

**A REVIEW OF MINIMUM WAGE REGULATION  
EFFECT—THE RESOURCE-BASED VIEW  
PERSPECTIVE**

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**ABSTRACT**

The debate around minimum wage regulations, in the aftermath of recent regulatory changes in the United States, continues to grow. This article contributes to present literature by engaging the minimum wage controversy from the resource-based view theoretical perspective. Based on literature review, we find that minimum wage regulations appear to exhibit different impacts in different countries. Using meta-analysis of the related literature, we propose a conceptual framework that highlights the relationship between national resource base and minimum wage regulatory impact. Specifically, we posit that minimum wage impact on a country, such as the United States, is moderated by the national resource base. Further, we identify opportunity cost associated with inadequate minimum wage regulations, as consisting of education, entrepreneurial propensity, and cost divergence. Our conclusions point to the positive effects of the minimum wage controls, including increased education, more productive operating practices, and the emphasis on skill development and high value activities.

**INTRODUCTION**

The debate around minimum wage regulations, in the aftermath of recent regulatory changes in the United States, continues to intensify. Both proponents

and opponents present their evidence and arguments in this increasingly complex issue. The logic of both proponents and opponents of minimum wage policy is not new. Proponents of increasing the minimum wage argue that an increase in the minimum wage can help increase low-wage workers' income levels. On the other hand, opponents of minimum wage policy argue that such policy actually hurts low-wage sectors, through the consequent increase in unemployment. Some researchers found that a rise in minimum wage will lead to a decrease in the employment rate for teenagers [1-6]. Card and Krueger [7], however, came to an opposite conclusion in their study of the fast food industry.

This article contributes to present literature by examining the minimum wage issue from a different perspective. Utilizing the resource-based view paradigm (RBV), minimum wage is examined from the perspective of the national resource base. From our literature review, we observe that minimum wage regulations appear to exhibit dissimilar impacts in different countries. We posit a conceptual framework that examines this heterogeneous distribution. In doing so, we introduce the concept of opportunity cost associated with inadequate minimum wage regulations. Relying on resource-based view and entrepreneurship theory, we introduce education, entrepreneurial propensity, and cost divergence as dominant drivers of the aforementioned opportunity cost.

We begin our analysis with meta-analysis of the related literature. Reviewed studies from both developed and developing countries show a trend consistent with the assumption of resource-based view theory. Noting that the national resource base plays a role in this discussion, related literature was coded (relative to impact) and placed on the graph in search of a more explicit trend. Observing a potential relationship between minimum wage and resource base, we pursue quantitative triangulation utilizing a simple regression. Our findings are integrated into a conceptual discussion, based on the theoretical principles of the RBV paradigm. Proposed framework provides support for the recent U.S. minimum wage regulations, showing that those regulations are likely to have a net positive impact on U.S. economy.

We proceed with a discussion of prior research findings as well as a brief review of RBV theoretical paradigm. Results of our investigation are followed by the proposed framework. Analysis and regression results ensue. Next implications of the findings are followed by concluding remarks.

## LITERATURE REVIEW

### American Debate

A federal hourly minimum wage (FHMW) in the United States was first set in 1938. During the last 70 years, the FHMW has been increased more than 20 times. In 1997, the FHMW was set at \$5.15, after which it has remained unchanged until 2007. On July 24, 2007, the FHMW was increased to \$5.85.

FHFW will be increased to \$6.55 on July 24, 2008, culminating in a final planned increase to \$7.25 on July 24, 2009. With the announced policy change, the minimum wage increase is a renewed, often heated, popular topic of discussion. With the mixed findings regarding the employment impact of minimum wage, one can question whether we should focus on the employment impact of minimum wage on a particular group of people or the overall employment rate.

Majority of studies in this area focused on the employment impact of minimum wage on a particular group of people who are more likely to be affected by the minimum wage policy. This group very often includes youth workers, female, or low-paid sectors, such as the agriculture sector, etc. Probably the most influential studies are by Card and Krueger [8, 9]. Card and Krueger examined the effects of minimum wage on the teenage labor market following the introduction of minimum wage statutes in 1989-1990 [8]. They did not find the negative impact of the rise of minimum wage on the teenage employment rate. Further, Card and Krueger argued that “employment losses should have been concentrated in low-wage state, providing a test that the changes are attributable to minimum wage” [7]. However, no evidence was found to substantiate that the increase in minimum wage rates leads to low teenage employment rate in highly affected states. Consequently, they concluded that minimum wage does not decrease employment. Card and Krueger surveyed 410 fast-food restaurants in New Jersey and eastern Pennsylvania before and after the minimum wage increase from \$4.25 to \$5.05 on April 1, 1992 [9]. They reached a similar conclusion that there was no effect of the minimum wage increase on employment in this sector. It should be noted that Wessels [10] replicated Card and Krueger’s [7] study and found an opposite effect (i.e., a positive relationship). They applied Card and Krueger’s model to the 1996-1997 federal minimum wage hike and found that increases in the minimum wage significantly lowered teenage employment rate, especially in highly affected states [9]. Their results show that minimum wage has a significant negative effect on teenage labor force participation [1].

Above studies demonstrate the inconclusive nature of results, suggesting an existence of a more complex relationship. Whereas some found that increasing minimum wage will have a negative impact on employment rate [2-6, 11-20], others found no significant negative effect of minimum wage on employment, and sometimes even a positive effect on employment [21-27].

It should be noted that several groups of workers are most likely to be the victim of the policy, including females, teenagers, or workers in the low-paid industries. Recognizing that countries use the minimum wage legislation to reduce inequality and redistribute wealth, the more pressing question is whether or not this policy will have a negative impact on the overall employment rate in the country. Consequently, for the purposes of this article, overall employment rate is considered a more appropriate level of analysis.

It is observed, from the scholarly work in the United States, that minimum wage regulation will have a greater impact on the economy of developing countries than

it will on developed countries. This conclusion is partially made on the observation that developing countries have a bigger proportion of workers who work in subsistence employment (often at the minimum wage) than do developed countries [28]. Further, it follows that this issue will impact more people in developing countries than in developed countries, suggesting that available resources may play a role in the minimum wage discussions. This observation gives credence to the use of the resource-based view approach as a theoretical paradigm, discussed later in this article.

### **Global View of the Impact of Minimum Wage on Employment**

Studies examining the impact of minimum wage on employment are limited to countries which put in place minimum wage legislative mechanisms. In this article, only the countries that have federal level minimum wage controls are examined. Further, only studies that consider overall impact of wage controls are looked at, as opposed to those examining specific sectors or populations. Therefore, countries that set up the minimum wage legislative mechanisms at the provincial level, such as Canada, are not included in this discussion.

We found three studies that examined the effect across countries [29-31]. Using a pooled cross-section, time-series data set comprising 17 OECD (Organization for Economic Co-operation and Development) countries for the period 1975-2000, Neumark and Wascher studied the employment effects of changes in national minimum wage regulations [29]. Their finding is consistent with the view that minimum wage causes employment losses among youth. This effect, however, varies across countries, suggesting the existence of mediating nation specific variables. We posit this mediation as a result of nation specific resource base. This is in agreement with the observations that the disemployment effects of minimum wage regulations tend to be stronger in the countries with the less regulated labor markets and in developing economies. Santiago classified European countries into three groups in terms of the variation of the minimum wage policy [32]. The first group of countries set up the absolute floor for the collective bargaining. The second group consists of countries with wider coverage of national minimum wage regulation in the labor market such as France, Spain, Portugal, and Greece. The third group has no national minimum wage such as Germany, Italy, and Denmark. Authors suggested that because low pay may particularly affect certain types of workers or certain geographical areas, governments should ensure the differentiation in wage rates by age and region to prevent the minimum wage from harming employment prospects for young people or low productivity regions [32]. Saget examined the minimum wage impact on employment in developing countries [30]. Approximately 30 developing countries are included in the sample, Thailand and Philippines, as well as the regions of Latin America and Africa. Using the regression analysis, Saget suggested that increases

in the real average manufacturing wage appear to have a significant negative impact on the level of employment in developing countries [30].

In order to understand the effect of minimum wage regulation from a broader perspective, international studies from different countries were examined and compared (Table 1). Other studies focused their analysis on the national level analysis. Once countries were classified into two groups [(1) developing countries and (2) developed countries], it was observed that the unemployment effects of minimum wage regulations were more likely to occur in developing countries than they were in developed countries. Further, the effect of minimum wage regulation on employment in developing countries tends to be stronger than is the case in developed countries. We turn to the resource-based view to further shed a light on these observations.

## **NATIONAL RESOURCE BASE**

### **Resource-Based View**

Arguments made in this article are based on the assumptions consistent with the theoretical paradigm of the resource-based view. The resource-based view (RBV), first advocated by Penrose in her book *The Theory of the Growth of the Firm*, incorporates the ideas of distinctive competencies of heterogeneous firms and connects them to the firm's competitive advantage [33]. The main purpose of the RBV is to enhance our understanding of how competitive advantage within firms is achieved and how that advantage can be sustained in the future [33-39].

Within the RBV, firms are considered to be bundles of resources [34, 40], which have varying impacts on competitive advantage. Resources that are valuable, rare, inimitable, and non-substitutable (VRIN) help firms achieve sustainable competitive advantage [33-35].

### **Resource Environments in Developing Countries**

Lean resource environments often present added challenges in developing countries. Transportation and communication infrastructure may be insufficient; capital markets are often inaccessible or inefficient. There may be ineffective legal and regulatory systems, and vital human capital and professional services may be absent. Consequently, firms paying employees the minimum wage, already facing limited resources, find it much more difficult to access additional resources from their local environments. The influence of historical, cultural, economic, and societal factors on government policies results in suboptimal use of government assets, often evidenced by an inefficient regulatory environment [41, 42]. This culminates in a critical loss or inefficient use of resources in what is already a resource lean environment.

Regulatory inefficiencies also aggravate the situation in another way. Because of insufficient or ignored regulations and inefficient appropriate of resources, the political and economic environment is often unstable [43, 44]. For example, in

Table 1. Studies of the Employment Impact of Minimum Wage

Country	Author	Finding
Developing Countries		
Puerto Rico	Santiago, 1989 [32]	The quantitative impact is larger for Puerto Rico than anticipated by supporters of the legislation.
Czech	Girardin and Marimoutou, 1994 [65]	If the minimum wage had not increased by 10 percent in January 1992, industrial employment would have been higher by 2 percent by the autumn of that same year in Czech.
Czech	Eriksson and Pytlíkova, 2004 [66]	There are some, but not substantial, job losses in reaction to minimum wage hikes and, that the impact on firm wages is rather large, implies that further increases of similar magnitude might very well have negative consequences for employment in Czech.
Indonesia	Alatas and Cameron, 2008 [67]	There was no negative employment impact for large establishments, either foreign or domestic, but workers in smaller, domestic establishments may have suffered job losses as a result of minimum wage increases.
Indonesia	Rama, 2001 [68]	The minimum wage hike had a modest impact on Indonesian labor market outcomes. The employment effects varied by firm size; small firms apparently experienced substantial decreases in employment, whereas, some large firms actually saw their employment increase.
Brazil	Lemos, 2004 [69]	Minimum wage increase strongly compresses the wage distribution, with small negative effects on employment in Brazil.
Mexico	Feliciano, 1998 [70]	Reductions in minimum wages shifted the demand from more skilled workers toward relatively less skilled workers.
Mexico and Colombia	Bell, 1997 [71]	Minimum wage has had no effect on wages or employment in Mexico in the formal sector, but minimum wage is an effective wage in Colombia.
Israel	Luski and Weinblatt, 1997 [72]	Minimum wage reduced overall employment in the manufacturing sector.

Developed Countries		
United Kingdom	Machin and Manning, 1994 [62]	The minimum wage had either no effect or a positive effect on employment in United Kingdom.
United Kingdom	Urwin, Jack, and Lissenburgh, 2006 [73]	There is no evidence of a negative impact of the NMW on levels of employment in United Kingdom.
United Kingdom	Stewart, 2004 [74]	Authors did not find significant adverse employment effects for any of the four groups.
United Kingdom	Metcalf, 2004 [75]	There is no overall employment effect of minimum wage on employment but a small negative impact in the care home sector.
United Kingdom	Connolly and Gregory, 2002 [76]	Authors did not find significant changes in hours worked by either full- or part-time women are found 1, 2, and 3 years after the NMW, and no change in probabilities of remaining in full- or part-time work or transiting between the two.
United Kingdom	Crossman, 2001 [77]	There is no significant disemployment effect of minimum wage.
United Kingdom	Dickens, Machin, and Manning, 1999 [78]	Minimum wages significantly compress the distribution of earnings but do not have a negative impact on employment.
United Kingdom	Metcalf [79]	It is impossible to forecast whether the NMW will have any favorable or adverse direct employment consequences. However, for particular sectors we do know that, in the 1990s, minimum rates set by wage councils did not have negative employment consequences.
Netherlands	van Soest, 1994 [48]	There is a strong positive effect on unemployment in Netherlands.
Greece	Koutsogeorgopoulou, 1994, [80]	They did not find a pronounced impact of minimum wage increases on the employment of either group.
France	Benhayoun, 1994 [81]	Even though the relationship between the minimum wage and young persons' employment seems to exist, it is very fragile.
New Zealand	Pacheco and Naiker, 2006 [82]	Authors found there is insignificant impact on profit expectations for low-wage employers by investors.
Ireland	O'Neill, Nolan, and Williams, 2006 [83]	The legislation may have had a negative effect on employment for the small number of firms most severely affected by the legislation, but the size of these effects is relatively modest.

Russia the expected growth in technology entrepreneurship was not realized [45], at least in part because Russia is a bureaucracy-challenged economy, where the regulatory environment hampers legal and entrepreneurial development [44]. This regulatory instability can also act as a deterrent to foreign investment, keeping the resources needed for entrepreneurial activity out of the country [43, 46].

### **Education as Opportunity Cost to Minimum Wage Employment**

Education is perhaps the best avenue available to an individual who chooses to increase his/her skill set, gets a better paying job, and exits the grasps of poverty. Stevens and Sessions, in their review of minimum wage and poverty, recommend subsidized higher education, in addition to increased minimum wage and labor force participation, as means of eradicating poverty in the United States [47]. This is in agreement with the finding of van Soest who identified a strong positive effect of unemployment and school enrollment for females in the Netherlands [48]. Neumark and Wascher went on to state that “Minimum wages increase the probability that teenagers leave school to become employed or work more hours” and, then again, “Minimum wage also increases the probability that lower-wage employed teenagers become non-enrolled (from school) and non-employed” [49]. Likewise, Behram found a correlation between low education levels and minimum wage employment, suggesting education as an alternative action and, therefore, opportunity cost to minimum wage employment [50]. This is in agreement with the finding of Gonzalez who found “that returns to education increased significantly, which could explain the increase of wage dispersion” [51, p. 135].

Studies reviewed above suggest that every student who is employed in a minimum wage position is incurring an opportunity cost, which is the income that he or she could have earned if employed in a higher skill level position. Whereas previous research focused on increased cost of employment, as a consequence of minimum wage regulation, this article suggests that there is another, perhaps more pressing, cost—the opportunity cost of being underemployed. We posit that this cost was not sufficiently represented in earlier discussions. Recognizing that resource-rich environments may have greater opportunities for such individuals, it follows that this cost can be significant, especially in resource-rich environments.

### **Entrepreneurship as a National Level Resource**

Alvarez and Busenitz defined entrepreneurship as “the recognition and exploitation of opportunities that result in the creation of a firm that seeks to obtain entrepreneurial rents” [40, p. 757]. Entrepreneurship, an opportunity-seeking behavior, is now recognized as a resource that leads to competitive advantage [40]. Therefore, the resource base of a region or even a country is likely to affect entrepreneurs, making them less competitive. Recognizing that entrepreneurship is often regarded as the engine of economic development, lower resource levels of



developing nations are likely to accentuate the effects of minimum wage regulations, therefore having a proportionally greater economic impact in that country or region.

Some have defined an entrepreneur solely in terms of who the entrepreneur is and what he or she does. Most scholars agree that entrepreneurship may include, but does not require, the creation of a new organization [52-55]. Building on previous studies, Shane and Venkataraman define the field of entrepreneurship as a “scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited” [52, p. 218]. Stevenson and Jarillo consider entrepreneurship an approach to management, defining it as a “process by which individuals—either on their own or inside organizations—pursue opportunities without regard to the resources they currently control” [56, p. 23]. Cauthorn defines an entrepreneur using attributes such as risk-taking, proactiveness, and innovativeness. In essence, entrepreneurship is a process and an approach, with significant economic potential [57].

Minimum wage regulation research often focuses on small businesses as subjects of interest. Small businesses are often distinguished from entrepreneurial ventures. Whereas small businesses are identified on the basis of their size, entrepreneurial entities are identified on the basis of their emphasis on growth [58-60]. Past research supports the notion that entrepreneurship, commonly accepted as the engine of economic development, is also substantially different in resource-rich environments. Whereas in resource-lean environments (i.e., developing countries) entrepreneurship is often a subsistence-based activity for those that may have fallen on hard times, in resource-rich environments (i.e., developed countries) entrepreneurship is often vision-driven, emphasizing an innovative and proactive approach [28, 61]. Further, an advantageous outcome of such a focus is that employees are treated in a visionary manner, thereby supporting the development of employee’s skills and abilities. This is in stark contrast to the minimum wage jobs, which may not foster any skill development or enhancement (therefore increasing opportunity cost to the employee). A central distinction between entrepreneurs and small businesses may be the emphasis on growth [58, 60], which, in turn, is translated to emphasis on employee growth, often through skill development. This, too, is in stark contrast to cost emphasis likely to dominate small businesses environment, especially ones hardest hit by the minimum wage regulation. Figure 1 graphically represents this distinction.

Minimum wage regulation, especially in resource-rich environments, selectively affects cost-oriented businesses (herein termed Cost Divergence) (Figure 1). The impact on vision-driven entrepreneurship and business startup, however, is much smaller. In fact, one could argue that the effect is potentially positive as the regulation removes some competitive pressures. We posit that it is this interplay of relationships, within the theoretical considerations of the RBV paradigm that helps us summarize and explain recent observations of increased

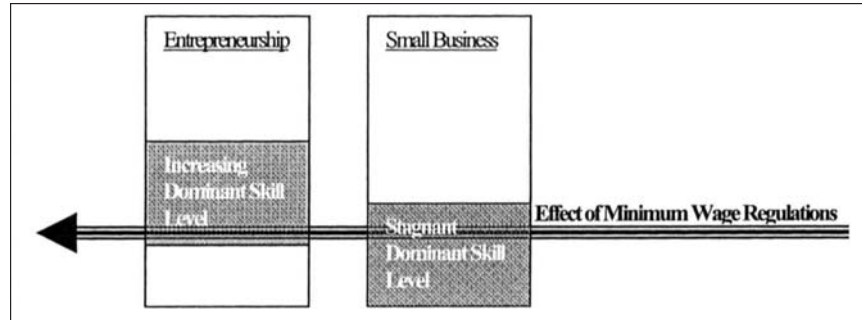


Figure 1. Differential effect of minimum wage regulations.

employment associated with increased minimum wage [7, 62]. In other words, the aggregate opportunity costs of employees in minimum wage positions may, in fact, be greater than the aggregate negative costs of increased wages. This is in agreement with the observations made by some studies, noting that students affected by job losses due to minimum wage increases are more likely to go back to school and enhance their skill set [48]. As such, this situation may serve to raise the overall skill levels of the community or even a country.

Further, in resource-rich environments business owners and managers may have more options (and resources) available to deal with any negative effects of the minimum wage increases. Faced with the threat of increased minimum wages, the most initiative appealing action may very well be an attempt to increase productivity of what is now a more expensive employee. This appears to be consistent with the findings by a number of studies that show little or no loss of employment in the immediate aftermath of a wage increase [21-23, 25]. Again, as in the earlier discussion of students going back to school, in this case also, one ends up having a greater emphasis on efficiency and skill level development. This, in turn, is likely to benefit the economy as a whole.

Finally, as the resource base of the country increases (that is, the country is more developed), production activities are more resource intensive, proportionally leading to lower levels of minimum wage employment (a process we refer to as Cost Divergence). On the other hand, such resource-rich environments are also rich with potential opportunities, increasing the opportunity cost of minimum wage employment. For example, in resource-rich environments students may have more opportunities to attend a university, learn a trade, and get an investor for their new venture (and so on).

These observations can be contrasted with lean-resource environments, where entrepreneurship is dominated by mostly “subsistence-based entrepreneurship” [28, 61]. In other words, entrepreneurship is often associated with individuals who have “fallen on hard times,” and may become entrepreneurs out of necessity

[28]. These individuals do not often engage in vision-driven activities (such as new innovations and processes), but rather in subsistence-based activities (such as starting hot dog and flower stands). It stands, therefore, that subsistence-based entrepreneurship in resource-lean environments is likely to have to focus on cost control, thereby adapting a “small business mentality” (as shown in Figure 1). As such, entrepreneurial activity is more likely to suffer in resource-lean environments.

Having therefore greater understanding of the multinational picture, we posit a more complex framework (shown in Figure 2).

### QUANTITATIVE TRIANGULATION

The present controversy that exists in regards to the discussion on the topic of minimum wages regulation is evidence that a different approach may be needed. Whereas quantitative research is ideal to examine a small set of variables in great detail, qualitative research can more effectively accommodate situations where not all variables are known or even recognized. Qualitative research and conceptual development are both necessary to provide an evaluation of the variables involved and assumptions to be tested. In essence, this is analogous to examining the night sky with a naked eye to establish in which direction to aim a telescope.

Our article utilizes a focused meta-analysis aimed to achieve just such a result. We examine literature from various countries, trying to establish the effect of

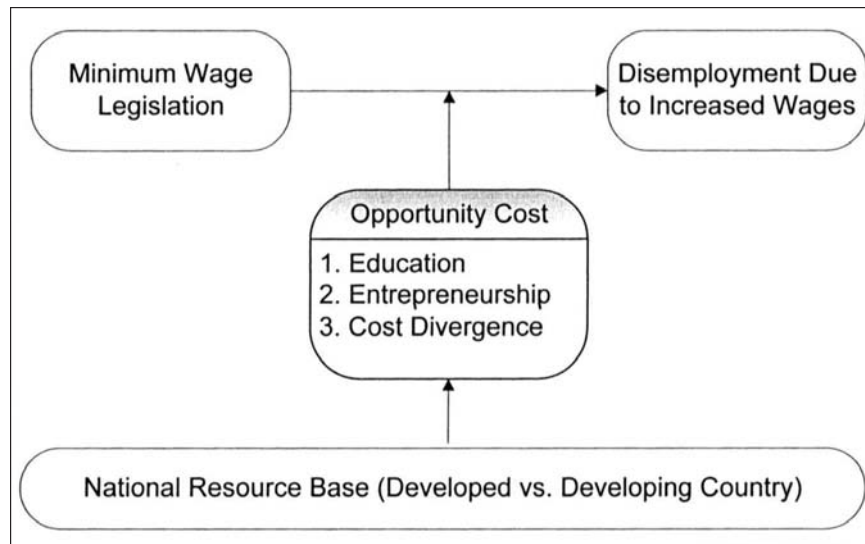


Figure 2. Proposed framework.

minimum wage regulations on national employment levels and long-term development. To do so, we plotted existing literature on a graph, where the suggested regulatory impact was placed against the Y axis and the economic wealth of the nation (as represented by GDP per capita) against the X axis.

Coding was done initially by one researcher, then repeated by another. The average of two codings was used in this study. Further, for a paper to be used in this analysis, it must be recent (1990 or later), needs to be clear enough to be quantifiable, and must discuss a country for which there is available GDP data. Finally, if a study reported results for more than one country, each country/result was treated as an individual case.

Regression analysis is employed to further support conceptual development. Because of a number of methodological issues (small sample size, qualitative evaluation of effect, etc.), regression is used mostly as a tool for discussion purposes, rather than a source of empirical support. These observations are presented as further support for the conceptual framework discussed earlier. In an attempt to gain a clearer picture, a number of articles on this topic were examined (Table 1).

Consistent with the assumptions of differential resource base, articles were plotted on a graph for clearer identification of any potential trends. Figure 3 shows this graphical summary. Graph results show past research minimum wage articles plotted, where suggested regulatory impact was placed on the Y axis, and the economic wealth of the nation (as represented by GDP per capita rating) was placed on the X axis.

A visual observation of this graph supports the assumption that the differential resource base, a part of the resource-base theory, moderates the effect of the minimum wage regulation on national level employment. Visual observations suggests that the resource base available within a nation may be a factor mitigating the negative effect of minimum wage regulation. To further assess this assumption, we examined the above data using regression analysis, with the results shown in Table 2.

Results in Table 2 appear to confirm the initial observations made from the graph. Minimum wage regulation imposes a minimum floor or standard representing employee labor productive activity [63]. Whereas many articles identify certain sectors (e.g., hospitality) [64] and certain groups (e.g., students) [3, 13] that are likely to be most significantly affected by the regulation, observations made in this article suggest that it is the available resource base of the nation that moderates this impact.

## SUMMARY AND CONCLUSIONS

This study was undertaken with the intention of shedding more light on the minimum wage discussion. Specifically, we examine the probable effect that an increase in federal minimum wage in the United States will have on its economy.

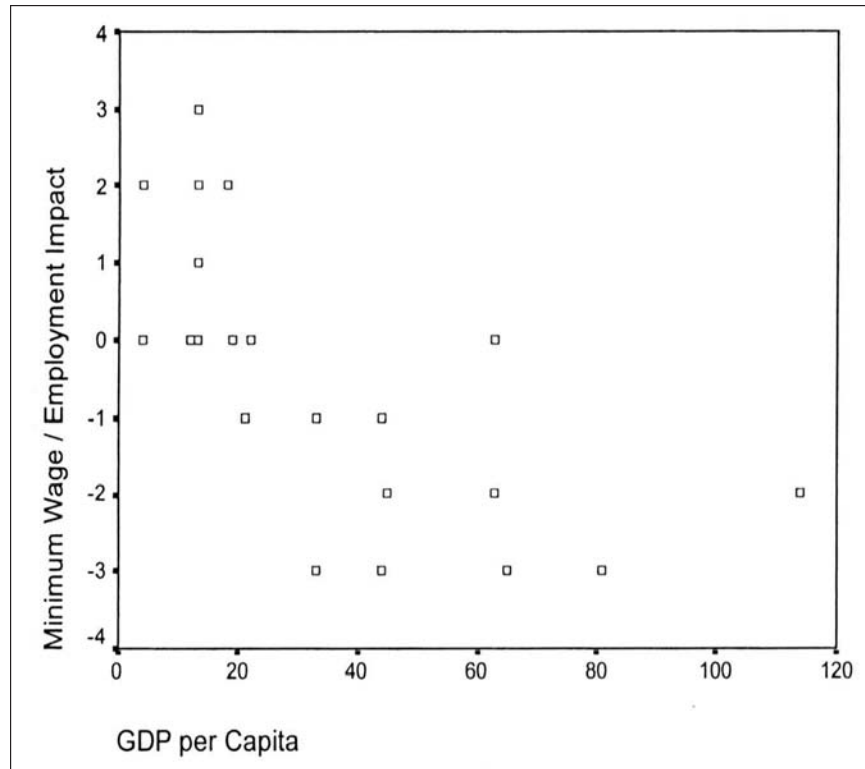


Figure 3. Minimum wage and national development.

Table 2. Regression Results

Independent variable	Dependent variable Impact of minimum wage on employment
GDP per capita	-.659***
<i>F</i>	19.970
<i>R</i>	.434
Adjusted <i>R</i>	.413

\*\*\* $p < .001$ ,  $N = 28$

Whereas the intuitive approach is to assume a negative effect in terms of job losses, significant amount of prior research does not support this conclusion. This article examines past literature in an effort to extend our understanding, thereby developing a more complete picture.

We conclude that the RBV paradigm holds an interesting contribution for the minimum wage discussion. First of all, we present that there is also an opposite effect to the minimum wage issue, which is the opportunity cost of such employment. Especially in resource-rich environments, students and others (under) employed in minimum wage jobs often have other opportunities, such as education and training, which serve to develop their skill level and thereby provide them with greater means of earning potential.

Our observations further support the proposition that the effect of opportunity cost is moderated by the resource base of the country. Simply stated, a more resource-rich country has greater resources available and, therefore, more opportunities for an individual who may be employed in a minimum wage position. In turn, this also provides a country with an overall increase in productivity, likely to result in a net positive overall effect.

Further, it can be deduced that the availability of education itself is greater in resource-rich environments, therefore suggesting that there are more education opportunities in developed countries. Thus, it follows that education and additional skill development are components of the opportunity costs and are affected by the resource base of the country.

Noting that dominant entrepreneurial activity has also been found to be different in developing, as opposed to developed countries, it follows that entrepreneurial ventures, which are more likely to focus on innovation, are also less likely to be impacted than are small businesses that focus on cost control. Recalling that innovation-driven entrepreneurial ventures are more dominant in developed countries, one can conclude that entrepreneurial activity is also a part of the opportunity cost and is moderated by resource availability.

This article also makes another contribution to the field of research. By using a theoretical paradigm dominant in the field of strategic management to contribute to ongoing discussion in the field of economics, this article demonstrates ample benefits that can be enjoyed through cross-discipline research. Further, this article also promotes the RBV theoretical paradigm by expanding it into cross-cultural discussions as well as into the discussion of economic development and wage controls.

This article considers the issue of minimum wage regulation from a perspective of the resource-based view paradigm. As upcoming changes in minimum wage regulations are a certainty for the United States, we turn to the experiences in other countries to establish a likely effect this will have on the United States economy.

Observing that researchers are divided about the effects of the upcoming minimum wage increases, we contribute to present conversation by observing that

wage regulations had a differential effect on different countries and regions. Further, we capture that the resource base of a country is a major determinant of the fallout, if any, from the minimum wage regulations. It is also recognized that minimum wage employment has opportunity costs, which, on an aggregate level (especially in resource-rich environments), may exceed the expected disemployment from minimum wage increase. It is observed that education, cost divergence, and entrepreneurship are all part of the opportunity cost and are, in part, moderated by the resource base of the country. Our observations have been confirmed with regression results when coded reports were compared to national GDP per capita.

Our conclusions point to the positive effects of the minimum wage controls, including increased education, more productive operation practices, and emphasis on skill development and high-value activities. Our article focused on the resource-based considerations and did not examine other issues such as overall effect of equalization of wages and wealth. These are valid considerations, which in light of enhanced understanding, may provide further insights for future research.

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