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Economic, Employment, and Health Effects of Increasing the Minimum Wage

Decades of research on the federal, state, and local level have concluded that increases in the minimum wage:

Has little to no effect on employment

- One large study, often considered the gold standard in research methodology, compared the effects on jobs in 288 pairs of neighboring counties, where one county had a higher minimum wage between 1990 and 2006. It found that having a higher minimum wage did not result in a loss of jobs.¹
- A meta-study of 64 minimum-wage studies published between 1972 and 2007 found that given the relatively small cost to employers of modest increases in the minimum wage, these adjustment mechanisms appear to be more than sufficient to avoid employment losses, even for employers with a large share of low-wage workers.²
- Another meta-study reviewed studies examining the impact of minimum wage increases since 2000 and determined that there is little or no evidence of significant job loss from modest increases in the minimum wage.³
- A 2018 study examined the effects of high local minimum wages on the restaurant industry in six cities: Chicago, District of Columbia, Oakland, San Francisco, San Jose and Seattle. It found positive effects on earnings and did not detect significant negative employment effects in any of the individual cities, or when pooling them together. The results are consistent with the consensus of estimates in previous studies of restaurant workers.⁴
- A review of 200+ articles on the minimum wage finds most estimates of the elasticity of employment/hours with respect to the minimum wage are either statistically nonsignificant or are too small in magnitude to be economically meaningful.⁵
- One of the first studies on the economic effects of a citywide minimum wage (San Francisco's) found that the policy increased worker pay and compressed wage inequality, but did not create any detectable employment loss among affected restaurants. The authors also found smaller

¹ Arindrajit Dube, T. William Lester, and Michael Reich, 2019. Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties. *The Review of Economics and Statistics* 2010 92:4, 945-964

² Doucouliagos, H., & Stanley, T. D. (2009). Publication selection bias in minimum-wage research? A meta-regression analysis. *British Journal of Industrial Relations*, 47(2), 406-428.

³ Schmitt, J. (2013). Why does the minimum wage have no discernible effect on employment. Center for Economic and Policy Research, 22, 1-28.

⁴ Allegretto, S., Godoey, A., Nadler, C., & Reich, M. (2018). The New Wave of Local Minimum Wage Policies: Evidence from Six Cities. CWED Policy Report.

⁵ Belman, D., & Wolfson, P. J. (2014). What does the minimum wage do?. WE Upjohn Institute.

amounts of measurement error than earlier studies, therefor refuting previous negative employment estimates.⁶

Gives a boost to workers

- A 2018 study that examined the effects of high local minimum wages on the restaurant industry in six cities: Chicago, District of Columbia, Oakland, San Francisco, San Jose and Seattle concluded that the low wage community gained on net from these policies.⁷
- A 2014 study examining the impacts that local minimum wage laws have on workers, families and businesses found that minimum wage laws consistently raise pay for workers at the bottom rungs of the labor market. These increases include both directly affected workers (those earning between the old and the new minimum wage) as well as those indirectly affected (those earning above, but near, the new minimum wage). Also, raising the minimum wage pushes up the wage floor relative to the median wage, thereby reducing pay inequality. It also found that the affected workers are largely adults and disproportionately women and people of color. Lastly, new research on the effect of minimum wage increases documents important reductions in family poverty rates and enrollments in public assistance programs, such as food stamps.⁸
- A review of 200+ articles on the minimum wage found that the effect of the minimum wage is far stronger for women than for men.⁹

Stimulates the local economy

- An article published in a Federal Reserve Bank of Chicago publication finds that a federal minimum wage hike would boost the real income and spending of minimum wage households and lead to an increase in aggregate household spending.¹⁰
- A 2011 study by the Chicago Federal Reserve Bank finds that minimum wage increases raise incomes and increase consumer spending. The study concluded that every dollar increase for a minimum wage worker results in \$2,800 in new consumer spending by his or her household over the following year.¹¹
- A 2014 study examining the impacts of local minimum wage laws on workers, families and businesses states that low-wage workers and their families are likely to spend a significant portion of their increased earnings.¹²

⁶ Dube, A., Naidu, S., & Reich, M. (2007). The Economic Effects of a Citywide Minimum Wage. *ILR Review*, 60(4)

⁷ Allegretto, S., Godoey, A., Nadler, C., & Reich, M. (2018). The New Wave of Local Minimum Wage Policies: Evidence from Six Cities. CWED Policy Report.

⁸ Reich, Michael, Jacobs, K., & Bernhardt, A. (2014). Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. UC Berkeley: Institute for Research on Labor and Employment.

⁹ Belman, D., & Wolfson, P. J. (2014). What does the minimum wage do?. WE Upjohn Institute

¹⁰ Aaronson, D., & French, E. (2013). How does a federal minimum wage hike affect aggregate household spending?. *Chicago Fed Letter*, (313), 1

¹¹ Aaronson, D., Agarwal, S., & French, E. (2012). The spending and debt response to minimum wage hikes. *American Economic Review*, 102(7), 3111-39.

¹² Reich, Michael, Jacobs, K., & Bernhardt, A. (2014). Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. UC Berkeley: Institute for Research on Labor and Employment.

Reduces turnover and recruitment costs and improves worker productivity for businesses

- 2012 research published by the Center for American Progress documents that the cost of employee turnover for businesses is high, regardless of the level of wages being paid to the departing or incoming employees. Companies typically pay about one-fifth of an employee's salary to replace that employee.¹³
- Research compiled by the Council of Economic Advisors states that an increase in the minimum wage has been linked to increased worker productivity, reduction of turnover and absenteeism, and savings on recruiting and training costs.¹⁴
- A 2014 study examining the impacts of local minimum wage laws on workers, families, and businesses found that increases in the minimum wage reduce employee turnover, translating into a reduction in direct costs (recruitment, selection, and training of new workers) and a reduction in indirect costs (lost sales, lower quality service, and lost productivity as the new workers learn on the job).¹⁵
- Some studies have also identified improved morale, improved work performance, and reductions in absenteeism. It also found that in most other low wage industries, price increases are not detectible.¹⁶

Improves public health outcomes

- A 2019 study published in the American Journal of Preventive Medicine examined the relationship between suicide rates and minimum wage rates in all 50 U.S. states from 2006 to 2016. It found that a one-dollar increase in the real minimum wage was associated on average with a 1.9% decrease in the annual state suicide rate in adjusted analyses. An annual decrease of 1.9% in the suicide rate during the study period would have resulted in roughly 8,000 fewer deaths by suicide.¹⁷
- A 2011 study published in the American Journal of Public Health examined whether minimum wage policy is associated with access to medical care among low-skilled workers in the United States. It found that higher state-level minimum wage rates were associated with significantly reduced odds of reporting unmet medical need. Workers had more money and time to address their medical needs.¹⁸

¹³ Boushey, H., & Glynn, S. J. (2012). There are significant business costs to replacing employees. Washington, DC: Center for American Progress.

¹⁴ The White House Council of Economic Advisors, 2014. The Economic Case for Raising the Minimum Wage

¹⁵ Reich, Michael, Jacobs, K., & Bernhardt, A. (2014). Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. UC Berkeley: Institute for Research on Labor and Employment.

¹⁶ Reich, Michael, Jacobs, K., & Bernhardt, A. (2014). Local Minimum Wage Laws: Impacts on Workers, Families and Businesses. UC Berkeley: Institute for Research on Labor and Employment.

¹⁷ Gertner, Alex K. et al., 2019. Association Between State Minimum Wages and Suicide Rates in the U.S. American Journal of Preventive Medicine, Volume 56, Issue 5, 648 - 654

¹⁸ Kelly P. McCarrier, Frederick J. Zimmerman, James D. Ralston, and Diane P. Martin, 2011: Associations Between Minimum Wage Policy and Access to Health Care: Evidence From the Behavioral Risk Factor Surveillance System, 1996–2007 American Journal of Public Health 101, 359_367.

- A 2017 study published in the Children and Youth Services Review found that increasing the minimum wage leads to fewer child maltreatment reports, especially for neglect among young and school-aged children.¹⁹
- A 2016 study investigated the effects of state minimum wage laws on low birth weight and infant mortality in the United States and found that a dollar increase in the minimum wage above the federal level was associated with a 1% to 2% decrease in low birth weight births and a 4% decrease in postneonatal mortality.²⁰
- A 2017 study published in the American Journal of Public Health investigated the effect of minimum wage laws on adolescent birth rates in the United States and found that a \$1 increase in minimum wage reduces teen birth rates by about 2%.²¹
- A 2016 study published in the American Journal of Public Health examined if potential reductions in premature mortality could have been achieved between 2008 to 2012 if the minimum wage had been \$15 per hour in New York City and found a \$15 minimum wage could have averted 2800 to 5500 premature deaths between 2008 and 2012 in New York City, representing 4% to 8% of total premature deaths in that period. Most of these avertable deaths would be realized in lower-income communities, in which residents are predominantly people of color.²²

¹⁹ Kerri M. Raissiana, Lindsey Rose Bullinger, 2017. Money matters: Does the minimum wage affect child maltreatment rates? Children and Youth Services Review. Volume 72, January 2017, Pages 60-70

²⁰ Kelli A. Komro, Melvin D. Livingston, Sara Markowitz, and Alexander C. Wagenaar, 2016: The Effect of an Increased Minimum Wage on Infant Mortality and Birth Weight American Journal of Public Health 106, 1514_1516,

²¹ Lindsey Rose Bullinger, 2017: The Effect of Minimum Wages on Adolescent Fertility: A Nationwide Analysis American Journal of Public Health 107, 447_452.

²² Tsu-Yu Tsao, Kevin J. Konty, Gretchen Van Wye, Oxiris Barbot, James L. Hadler, Natalia Linos, and Mary T. Bassett, 2016: Estimating Potential Reductions in Premature Mortality in New York City From Raising the Minimum Wage to \$15 American Journal of Public Health 106, 1036_1041,