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# Estimating a Structural Equilibrium Job Search Model to Evaluate the Introduction of a Uniform Minimum Wage in Germany

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## Abstract

In this study, we estimate an econometric structural equilibrium search model to ex-ante simulate the introduction of a uniform minimum wage in the German labour market. We use the model to gain a better understanding about the magnitude of search frictions and, thus, the extent of employers market power in the German low-wage sector. To accommodate a wide range of employment responses, we estimate the model by Bontemps et al. (1999), which allows for negative, zero or positive employment effects. We take the model to large-scale administrative German data, and validate our estimations by comparing our predictions to the results from quasi-experimental studies on the introduction and changes in sectoral minimum wages. We then use the model to conduct a variety of policy simulations, including the systematic variation of general minimum wages over a large range of values.

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