

Discussion of

Minimum Wages and Employment in
France and the US

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Why France and the US?

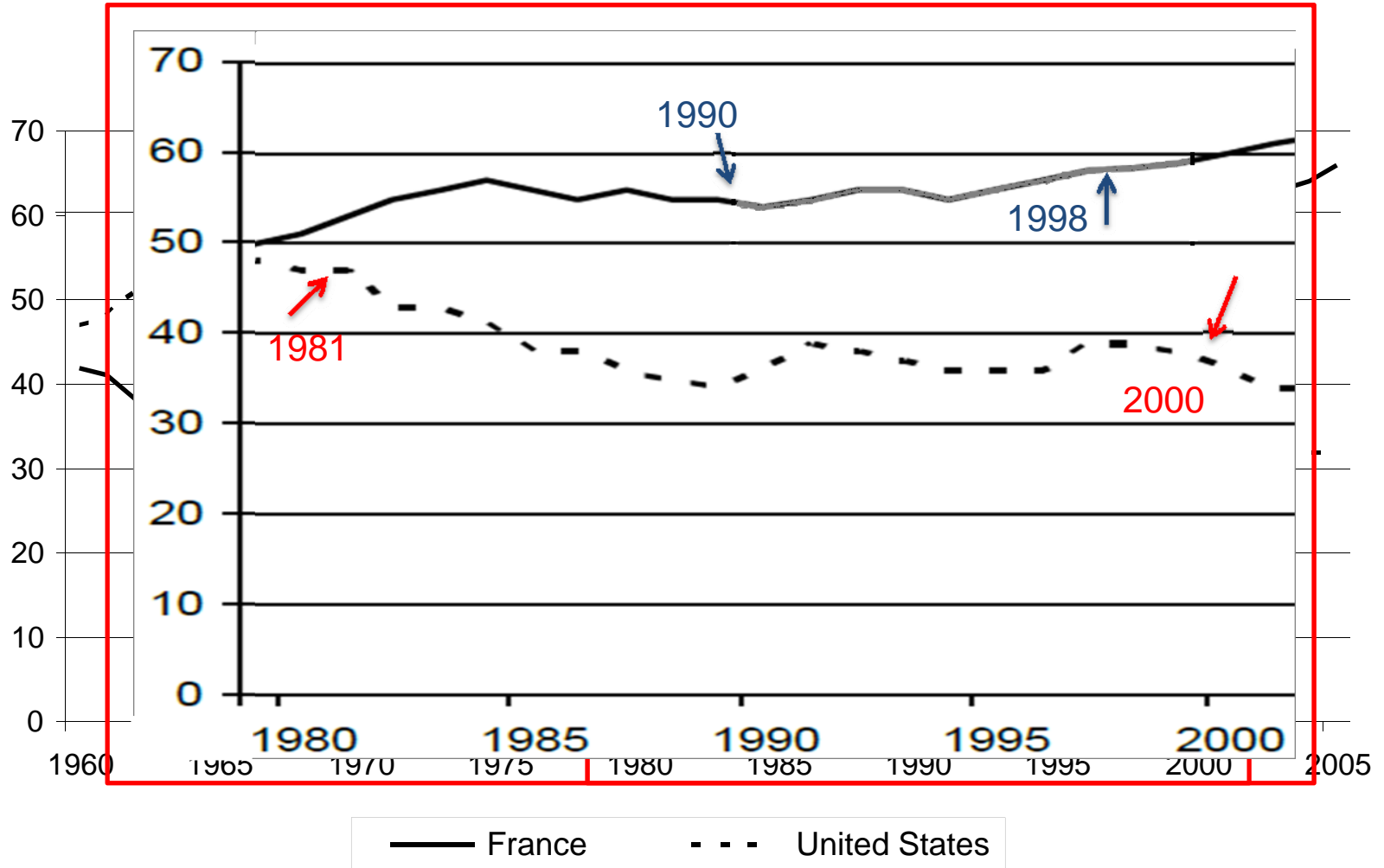


Figure 2.1 Ratio of Minimum to Median Wage
Source: OECD Minimum Wage Database.

Why France and the US?

2-months transition rates		Stock	New spell
France	E -> NE	1.2%	21.4%
	NE -> E	11.1%	31.4%
United States	E -> NE	3.0%	30.4%
	NE -> E	21.5%	59.8%

Source: Cyril Nouveau, PhD dissertation, 2004

Fourfold difference

- Two double differences
- The first double difference isolates the direct effects of the minimum wage hike, controlling for other shocks to the entire wage distribution
- The second difference removes the heterogeneity in the employment to wage elasticity in the two regions of the wage distribution.

Surprising Results

- More dis-employment effects in France, the land of the general strike and of strong employment protection, than in the US.
- Comparable employment effects for men and women.
- Entry everywhere insensitive to changes in minimum wages and to employment-conditional-incentives.

Issues

- Spillover effects and elasticities
- Measurement
- Coverage
- Dual labour markets
- Expectational effects

Elasticities and spillover

- If important spillover effects (e.g., demand for those just above the minimum wage increases), shouldn't we expect a change in the demand elasticity of this group?
- Can we interpret the estimated elasticities as structural parameters?

Measurement

- Self-reported wages
- France: net wages; US gross wages. Heaping?
- Imputation of hourly wages in France: if hours decline from t to $t+1$ what happens to the estimated minimum wage?
- Neumark et al.(2004) and Zawodny (2000): substantial effects of minimum wage hikes on hours for workers initially earning the minimum wage or slightly more

Coverage

- Externalities on other labour markets without the minimum wage. Shadow sector and lighthouse effects. Multiple job holdings.
- Shadow employment in France 11.1%; in the US 7.6% (Schneider-2008).
- How good are LFS and CPS in tracking shadow employment and multiple job holding?

Dual markets

- Different elasticities depending on the type of contract. Also ECIs differentiated by type of contract.
- Control for type of contract may not be sufficient. Need to interact type of contract with eligibility to ECI
- Also there may be externalities in the firm (e.g., workers with CTI insulated from adjustment). Where are the matched employee-employer data?

Expectational Effects

- Minimum wage adjustments not equally predictable in the US and France
- In the US is not indexed and State-level decision.
- In France indexed plus discretionary adjustments. Political climate make them predictable. And “federal” decision.
- Do we observe effects on entry-exit *before* changes in the French minimum wage?