Who Gets Hired, and Who Is Kept Out

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HOW TO READ THE CHARTS

- **Blue**: employers
- **Orange**: workers and their pay
- **Gray**: gains lost

Your Skills Are Wealth You Carry With You

Human capital

Skills from school, training, and experience are *human capital*. Like a machine, they take resources to build and pay off for years.

Unlike a machine, they cannot be taken from you and handed to someone else. You take them wherever you go.

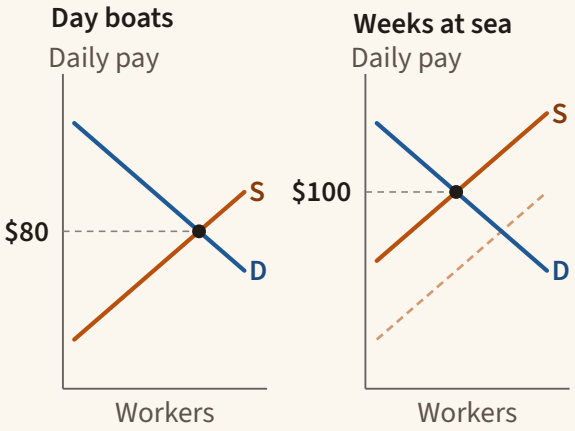
But not beyond reach

Skills can wear out: illness, time away, or new technology.

Rules and prejudice can block their return: licenses, discrimination, limits on where you may work.

And a lender cannot repossess your skills, so school can be harder to borrow for than a truck, which a lender can take back and sell.

Harder Jobs Must Pay More to Fill



Suppose deckhands can work on day boats, home each night, or on boats out for weeks. Both add the same fish, so **demand** is the same.

Fewer will spend weeks away at any wage, so **supply** is smaller (dashes: day boats).

Day boats pay $80 a day; weeks at sea, $100. The $20 is a *compensating differential*. At these wages no deckhand gains by switching: the wage gap sorts workers between the jobs.

Florida's Minimum Wage Is Now $15 an Hour

What happened

On September 30, 2026, Florida's minimum wage rose to **$15 an hour**. It is the last step of a plan voters approved in 2020: $10 in 2021, then $1 more each year. From January 1, 2028, it will be adjusted each year for inflation.

A minimum wage is a legal floor: covered workers must be paid at least that much (tipped workers, less in cash).

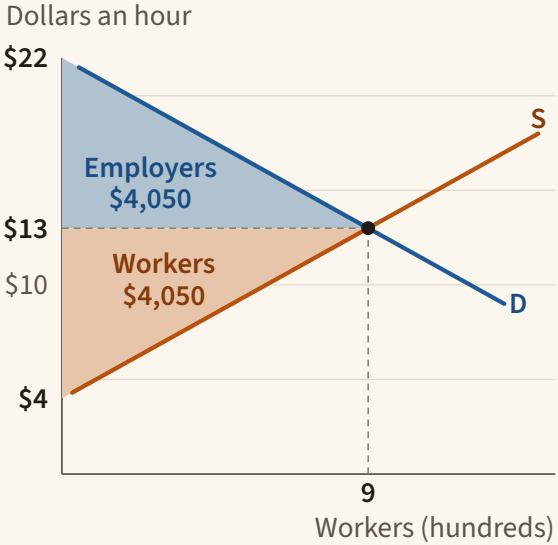
What we ask

Lecture 17's rule: a firm hires a worker as long as what the worker adds is worth at least the wage.

So who gains from a $15 floor, and who loses? The answer depends on what the market looks like without it. We use one made-up town to see why.

Source: Florida Constitution, Art. X, §24, as amended by Amendment 2 (2020).

Without a Floor, the Town Hires 900 at $13

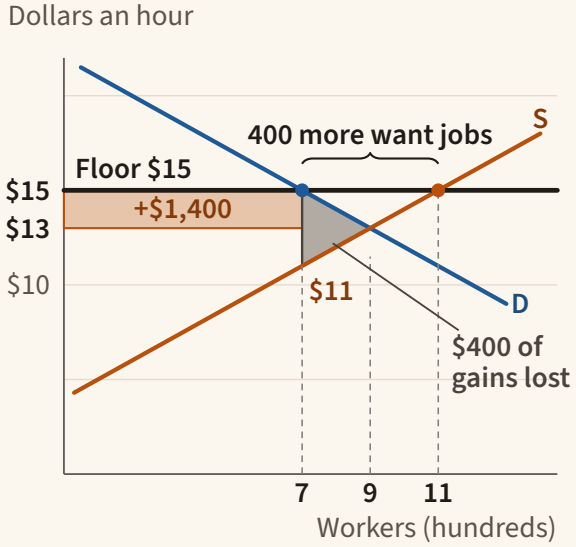


Suppose a town's market for entry-level work. **Demand**: what one more worker adds, as in Lecture 17. **Supply**: how many will work at each wage. Many employers compete, so none can set the wage.

At $13 an hour, employers want 900 workers and 900 want the jobs.

Each side gains from these trades: employers $\frac{1}{2} \times 900 \times \$9 = \$4{,}050$ an hour above what they pay, and workers the same above the least they would take.

With Many Employers, a $15 Floor Cuts Jobs



No employer may pay less than $15. Employers hire the **700** who add at least $15; **1,100** want jobs. 200 jobs are gone; 400 more want jobs than get them.

The 700 get $2 more: $2 × 700 = **$1,400 an hour**, paid by employers.

If the jobs go to those who would take the least: the 200 lost jobs added $15 down to $13, and workers needed $11 up to $13. Gains of $\frac{1}{2} \times 200 \times \$4$ = **$400 an hour** no longer happen.

A Higher Floor Can Move Training Off the Job

No floor: learn on the job

Suppose a beginner adds $11 an hour while he learns, and $16 once trained.

A firm can hire him below $11 and train him. The training is part of his pay.

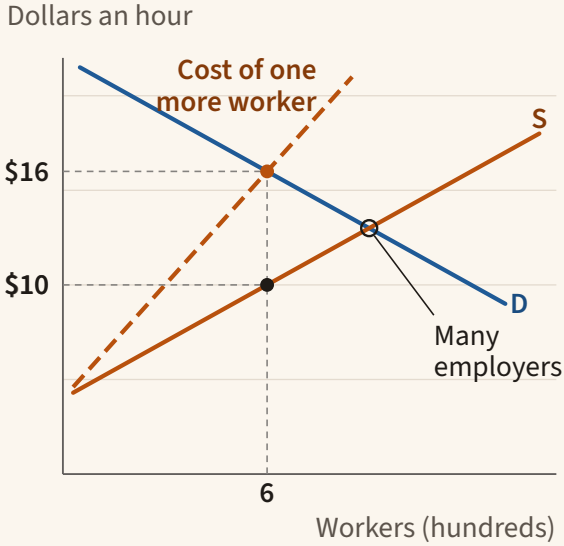
A $15 floor: learn first

Paying $15 for $11 of work loses $4 an hour. Once trained, he can leave, so the firm cannot win it back.

He must learn first, with his own time and money.

The floor raises the money wage. Training is pay too, and it can fall.

One Big Employer Hires Fewer and Pays Less

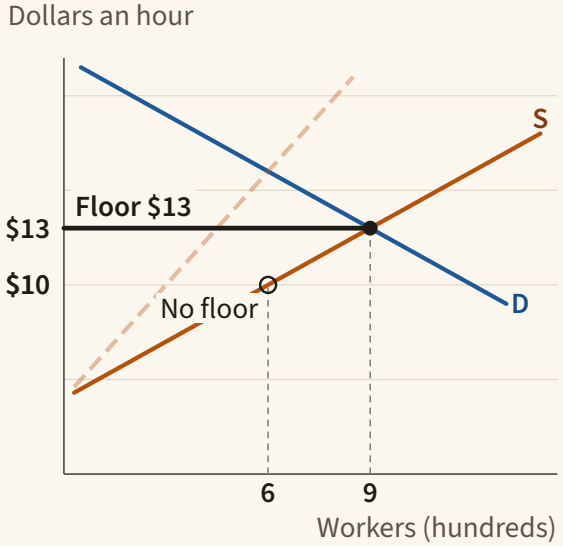


Suppose instead one company does all the hiring. To hire more, it must raise pay, for everyone.

From 600 to 700 workers, pay rises from $10 to $11 for all. The wage bill goes from $6,000 to $7,700 an hour: **$17 per added worker**, on average. They add only $15.50 each, on average. Not worth it.

It stops at 600, where one more worker adds $16 and costs $16 (dashed line). It pays the $10 that 600 workers need.

The Best Floor Sits Where Supply Meets Demand

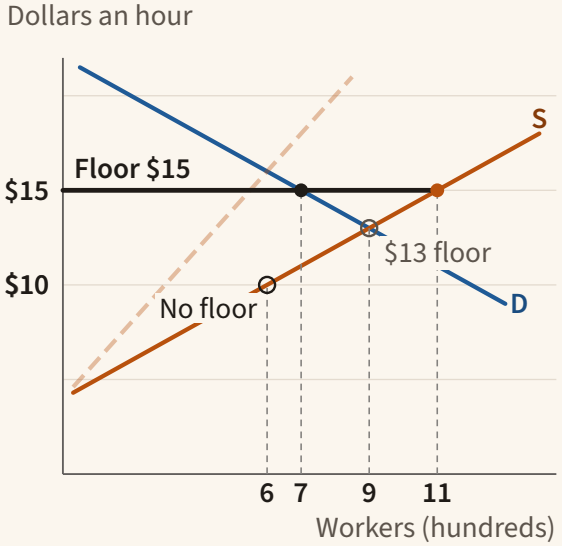


Suppose a floor is meant to undo the company's power. Set it at $13, where supply meets demand.

900 will work for $13, so each added worker costs just $13, up to 900. The faded dashed line no longer applies.

The company hires while a worker adds at least $13: **900**, as with many employers, and pay rises from $10 to $13. No gains are lost.

A $15 Floor Overshoots the Best Floor



Now the floor is $15. Each worker costs $15, up to the 1,100 who will work for it.

It hires while a worker adds at least $15: **700**. That is 100 more than with no floor, but 200 fewer than at $13. (With many employers, $15 also gives 700.)

So why set a floor above $13? Lawmakers cannot see these curves, and a raise is easier to see than a job never offered.

Prejudice, Competition, and a Line of Applicants

No line: prejudice can cost the owner

At $13, no one is waiting. An owner who refuses equally productive workers must find others.

If that means paying more or leaving jobs empty, prejudice cuts his profit. The next pages ask when it does.

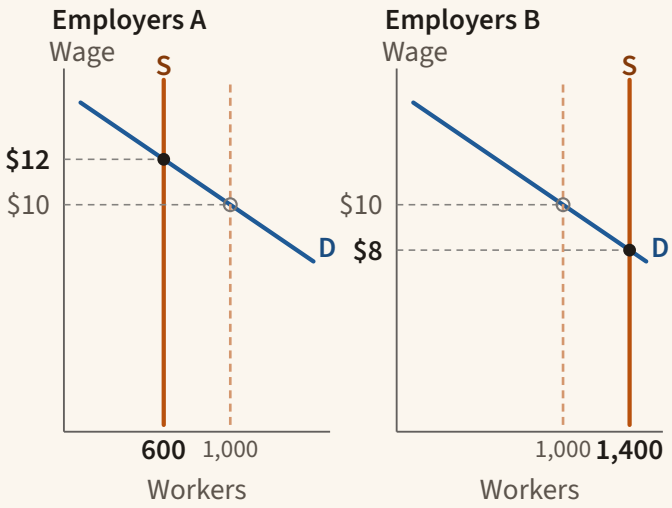
A line at $15: prejudice costs less

In the town, 1,100 want the 700 jobs. An owner can turn an applicant away and hire the next, just as good, at the same $15.

He gives up no output and pays no more: the prejudice adds no wage or output cost. Legal and reputation costs can remain.

One force in a model, not a verdict on any wage law or on anti-discrimination law. Prejudiced customers or coworkers, a lone employer, and poor information can keep it alive. U.S. law bars covered employers from discriminating in pay and hiring on protected grounds. A pay gap alone does not show its cause.

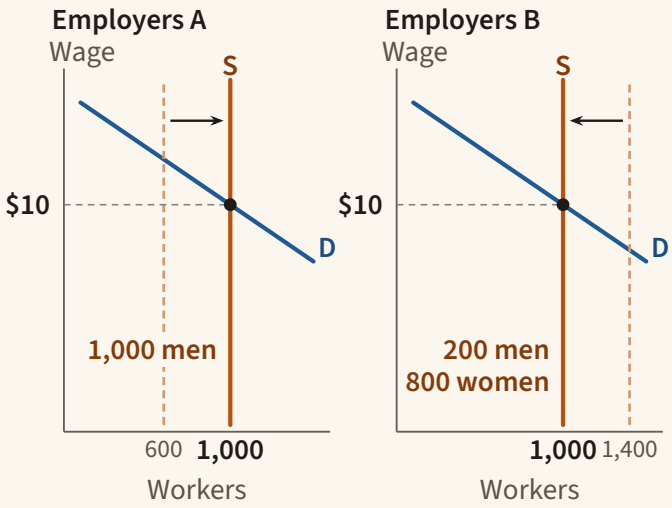
Refusing to Hire Women First Splits the Wage



Suppose 2,000 equally productive workers: 1,200 men and 800 women. With no prejudice, A and B each hire 1,000 at $10 (dashes).

Now A refuses to hire women and fires its 400. A's wage rises to $12. At B, 1,400 workers push it down to $8.

Then Men Move, and Wages Come Back Together

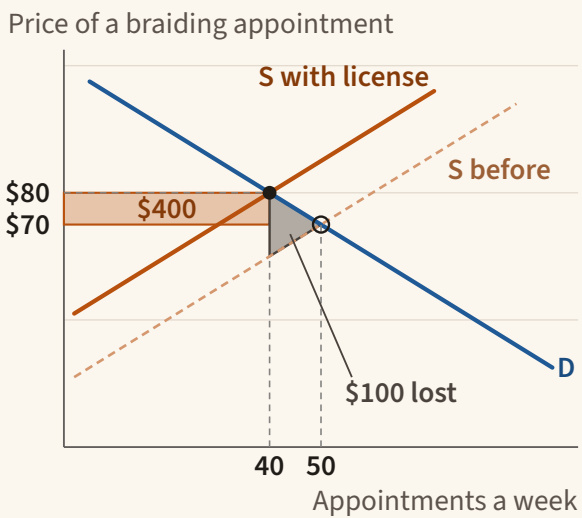


Men at B earn $8 while A pays $12, so men move to A.

They move until both pay $10. A hires 1,000 men; B hires 200 men and 800 women.

Prejudice changes *who works where*, not the wage, unless A offers more than 60% of the jobs.

A License Can Protect Buyers or Keep Rivals Out

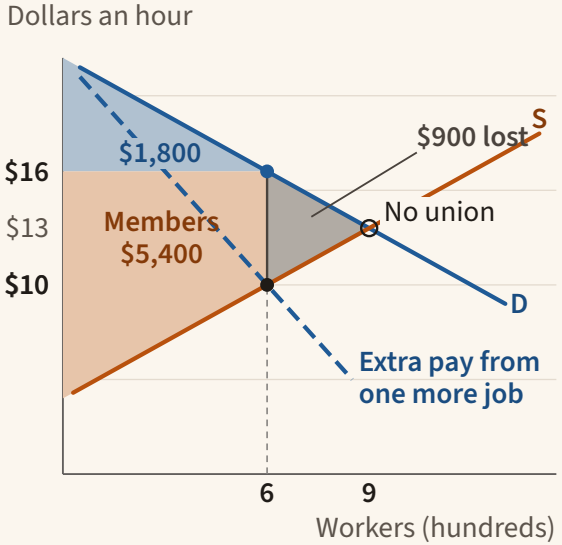


Suppose a town's braiders must get a license: fees, exams, training hours. Getting in costs more, so **supply** shifts left.

Appointments fall from 50 to 40 a week, and the price rises from $70 to $80: buyers pay $400 a week more.

A license can also help buyers judge quality. Compare it with certification: a credential, with no ban on others.

A Union Can Sell Labor Like a Monopoly

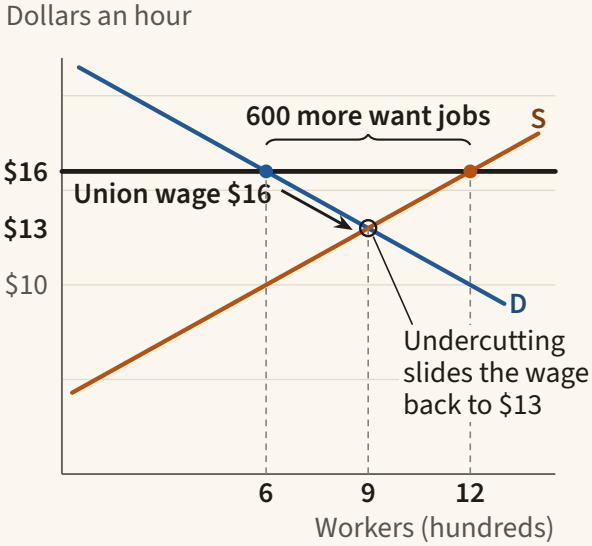


Suppose one union sets the wage for all; many employers hire. It seeks the most gain for members; jobs go to those who need the least.

For one more job, it must take a lower wage for every member, like Lecture 14's airline cutting every fare (dashed line).

From 600 to 700 jobs, the wage falls from $16 to $15. Total pay goes from $9,600 to $10,500: $9 per added job, but those workers need $10 to $11. So it stops at **600 jobs at $16**.

Each Worker Is Tempted to Undercut the Union



At $16, 1,200 want the 600 jobs. A worker left out who needs less than $14 gains by offering to work for $14, and an employer gains by hiring him: he adds more than $14.

If undercutting spreads, the union wage breaks down: back to $13, with 900 hired.

Like Lecture 14's cartel, the union must keep rival labor out and stop undercutting: labor law, strikes, admission rules.