

Transfers, minimum wages, and the low income labour market

1st and 2nd July 2026

Venue: Institute for Fiscal Studies, 2 Marylebone Road, London, NW1 4DF

Abstracts are listed on the third and subsequent pages

1st July

13:45-14:00 **Registration**

14:00-14:15 **Welcome**

14:15-15:45 **Minimum wages**

Attila Lindner – “Are We There Yet? The Search for a Turning Point in the Effect of Minimum Wage on Jobs”

Steve Machin – “Government Contracting and Living Wages > Minimum Wages”

15:45-16:15 **Coffee break**

16:15-17:30 **Optimal redistribution**

Emanuel Hansen – “Designing redistribution with endogenous transfer take-up”

Lilly Fischer – “Political parties, reform proposals, and revealed redistributive preferences”

Followed by dinner for speakers & ORA team members

2nd July

9:00-10:30 **Labour supply and incidence I**

Antoine Bozio – “Do In-Work Benefits Always Increase Employment?”

Hervé Darricau – “Incidence of In-Work Benefits: Evidence from France”

10:30-11:00 **Coffee break**

11:00-12:30 **Labour supply and incidence II**

Lisa Windsteiger – “When (Declaring) Work Doesn't Pay: An Experiment with Welfare Recipients”

Giulia Giupponi – “When Income Effects are Large: Labor Supply Responses and the Value of Social Insurance Benefits”

12:30-13:30 Lunch

13:30-15:00 Job search and matching

Gordon Dahl – “Job Mismatch and Early Career Success”

Amelie Schiprowski – “Reducing Mandatory Job Applications in Unemployment Insurance”

15:00-15:30 Coffee

15:30-17:00 Transfers and household responses

Tom Wernham – “The effect of transfers on children's early education and health outcomes”

Tom Waters – “Marginal Propensities to Consume in and out of Work: Evidence from the Timing of Income Support”

Abstracts

Attila Lindner – “Are We There Yet? The Search for a Turning Point in the Effect of Minimum Wage on Jobs”

At what point do higher wage floors begin to reduce employment? Imperfect competition on the labor market suggests the presence of a turning point: employment may rise or remain unchanged at low levels of the wage floor but declines once it becomes sufficiently high. We investigate the empirical relevance of this prediction using a comprehensive sample of 60 U.S. state-level minimum wage increases between 1980 and 2019. Exploiting variation across seven measures of minimum wage bite--- including the Kaitz index, real minimum wage levels, and the workforce share below the new minimum---we test for heterogeneous employment effects consistent with a turning point. Across specifications, we find no evidence that existing policy changes have reached such a threshold. Even among the most binding increases, where the minimum wage ranges from 55 to 60 percent of the median wage, estimated employment effects remain positive, with an elasticity of \$0.32\$ (s.e. \$0.15\$). To interpret these findings, we calibrate a model of monopsonistic competition in labor markets and use it to quantify the location of the turning point. The model implies a threshold Kaitz index of approximately 0.62-0.72, suggesting that historical U.S. minimum wage policies have operated below the range where negative employment effects are predicted to emerge.

Steve Machin – “Government Contracting and Living Wages > Minimum Wage”

This paper studies an increasingly common clause in government contracts: living wages set considerably higher than mandated minimum wages. When a local government becomes a living wage employer, firms with procurement contracts must pay workers the living wage. This variation is studied for a service sector company with many establishments across the UK. Living wage imposition induced labour-labour substitution in favour of low-wage workers vis-à-vis supervisors as well as a coarsening of the within-establishment pay structure. The results are consistent with a monopsonistic labour market coupled with a low elasticity of substitution between worker types.

Emanuel Hansen – “Designing redistribution with endogenous transfer take-up”

The existing literature on optimal income taxation ignores that, across the world, redistribution towards the poor mainly happens via welfare transfers with take-up rates that are endogenous and far below 100%. This paper provides the first comprehensive analysis of tax-transfer systems that are composed of mandatory income taxes and optional transfer programs. We develop a theoretical model that (a) allows for heterogeneity in labor productivity and take-up costs and (b) accounts for behavioral responses at the take-up margin as well as the intensive and extensive margin of labor

supply. We use this model to derive empirically applicable formulas that specify (i) conditions for the existence of Pareto-improving reforms of taxes, transfers, or both, (ii) the inverse optimum weights of transfer recipients and non-recipients that would make an observed safety net optimal, and (iii) the optimal base transfer to non-working recipients as well as optimal tax rates and transfer phase-out rates. We apply these formulas to investigate the German and Swedish tax-transfer system and find that both countries' safety nets are inefficient: There exist transfer reforms that would allow to make all recipients better off while generating a net surplus for the government.

Lilly Fischer – “Political parties, reform proposals, and revealed redistributive preferences”

This paper provides a systematic analysis of political parties' proposals to reform the German tax-transfer system. We cover all 242 proposals by Germany's five largest parties in federal election campaigns between 2005 and 2025, and simulate their direct and indirect effects on net government revenue. In a first step, we investigate how these proposals differ in terms of beneficiaries and cost-effectiveness as measured by the Marginal Value of Public Funds (MVPF). We then exploit this information to elicit the parties' revealed preferences for redistribution. We find that, first, all parties propose similarly cost-effective reforms with MVPFs between 0.5 and 1.5, but differ in terms of reform types, directions, and beneficiaries. Second, the policy proposals of all parties reveal some preferences for redistribution from the rich to the poor, but the strength of these preferences differ systematically. Third, the redistributive preferences of moderate parties converge over time, consistent with platform adjustments in response to a growing pressure by populist challengers.

Antoine Bozio – “Do In-Work Benefits Always Increase Employment?”

This paper exploits a recent reform of the French in-work benefit program to assess its impact on employment. Despite a very salient reform which prompted increased take-up, we fail to detect employment effects. We apply a difference-in-differences approach to a newly available administrative data merging employer-employee data with social benefits registry and unemployment insurance registry. We discuss reasons for this lack of extensive margin, notably the fact that the reform increased in-work benefits for earnings above full-time equivalent of the minimum wage.

Hervé Darricau – “Incidence of In-Work Benefits: Evidence from France”

This paper examines the incidence of transfers on workers' wages. Exploiting a recent reform of the French in-work benefit program, we compare wage trajectories across firms with varying exposure to the policy. Using newly linked administrative data identifying both transfer recipients and their employers, we measure firm-level exposure as the pre-reform share of workers receiving the transfer. Despite a substantial increase in total transfer receipt for highly exposed firms—equivalent to a 1% increase

in the wage bill—we find small and statistically insignificant wage reductions. Even among low-skilled occupations, who are more likely to be exposed to the transfer, we detect no downward wage adjustments. Our estimates imply a pass-through to firms that is close to zero, suggesting that the full value of the transfer accrues to workers. These findings contrast with prior evidence about in-work transfers' incidence and highlight the role of policy design in shaping economic incidence. We argue that the full pass-through to workers in our setting could be driven by statutory incidence effects and by the complexity of the program -- which limits employers' ability to observe workers' eligibility.

Lisa Windsteiger – “When (Declaring) Work Doesn't Pay: An Experiment with Welfare Recipients”

We study how marginal effective tax rates of means-tested social welfare programs affect labor supply in the formal and informal sector. In a conjoint experiment, German welfare recipients report which jobs they might accept under different policy scenarios, varied in a between-subjects treatment design. We find that high transfer withdrawal rates negatively affect labor supply in the formal sector and thus increase the relative attractiveness of informal work. These results provide novel evidence on the adverse implications of high transfer withdrawal rates and highlight the need for reform initiatives aimed at increasing labor supply incentives.

Giulia Giupponi – “When Income Effects are Large: Labor Supply Responses and the Value of Social Insurance Benefits”

I estimate the long-run income effect of social insurance benefits on individual labor supply. Using Italian administrative data on the universe of survivor insurance recipients, I implement a regression discontinuity design around a change in survivor insurance generosity based on the spouse's death date. I find that survivors largely offset the benefit loss with increases in labor supply. Labor force participation and program substitution are the main margins of adjustment. The large participation response to survivor benefit cuts suggests that the value of additional income in the widowhood state is high.

Gordon Dahl – “Job Mismatch and Early Career Success”

How does being over- or underqualified at the beginning of a worker's career affect skill acquisition, retention, and promotion? Despite the importance of mismatch for the labor market, self-selection into jobs has made estimating these effects difficult. We overcome endogeneity concerns in the context of the US Air Force, which allocates new enlistees to over 130 different jobs based, in part, on test scores. Using these test scores, we create simulated job assignments based on factors outside of an individual's control: the available slots in upcoming training programs and the quality of other recruits entering at the same time. These factors create quasi-random variation in job

assignment and hence how cognitively demanding an individual's job is relative to their own cognitive ability. We find that being overqualified causes higher attrition, both during technical training and afterward when individuals are working in their assigned jobs. It also results in more behavioral problems, worse performance evaluations, and lower scores on general knowledge tests about the military. On the other hand, job-specific test scores rise both during technical training and while on the job, and promotion is more likely. Combined, these patterns suggest that overqualified individuals are less motivated, but still surpass others in the same job. Underqualification results in a polar opposite set of findings, suggesting these individuals are motivated to put forth more effort, but still struggle to compete when judged relative to others. Consistent with differential incentives, individuals who are overqualified are in jobs which are less valuable in terms of future outside earnings potential, while the reverse is true for those who are underqualified.

Amelie Schiprowski – “Reducing Mandatory Job Applications in Unemployment Insurance”

In this paper, we estimate the effects of a large-scale reduction in job applications by unemployment benefit recipients. We exploit a policy experiment in Switzerland, where a subset of public employment services significantly reduced the number of required applications and the use of vacancy referrals. Based on detailed administrative data and difference-in-differences designs, we find that the policy change led to an increase of about 6% in the average duration of unemployment spells. Exploiting additional variation in caseworkers' pre-reform usage of vacancy referrals, we find that the reduction in application quantity (search requirement) and the increase in selectivity (vacancy referrals) each account for approximately half of the overall effect. The estimates suggest an elasticity of job finding to applications of approximately 0.13. Finally, the policy change led to an average 2% increase in reemployment earnings, primarily driven by the reduced use of vacancy referrals. The findings suggest that policies restricting individuals' job search selectivity involve significant trade-offs between unemployment duration and reemployment earnings.

Tom Wernham – “The effect of transfers on children's early education and health outcomes”

While income is strongly correlated with children's educational and health outcomes, existing evidence on the causal impact of income is more limited and mixed. This paper examines a large reduction in the generosity of universal credit, the primary means-tested benefit in the UK for low income families with children, based on a sharp date-of-birth cut-off. Using a regression discontinuity design, the paper finds that there was no substantial effect of the policy on children's early education or health outcomes.

Tom Waters – “Marginal Propensities to Consume in and out of Work: Evidence from the Timing of Income Support”

This paper studies marginal propensities to consume (MPCs) in- and out-of-work, and uses them to quantify the value of insurance provided by the benefit system. To do this, we focus on recipients of the UK's 'Universal Credit', a benefit payment made to both the unemployed and low-income workers. We exploit quasi-random variation in how long claimants wait for their payments to adjust upwards, following a job loss, or downwards, following re-employment. By combining this with transaction-level bank data we measure state-specific MPCs and use these to bound the value of unemployment insurance. Finally, we examine whether longer wait times for higher payments in unemployment affect labour supply decisions.