Minimum wage and financially distressed firms: another one bites the dust[*]

F. Alexandre[†] P. Bação[‡] J. Cerejeira[§] H. Costa[¶] M. Portela[‖]

June 26, 2022

Abstract

Since late 2014, Portuguese Governments adopted ambitious minimum wage policies. Using linked employer-employee data, we provide an econometric evaluation of the impact of those policies. Our estimates suggest that minimum wage increases reduced employment growth and profitability, in particular for financially distressed firms. We also conclude that minimum wage increases had a positive impact on firms' exit, again amplified for financially distressed firms. According to these results, minimum wage policies may have had a supply side effect by accelerating the exit of low profitability and low productivity firms and, thus, contributing to improve aggregate productivity through a cleansing effect.

Keywords: minimum wages, financially distressed firms, productivity
JEL Classification: *J38, L25*

1 Introduction

Lorem ipsum dolor sit amet, consectetuer adipiscing elit. Ut purus elit, vestibulum ut, placerat ac, adipiscing vitae, felis. Curabitur dictum gravida mauris. Nam arcu libero,

[†]NIPE/Universidade do Minho.
[‡]Universidade de Coimbra, CeBER, FEUC.
[§]NIPE/Universidade do Minho.
[¶]NIPE/Universidade do Minho.
[‖]Corresponding author; miguel.portela@eeg.uminho.pt. NIPE/Universidade do Minho and IZA Bonn.

nonummy eget, consectetuer id, vulputate a, magna. Donec vehicula augue eu neque. Pellentesque habitant morbi tristique senectus et netus et malesuada fames ac turpis egestas. Mauris ut leo. Cras viverra metus rhoncus sem. Nulla et lectus vestibulum urna fringilla ultrices. Phasellus eu tellus sit amet tortor gravida placerat. Integer sapien est, iaculis in, pretium quis, viverra ac, nunc. Praesent eget sem vel leo ultrices bibendum. Aenean faucibus. Morbi dolor nulla, malesuada eu, pulvinar at, mollis ac, nulla. Curabitur auctor semper nulla. Donec varius orci eget risus. Duis nibh mi, congue eu, accumsan eleifend, sagittis quis, diam. Duis eget orci sit amet orci dignissim rutrum.

Nam dui ligula, fringilla a, euismod sodales, sollicitudin vel, wisi. Morbi auctor lorem non justo. Nam lacus libero, pretium at, lobortis vitae, ultricies et, tellus. Donec aliquet, tortor sed accumsan bibendum, erat ligula aliquet magna, vitae ornare odio metus a mi. Morbi ac orci et nisl hendrerit mollis. Suspendisse ut massa. Cras nec ante. Pellentesque a nulla. Cum sociis natoque penatibus et magnis dis parturient montes, nascetur ridiculus mus. Aliquam tincidunt urna. Nulla ullamcorper vestibulum turpis. Pellentesque cursus luctus mauris.

Dependent Variable:		Euros		
Model:	(1)	(2)	(3)	(4)
Variables				
(Intercept)	24.71***			
	(1.125)			
log(dist_km)	-1.029***	-1.029***	-1.226***	-1.518***
	(0.1580)	(0.1581)	(0.2045)	(0.1282)
Fixed-effects				
Year		Yes	Yes	Yes
Destination			Yes	Yes
Origin				Yes
Fit statistics				
Observations	38,325	38,325	38,325	38,325
Squared Correlation	0.05511	0.05711	0.16420	0.38479
Pseudo R^2	0.18502	0.18833	0.35826	0.59312
BIC	4.85×10^{12}	4.83×10^{12}	3.82×10^{12}	2.42×10^{12}

Clustered (Origin & Destination) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Dependent Variable:		Euros		
Model:	(1)	(2)	(3)	(4)
Variables				
(Intercept)	24.71***			
	(1.125)			
log(dist_km)	-1.029***	-1.029***	-1.226***	-1.518***
	(0.1580)	(0.1581)	(0.2045)	(0.1282)
Fixed-effects				
Year		Yes	Yes	Yes
Destination			Yes	Yes
Origin				Yes
Fit statistics				
Observations	38,325	38,325	38,325	38,325
Squared Correlation	0.05511	0.05711	0.16420	0.38479
Pseudo R^2	0.18502	0.18833	0.35826	0.59312
BIC	4.85×10^{12}	4.83×10^{12}	3.82×10^{12}	2.42×10^{12}

Clustered (Origin & Destination) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Dependent Variable:		Euros		
Model:	(1)	(2)	(3)	(4)
Variables				
Constant	24.71***			
	(1.125)			
log(dist_km)	-1.029***	-1.029***	-1.226***	-1.518***
	(0.1580)	(0.1581)	(0.2045)	(0.1282)
Fixed-effects				
Year		Yes	Yes	Yes
Destination			Yes	Yes
Origin				Yes
Fit statistics				
Observations	38,325	38,325	38,325	38,325
Squared Correlation	0.05511	0.05711	0.16420	0.38479
Pseudo R^2	0.18502	0.18833	0.35826	0.59312
BIC	4.85×10^{12}	4.83×10^{12}	3.82×10^{12}	2.42×10^{12}

Clustered (Origin & Destination) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*