

Author's Accepted Manuscript

Raising the standard: Minimum wages and firm productivity

Rebecca Riley, Chiara Rosazza Bondibene



www.elsevier.com

PII: S0927-5371(16)30348-7
DOI: <http://dx.doi.org/10.1016/j.labeco.2016.11.010>
Reference: LABECO1516

To appear in: *Labour Economics*

Received date: 31 August 2015
Revised date: 21 November 2016
Accepted date: 23 November 2016

Cite this article as: Rebecca Riley and Chiara Rosazza Bondibene, Raising the standard: Minimum wages and firm productivity, *Labour Economics* <http://dx.doi.org/10.1016/j.labeco.2016.11.010>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting galley proof before it is published in its final citable form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Raising the standard: Minimum wages and firm productivity

Rebecca Riley* and Chiara Rosazza Bondibene

National Institute of Economic and Social Research and Centre for Macroeconomics

*Correspondence: National Institute of Economic and Social Research, 2 Dean Trench Street, Smith Square, London SW1P 3HE; Tel.: +44-207-222-7665; fax: +44-207-654-1900. r.riley@niesr.ac.uk

Abstract

This paper exploits the introduction of the National Minimum Wage (NMW) in Britain and subsequent increases in the NMW to identify the effects of minimum wages on productivity. We find that the NMW increased average labour costs for companies that tend to employ low paid workers, both upon the introduction of the NMW and more recently following the Great Recession when many workers experienced pay freezes or wage cuts, but the NMW continued to rise. We find evidence to suggest that companies responded to these increases in labour costs by raising labour productivity. These labour productivity changes did not appear to come about via a reduction in firms' workforce or via capital-labour substitution. Rather they were associated with increases in total factor productivity, as theories of organisational change, training and efficiency wages would suggest.

Key words: minimum wage, labour costs, productivity, firm behaviour

JEL codes: J08, J31, J38, L25

1. Introduction

Standard neo-classical theory predicts that minimum wage floors will reduce labour demand, but to date the empirical literature continues to debate whether in practice this actually occurs (see e.g. Neumark, Salas and Wascher, 2014; Allegretto, Dube and Reich, 2011; Ropponen, 2011). In the UK the large number of studies examining the employment impacts of the National Minimum Wage (NMW) suggest that labour demand has remained broadly unchanged despite this legislated rise in earnings for the lowest paid (see e.g. Stewart, 2002, 2004a, 2004b; Dickens, Riley and Wilkinson, 2012; Dolton, Rosazza Bondibene and Wadsworth 2010, 2012; Bryan, Salvatori and Taylor, 2013).¹ This paper suggests that one of the reasons the employment impacts of the NMW have been muted is that firms managed to contain unit labour costs through increases in the efficiency of production.

¹ There is some evidence that the introduction of the NMW led to a reduction in the average hours worked of the lowest paid, particularly for men (Stewart & Swaffield, 2008), and a reduction in employment retention for female part-time workers (Dickens, Riley and Wilkinson, 2015).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات