

Firm-level Consequences of Large Minimum-wage Increases in the Czech and Slovak Republics

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Abstract. After an initial decline in the level of real minimum-wage rates, there were series of unusually large increases in their levels — 70 and 50 per cent — during the years 1999–2002 in the Czech and Slovak Republics, respectively. Using information from matched employee–employer data sets, we look at the impact of minimum-wage hikes on both wages and employment. Our results suggest that there are some, but not substantial, job losses in reaction to minimum-wage hikes and that the impact on firm wages is rather large, implying that further increases of similar magnitude might very well have negative consequences for employment.

1. Introduction

In this paper, our intention is to examine the consequences of minimum-wage increases on employment and distribution of wages in two transitional economies: the Czech and Slovak Republics. After an initial decline in the level of real minimum-wage rates, in

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