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**THE DIFFERENTIAL IMPACT OF MINIMUM WAGE REFORMS ON LOW-WAGE EMPLOYMENT:
EVIDENCE FROM THE GREEK LABOR MARKET**

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Abstract

The vast majority of recent literature discusses mainly the employment effects from minimum wage increases; however, decreases may also provide insightful evidence for the labor market. This paper aims to evaluate the employment effects of two reforms on minimum wages in 2012 and 2019 in Greece. The first reform is characterized by the huge reduction of the minimum wage and the introduction of the subminimum wage, while the second reform abolishes the subminimum wage and increases the minimum wage. Through this timeframe, the following research questions can be arranged: Does the imposition of a minimum wage reform affect either the possibility of job loss or the job search difficulty? If yes, is this effect differential when we introduce either an increase or a decrease in the minimum wage? In this respect, the current study focuses on the relative unemployment effects between two groups, a treatment group of females aged 15-44 who attended at most secondary education (a low-wage group) and a control group of males aged 45-64 who completed at least the secondary education (a high-wage group), from a minimum wage cut and increase in 2012 and 2019, respectively in Greece. Thus, by using data from the Hellenic Statistical Authority's Greek Labor Force Survey over the period between 2010 and 2020, we estimate the relative possibility of job loss and job search difficulty between the two groups after the imposition of two minimum wage reforms. By using probit models with a difference-in-difference estimation strategy, a quasi-experimental evaluation shows that a minimum wage cut has different impact on unemployment in relation to that of a minimum wage increase; the former affects positively the relative possibility of job search difficulty among low-wage and high-wage groups, while the latter is associated with a negative impact on the relative possibility of job loss between the same groups. The empirical results either remain unchanged or reinforced when a number of robustness tests are applied either by focusing on very young workers or putting emphasis on the previous year job status.

Keywords: minimum wage; minimum wage reforms; job loss; job search difficulty

JEL Codes: J08, J21, J23
