

# Abstract

Minimum wage is a highly controversial instrument of labour market policies. Economic theorists have not reached a broad consensus regarding its consequences so far. The same situation applies to empirical research. Nevertheless, minimum wage is used in many developed countries and its utilization is recommended by different international organizations. Advocates of minimum wage seek arguments mainly in decreasing poverty of low income individuals, reducing income disparities, motivation of low productive workers and making work pay. However noble these goals might be, minimum wage would not be an effective tool to promote them as it might increase only incomes of those individuals who work. Moreover, introducing and increasing minimum wage might represent a large burden for employers who might decide to fire workers, whose productivity would not reach the minimum wage. To the extent in which these negative consequences would occur, potential benefits for working poor would be limited.

The thesis summarises the results of various economic concepts of minimum wage, empirical studies of its consequences and international trends in approaching of this issue. Consecutively, it presents an analysis of the minimum wage development in the Czech Republic since its introduction in 1991 and of the impact of substantial changes in its level, which can be observed since 1999. The attention is focused on both its potential benefits in sense of reducing poverty and increasing the incomes of workers with the lowest wages, and on its potential negative impact on regional labour markets in sense of increasing unemployment. The results of the econometric analyses suggest that while there is a significant impact on increasing regional unemployment, potential benefits on raising incomes of the poor households seem to be insignificant. Therefore it seems valid to claim that minimum wage in the Czech Republic has not been a very purposeful

instrument effective in decreasing poverty so far.