The impact of a minimum wage increase on employment and school enrollment: evidence from Turkey

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Purpose of the paper:

- Using micro-level data obtained from TurkStat's Household Budget Surveys, the authors apply a nonlinear difference-in-difference (D-i-D) specification in order to evaluate the impact of the 2004 minimum wage change on teenage employment and enrollment rates.

Comments:

- This is a very worthy question. The minimum wage is a key policy issue and often the topic of lively debates in Turkey. Hence it is important to find natural experiments that allow researchers analyze the likely effects of possible increases of minimum wage.

Introduction:

- The authors need to give some more detail on their identification stragegy in the introduction. Since it was a universal increase in minimum wage across Turkey, we keep wondering how authors use difference-in-difference estimation which requires treatment and control groups. We only start understanding what paper is doing in section 4.

The model:

- The model does not consider how an increase in minimum wage affects employment opportunities: Specifically, the following effects need to be discussed a) income effect, firms may reduce output and thereby decrease number of workers; b) substitution effect: skilled labor becomes relatively cheaper. Firms may substitute skilled labor for unskilled labor. These effects can also be empirically tested.

Identification Strategy: It is hard to distinguish time trends and convergence trends from the impact of minimum wage when treatment and control groups are chosen based on share of teenagers in school. In the treatment group, share of teenagers who are in school is low wheras in the control groupm the share of teenages in school is high. Hence, the treatment group is probably cathcing up with the control group over time. The authors note that the proportion of teenagers who are in school and not in employment in the control group has decreased from around 53% to 51% while the number has increased by around 7 percentage points, from 36% to 43%, in the treatment group. Hence given possible convergence trends treatment group may be cathcing up with control group in enrollment.

Alternative identification strategies:

- The authors may want to consider alternative identification strategies. For example, a person needs to be 15 to work. Hence one could consider a Regression Discontinuity Design approach where the increase in minimum wage may affect drop out rates of 15, 16 year olds but not 13, 14 year olds.

Alternative stories:

- The country experienced an almost doubling in the number of slots in higher education and almost doubling in the number of the universities during 2003-2008. Public universities were opened in cities where there were no universities before. An increase in access to higher education, a decrease in costs of higher education may also increase demand for secondary education and increase school enrollment.

Need for robustness checks:

- There needs to be some robustness checks of results. For example: There are three Nuts2 regions in the control. Do a counterfactuals on these control groups.
- Do counterfactuals on alternative periods as if there was an increase in minimum wage in that period. This also can address my comment on the effect of time trends.

Minor comments:

- There are assertions in the paper without references. For example: “Take, for instance, a teenager in a poor family, who is obliged to work and contribute to the family income in order to support a family investment in housing or to help finance the school expenditure of his/her younger siblings, as it usually is the case in Turkey.”

- Thank you for listening.