

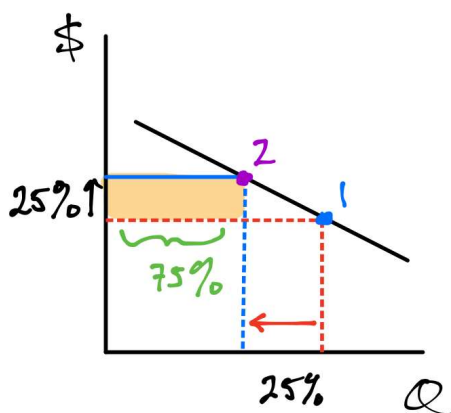
## Price Floors, Continued

Two important additional points about minimum wages:

1. **Demand** elasticity drives the impact on  $Q$
2. Effects spill over into **uncovered** labor markets

(1) Impact of the demand elasticity:

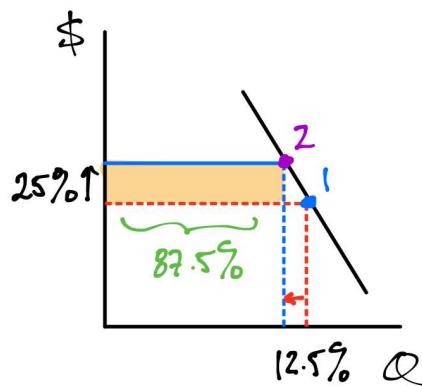
Large  $\eta$



Job losses: larger

Transfers: smaller

Small  $\eta$



Job losses: smaller

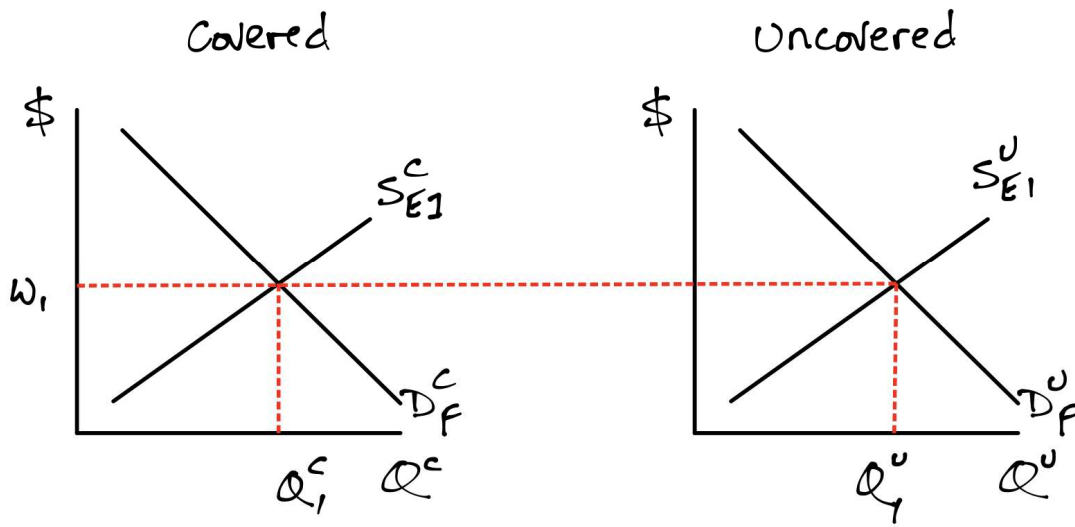
Transfers: larger

(2) Long run spillover into the **uncovered** market:

The minimum wage in *covered* markets *lowers* wages in *uncovered* markets for *similar skills*

Prior to minimum wage:

Different types of employers but similar skills required:



In the long run after the minimum wage:

