The Impact of the Minimum Wage on Wages and Work in Cyprus

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Abstract
In this study an individual-level data set is used to study the impact of the official minimum wage on a host of labour market outcomes in Cyprus, where the legislative coverage is limited to only a few occupations. In the remaining occupations bipartite collective bargaining is not subject to an institutional minimum. The evidence indicates that minimum wage affects workers in both the covered and the uncovered occupations, especially those workers whose earnings are close to the legal minimum wage. This result suggests that negotiations between the trade unions and the employers’ organisations are affected (even if they are not legally bound) by the national minimum wage. The reason is that it constitutes a shadow minimum wage in occupations that are not covered by the minimum wage legislation.

Keywords: minimum wage, covered and uncovered workers, spill-over effects.

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