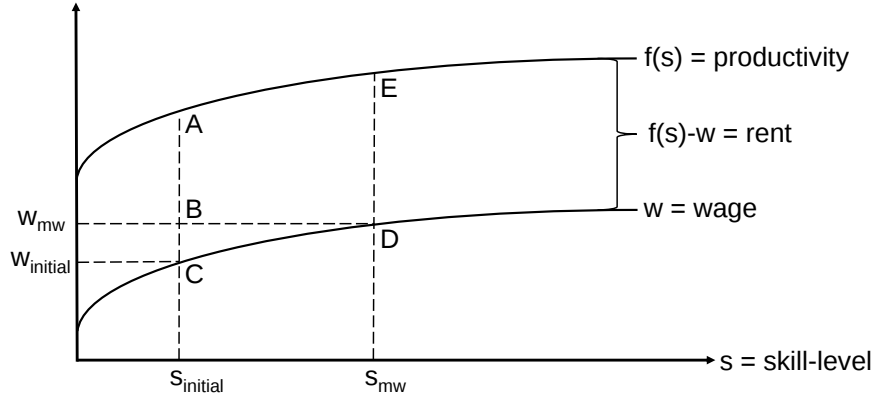


Additional file 1 — Minimum wages and training in monopsonistic labor market as derived by Acemoglu and Pischke (2003)

Figure 1: Minimum wages and training in monopsonistic labor market as derived by Acemoglu and Pischke (2003)



In this stylized labor market wages and productivity are positive related to the skill-level of workers. As the market is characterized by monopsonistic rents, the productivity level is above the wage for all skill-levels s . Without the minimum wage the difference between $f(s)$ and w is assumed to be constant. Hence, there is no incentive to increase training and the employer chooses some initially skill-level $s_{initial}$. This requires to pay a wage $w_{initial}$ and yields a rent of the size A-C. As soon as a binding minimum wage w_{mw} is introduced, some share of the rent is redistributed from employers to employees resulting in a rent of the size A-B. Now, the employer has an incentive to use training in order to increase the skill-level to s_{mw} as this maximizes rents to the size E-D.