



Insight

What the Weight of Minimum Wage Research Really Shows

BEN GITIS | FEBRUARY 13, 2014

“The weight of the evidence shows that increases in the minimum wage have lifted pay without hurting employment.” -The New York Times Editorial Board^[1]

Yesterday President Obama signed an executive order to raise the minimum wage for new federal contracts and continued to press Congress to raise the federal minimum wage for all U.S. workers. Throughout recent minimum wage debates, advocates often cite that the “weight of evidence” demonstrates increases in the minimum wage have no effect on employment. While some legitimate studies do support this point, it is important to recognize that the real “weight” of academic literature does not agree.

When evaluating the impact of the minimum wage, it is necessary to ask the right question. For instance, evaluating the effect of minimum wage on total employment levels would generally yield irrelevant results because only [1.6 percent of all wage and salary workers](#) earn at or below the federal minimum wage. Instead, it is important to examine the populations that minimum wage hikes are likely to affect. This includes young, low-skilled workers, the exact population policymakers are trying to help by increasing the minimum wage.

Over half a century of research agrees that minimum wage increases tend to reduce employment among this population. In 1981, the Minimum Wage Study Commission, a commission Congress created to closely examine the benefits and consequences of the federal minimum wage, published a comprehensive review of academic research from 1959 to the early 1980s.^[2] The commission concluded, “time-series studies typically find that a 10 percent increase in the minimum wage reduces teenage employment by one to three percent.”^[3]

Advocates also claim that evidence against increasing the minimum wage is “outdated.”

However, jump forward to today and that claim simply isn't true. In their 2008 book, David Neumark and William Wascher performed a comprehensive review of over 100 minimum wage studies published since the early 1990s. Although the papers they reviewed have a wide range of estimates, the authors find that almost two-thirds indicate that increasing the minimum wage negatively effects employment, especially among low-skill workers. Meanwhile, less than 8 percent of the studies found that raising the minimum wage boosts employment. The authors take their review a step further by evaluating the strategies used in each paper and highlight the research with the most credible empirical methods. Among the studies with the most credible evidence, 85 percent indicate that minimum wage hikes reduce employment.[4]

So, what existing research does support increasing the minimum wage? Minimum wage advocates often cite work from the 1990s by David Card and Alan Krueger and more recent research led by Arin Dube. Their work tends to find that increasing the minimum wage does not affect employment. While this line of research is legitimate and forces economists to think differently about the issue, the results are clearly not representative of most minimum wage research and are arguably in the minority.

Meanwhile new research from a variety of sources continues to indicate that raising the minimum wage would limit employment and do little to alleviate poverty. While there is ongoing controversy regarding the impact of minimum wage on the level of employment, new research by Meer and West (2013) finds that raising minimum wage reduces hiring. In particular, they find that a 10 percent increase in the real minimum wage is associated with a 0.53 percentage point decrease in the net job growth rate.[5] In addition, recent research by the American Action Forum found that only 17.7 percent of those who actually earn at or below the \$10.10 proposed new minimum wage are actually in poverty.[6]

It is irresponsible to hold up work by Card, Krueger, and Dube as the "best" minimum wage research when over half a century of evidence disagrees with them. By disregarding the true "weight of evidence," those in favor of raising the minimum wage are ignoring legitimate concerns about a policy that could hurt the low skilled population it intends to help.

[1] Editorial Board, "The Case for a Higher Minimum Wage," *The New York Times*, (February 8, 2014), available at http://www.nytimes.com/2014/02/09/opinion/sunday/the-case-for-a-higher-minimum-wage.html?_r=0