

Happy Birthday, You're Fired! The Effects of an Age-Dependent Minimum Wage on Youth Employment Flows in the Netherlands

Jan Kabatek

Melbourne Institute of Applied Economics and Social Research

Abstract: The Dutch minimum wage for workers aged 15-23 is defined as a step-wise increasing function of a worker's calendar age. This motivates firms to discriminate against employees on the basis of their age, substituting more expensive older workers with younger ones. Using Dutch administrative records I provide evidence of these practices, showing that the job separations increase in the three months closest to youth workers' birthdays. For minimum wage workers, this translates into a 5% increase in the probability of job separation. The age-discrimination is found to be stronger among younger workers, and workers in sectors which offer jobs with low skill requirements.