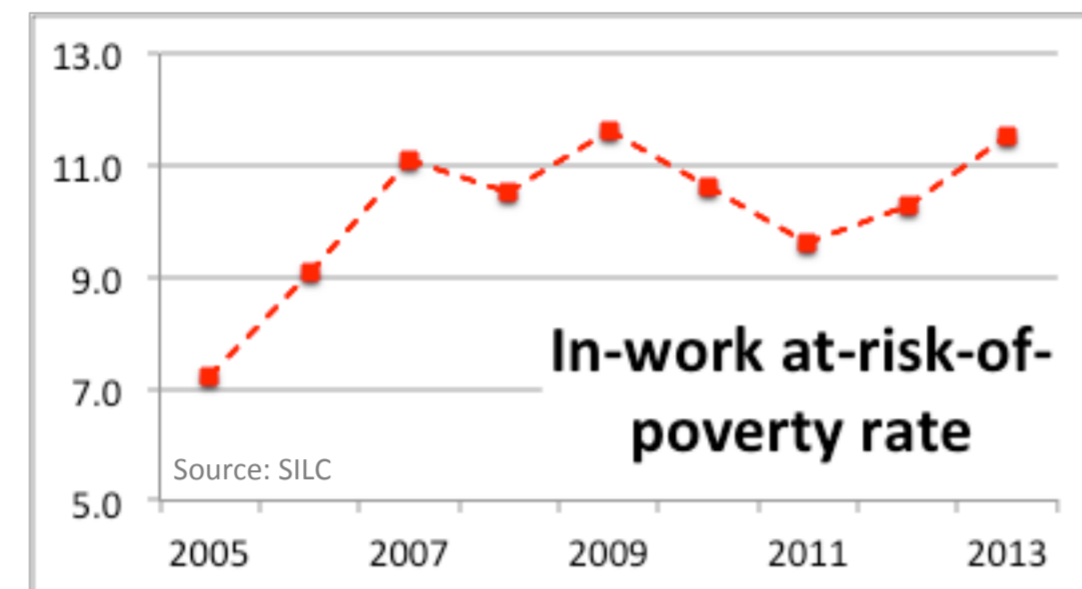


Abstract

The proposed research project is concerned with the question of whether or not and to what extent the introduction of the German minimum has impacted the incidence of in-work poverty. By employing a panel regression analysis using the German Socio-Economic Panel, I will examine the impacts of the minimum wage on individual and household incomes, and the incidence of in-work poverty. I plan to make use of spatial as well as sectoral variation of the “bite” of the minimum wage to assess its effectiveness. Using quantile regression will allow me to estimate the potential spill-over effects caused by the minimum wage throughout the income distribution. I will contextualize my research by supplementing the quantitative results with data gathered in qualitative interviews with work council members in low pay sectors, allowing me to explain the different spill-over effects. Finally, I will look at the interactions with other social policies to identify policy measures that prevent the effectiveness of the minimum wage. Based on this examination, I will conclude with policy recommendations.

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Background



Motivation

Filling a Gap in the Literature:

- Very little work has been done on minimum wages and in-work poverty (most recent paper: Marx et al. 2012)
- Papers typically focus on poverty (not in-work poverty) and usually simulate effects (do not empirically test them)

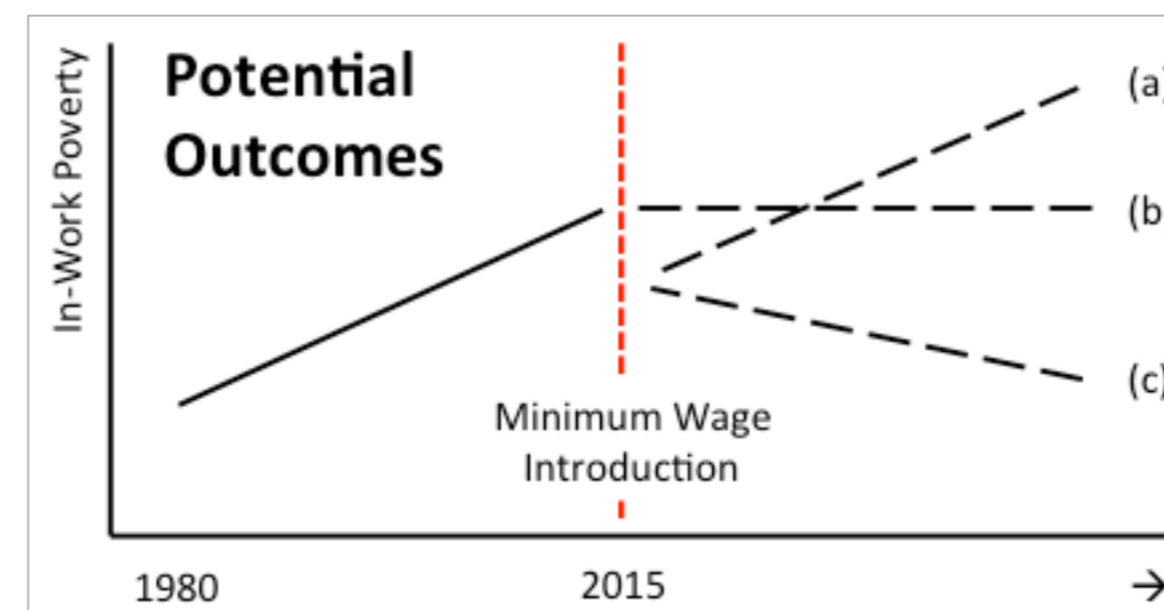
Testing the Conventional Wisdom

- Orthodox minimum wage research (Burkhauser/Sabia 2007; Neumark/Wascher 2002, Müller/Steiner 2008) suggests little or no effects on poverty (understandably, since most poor household do not contain a worker)
- Yet, it is questionable why minimum wages should be assessed using a measure that includes non-working households. This is the reason why I propose to evaluate the minimum wage impacts in respect to *in-work* poverty

Research Design

(1) Panel Regression Analysis using the German Socio-Economic Panel

- Examining the impacts of the minimum wage on individual incomes and household income, and the incidence of in-work poverty



(2) Using New Measures of In-Work Poverty

- Testing the sensitivity of the results by using new in-work poverty measures developed by Howell/Fiedler (forthcoming)

Research Question

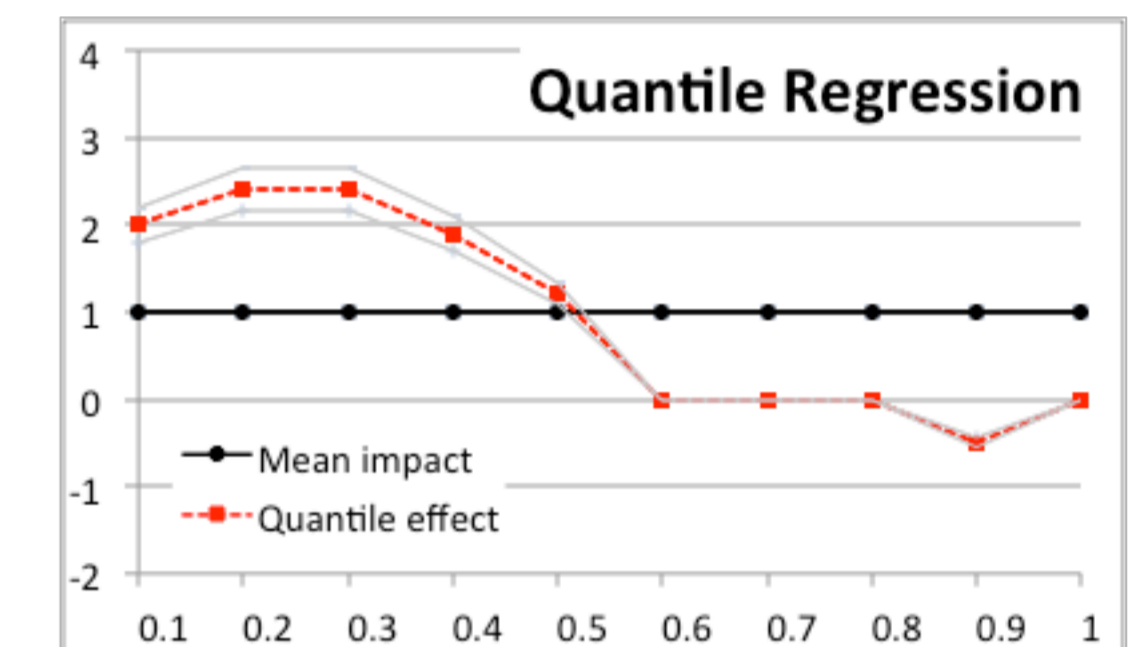
- To what extent does the introduction of the national minimum wage prevent the extension of in-work poverty?
- To what extent does the new minimum wage reduce in-work poverty?

(3) Deploying Geographical and Occupational Variation

- Using geographical and occupational differences in the “bite” of the minimum wage to contrast minimum wage effects

(4) Looking at Spill-Over Effects using Quantile Regression

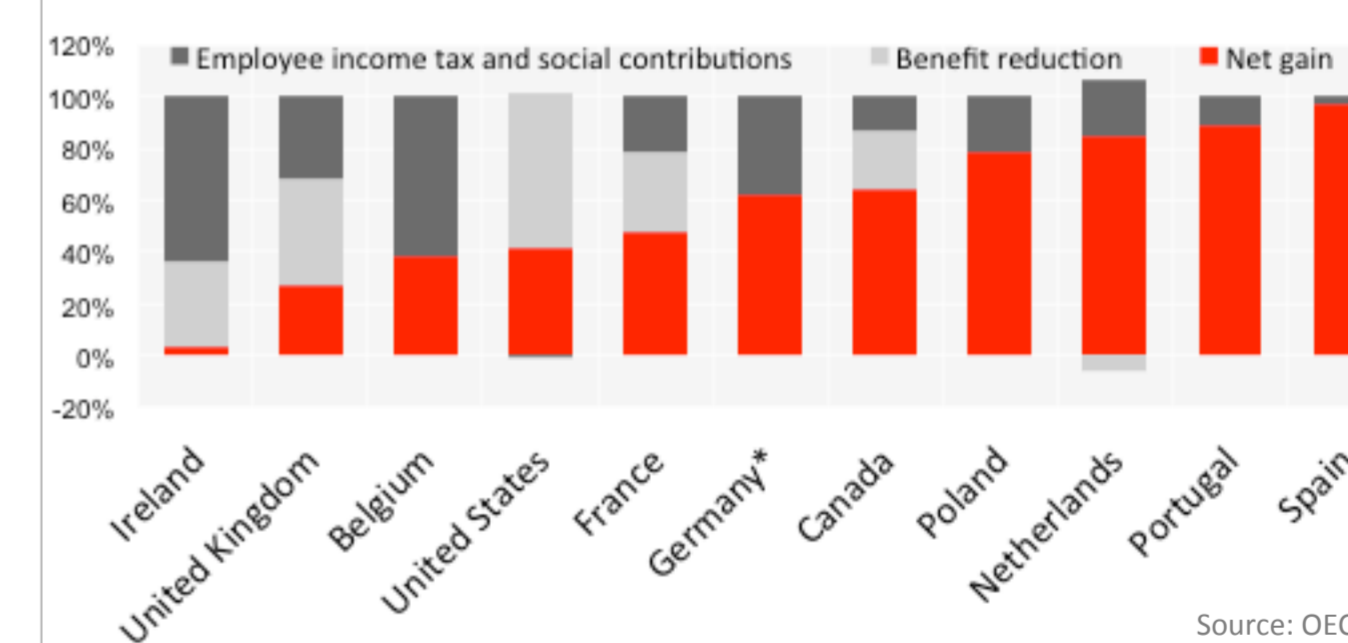
- Looking at the different effect across the income distribution (personal income and household income)



(5) Explaining Spill-Over Effects by Supplementing Research with Qualitative Interviews

- Interviews with work council members will help to understand the ways in which the introduction of the minimum wage has impacted collective bargaining and wage setting practices

Share of an MW increase that adds to net income



(6) Examining the interaction of the minimum wage with the rest of the welfare state

- Identifying social policy measures that hinder the effectiveness of the minimum wage (e.g. tax system)

Conclusion

This study will advance the literature by looking more deeply into the impacts of (a) a minimum wage *introduction* on (b) *in-work* poverty and (c) the *effectiveness* of this policy tool in respect to reducing wage-inequality and in-work poverty.

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