



OVERVIEW OF MINIMUM WAGE POLICY

THEORY, POLICY OBJECTIVES AND EVIDENCE

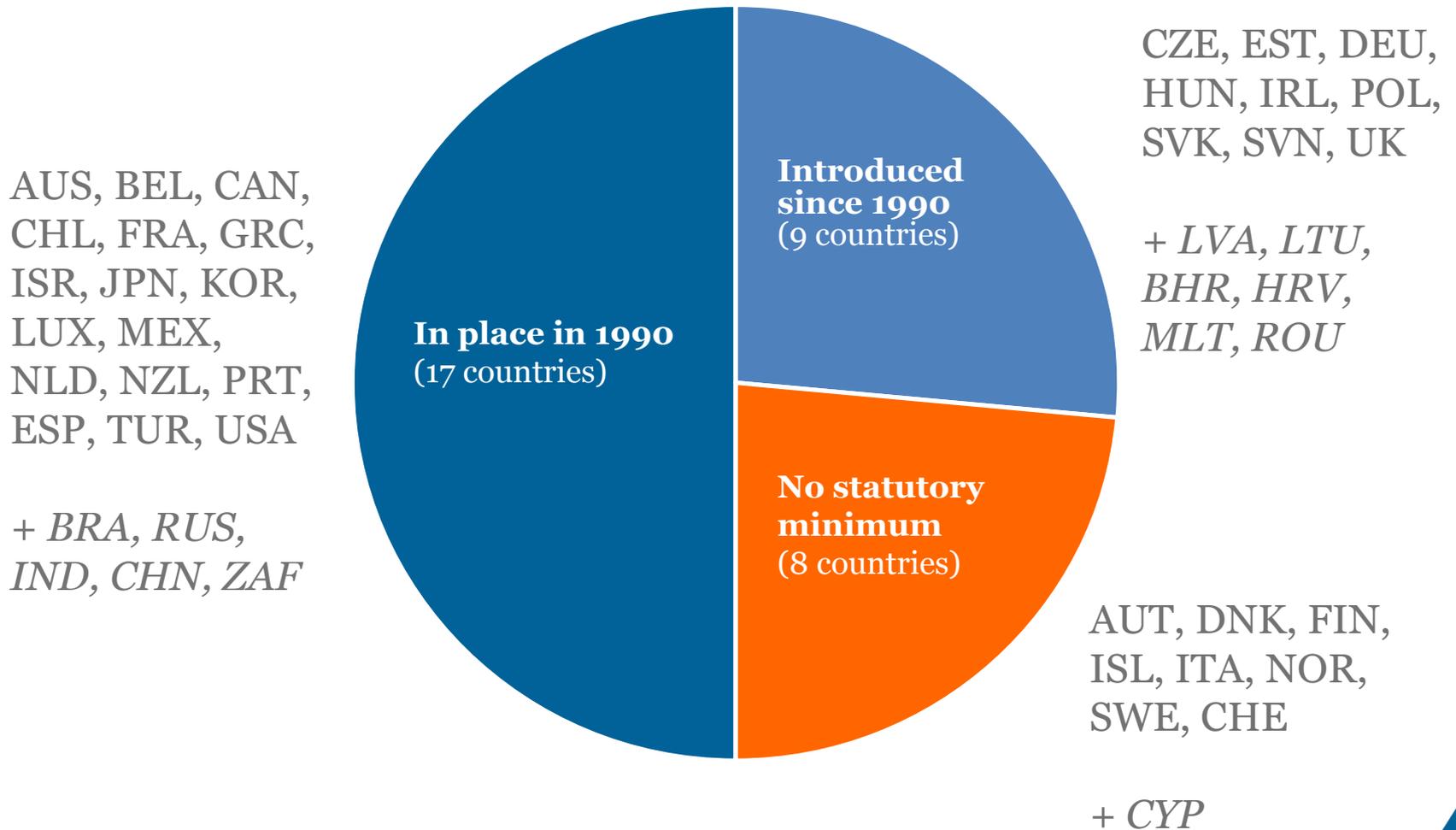
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A Renewed Interest in MW across OECD countries

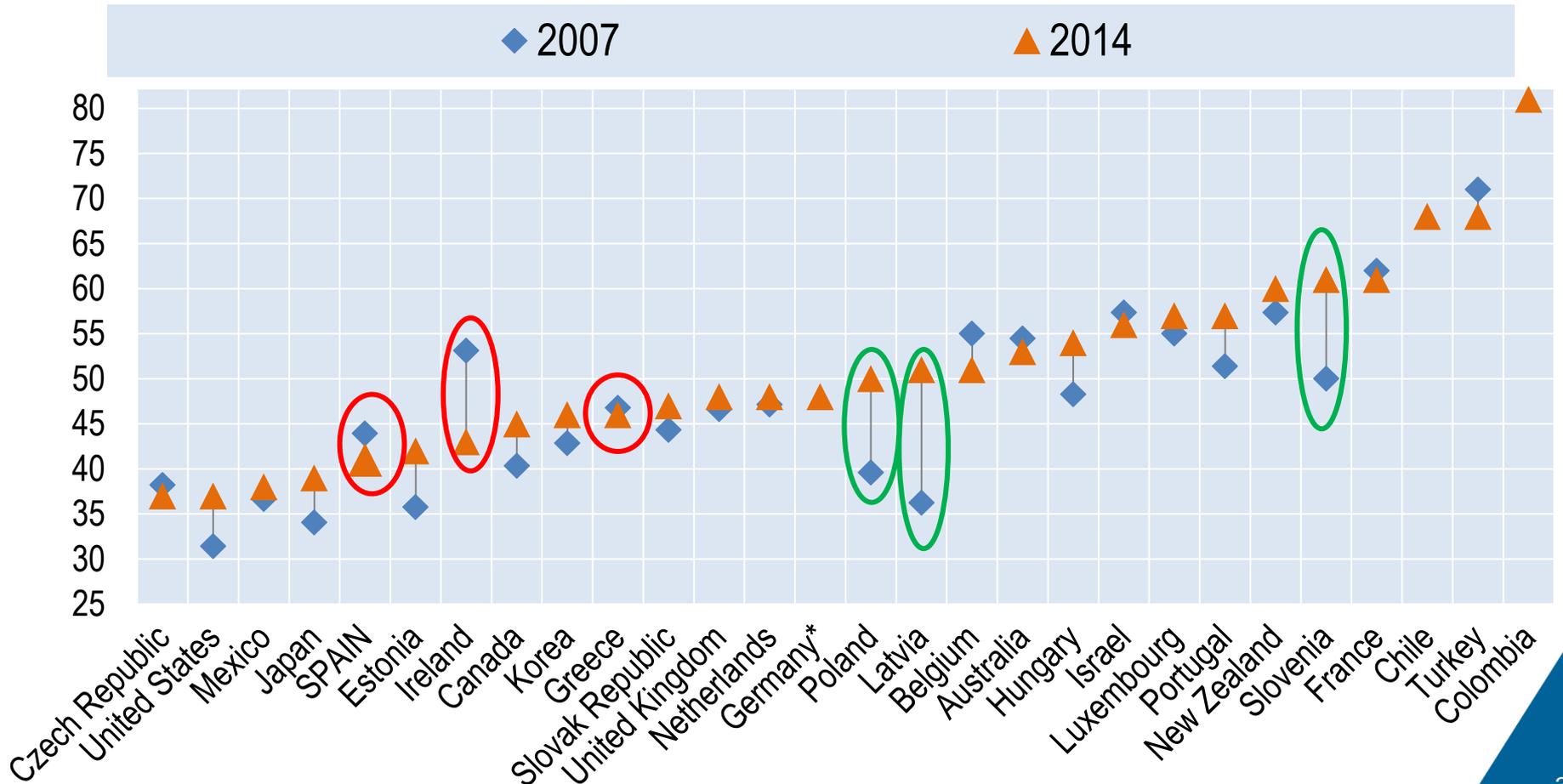




Minimum Wages During the Crisis

MW levels pre- and post-crisis, OECD

MWs as a % of median wages of full-time employees (in gross terms)





THE IMPACT OF MINIMUM WAGES



Several Channels

Many channels of adjustment to MW (# papers in Google Scholar):

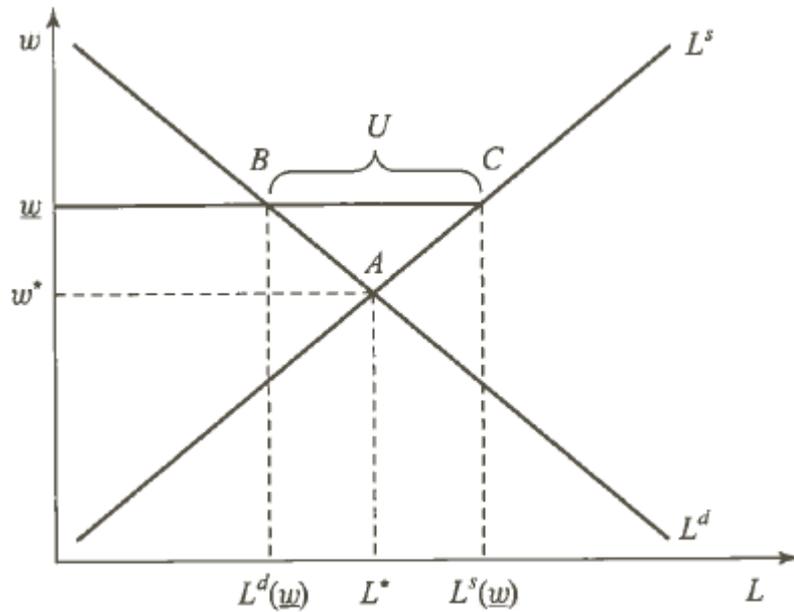
- Employment (333)
- Prices (30)
- Quality (8, but not on prod)
- Productivity (21)
 - Training
 - HR practices and/or operational efficiencies
 - « Cleansing effect »
- Hours (33)
- Profits (2)
- Wage structure (20)
- ...

But almost one single focus!

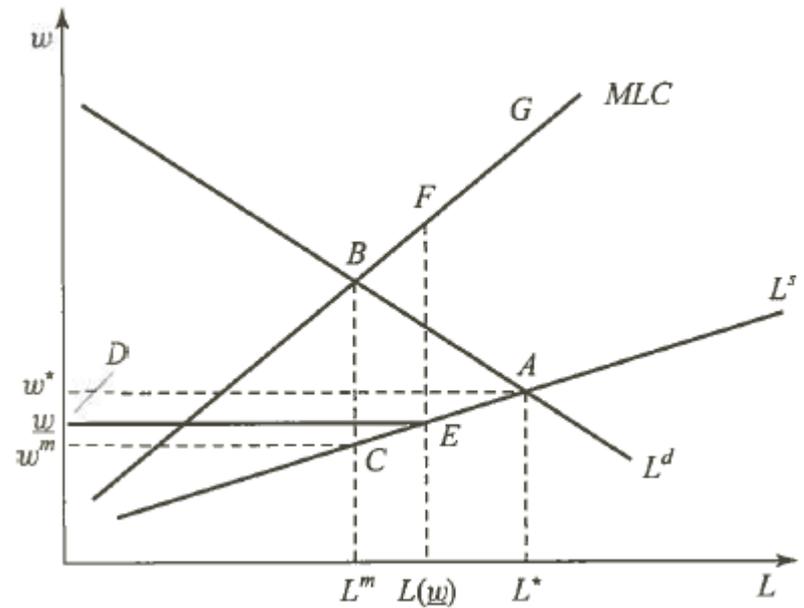


Theory

In perfect competition



In imperfect labour markets

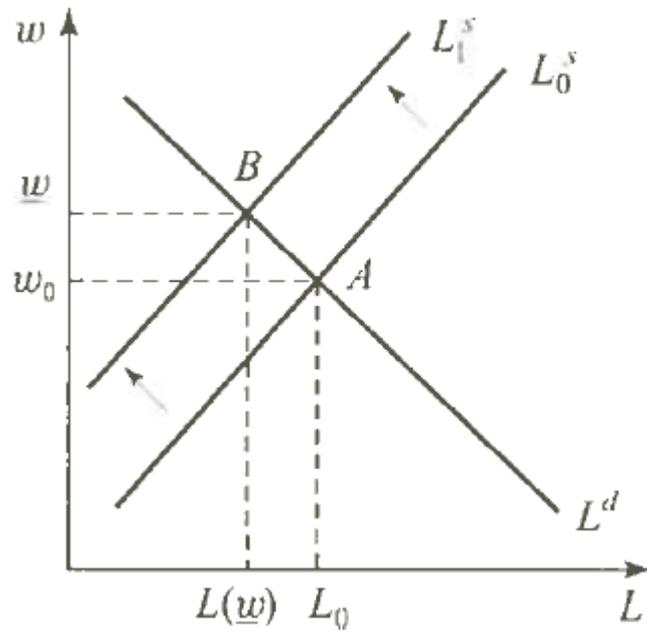


Source: Boeri et van Ours

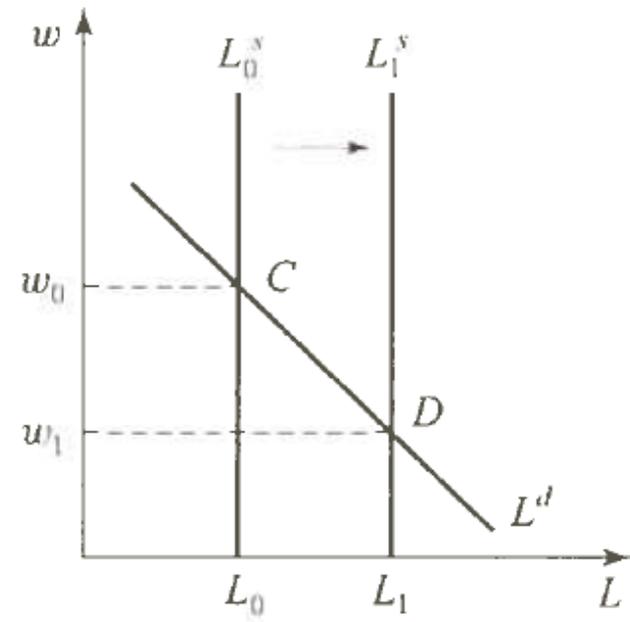


In a Dual Labour Market

Formal sector



Informal sector



Source: Boeri et van Ours



In Practice

Meta-Analysis	Number of studies covered	Country coverage	Impact on employment	Impact on youth employment
Doucouliagos and Stanley (2008)	64	United States	Little or no impact	Negative, but small
Boockmann (2010)	55	15 industrial countries	Negative, but varies across countries	
Nataraj et al. (2014)	17	15 low-income countries	Ambiguous	
Leonard, Stanley and Doucouliagos (2014)	16	United Kingdom	No impact	
Belman and Wolfson (2014)	23	Mostly United States	Small negative impact	
Chletsos and Giotis (2015)	77	18 developed and developing countries	No impact	More negative, but not always significant
Broecke, Forti and Vandeweyer (forthcoming)	74	10 major emerging economies	Little or no impact	More negative, but still very small



Beyond Employment Effects

- Dube et al. (2016): negative effects on flows in US
- Draca, Machin et Van Reenen (2011): negative impact on profits in UK.
- Riley and Rosazza-Bondibene (2015): positive impact on productivity in UK.
- Caroli and Gautié (2009): work intensification in France.
- Bossler and Broszeit (2016): small increase in job satisfaction in Germany
- ...



HOW ARE MINIMUM WAGES FIXED?



Not a Single System

Different setting mechanisms:

- Government legislated
- Consultation process
- Bargaining process

Exemptions:

- Youth
- Long-term unemployed
- Regions
- Others (e.g. disabilities)

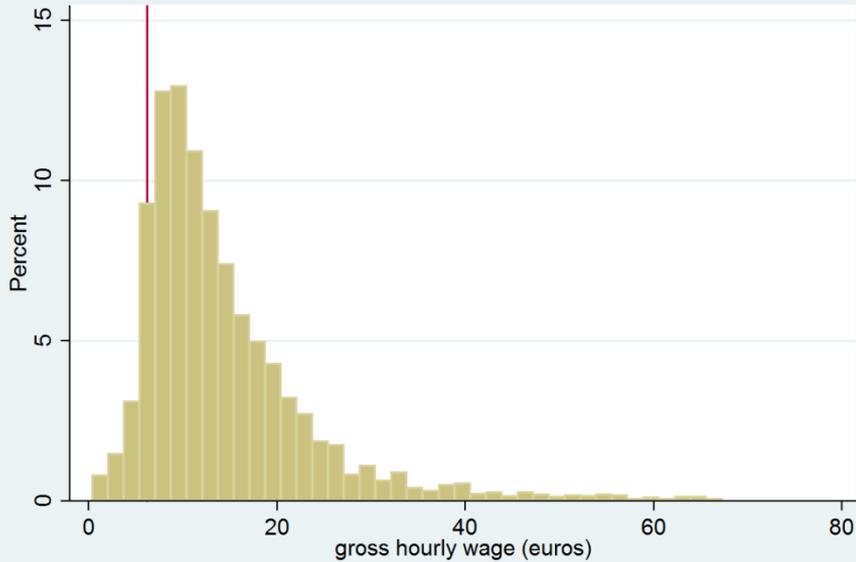
Updating procedure:

- Regular revisions vs. irregular (and political)
- Presence of a Commission

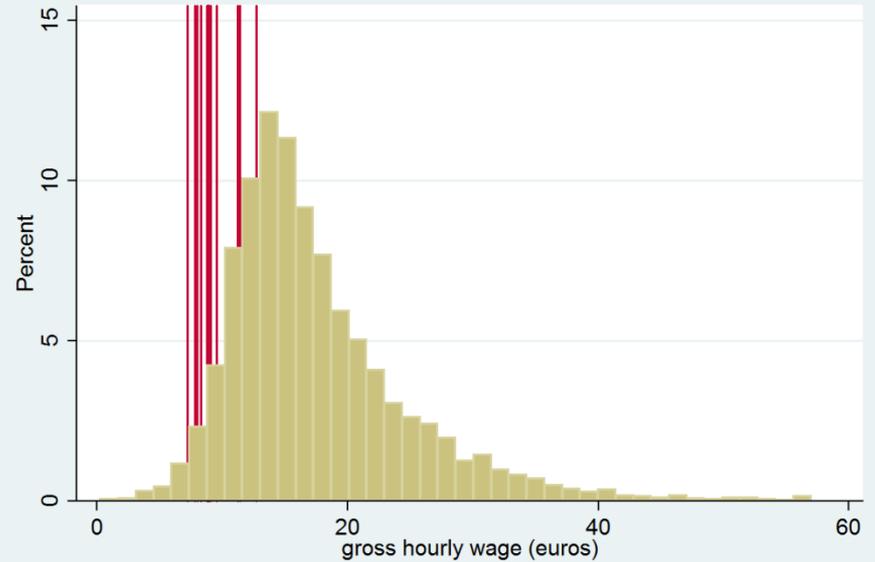


MW Also Fixed by Collective Bargaining

UK 2009

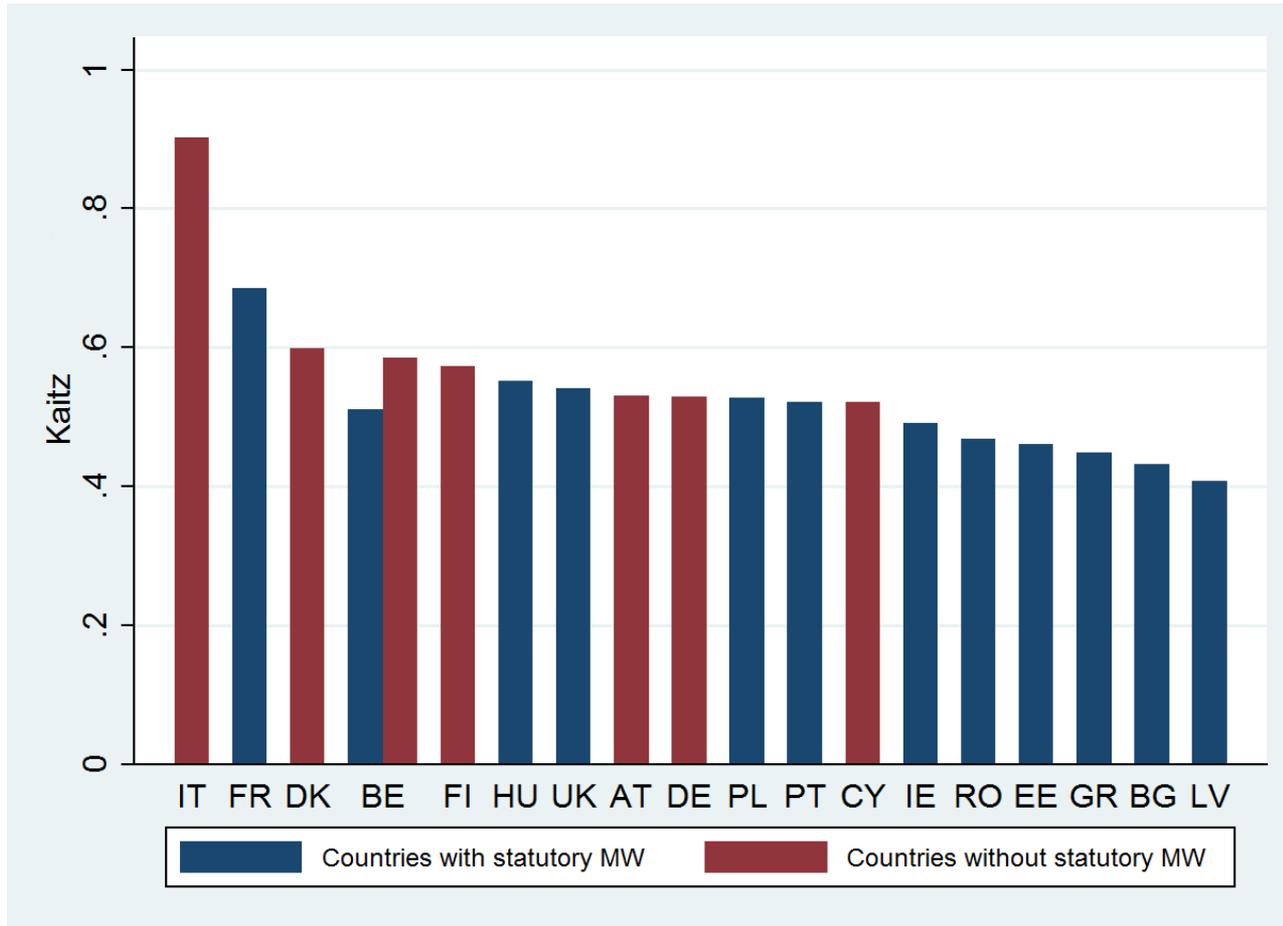


Finland 2009





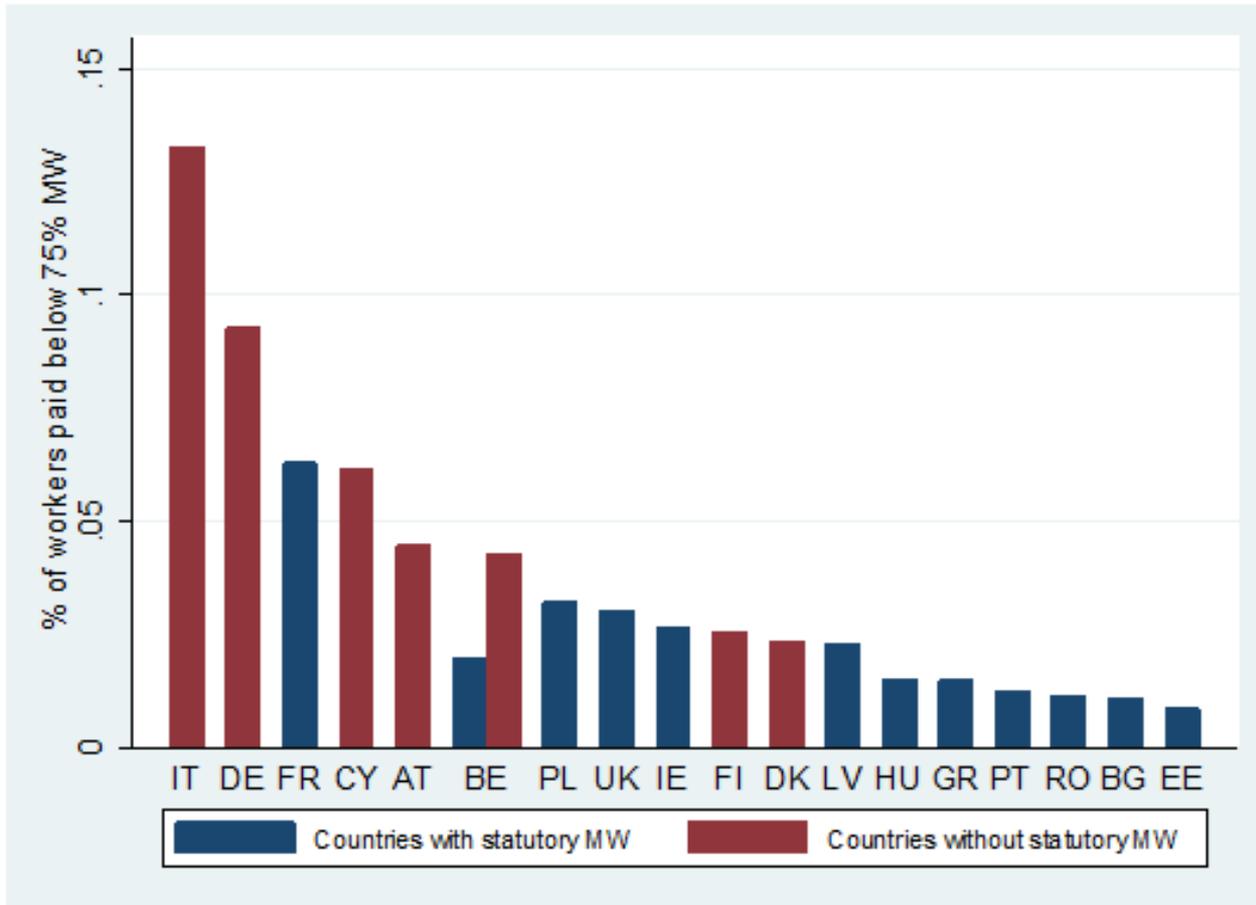
How Do Systems Compare?



CB higher MW (also controlling for workforce characteristics, part-time, % public employment, occupation, sectors)



Coverage Is an Issue!



CB higher % of workers <75 of MW (also controlling for workforce characteristics, part-time, % public employment, occupation, sectors)

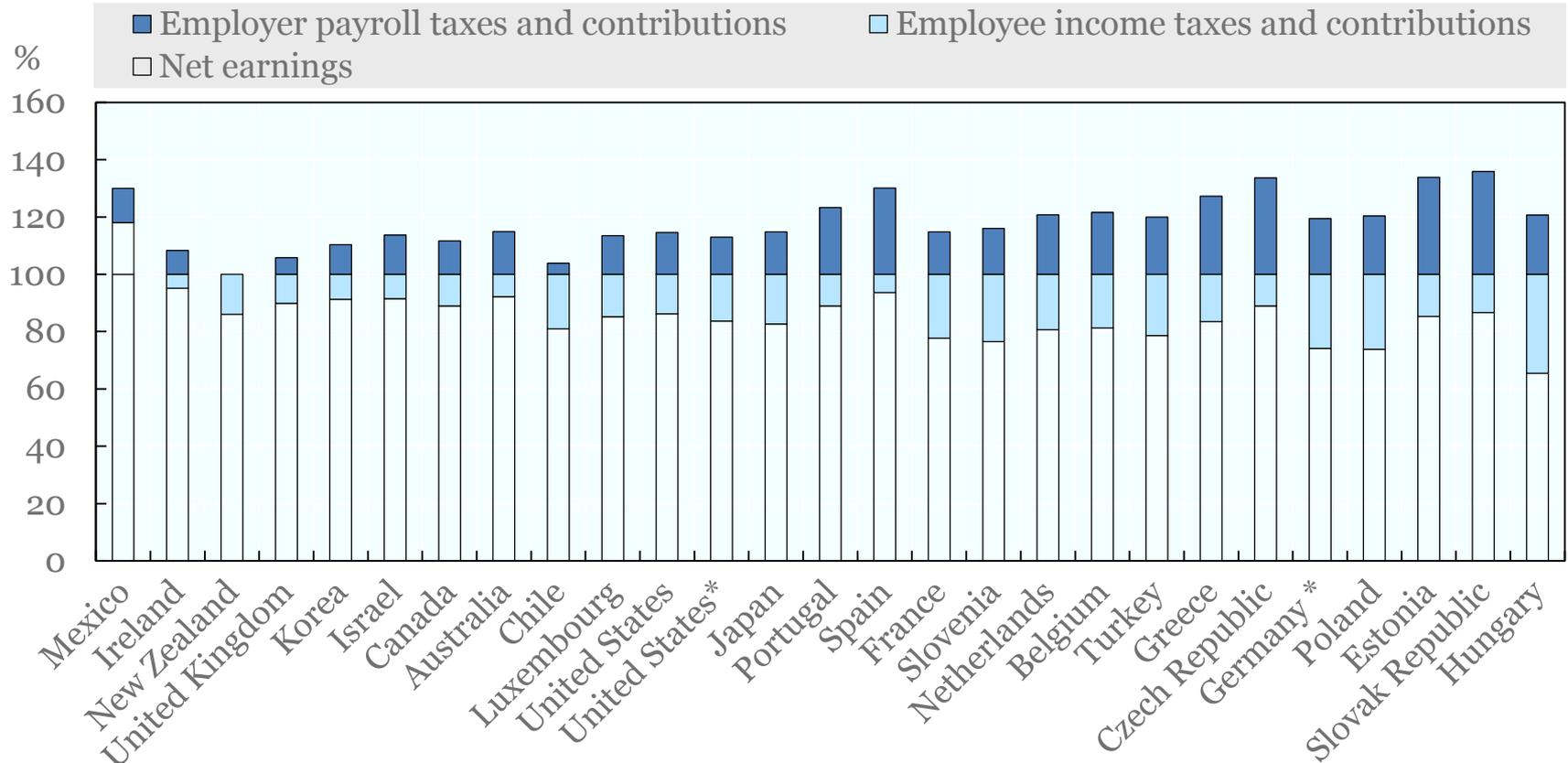


THE INTERACTION WITH TAX & BENEFITS SYSTEMS



Gross ≠ Net ≠ Labour Cost

Employer and employee taxes and social contributions, 2013 % of gross earnings

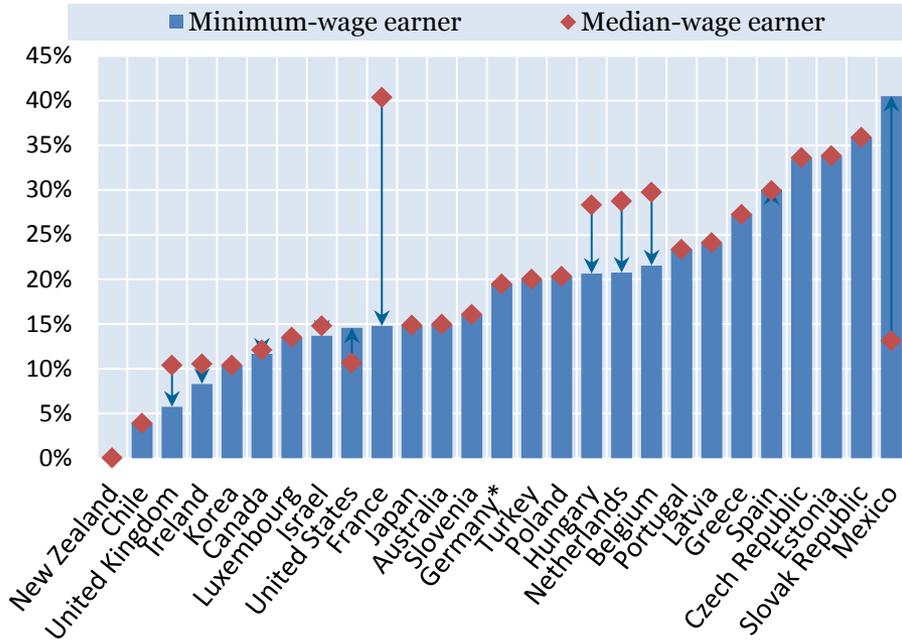


* Germany: Minimum-wage level 2015 is expressed in % of the projected 2015 median wage. United States: Government-proposed federal minimum for 2016 is expressed in % of the projected 2016 median wage. Projections are based on earnings data from the OECD Economic Outlook database.

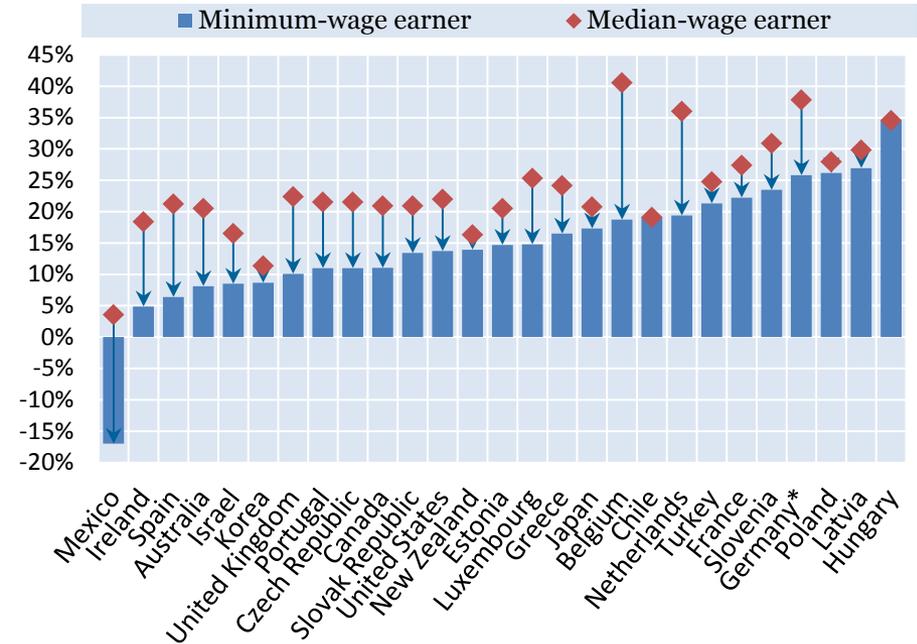


Different Tax Regimes

Employer payroll taxes and social contributions by wage level, 2013, in percentage of gross earnings



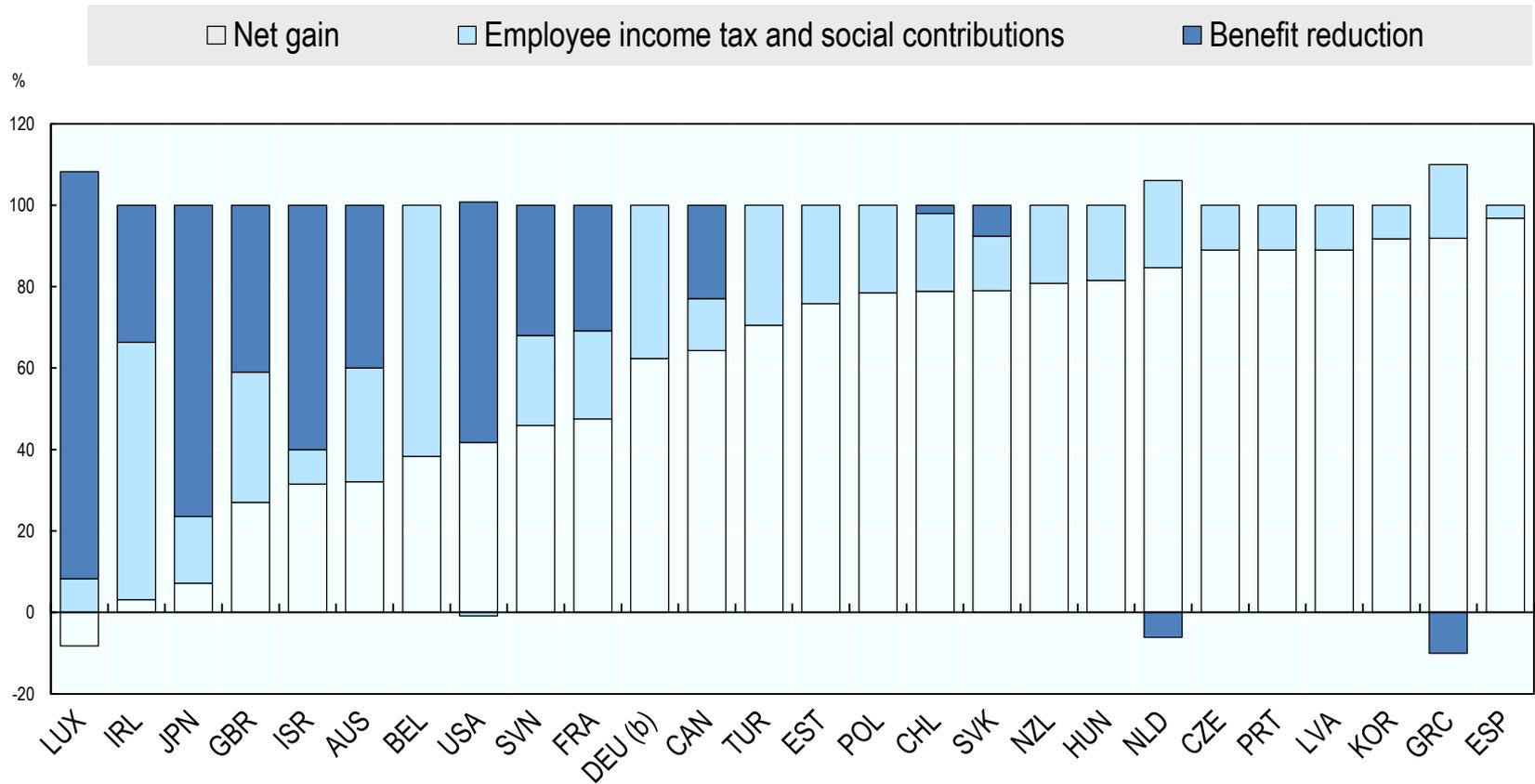
Employee income taxes and social contributions by wage level, 2013, in percentage of gross earnings





Beware the Interactions with TaxBen

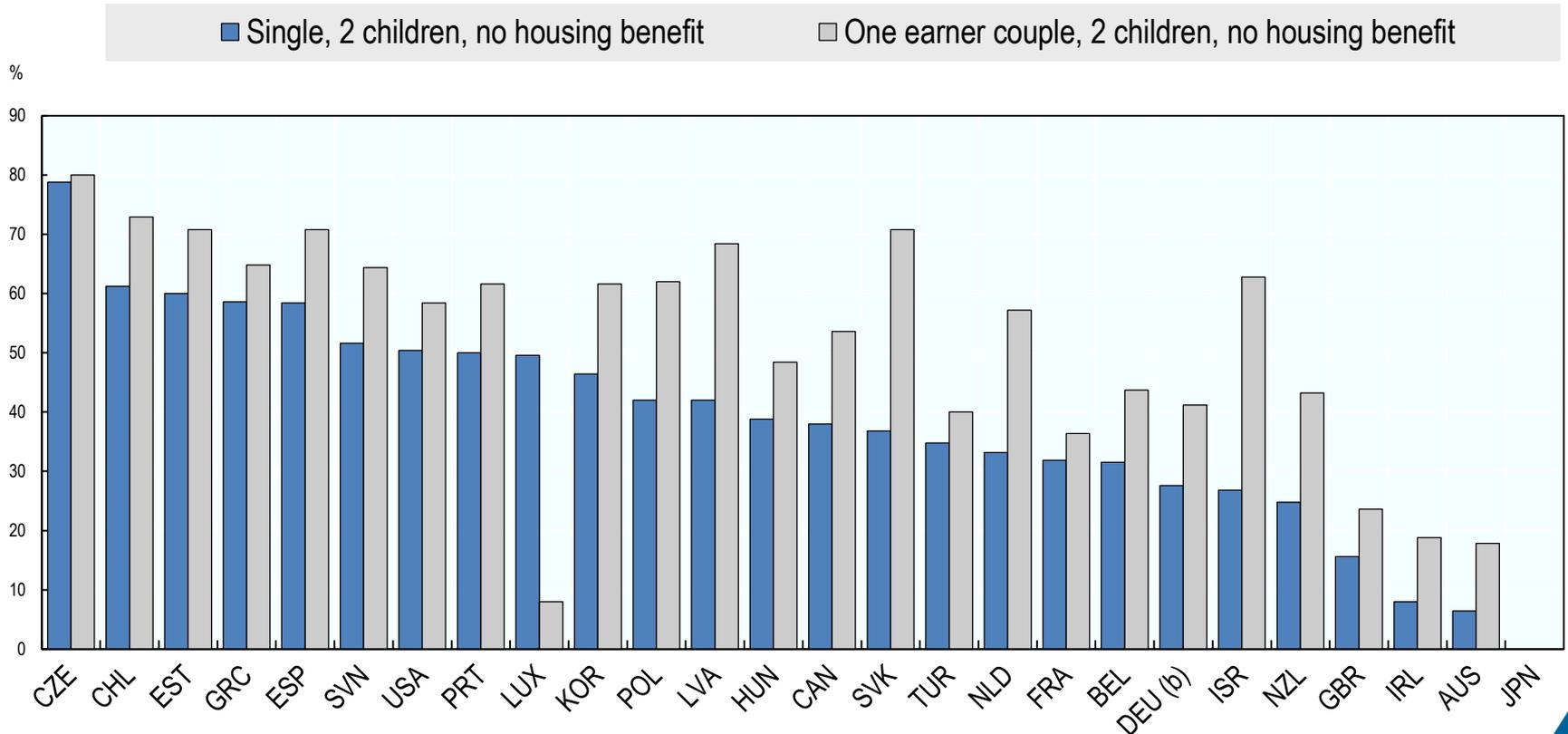
Share of MW increase that is left after taxes and benefit reductions, lone parent family, 2013





MW and Poverty

Working hours needed at minimum wage to move above a relative poverty line, 2013





CONCLUSIONS



Conclusions

- Institutional diversity is important (particularly but not only in the European debate)
- There is not a single MW: wide variety of setting mechanisms, exemptions and uprate rules
- Net \neq Gross \neq Labour Cost
- Interactions with TaxBen key for the incentives to work and fight against poverty
- CB can be functional equivalent, but non-coverage/non-compliance is an issue



Conclusions

Two recommendations:

- To *policy makers* → reframe the MW discussion in terms of a **choice between alternative systems** rather than a choice of any particular rate:
 - Statutory MW and CBC can be functional equivalent or complement.
 - Big differences across statutory minimum wage systems
- To *researchers* → sectoral dimension (also for countries with statutory MW) [data!?!]



Thank you!

To know more:

- *OECD Employment Outlook 2015*
- Garnero, Kampelmann and Rycx (2015), "Sharp Teeth or Empty Mouths? Revisiting the Minimum Wages Bite with Sectoral Data", *British Journal of Industrial Relations*, vol. 53 (4), pp. 760-788.
- Garnero, Kampelmann and Rycx (2015), "Minimum Wage Systems and Earnings Inequalities: Does Institutional Diversity Matter?", *European Journal of Industrial Relations*, vol. 21 (2), pp. 115-130.

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