

The German minimum wage: effects on job quality and employees' job satisfaction

A major adjustment channel following minimum wage introductions or increases are productivity increases, which are intentionally triggered and supported by changes in management strategies (Riley and Rosazza Bondibene 2015; Hirsch et al. 2015; German Low Pay Commission 2016). However, the effect of this productivity channel on job quality is under-researched. Economic theory offers little guidance; the theory of compensating wage differentials and the high road/low road theory of personnel policy reach opposing conclusions regarding the relationship between minimum wages and job quality. The introduction of the German minimum wage is an interesting example for testing some of these theoretical predictions.

To the best of our knowledge, the only empirical analysis so far is Bossler and Broszeit (2016), who showed significant effects on wage satisfaction and overall work satisfaction using the IAB LPP dataset. We extend this work by using the IAB PASS database which covers the German low-wage sector exceptionally well and enables us to analyze a wider range of objective as well as more subjective questions regarding work quality and satisfaction. Difference-in-difference estimations indicate that workers eligible for the minimum wage reported significantly more motivational management styles, improved work atmosphere, and higher pay and work satisfaction (relative to a control group). Effects on the organization of work seem to have been more limited in the short time frame between the introduction of the minimum wage and the interviews, but they indicate a higher work load. All in all, our results are not easily squared with compensating wage differentials but do lend some support to the high road/low road theory.

References

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