

THE MINIMUM WAGE PARADOX

EXECUTIVE PRODUCER

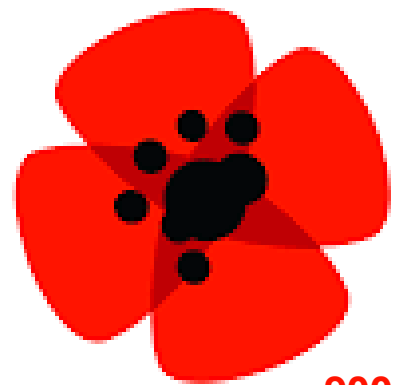
RITA PEREIRA

NOT NETFLIX

PROBLEM

- A Minimum wage is supposed to **redistribute** money from rich to poor
- However, economists disagree about whether it actually does so. With some advocating that **decreases employment** and **hurts the economy**

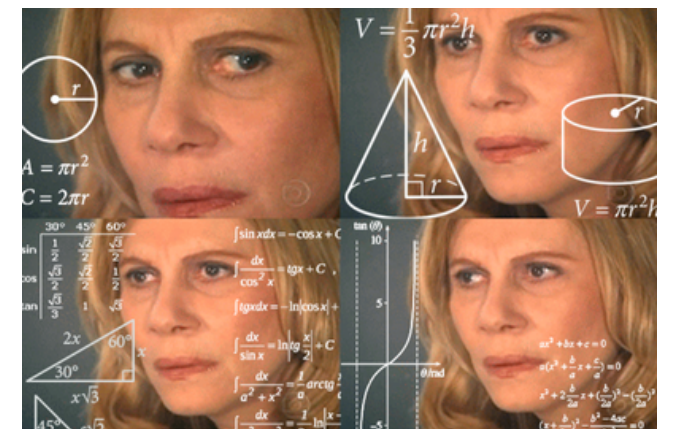
Portuguese Example:



900 EUR Min Salary

around 910 euros

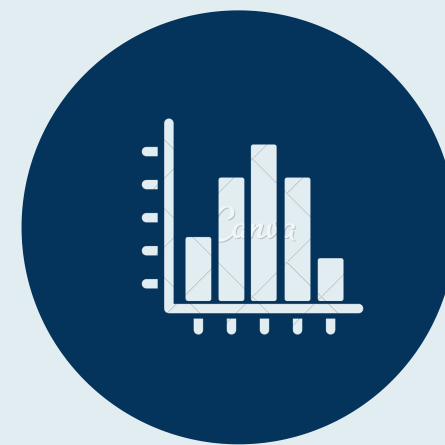
The **average salary** in Lisbon is around 910 euros, which is the highest in **Portugal**. The **average wages** in **Portugal** are still rather low figures for Western European standards.



QUESTIONS



Are countries with min wage better off?



How's min wage growth across countries?

- 2001-2018
- OECD countries
- Relationship with Average wage, Equality (GINI index), Unemployment rate and GDP per capita growth rates



How has Min to Average wage gap changed over time?

- 2001-2018
- Portugal, USD and Estonia Analysis

DATA GATHERING, CLEANING AND EXPLORATION

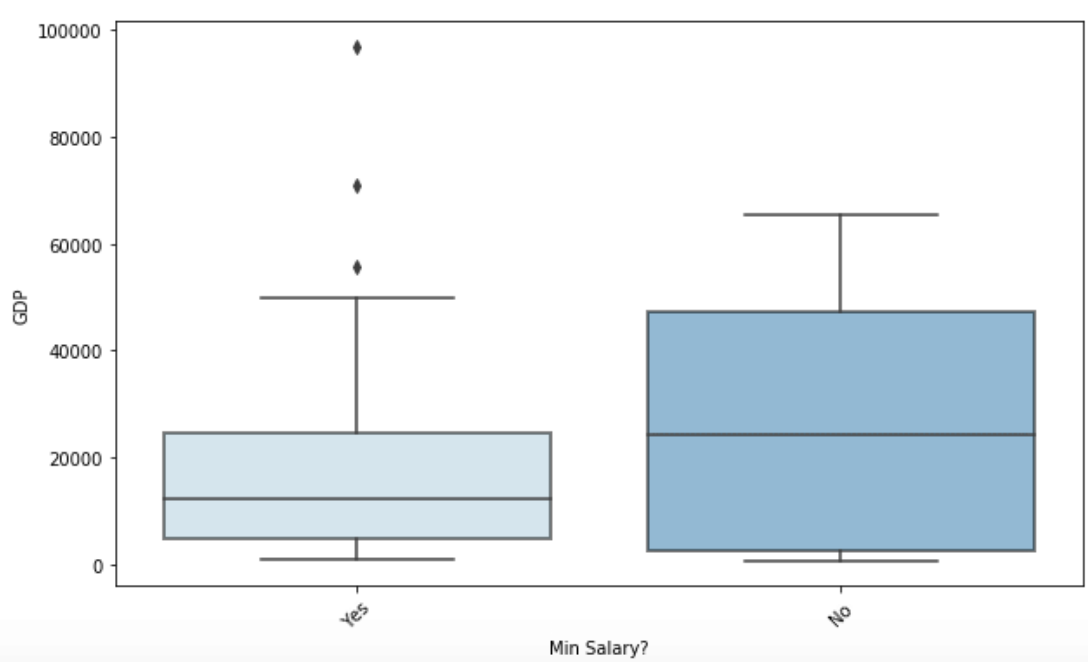
4 WEB SCAPPING MACHINES,
252 DATASETS,
8000 LINES OF CODE AND
43,098 HOURS LATER.....

ARE COUNTRIES WITH MIN WAGE BETTER OFF?

ANOVA ANALYSIS (133 countries)

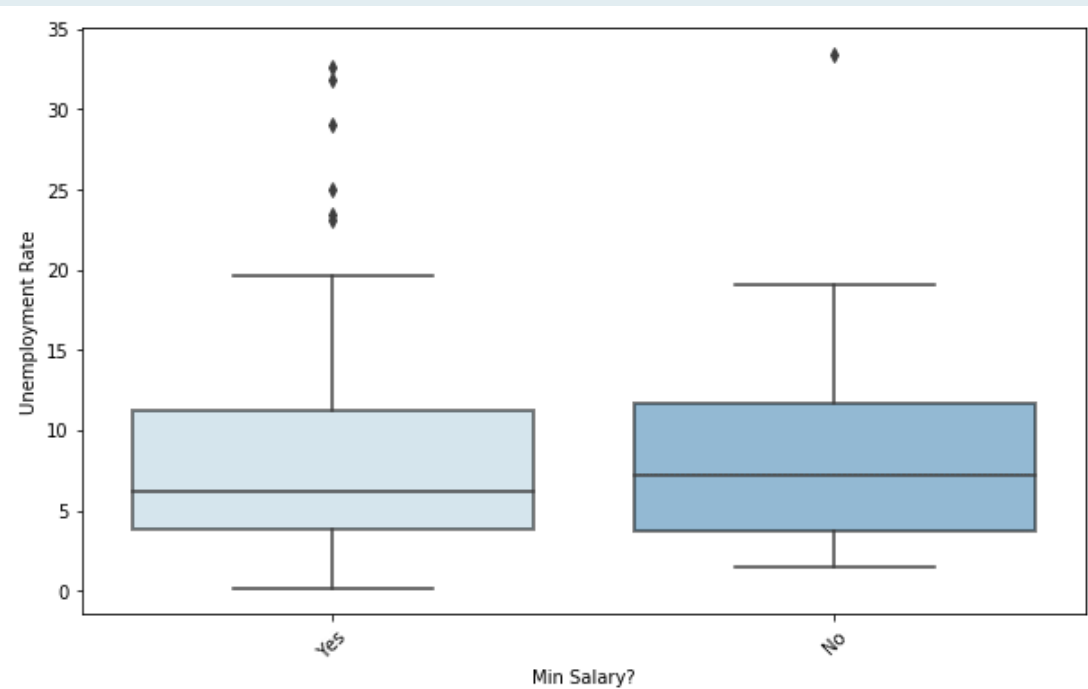
GDP PER CAPITA

very small p-value
Reject H0
SIGNIFICANT



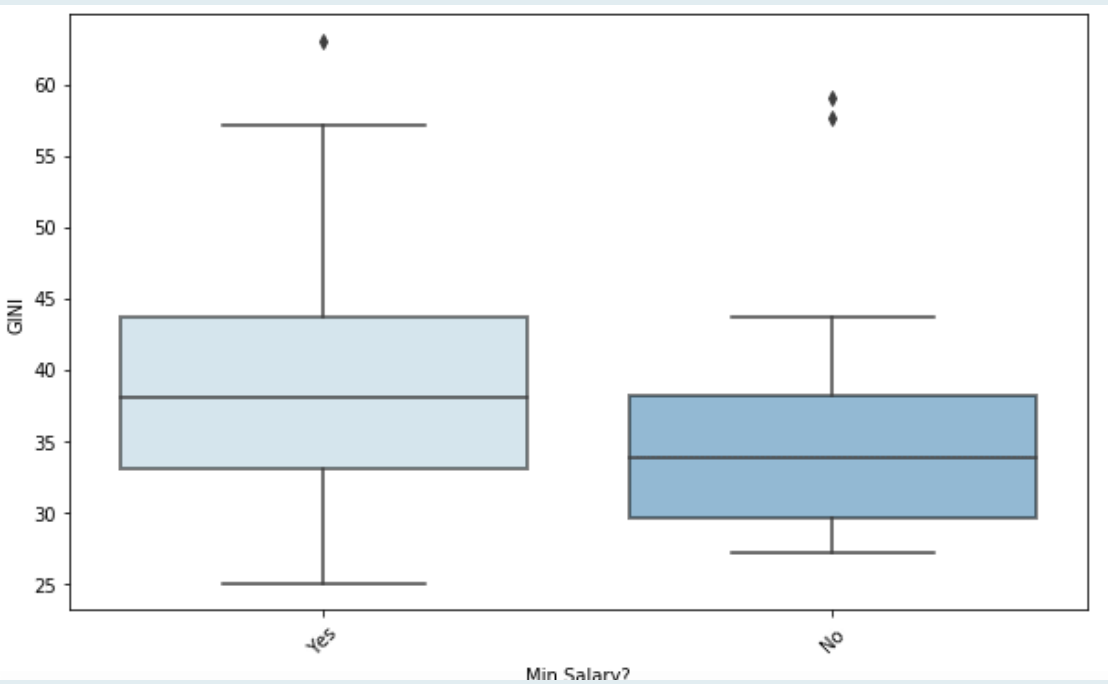
UNEMPLOYMENT

NOT SIGNIFICANT
differences between the two groups

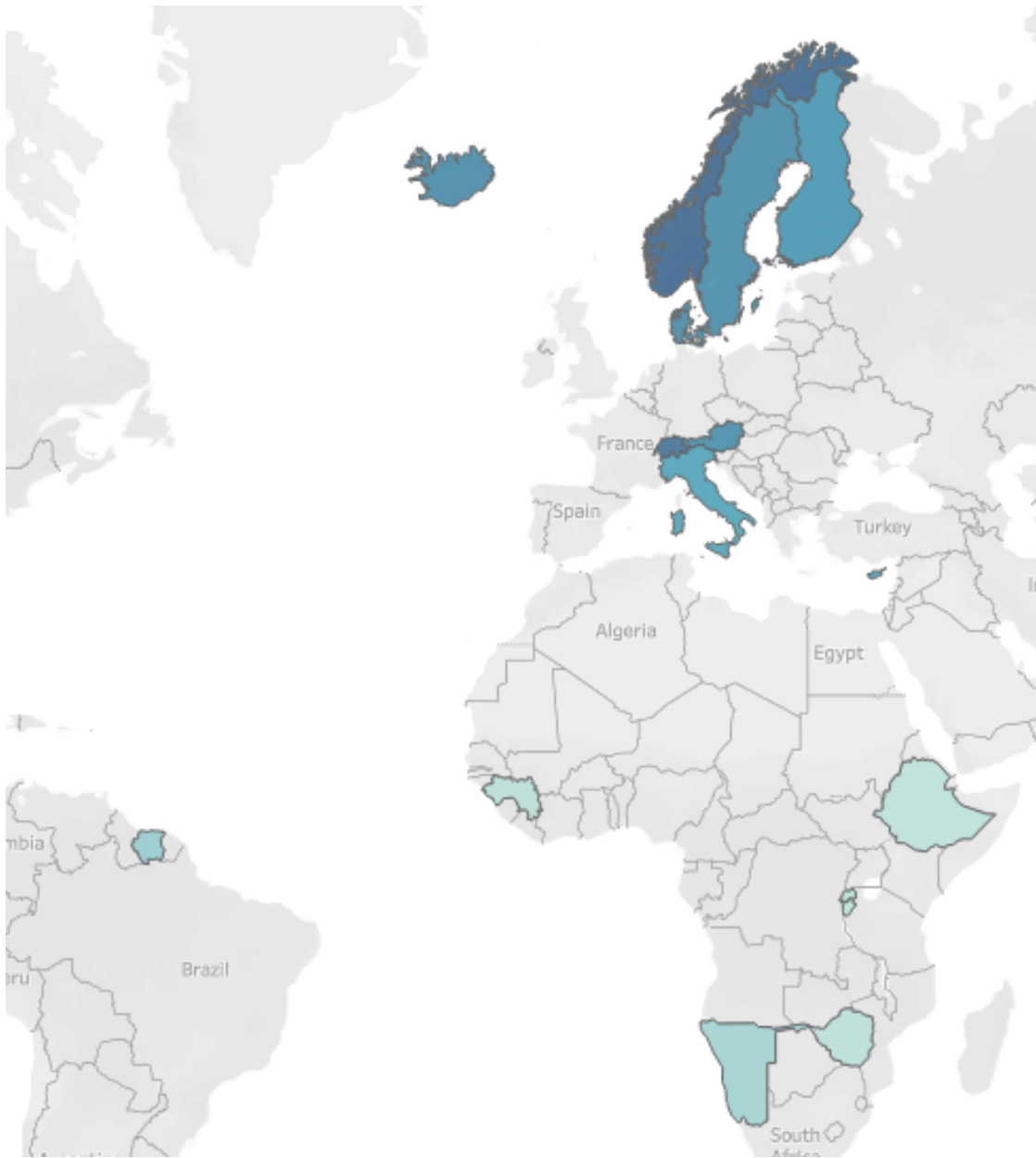
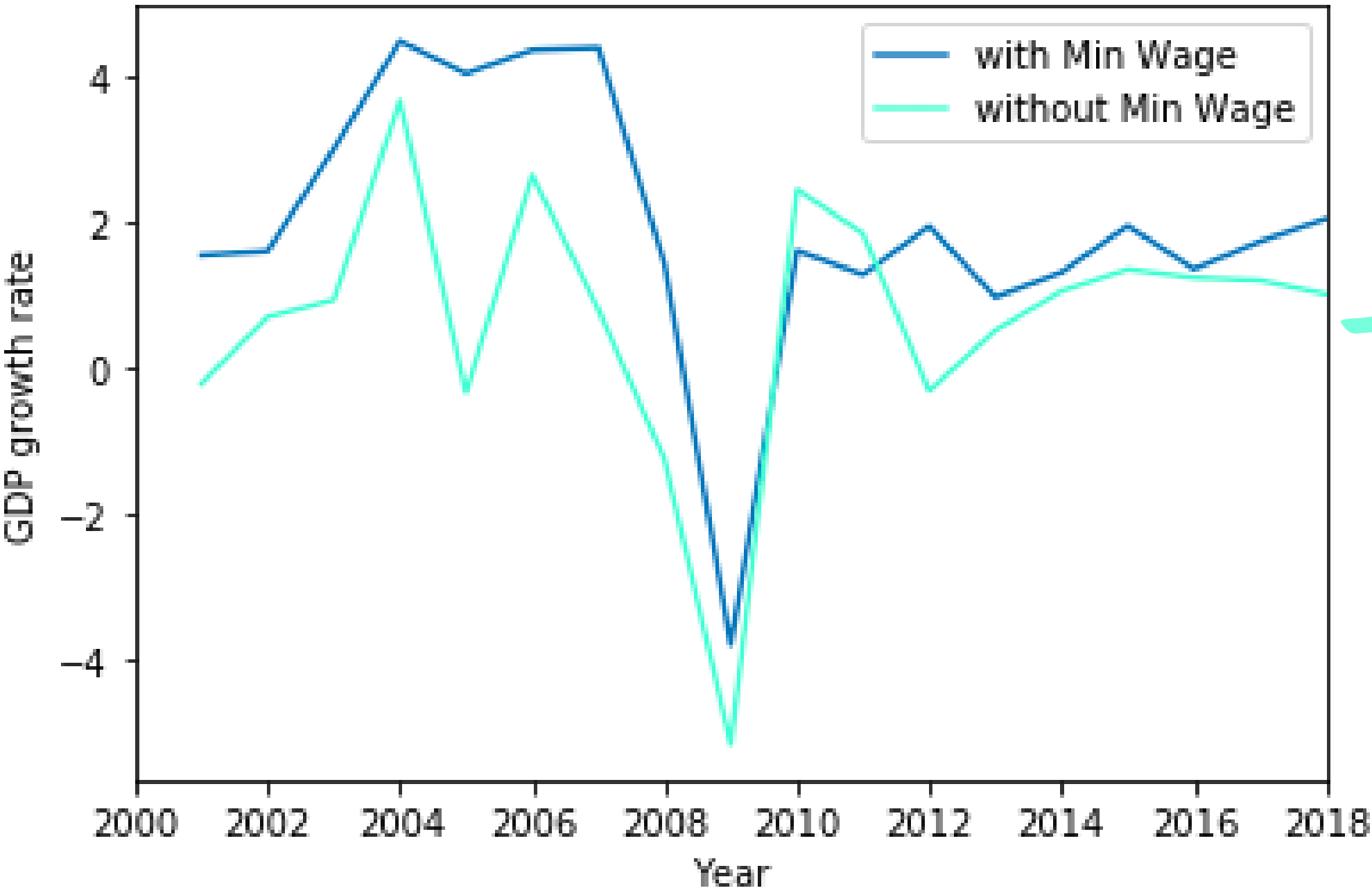


EQUALITY GINI INDEX

very small p-value
Reject H0
SIGNIFICANT



ARE COUNTRIES WITH MIN WAGE BETTER OFF?



SALARY GROWTH 2001 - 2018

CROSS COUNTRY ANALYSIS (OECD 35 COUNTRIES)

Country	Min Wage Growth	2001-2018 GDP growth	Unemployment Rate	GINI	Av Wage Growth	Min/Av Ratio growth rate
Australia	16.0237	27.491426	6.20	35.8	16.094705	-5.118670
Belgium	0.0143	18.251767	5.30	27.7	3.997763	-7.283712
Canada	39.4627	30.228721	13.00	34.0	24.557601	21.828746
Chile	62.3705	57.242910	8.20	46.6	29.462581	6.501163

Test: Min Wage growth

Significantly related

GDP growth

Av Wage growth

Inequality

Not related

Unemployment

Test: Average Wage growth

Significantly related

GDP growth
(bigger t value and R-squared)

Min Wage growth

Not related

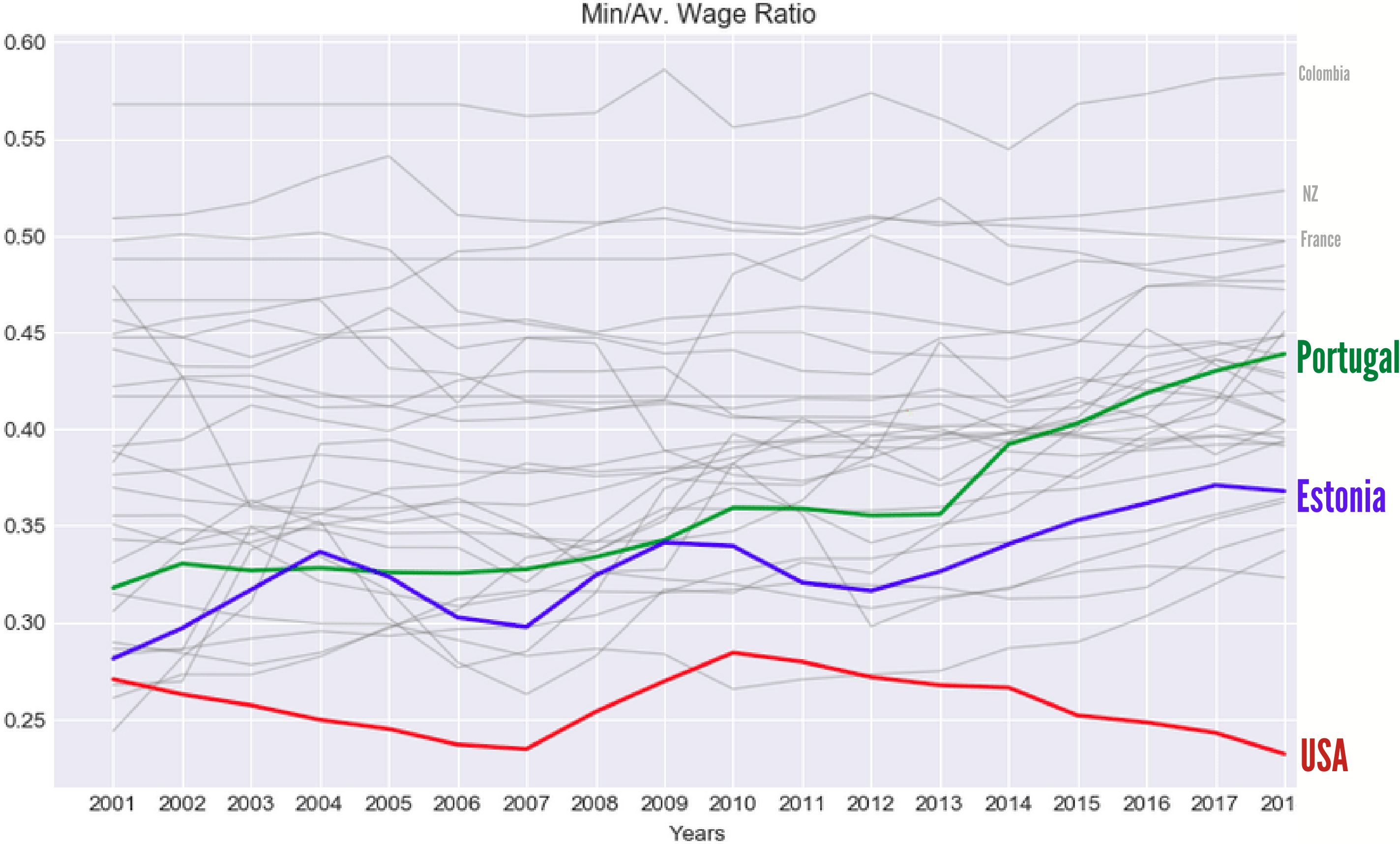
Unemployment

Inequality

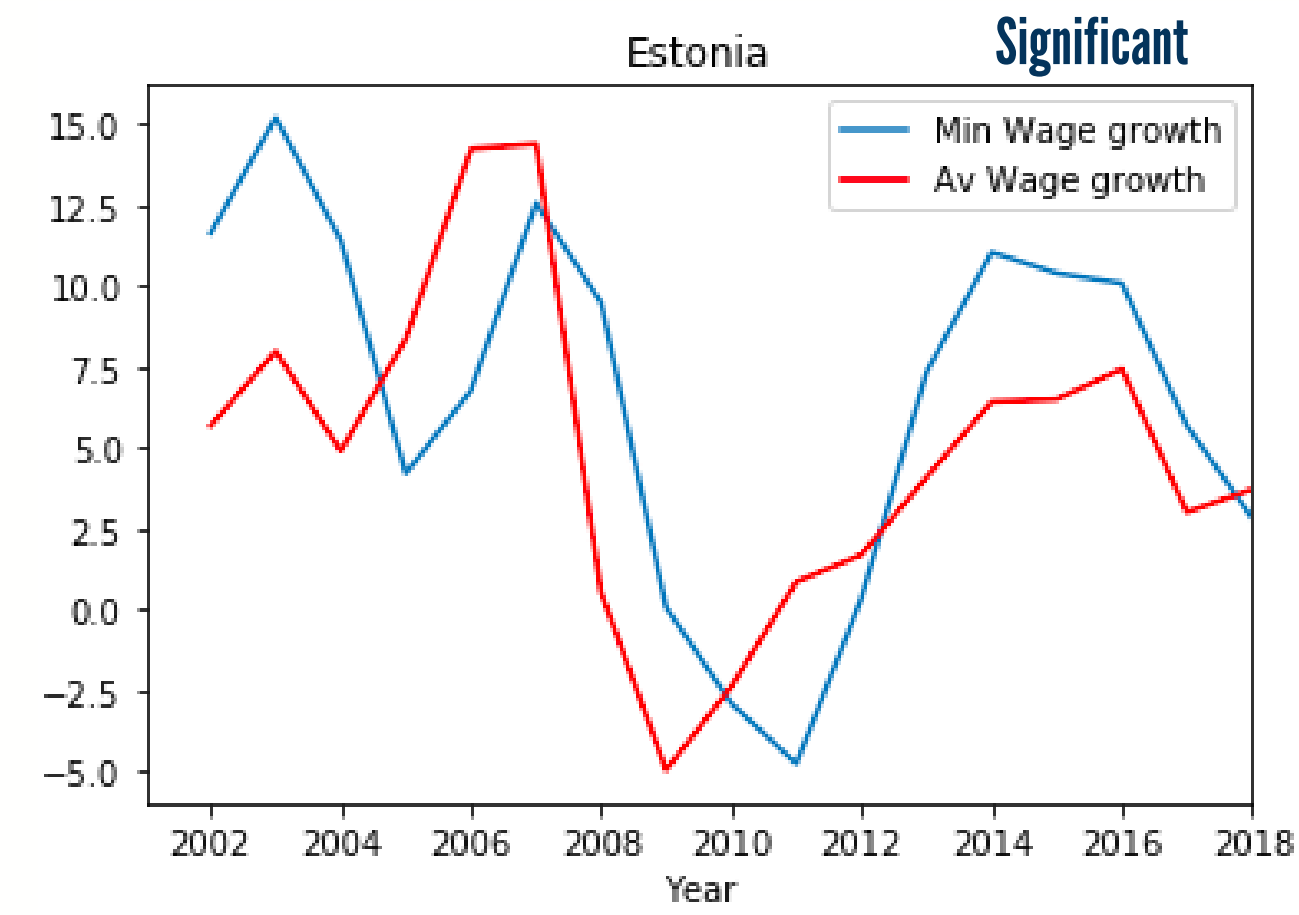
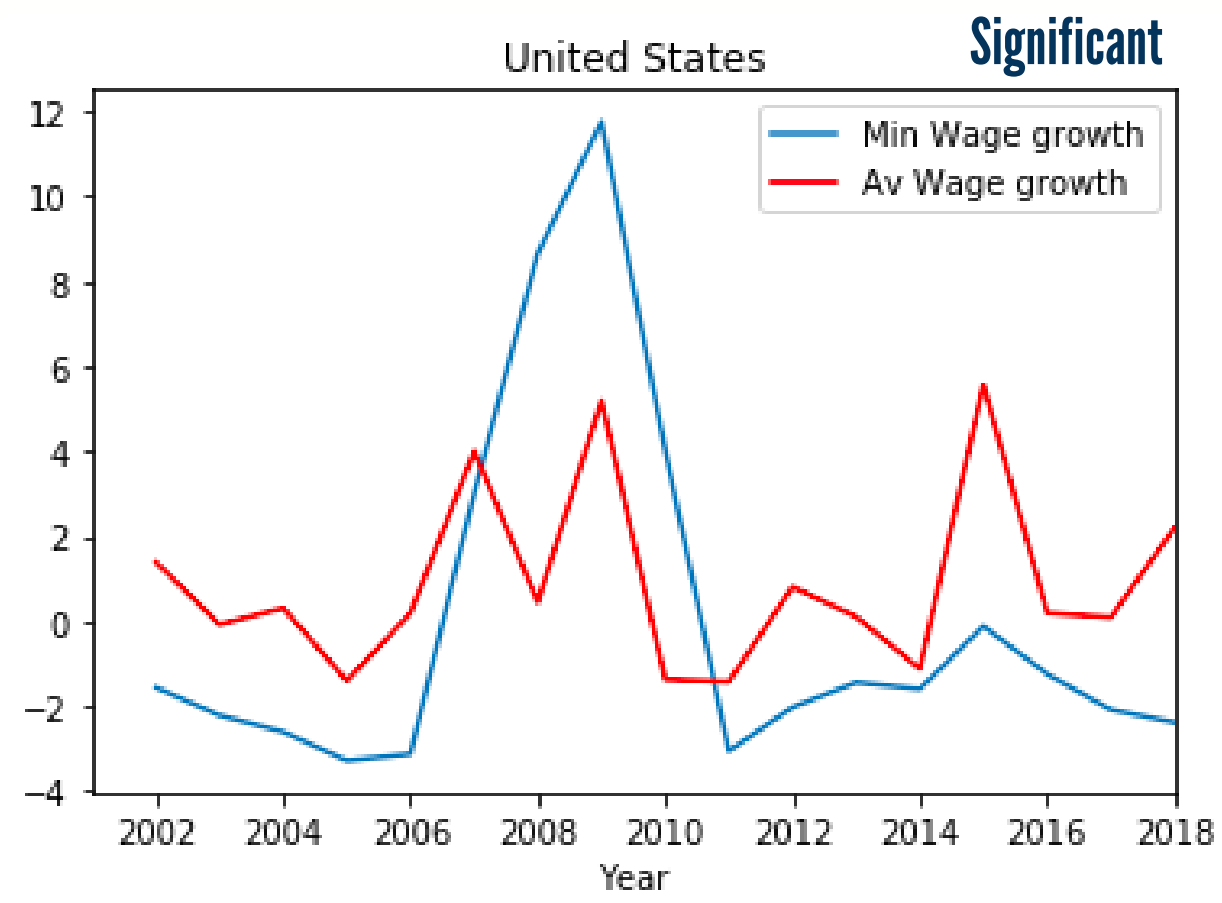
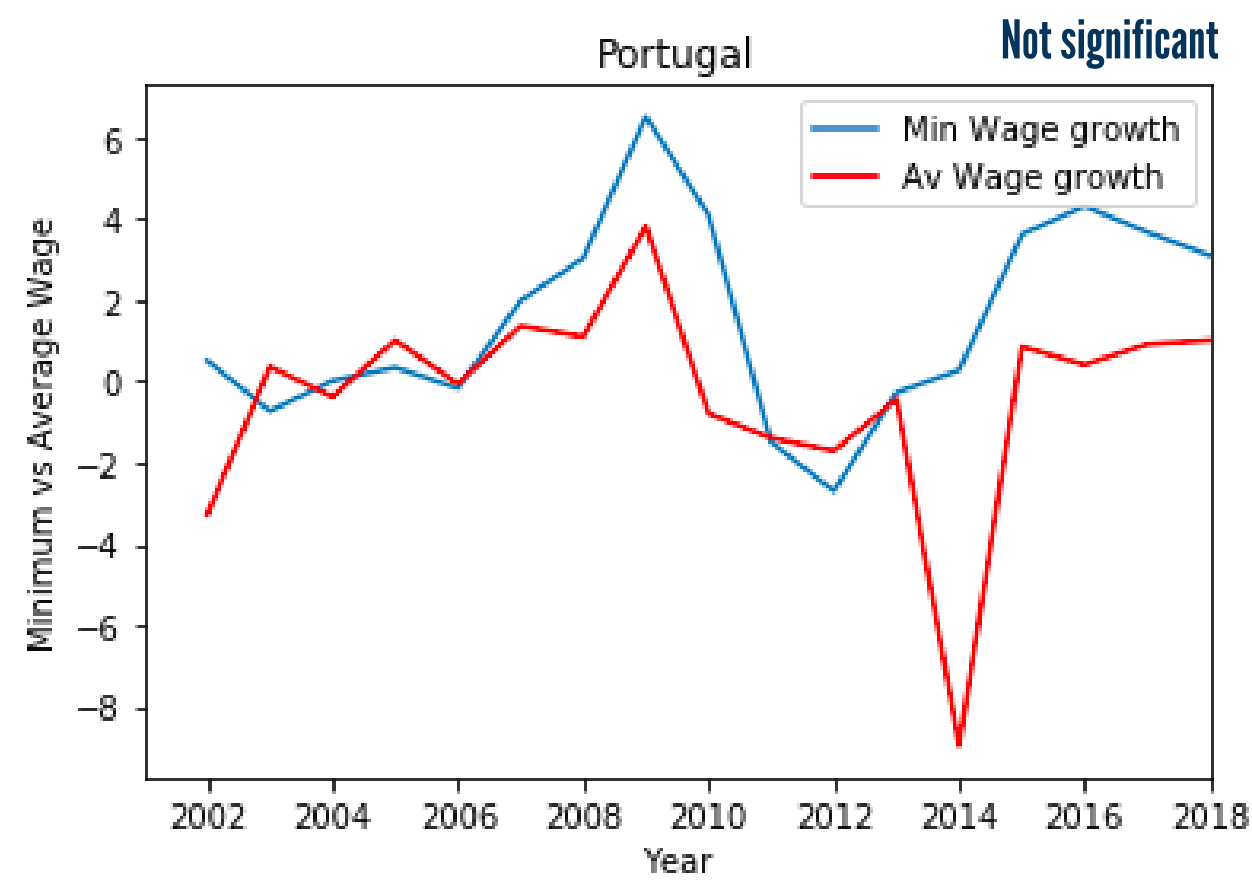
MINIMUM/AVERAGE WAGE

2001 vs 2018

There are **significant** differences between the two periods of time



MIN vs AVERAGE WAGE GROWTH



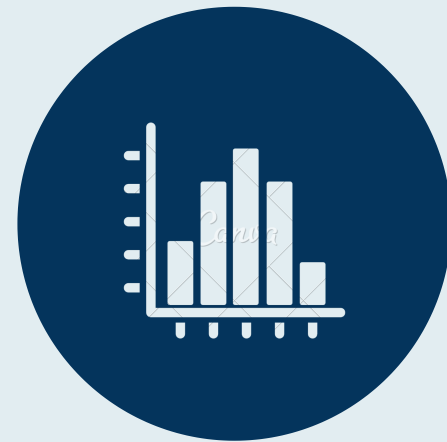
MAIN TAKEAWAYS



Countries **without** established Minimum Wage are better off (GDP per capita & GINI index)



Overall, there is a **significant increase** in Min/Average Wage ratio
Av. Salary seems to be better indicator of the country's growth
Min. Wage a better indicator of inequality



There is **no world-wide magical formula** for Min Wage establishment and decision-making

DIFFICULTIES

- Very few observations for the over time analysis
- Too complex and conceptual topic
- **Causality relationship** - Does min wage impact GDP growth or the other way around?

FURTHER WORK

- Time Series
- Decomposing GINI Index
- Wage differences (e.g. gender pay gap)



lil cough
@_RyanKirk

This quarantine is affecting everyone in the work force, but it especially sucks for men

We're losing \$1 for every \$.79 women are losing

QUESTIONS?



THANKS LUKE!

