

Minimum Wages in Colombia: Holding the Middle with a Bite on the Poor

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This paper exploits the long history of the minimum wage in a relatively stable developing economy like Colombia in order to see whether it may alleviate the living conditions of low income families and reduce income inequality. The paper does not only explore how the minimum wage may serve this purposes but also how it may distort market outcomes to do so. We found significant negative minimum wage effects on both the likelihood of being employed and hours worked for all family members, being it stronger for women, and the young and less educated people. We also found a positive effect on non-head participation especially in families with low human capital. But, more important, we found evidence that the minimum wage ends up being regressive, improving the living conditions of families in the middle and the upper part of the income distribution with net losses for those at the bottom.