Some Hong Kong politicians have strongly demanded legislation which would introduce a minimum wage for low income earners, such as security guards and cleaning workers.

(a) Consider an industry without unemployment when there is no minimum wage. With the aid of a diagram, explain how the introduction of an effective minimum wage would affect

(i) the number of workers employed in that industry. (4 marks)

(ii) the total wage earnings of the workers in that industry. (7 marks)

(b) “A minimum wage should be introduced to protect the interests of low-income workers.” Evaluate this proposal. (7 marks)
The number of workers employed in that industry will be decrease. The introduction of an effective minimum wage would make the wage above the equilibrium wage rate. This will result in excess supply of the labour. The

ii) The total wage earnings of the workers in that industry may increase or decrease depending on the elasticities of demand for labour in the industry. The elasticities of demand is the percentage change in quantity demanded over the percentage change in price. If the demand is elastic, the total wage earnings of the workers in that industry will decrease. If the demand is inelastic, the total wage earnings will increase.
b) The proposal is wrong. A minimum wage can’t protect the interests of low-income workers. The low-income workers will be eliminated when the minimum wage is introduced. The employers will consider the benefit and the cost that the workers can give them. If the minimum wage is introduced, the employers will only employ those who he thinks are valued that amount of wage. The employers will even give more workload to those who are low-income workers before.