies pay their employees?

name _____

date _____

Act One: Apply Here

- 1 Companies from McDonald's to Walmart rely on hourly workers to prepare food, work as cashiers, etc. Imagine a business opens in a new city and is hiring. The following table shows how many people would want to work at three different hourly wages (**supply**), and how many the company would want to hire (**demand**).

As the wage increases, how do the supply and demand change, and will the restaurant be able to hire as many workers as it wants at each hourly wage?



		\$3/hour	\$5/hour	\$12/hour
Supply: # individuals who want job		72 people	120 people	288 people
Demand: # employees company wants to hire		256 people	240 people	184 people

- 2 In the United States, the federal **minimum wage** is \$7.25/hour; this is the lowest amount an employer can legally pay its workers each hour. If the company only pays minimum wage, can it hire as many workers as it wants?




- 3 Find the lowest wage at which the restaurant will be able to attract as many employees as it wants. Do you think this is the amount the company should pay its employees? Why or why not?



Act Two: Raise the Reef Floor?

4 Millions of Americans work full-time at or near minimum wage. Still, many of them struggle to afford rent, childcare, and other expenses, and rely on public assistance programs such as food stamps and Medicaid. To help these “working poor,” some people think the government should raise the minimum wage from \$7.25/hour to \$15/hour. If this happened, how do you expect it would impact workers at the business?

5 Watch the *PBS NewsHour* clip in which two economists debate the impact of raising the minimum wage. Then circle the effect you think a higher wage would have on each outcome below: *increase, decrease, no change, or not sure*. How would you summarize the upsides and downsides of increasing the minimum wage?

Restaurant 	Skill-level/productivity of average employee	↑	↓	↻	?
	No. of months employees stay at restaurant	↑	↓	↻	?
	Use of technology (e.g. self-serve kiosks) to replace workers	↑	↓	↻	?
Workers 	Likelihood of finding a job	↑	↓	↻	?
	If employed, ability to afford living expenses	↑	↓	↻	?
	If unemployed, ability to afford living expenses	↑	↓	↻	?
Society 	Average price of item at store (e.g. hamburger, shirt, etc.)	↑	↓	↻	?
	Total amount government spends on benefits	↑	↓	↻	?
	Income inequality in United States	↑	↓	↻	?



Supply of Labor & Demand for Labor

