Comments on The Impact of minimum wage on low wage formal employment

by

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Context matters: the increase of the minimum wage started from a very low level

Minimum wage as a percentage of average wage in Latin America (Data from 2018 or the most recent year available)

Also, wages in Mexico seem to be surprisingly low

Average real hourly wage in the main activity versus GDP per capital in In Latin America in 2018

Main results

- Significant impact on wages
- Small but statistically significant reduction in employment
- Perhaps there is an important difference from Cengiz et al. (2019)
  - In that paper, different states increased their minimum wages at different times during a long period
  - In Mexico, the entire Northern border increased the minimum wage at the same time.
  - I don’t think clustering the standard errors at the State level can account for the correlated outcomes across states.
- Small point, misreporting of wages is unlikely to be “white noise”, so it is not clear what the bias would be
My two main conclusions

• Make sure the standard errors are calculated correctly

• Be careful about extrapolating these results to make policy recommendations for other countries
  – Mexico is probably an atypical case (low minimum wage and low wages in general).
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