



The Daily Dish

European Minimum Wage Experiments

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Eakinomics: European Minimum Wage Experiments

Greece, where the unemployment rate is 18.5 percent, and Spain, where it is 14.1 percent, are [raising](#) their minimum wages. The proposed increases are hardly mere symbolism; the increase in Greece is 11 percent, while that in Spain is 22 percent (and comes on the heels of increases of 12 percent in the past two years). These aggressive increases may be politically appealing in the face of upcoming elections, but they represent another chance to learn about the [minimum wage versus other ways](#) to raise the wages of low-skilled workers.

To recap the [concerns](#) over raising the minimum wage, the basic insight starts with the fact that mandating a higher wage does not mean that there is any more money. Instead, firms will need to cut the pay (or reduce the raises) of others, reduce hours of some workers, lay off workers or reduce hiring, trim other costs, or raise prices to customers. This raises the fear that the minimum wage will have the counterproductive impact of reducing the employment and hours of precisely the workers it is intended to help.

This is a particular concern in Europe, where youth unemployment rates are quite elevated — 39.5 percent in Greece and 32.6 percent in Spain. It may be that strong demand will counter the isolated impacts of the minimum wage increase, but growth in the Eurozone appears to be slowing.

In any event, the increases will inform the debate in the United States, where there have been calls to more than double the federal minimum wage from \$7.25 to \$15.00 (phased in over a number of years). As a matter of labor market reality, the effective increase would differ by state. Some states are subject only to the federal minimum wage, while others have adopted [state-level minimum wages](#) as high as \$12.00 in 2019. The European labor market response to large minimum wage increases will be important evidence regarding the effect in some parts of the United States.