Minimum Wage Policies To Boost Inclusive Growth

The American economy is in danger of leaving its low-skilled workers behind. In the last two decades, the wages and employment levels of the least educated and experienced workers have fallen disastrously. Where willing workers once found ready employment at reasonable wages, our computerized, service-oriented economy demands workers who can read and write, master technology, deal with customers, and much else. Improved education and training will alleviate this problem in the long run, but educating the new workforce will take a substantial national investment over many years. In the meantime, we face increasingly acute questions about how to include low-skill workers in today's economy. Generating Jobs takes a hard look at these questions, and asks whether anything can be done to improve the lot of low-skilled workers by intervening in the labor market on their behalf. These micro demand-side policies seek to improve wages and employment levels—either by lowering the costs of hiring low-skilled workers through employer subsidies, or by raising wage levels, benefit levels, or hours of employment, or by providing employment via government jobs. Although these policies are not currently popular in the U.S., they have long been used in many countries. Generating Jobs provides a clear-eyed assessment of this history, and asks if any of these policies might be applicable to the current problems of low-skilled workers in the United States. The results are surprising. Several recently touted panaceas turn out to be costly and ineffective in the American labor market. Enterprise zones, for instance, are an expensive way of moving jobs into areas of high unemployment, costing as much as $60,000 per job. Similarly, job-sharing, which has had uneven success in Europe, turns out to be ill-suited to conditions in the U.S., where wages are relatively low and workers need to work long hours to maintain income. On the other hand, a number of older, less flashy policies turn out to have real, if modest, benefits. Wage subsidies have increased employment among qualifying workers, and public employment policies can increase the number of workers from targeted groups working during the program. While acknowledging that many solutions are counterproductive, this definitive review of active labor market policies shows that many programs can offer real help. More than any rhetoric, Generating Jobs is the best guide to future action and a serious response to those who claim that nothing can be done.

The majority of new jobs created in the United States today are low-wage jobs, and a fourth of the labor force earns no more than poverty-level wages. Policymakers and citizens alike agree that declining real wages and constrained spending among such a large segment of workers imperil economic prosperity and living standards for all Americans. Though many policies to assist low-wage workers have been proposed, there is little agreement across the political spectrum about which policies actually reduce poverty and raise income among the working poor. What Works for Workers provides a comprehensive analysis of policy measures designed to address the widening income gap in the United States. Featuring contributions from an eminent group of social scientists, What Works for Workers evaluates the most high-profile strategies for poverty reduction, including innovative “living wage” ordinances, education programs for African American youth, and better regulation of labor laws pertaining to immigrants. The contributors delve into an extensive body of scholarship on low-wage work to reveal a number of surprising findings. Richard Freeman suggests that labor unions, long assumed to be moribund, have a fighting chance to reclaim their historic redistributive role if they move beyond traditional collective bargaining and establish new ties with other community actors. John Schmitt predicts that the Affordable Care Act will substantially increase insurance coverage for low-wage workers, 38 percent of whom currently lack any kind of health insurance. Other contributors explore the shortcomings of popular solutions: Stephanie Luce shows that while living wage ordinances rarely lead to job losses, they have not yet covered most low-wage workers. And Jennifer Gordon corrects the notion that a path to legalization alone will fix the plight of immigrant workers. Without energetic regulatory enforcement, she argues, legalization may have limited impact on the exploitation of undocumented workers. Ruth Milkman and Eileen Appelbaum conclude with an analysis of California's paid family leave program, a policy designed to benefit the working poor, who have few resources that allow them to take time off work to care for children or ill family members. Despite initial opposition, the paid leave program proved more acceptable than expected among employers and provided a much-needed system of wage replacement for low-income workers. In the wake of its success, the initiative has emerged as a useful blueprint for paid leave programs in other states. Alleviating the low-wage crisis will require a comprehensive set of programs rather than piecemeal interventions. With its rigorous analysis of what works and what doesn't, What Works for Workers points the way toward effective reform. For social scientists, policymakers, and activists grappling with the practical realities of low-wage work, this book provides a valuable guide for narrowing the gap separating rich and poor.

We develop a framework where mismatch between vacancies and job seekers across sectors translates into higher unemployment by lowering the aggregate job-finding rate. We use this framework to measure the contribution of mismatch to the recent rise in U.S. unemployment by exploiting two sources of cross-sectional data on vacancies, JOLTS and HWOL, a new database covering the universe of online U.S. job advertisements. Mismatch across industries and occupations explains at most 1/3 of the total observed increase in the unemployment rate, whereas geographical mismatch plays no apparent role. The share of the rise in unemployment explained by occupational mismatch is increasing in the education level.

Analyzing wage policies and the political ideas that underlie them, including the irony of an Iraq funding bill leading to a minimum wage increase, this book compares not only Federal but State minimum wage policies and those of Britain as well. Going beyond the debate on public expenditure programs, the author examines the future of the "welfare state"? not from a perspective of entitlement but of citizenship in a public polity.

Praise for previous editions of The State of Working America: "The State of Working America remains unrivaled as the most-trusted source for a comprehensive understanding of how working Americans and their families are faring in today's economy."—Robert B. Reich"It is the inequality of wealth, argue the authors, rather than new technology (as some would have it), that is responsible for the failure of America's workplace to keep pace with the country's economic growth. The State of Working America is a well-written, soundly argued, and important reference book."—Library Journal "If you want to know what happened to the economic well-being of the average American in the past decade or so, this is the book for you. It should be required reading for Americans of all political persuasions."—Richard Freeman, Harvard University "A truly comprehensive and useful book that provides a reality check on loose statements about U.S. labor markets. It should be cheered by all Americans who earn their living from work."—William Wolman, former chief economist, CNBC's Business Week "The State of Working America provides very valuable factual and analytic material on the economic conditions of American workers. It is the very best source of information on this important subject."—Ray Marshall, University of Texas, former U.S. Secretary of Labor"An indispensable work . . . on family income, wages, taxes, employment, and the distribution of wealth."—Simon Head, The New York Review of Books "No matter what political camp you're in, this is the single most valuable book I know of about the state of America, period. It is the most referenced, most influential resource book of its kind."—Jeff Madrick, author, The End of Affluence "This book is the single best yardstick for measuring whether or not our economic policies are doing enough to ensure that our economy can, once again, grow for everybody."—Richard A. Gephardt "The best place to review the latest developments in changes in the distribution of income and wealth."—Lester ThurowThe State of Working America, prepared biennially since 1988 by the Economic Policy Institute, includes a wide variety of data on family incomes, wages, taxes, unemployment, wealth, and poverty-data that enable the authors to closely examine the effect of the economy on the living standards of the American people.

Purpose: Raising the minimum wage has historically been an effective policy tool to reduce extreme inequality. Ever since the first minimum wage legislation was passed in the U.S, there have been subsequent legislative attempts to increase the minimum wage to be more aligned with inflation. Unfortunately, minimum wage increases do not apply to all wage earners. The passage of the Minimum Wage Increase Act of 1996 solidified a two-tiered wage policy in which tipped workers' wages were frozen at a subminimum wage level of $2.13 while other non-tipped wage workers wages were guaranteed a federal minimum wage that increased in subsequent decades. The purpose of this paper is to look at how the frozen, two-tiered wage policy embedded in the Minimum Wage Increase Act of 1996 continues to have an impact on families of tipped workers, with a specific emphasis on restaurant workers. Methods: This paper will use the Family Impact Analysis Framework to explore how the two-tiered wage for many restaurant workers exacerbates poverty and inequality. The impact of depressed wages on family well-being as well as the association between wages and physical and mental health outcomes for individuals and families will also be explored.

David Card and Alan B. Krueger have already made national news with their pathbreaking research on the minimum wage. Here they present a powerful new challenge to the conventional view that higher minimum wages reduce jobs for low-wage workers. In a work that has important implications for public policy as well as for the direction of economic research, the authors put standard economic theory to the test, using data from a series of recent episodes, including the 1992 increase in New Jersey's minimum wage, the 1988 rise in California's minimum wage, and the 1990-91 increases in the federal minimum wage. In each case they present a battery of evidence showing that increases in the minimum wage lead to increases in pay, but no loss in jobs. A distinctive feature of Card and Krueger's research is the use of empirical methods borrowed from the natural sciences, including comparisons between the "treatment" and "control" groups formed when the minimum wage rises for some workers but not for others. In addition, the authors critically reexamine the previous literature on the minimum wage and find that it, too, lacks support for the claim that a higher minimum wage cuts jobs. Finally, the effects of the minimum wage on family earnings, poverty outcomes, and the stock market valuation of low-wage employers are documented. Overall, this book calls into question the standard model of the labor market that has dominated economists' thinking on the minimum wage. In addition, it will shift the terms of the debate on the minimum wage in Washington and in state legislatures throughout the country. With a new preface discussing new data, Myth and Measurement continues to shift the terms of the debate on the minimum wage.

Inhaltsangabe:Introduction: In 1886, when New Zealand passed the New Zealand Industrial Conciliation and Arbitration Act it was the first modern country to enact a minimum wage. Half a century later on June 25, 1938, US-President Franklin D. Roosevelt signed into law America's first minimum wage: 25 cents an hour. Since that time minimum wages are a frequent topic of international economic science. Many economists have discussed the question whether or not a statutory wage floor is a useful tool for achieving social goals. Especially the Chicago School of Economics and its representatives like Milton Friedman or George Stigler rejected minimum wage policies. They were supported by ordoliberal economists like Walter Eucken or Friedrich Hayek. On the other side, supporters of Keynesian theories have often been in favor of statutory wage floors. For a long time most economists restricted research about the impact of minimum wages to its employment effects in industrial countries. By doing that, there was an astonishing accordance that the effects are insignificant if the minimum wage is low and employment-reducing if it is above a certain threshold. But in the last twenty years, there has been a new discussion about whether or not this result can be proved with recent data and new econometric methods. Especially the study by Card and Krueger in 1994 called the negative employment effects into question. However, minimum wages are not intended to stimulate employment but to increase the welfare of poor workers. Therefore, economic research should focus on the welfare effects of institutional wage floors. This includes employment and price effects as well as the impact on human capital accumulation. In other words, analyses about minimum wages must comprise a couple of indicators for welfare. Another weak point of minimum wage research is its focus on industrial countries. There is little evidence about minimum wages' impact on poverty in developing or emerging economies. Since a large share of the population in poor countries still suffers from enormous destitution and minimum wages are intended to alleviate poverty, it is of great interest whether or not this goal has be achieved. Argentina is an upper-middle income country and experienced a severe economic crisis in 2001/2002 with a dramatic downfall of the GDP. Since then the country has rebounded and poverty rates have decreased substantially. At the same time, the Argentine government raised [...]

One-in-seven adults and one-in-five children in the United States live in poverty. Individuals and families living in povertyÊnot only lack basic, material necessities, but they are also disproportionally afflicted by many social and economic challenges. Some of these challenges include the increased possibility of an unstable home situation, inadequate education opportunities at all levels, and a high chance of crime and victimization. Given this growing social, economic, and political concern, The Hamilton Project at Brookings asked academic experts to develop policy proposals confronting the various challenges of AmericaÕs poorest citizens, and to introduce innovative approaches to addressing poverty.ÊWhen combined, the scope and impact of these proposals has the potential to vastly improve the lives of the poor. The resulting 14 policy memos are included in The Hamilton ProjectÕs Policies to Address Poverty in America. The main areas of focus include promoting early childhood development, supporting disadvantaged youth, building worker skills, and improving safety net and work support.

Myth and MeasurementThe New Economics of the Minimum WagePrinceton University Press

Work first. That is the core idea behind the 1996 welfare reform legislation. It sounds appealing, but according to Making the Work-Based Safety Net Work Better, it collides with an exceptionally difficult reality. The degree to which work provides a way out of poverty depends greatly on the ability of low-skilled people to maintain stable employment and make progress toward an income that provides an adequate standard of living. This forward-looking volume examines eight areas of the safety net where families are falling through and describes how current policies and institutions could evolve to enhance the self-sufficiency of low-income families. David Neumark analyzes a range of labor market policies and finds overwhelming evidence that the minimum wage is ineffective in promoting self-sufficiency. Neumark suggests the Earned Income Tax Credit is a much more promising policy to boost employment among single mothers and family incomes. Greg Duncan, Lisa Gennetian, and Pamela Morris find no evidence that encouraging parents to work leads to better parenting, improved psychological health, or more positive role models for children. Instead, the connection between parental work and child achievement is linked to parents' improved access to quality child care. Rebecca Blank and Brian Kovak document an alarming increase in the number of single mothers who receive neither wages nor public assistance and who are significantly more likely to suffer from medical problems of their own or of a child. Time caps and work hour requirements embedded in benefits policies leave some mothers unable to work and ineligible for cash benefits. Marcia Meyers and Janet Gornick identify another gap: low-income families tend to lose financial support and health coverage long before they earn enough to access employer-based benefits and tax provisions. They propose building "institutional bridges" that minimize discontinuities associated with changes in employment, earnings, or family structure. Steven Raphael addresses a particularly troubling weakness of the work-based safety net—its inadequate provision for the large number of individuals who are or were incarcerated in the United States. He offers tractable suggestions for policy changes that could ease their transition back into non-institutionalized society and the labor market. Making the Work-Based Safety Net Work Better shows that the "work first" approach alone isn't working and suggests specific ways the social welfare system might be modified to produce greater gains for vulnerable families.

The Economic and Fiscal Consequences of Immigration finds that the long-term impact of immigration on the wages and employment of native-born workers overall is very small, and that any negative impacts are most likely to be found for prior immigrants or native-born high school dropouts. First-generation immigrants are more costly to governments than are the native-born, but the second generation are among the strongest fiscal and economic contributors in the U.S. This report concludes that immigration has an overall positive impact on long-run economic growth in the U.S. More than 40 million people living in the United States were born in other countries, and almost an equal number have at least one foreign-born parent. Together, the first generation (foreign-born) and second generation (children of the foreign-born) comprise almost one in four Americans. It comes as little surprise, then, that many U.S. residents view immigration as a major policy issue facing the nation. Not only does immigration affect the environment in which everyone lives, learns, and works, but it also interacts with nearly every policy area of concern, from jobs and the economy, education, and health care, to federal, state, and local government budgets. The changing patterns of immigration and the evolving consequences for American society, institutions, and the economy continue to fuel public policy debate that plays out at the national, state, and local levels. The Economic and Fiscal Consequences of Immigration assesses the impact of dynamic immigration processes on economic and fiscal outcomes for the United States, a major destination of world population movements. This report will be a fundamental resource for policy makers and law makers at the federal, state, and local levels but extends to the general public, nongovernmental organizations, the business community, educational institutions, and the research community.

In the twentieth century, large companies employing many workers formed the bedrock of the U.S. economy. Today, on the list of big business's priorities, sustaining the employer-worker relationship ranks far below building a devoted customer base and delivering value to investors. As David Weil's groundbreaking analysis shows, large

corporations have shed their role as direct employers of the people responsible for their products, in favor of outsourcing work to small companies that compete fiercely with one another. The result has been declining wages, eroding benefits, inadequate health and safety protections, and ever-widening income inequality. From the perspectives of CEOs and investors, fissuring--splitting off functions that were once managed internally--has been phenomenally successful. Despite giving up direct control to subcontractors and franchises, these large companies have figured out how to maintain the quality of brand-name products and services, without the cost of maintaining an expensive workforce. But from the perspective of workers, this strategy has meant stagnation in wages and benefits and a lower standard of living. Weil proposes ways to modernize regulatory policies so that employers can meet their obligations to workers while allowing companies to keep the beneficial aspects of this business strategy.
This book delivers a fresh and fascinating perspective on the issue of the minimum wage. While most discussions of the minimum wage place it at the center of a debate between those who oppose such a policy and argue it leads to greater unemployment, and those who favor it and argue it improves the economic well-being of low-income workers, Levin-Waldman makes the case for the minimum wage as a way to improve the well-being of middle-income workers, strengthen the US economy, reduce income inequality, and enhance democracy. Making a timely and original contribution to the defining issues of our time—the state of the middle class, the problem of inequality, and the crisis of democratic governance—Restoring the Middle Class through Wage Policy will be of interest to students and researchers considering the impact of such approaches across the fields of public policy, economics, and political science.
When most people think of policies designed to help the poor, welfare is the first program that comes to mind. Traditionally welfare has served individuals who do not work—hence much of the stigma that some attach to the program. An equally important strand of American social policy, however, is meant to support low-wage workers and their families. In Boosting Paychecks, Daniel Gitterman illuminates this often neglected part of the American safety net. Gitterman focuses on two sets of policy instruments that have been used to aid the working poor since the early twentieth century: the federal tax code and the minimum wage. The income tax code can be fine-tuned in many ways—through exemptions, deductions, credits, changing tax brackets and rates—to alter the amount of income workers are left with at the end of the day. In addition, it interacts with the minimum wage to determine the economic well-being of many lowincome households. Boosting Paychecks analyzes the partisan politics that have shaped these policies since the New Deal era, with particular attention paid to the past three decades. It also examines the degree to which they have succeeded in lifting low-wage workers and their families out of poverty. Forging a new political bargain that balances labor market flexibility with security for poor working families is one of the most critical challenges facing government today. Boosting Paychecks sheds new light on the scope of this challenge and the political constraints and opportunities policymakers face.
Selected Issues

The strengths and abilities children develop from infancy through adolescence are crucial for their physical, emotional, and cognitive growth, which in turn help them to achieve success in school and to become responsible, economically self-sufficient, and healthy adults. Capable, responsible, and healthy adults are clearly the foundation of a well-functioning and prosperous society, yet America's future is not as secure as it could be because millions of American children live in families with incomes below the poverty line. A wealth of evidence suggests that a lack of adequate economic resources for families with children compromises these children's ability to grow and achieve adult success, hurting them and the broader society. A Roadmap to Reducing Child Poverty reviews the research on linkages between child poverty and child well-being, and analyzes the poverty-reducing effects of major assistance programs directed at children and families. This report also provides policy and program recommendations for reducing the number of children living in poverty in the United States by half within 10 years. As the United States emerges from the Great Recession, concern is rising nationally over the issues of income inequality, stagnation of workers' wages, and especially the struggles of lower-skilled workers at the -bottom end of the wage scale. While Washington deliberates legislation raising the minimum wage, a number of major American employers—for example, Aetna and Walmart—have begun to voluntarily raise the pay of their own lowest-paid employees. In this collection of essays, economists from the Peterson Institute for International Economics analyze the potential benefits and costs of widespread wage increases, if adopted by a range of US private employers. They make this assessment for the workers, the companies, and for the US economy as a whole, including such an initiative's effects on national competitiveness. These economists conclude that raising the pay of many of the lowest-paid US private-sector workers would not only reduce income inequality but also boost overall productivity growth, with likely minimal effect on employment in the current financial context. "It is possible to profit from paying your employees well…and increasing lower-paid workers' wages is the way forward for the United States," argues Adam S. Posen in his lead essay (reprinted from theFinancial Times). Justin Wolfers and Jan Zilinsky argue that higher wages can encourage low-paid workers to be more productive and loyal to their employers and coworkers, reducing costly job turnover and the need for supervision and training of new workers. Tomas Hellebrandt estimates that if all large private sector corporations in the United States outside of sectors that intensively use low-skilled labor increased wages of their low-paid workers to $16 per hour, the pay of 6.2 percent of the $110 million private-sector workers in the United States would increase on average by 38.6 percent. The direct cost to employers would be $51 billion, only around 0.3 percent of GDP. Jacob Kirkegaard and Tyler Moran explore the experience of employers in other advanced countries, with its implications for international competitiveness, and Michael Jarand assesses the impact of a wage increase on the near-term development of the US macroeconomy. Data disclosure: The data underlying the figures in this analysis are available for download in links listed below.

I review evidence on alternative labor market policies that could potentially improve economic self-sufficiency via mandating higher wages, subsidizing employment, or increasing productivity. The evidence indicates that the minimum wage is an ineffective policy to promote economic self-sufficiency, entailing employment losses without any corresponding distributional benefits via higher wages. In contrast, living wage laws appear to present a more favorable tradeoff. Labor supply incentives, in particular the EITC, appear effective, as a more generous EITC boosts employment of single mothers and in so doing raises incomes and earnings of low-income families. There is some evidence that wage subsidies increase employment and earnings, but problems of stigmatization resulting from eligibility for wage subsidy programs can dissipate the gains, and wage subsidies entail substantial administrative difficulties. Finally, a newer but growing literature on school-to-work provides some evidence that school-to-work programs boost labor market attachment, skill formation, wages, and earnings.

Abstract: We reassess the effect of state and federal minimum wages on U.S. earnings inequality, attending to two issues that appear to bias earlier work: violation of the assumed independence of state wage levels and state wage dispersion, and errors-in-variables that inflate impact estimates via an analogue of the well known division bias problem. We find that erosion of the real minimum wage raises inequality in the lower tail of the wage distribution (the 50/10 wage ratio), but the impacts are typically less than half as large as those reported in the literature and are almost negligible for males. Nevertheless, the estimated effects of the minimum wage on points of the wage distribution extend to wage percentiles where the minimum is nominally non-binding, implying spillovers. We structurally estimate these spillovers and show that their relative importance grows as the nominal minimum wage becomes less binding. Subsequent analysis underscores, however, that spillovers and measurement error (absent spillovers) have similar implications for the effect of the minimum on the shape of the lower tail of the measured wage distribution. With available precision, we cannot reject the hypothesis that estimated spillovers to non-binding percentiles are due to reporting artifacts. Accepting this null, the implied effect of the minimum wage on the actual wage distribution is smaller than the effect of the minimum wage on the measured wage distribution

"We review the burgeoning literature on the employment effects of minimum wages -- in the United States and other countries -- that was spurred by the new minimum wage research beginning in the early 1990s. Our review indicates that there is a wide range of existing estimates and, accordingly, a lack of consensus about the overall effects on low-wage employment of an increase in the minimum wage. However, the oft-stated assertion that recent research fails to support the traditional view that the minimum wage reduces the employment of low-wage workers is clearly incorrect. A sizable majority of the studies surveyed in this monograph give a relatively consistent (although not always statistically significant) indication of negative employment effects of minimum wages. In addition, among the papers we view as providing the most credible evidence, almost all point to negative employment effects, both for the United States as well as for many other countries. Two other important conclusions emerge from our review. First, we see very few -- if any -- studies that provide convincing evidence of positive employment effects of minimum wages, especially from those studies that focus on the broader groups (rather than a narrow industry) for which the competitive model predicts disemployment effects. Second, the studies that focus on the least-skilled groups provide relatively overwhelming evidence of stronger disemployment effects for these groups"--Forschungsinstitut zur Zukunft der Arbeit web site.

With the disappearance of well-paying jobs and the increasing cost of living, it’s becoming more and more difficult to stay afloat in the United States. Workers who earn the minimum wage often can’t afford the most basic needs. In response, more than 100 U.S. cities have issued living wage ordinances, requiring payments that allow workers to afford food, clothing, shelter, utilities, and healthcare. It may seem obvious that everyone wins with a living wage. But does paying out a living wage help or harm the economy? Should corporations be forced to pay them? What is society’s responsibility to its workers?

Belman and Wolfson perform a meta-analysis on scores of published studies on the effects of the minimum wage to determine its impacts on employment, wages, poverty, and more.

This book considers the positive and negative impacts of the minimum wage policy in China. Since China enacted its first minimum wage law in 1994, the magnitude and frequency of changes in the minimum wage have been substantial, both over time and across jurisdictions. The results from China’s experience show that rapidly increasing minimum wages have helped increase average wages and reduce the gender wage gap, income inequality, and poverty. However, the fast-rising minimum wage has also resulted in the loss of employment for young adults, women, low-skilled workers, and migrant workers. Additionally, higher minimum wages have a negative impact on firm profitability and adverse effects on firm’s human capital investment. In summary, the Chinese minimum wage policy has shown both positive and negative impacts on the affected workers. Through unpacking these findings, the book highlights the importance of rigorous research to inform evidence-based policymaking and provides lessons for other transitional and developing economies.

Offering evidence from both detailed individual country studies and homogenized statistics across the Latin American and Caribbean region, this book examines the impact of the minimum wage on wages, employment, poverty, income distribution and government budgets in the context of a large informal sector and predominantly unskilled workforces.

Evidence indicates that actions within four main themes (early child development, fair employment and decent work, social protection, and the living environment) are likely to have the greatest impact on the social determinants of health and health inequities. A systematic search and analysis of recommendations and policy guidelines from intergovernmental organizations and international bodies identified practical policy options for action on social determinants within these four themes. Policy options focused on early childhood education and care; child poverty; investment strategies for an inclusive economy; active labour market programmes; working conditions; social cash transfers; affordable housing; and planning and regulatory mechanisms to improve air quality and mitigate climate change. Applying combinations of these policy options alongside effective governance for health equity should enable WHO European Region Member States to reduce health inequities and synergize efforts to achieve the United Nations Sustainable Development Goals.

This manual draws on the ILO's comprehensive database containing the principal legal provisions and minimum wage fixing mechanisms in 100 countries. The minimum wage has had a long and turbulent history, and this study sheds light on its intricacies by providing a thorough overview of the institutions and practices in different countries. It outlines the main topics for debate concerning the effects of minimum wages on major social and economic variables such as employment, wage inequality, and poverty. The book considers the various procedures countries use for implementation, including the criteria employed to fix the minimum wage, and how they are linked to specific country objectives. It then measures the efficiency of the minimum wage, and focuses on its impact on employment as a major political issue. For the benefit of non-specialists, the validity of econometric models and their results are examined.

Using prefectural data, we study the potential impact on wage dynamics of the planned minimum wage increase policy in Japan. Our main result is that stepping up minimum wage growth from 2 to the planned 3 percent per year could raise wage growth by 0.5 percent annually. Given Japan’s need for income policies to generate vigorous wage-price dynanics, reflecting the 2 percent inflation target, one policy implication of this finding is that, while the minimum wage plan will help boost wages, it should be accompanied by other, more “unorthodox” income policies, such as a “soft target” for private sector wage growth through a “comply -or-explain mechanism” for wage growth and increases in public wages in line with the inflation target.

Growing inequality and stagnating wages at the bottom of the earning distribution are the most striking social phenomena of the last 30 years. Moreover, the 2009 Great Recession surged unemployment and created unprecedented tension between rich and poor in most developed countries. These circumstances renewed the interest of politicians, policy makers, and economists toward public policies aimed at alleviating inequality. In this thesis, I empirically assess the effectiveness of two prominent public policies in helping the poor: the minimum wage and unemployment insurance. Minimum wage is the most radical policy tool for elevating the wages of the bottom economic bracket. However, despite several decades of microeconometric evidence for increases, the minimum wage remains a highly controversial policy. The first two chapters of this dissertation are devoted to assessing the economic effects of an unusually large and persistent increase in the minimum wage instituted in Hungary in 2001. The minimum wage to the median wage increased from the current U.S. level (35%) to the level of 55%, which is equivalent with an (~60%) increase in the minimum wage in real terms. In the first chapter, my co-author Péter Harasztosi and I study the employment effects of this unique minimum wage reform. We propose a new approach to estimating the employment effects of a minimum wage increase that exploits information on the distribution of wages before and after the policy change. We infer the number of jobs destroyed by comparing the number of pre-reform jobs below the new minimum wage to the excess number of jobs paying at (and above) the new minimum wage. The evolution of the earning distribution in Hungary shows that this ratio is close to one, suggesting that most firms responded to the reform by raising wages instead of destroying jobs. We confirm this conclusion using comparisons across subgroups of workers with larger and smaller fractions of worker affected by the minimum wage change. Our group-level estimates, again, imply that the higher minimum wage had, at most, a small negative effect on employment, and with the standard errors we can rule out larger than -0.3 employment elasticities with respect to wages. In the second chapter, my co-author Péter Harasztosi and I study the economic incidence of the minimum wage polices. If minimum wage increase has a small negative effect on employment and a large effect on wages, the total remunerations allocated to low-wage workers must increase. Using a large panel of firms and the Hungarian minimum wage increase, we show that this is indeed the case: firms highly exposed to the minimum wage experienced a large increase in their total labor cost. However, this raises a question: who pays for this cost increase? We show that firms' profits are not affected in response to the minimum wage, suggesting that firm-owners do not bear the incidence of the minimum wage increase. Instead, we document that total revenue of low-paying employers increased considerably, indicating that firms passed the effect of the minimum wage to consumers. Consistent with that explanation, we show that firms facing more elastic output demand, and so less ability to pass-through the effect of the minimum wage, experienced larger employment losses and lower increase in their total labor cost. In the third chapter, Stefanno DellaVigna, Balázs Reizer, Johannes Schmieder and I scrutinize the job search behavior of the unemployed. We propose a model of job search with reference-dependent preferences, where the reference point is given by recent income. Newly unemployed individuals are faced with a loss because their recent past income is higher than the unemployment benefit they receive, and so they search hard. However, over time they get used to lower income, and thus search less. They search harder, again, in anticipation of a benefit cut, only to ultimately get used to the change. The model fits the typical shape of the exit from unemployment, including the spike at the UI exhaustion point. The model also makes unique predictions for the response of benefit changes. Second, we provide evidence using a reform in the unemployment system in Hungary. Most unemployment insurance programs have constant replacement rate for a fixed period, typically followed by lower benefits under unemployment assistance. In November 2005, Hungary switched from this standard single-step UI system to a two-step system, with unchanged overall generosity. We show that the system generated increased hazard rates in anticipation of, and especially following, benefit cuts in ways the standard model has a hard time fitting, even when allowing for unobserved heterogeneity. We structurally estimate the model and estimate a weight on gain-loss utility comparable to the weight of the standard utility term, and a speed of adjustment of the reference point of eight months. The results suggest that a revenue-neutral shift to multiple-step UI systems can speed exit from unemployment.

Minimum wage policies are implemented worldwide to protect workers and reduce inequality. This dissertation analyzes the effects of raising minimum wages on firms to shed new light on the policy's trade-offs. Additionally, this research provides new insights on how firms adjust their production process in response to a relative increase in the labor costs. For such purpose, I investigate Costa Rica's occupation-specific minimum wage setting. The first chapter focuses on different margins of firm and employment dynamics. I assemble rich administrative data covering the universe of workers and firms in 2006-2017 to construct firm-level exposure measures to the minimum wage policy. Then, I estimate the impact of differential exposure to the minimum wage on firm outcomes at several year horizons. The analysis suggests that minimum wages induce firms to increase their labor shares, but with a negative and persistent impact on their profitability. The positive effect on the labor shares moderates as firms reduce their employment levels and expand their capital stocks. Even though surviving firms slightly reduce their employment levels, they experience a substantial decline in hiring rates. Furthermore, employment elasticities are negative and more significant when accounting for the extensive margin effects (firm exit). Workers in occupations that are more susceptible to technology substitution face more substantial employment reductions. The second chapter studies the substitution dynamics between capital and labor using Costa Rica's minimum wage setting. I estimate the change in the capital and labor ratios after a minimum wage increase, finding important heterogeneity across occupational groups. Workers in low-skilled and routine intensive occupations experience more intensive substitution effects. Then, I exploit the diverse reduced-form elasticities to compute micro-elasticities of substitution between capital and labor. I consistently find a value below one, suggesting that the substitution away from labor towards capital is not large enough to reduce the labor share after a minimum wage increase. Specifically, I compute an elasticity of 0.59 for all firms, and significant heterogeneity across representative sectors, stressing differences in the production technologies across industries. The estimated value is higher in manufacturing (0.81) and tradable sectors (0.76) but smaller in non-tradable sectors (0.46). The third chapter examines the effect of raising minimum wages on firm entry and the associated implications on aggregate employment dynamics. The results of the analysis indicate that increasing the minimum wages led to a reduction in firm entry rates between 3.7 and 5.4 percent. I then exploit a dynamic framework of employment based on \cite{pugsley2019grown} to show that changes in the minimum wage has sizeable consequences on aggregate employment by deterring new firms from entering the market. Aggregate employment in Costa Rica is around 0.8 lower by 2017 due to the missing entrants induced by the policy

This research investigates the impact of three equal cost alternative labour market policies on the economic well-being of low-income families and society in general at the turn of the 21st century. The principal focus is on how changes in the minimum wage, Earned Income Tax Credit (EITC), and payroll taxes influence the well-being of low-income American families. The methods we employ also reveal how much of the benefits from raising the minimum wage, increasing the EITC, and reducing payroll taxes of workers in low-income families accrue to families in the middle and upper ranges of the income distribution. Thus, we consider the entire distribution, but focus primary attention on families and persons at or near the bottom of the income distribution. The research reported in this book has three distinguishing features.First, it examines and compares changes in the minimum wage, the EITC, and payroll taxes using a common analytical framework. There is considerable discussion of the impacts of raising the minimum wage and increasing EITC payments. The research reported here places these two policies in an 'equivalent social cost' framework and analyses the distributional consequences of each policy. In addition, we use the same equivalent cost paradigm to investigate an alternative policy that rebates a portion of the payroll taxes paid by workers in low-income families. A second distinguishing feature of the research is that it incorporates important insights from the poverty and income distribution literature into the analysis of labour market policies and family well-being.This literature suggests that any evaluation of success or failure of poverty fighting policies that increase the minimum wage, expand the EITC, or reduce payroll taxes requires that the poor population be properly identified and poverty measured using distribution sensitive measures of poverty and not simple headcounts of the poor. Further, it is important to check for the sensitivity of any conclusions about the policy choices to alternative poverty lines. A third distinguishing feature of the research is that we use important developments in the applied welfare economics of income distribution to address the key question: Which policy alternative is best?