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Abstract

Our working world is changing more and more dynamically. Not only since the Corona pandemic, new work concepts are in vogue. But do we really need new progressive concepts to cope with this trend? This study argues that minimum wages are a suitable - albeit old - means of raising wages without, as neoclassical economics claims, increasing unemployment. For this purpose, I conduct a Difference-in-Differences estimation strategy investigating the effects of the minimum wage introduction in Germany in January 2015 on labor demand and wages. The study uses panel data from the German Socio-Economic Panel (SOEP) and Austrian EU-SILC data to exploit the regional differences in validity of the minimum wage law. Neoclassic economic theory predicts a decline in labor demand, particularly for those earning below the minimum wage prior to its introduction. I find both of these suggestions to be contestable. First, the study finds no decline in labor demand neither on the extensive margin (terminate staff) nor on the intensive margin (reducing working hours). Second, while the bulk of literature has not addressed spillover effects of minimum wages on individuals with higher earnings, I find robust evidence that the positive wage effects resulting from the minimum wage introduction reach far up the wage distribution.