

The Impact of Minimum Wages and taxes on Hours and Employment

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Using a standard production function the equilibrium hours per worker wage locus is shown to be u-shaped in a competitive labour market. A minimum wage may thus either increase or decrease hours per worker and, by extension, the number of workers. A change in the tax rate leaves firms choice of hours unchanged. We provide supporting evidence for this using data from Trinidad and Tobago. We argue that examining total employment or full-time equivalents is not a meaningful way to measure the employment response to a minimum wage.