

Seminar: Current Topics in Labor and Social Economics

The Economics of the Minimum Wage

Contents

Starting next year, there will be a statutory minimum wage in Germany. Its introduction is accompanied by a controversial public discussion, especially about its impact on the German economy and employment in the low-wage sector. While proponents of the minimum wage argue that it is necessary to reduce in-work-poverty and to help the government spend less on welfare benefits, opponents fear that a minimum wage will cause substantial job losses. In this seminar, we will discuss recent theoretical and empirical studies to understand the economic effects caused of minimum wages. For this purpose, in the first part theoretical studies are considered that examine under which circumstances minimum wages can be beneficial or harmful for employment and social welfare. In the second part of the seminar, empirical studies are considered which investigate the labor market effects of the minimum wage introduction in different countries and for different economic sectors.

Structure

The seminar will consist of biweekly sessions, starting October 13. In the first session, each student will be assigned a specific topic. Students are expected to write a short seminar paper (about 10-12 pages), which has to be submitted and presented at the end of the semester. During the semester, we will read selected articles and discuss them in the seminar. Students are expected to prepare group presentations for these discussions. The final grade will depend on the group presentations and discussions (25%), the final presentation at the end of the semester (25%) and the written seminar paper (50%).

Further details are announced at the first meeting, October 13.

Time and Place

First meeting and registration:
Regular biweekly seminar sessions:
(even calendar weeks, starting Oct 27)

Oct 13 2014, G22A-210, 13:15 – 14:45
mondays, G22A-210, 13:15 – 14:45

Reading List

Theory

1. *Acemoglu, D. (2001): "Good Jobs versus Bad Jobs", *Journal of Labor Economics* 19(1), 1-21.
2. Aghion, P., Yann, A., and P. Cahuc (2011): "Civil Society and the State: the Interplay Between Cooperation and Minimum Wage Regulation", *Journal of the European Economic Association* 9(1), 3-42.
3. Cahuc, P., and G. Laroque (2014): "Optimal Taxation and Monopsonistic Labor Market: Does Monopsony Justify the Minimum Wage?", *Journal of Public Economic Theory* 16(2), 259-273.
4. Cahuc, P., A. Saint-Martin, and A. Zylberberg (2001): "The Consequences of the Minimum Wage When Other Wages Are Bargained Over", *European Economic Review* 45(2), 337-352.
5. *Flinn, C. (2006): "Minimum Wage Effects on Labor Market Outcomes under Search, Matching, and Endogenous Contact Rates", *Econometrica* 74(4), 1013-1062.
6. Lechthaler, W., and D. Snower (2008): "Minimum wages and training", *Labour Economics* 15(6), 1223-1237.
7. *Bhaskar, V., and T. To (1999): "Minimum Wages for Ronald McDonald Monopsonies: a Theory of Monopsonistic Competition", *The Economic Journal* 109(455), 190-203.
8. Kaas, L., and P. Madden (2008): "Holdup in oligopsonistic labour markets - a new role for the minimum wage", *Labour Economics* 15(3), 334-349.
9. *Rebitzer, J., and L. Taylor (1995): "The consequences of minimum wage laws. Some new theoretical ideas", *Journal of Public Economics* 56(2), 245-255.
10. Lee, D., and E. Saez (2012): "Optimal minimum wage policy in competitive labor markets", *Journal of Public Economics* 96(9-10), 739-749.

Empirics

11. *Neumark, D., and W. Wascher (1992): "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws", *Industrial and Labor Relations Review* 46(1), 55-81.
12. Brown, C. (1999): "Minimum Wages, Employment, and the Distribution of Income", in Orley Ashenfelter and David Card (eds.), *Handbook of Labor Economics*, Vol. 3, 2101-2163.
13. *Card, D., and A. Krueger (1994): "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania", *The American Economic Review* 84(4), 772-793.
14. *Dube, A., Lester, T., and Michael Reich (2010): "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties", *Review of Economics and Statistics* 92(4), 945-964.
15. *König, M., and J. Möller (2009): "Impacts of minimum wages: a microdata analysis for the German construction sector", *International Journal of Manpower* 30(7), 716-741.
16. Falk, A., Fehr, E., and C. Zehnder (2006): "Fairness perceptions and reservation wages: The behavioral effects of minimum wage laws", *The Quarterly Journal of Economics* 121(4), 1347-1381.
17. Lemos, S. (2009): "Minimum wage effects in a developing country." *Labour Economics* 16(2), 224-237.
18. Portugal, P., and A. Cardoso (2006) "Disentangling the minimum wage puzzle: an analysis of worker accessions and separations." *Journal of the European Economic Association* 4(5), 988-1013.
19. Allegretto, S., Dube, A., and M. Reich (2011): "Do minimum wages really reduce teen employment? Accounting for heterogeneity and selectivity in state panel data." *Industrial Relations: A Journal of Economy and Society* 50(2), 205-240.
20. Addison, J., Blackburn, M., and C. Cotti (2009): "Do minimum wages raise employment? Evidence from the US retail-trade sector." *Labour Economics* 16(4), 397-408.
21. Hyslop, D., and S. Stillman (2007) "Youth minimum wage reform and the labour market in New Zealand." *Labour Economics* 14(2), 201-230.
22. Stewart, M. (2004) "The Impact of the Introduction of the UK Minimum Wage on the Employment Probabilities of Low-Wage Workers." *Journal of the European Economic Association* 2(1), 67-97.

* "priority topics": will definitively be covered in the seminar and will be assigned before the other topics