

**Comments on Mossaad et al “The
consequences of increased
enforcement of legal minimum wages
in a developing country”**

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Contributions of Paper

- **Complements the minimum wage literature by focusing on enforcement impacts**
- **Very policy-relevant, as this is a main tool by which governments attempt to impact labor markets and welfare—particularly in LAC**
- **Particularly interest in the evidence that suggests (i) few direct disemployment effects (although firms may adjust future hiring also), and (ii) evidence that enforcement is actually producing a formalization of employees.**
- **Impact on firm-level outcomes, which would be also very policy-relevant, would require looking at establishment-level data.**

- **What are we estimating?** The plan includes interventions in both a government campaign (untargeted treatment) and changes in the enforcement scheme (specific “beneficiaries”).
- **Model would be useful to explain auditing paradox:** very few inspections, and no teeth in imposing fines, but seems effective.
- **Bandwidth.** Tight bw produces smaller and less robust results. Due to negative relationship between change in wages and wage levels?
- **Explain formality decision.** Results show a big “formalization” decision. Explain legal/bureaucratic mechanisms.
- **What's up with skilled workers?** Drive results. Different MW for different academic degrees?

Extensions

- **Try to model the firm's decision, so that you can have a better interpretation of parameter estimates.**
- **Try to differentiate between direct enforcement and the more indirect channels you have (perhaps exploit different probabilities of enforcement due to distance/presence of the state).**
- **Look at firm-level outcomes.**
- **Look at longer-term hiring.**
- **Look more carefully at the differences in MW across occupation and schooling levels. In particular, secondary is the only impact in your results, and you have no explanation for that.**