National minimum wages and welfare. A discussion of presentations by Andrea Garnero, Mario Bossler and Alex Bryson

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Policy experiments accumulate and the employment effect of the minimum wage (MW) remains as elusive as ever

▶ How strong is the evidence?
▶ How can it be?
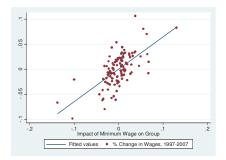▶ What consequences for policies?

1. The evidence

- ▶ Large policy changes (UK 1999, 2016; Germany 2015)
  - ▶ significant bite, at least for some subgroups (gender, age, region, sector)
- ▶ Some groups less affected (DinD, RDD)
- ▶ Compare estimated employment *and* wage effects
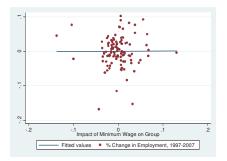
UK (Manning, 2016)

Figure : Wage changes

Each point = age × gender × region cell. y and x axes net of age, gender and region fixed effects.

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Figure : Employment changes

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Germany (Bossler and Gerner, 2017)

In the same spirit but

1. at the plant level

    ▶ Q1: how different?
        ▶ how much of "affectedness" results from region $\times$ workforce composition?
    ▶ Q2: what about within-plant substitution?
        ▶ useful to map plant and worker perspectives

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3. short-run effects
   - ▶ Q4: any prediction on the longer run?

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60,000 job lost = very far from 1.2m sometimes predicted

2. How can that be?

- Monopsony
- Labor supply and frictions
- Other adjustments at play:
    - Training
    - Reduced turnover
    - X-Efficiency

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Yet

- ▶ May simply mean that we have not reached the "turning point" of employment effects
- ▶ Even though wage effects are quite there

3. What do we do?

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Q5. What should the stopping rule be?

▶ expected lifetime earnings of low-skill workers as criterion (trading off wage gains for employment prospects)?

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Q6. Unique aspect of minimum wage: coordination tool for productivity investments?

- ▶ Coordination between firm and worker (lower turnover, training)
- ▶ Sectoral coordination (prevent low-cost strategies)
- ▶ What about international coordination?