

## **Minimum Wage Policy and Employment Effects: Evidence from Brazil**

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The international literature on minimum wages greatly lacks empirical evidence for Latin America. In Brazil, not only are minimum wage increases large and frequent, but they also have been used as both a social policy and an anti-inflationary policy. This paper estimates the effects of the minimum wage on wages and employment using panel data techniques and Brazilian monthly household data from 1982 to 2000. A number of conceptual and identification questions are discussed. For example, the paper summarizes various strategies on how best to measure the effect of a constant (national) minimum wage, presenting a menu of minimum wage variables that are then used to estimate wage and employment effects. The paper also uses an employment decomposition that separately estimates the effect of the minimum wage on hours per worker and on the number of jobs. Robust results indicate that an increase in the minimum wage strongly compresses the wages distribution with small adverse effects on employment.

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