Wage inequality in Germany after the minimum wage introduction

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We revisit the German wage structure for the period from 2000 to 2017. While wage inequality strongly increased during the first years of this period, it returned to its initial level recently, raising the question of the role of the German minimum wage introduction for this reversal. We identify effects of the minimum wage from difference-in-difference based unconditional quantile regressions applied to the German administrative employment data. The results show significant wage effects of varying magnitudes along the lower half of the wage distribution. Employment dynamics only explain small shares of the wage increase, implying strong wage increases among the existing workforce. Overall, the minimum wage explains about half of the decrease in wage inequality since its introduction in 2015.