



The Daily Dish

Recent Minimum Wage Hikes

DOUGLAS HOLTZ-EAKIN | FEBRUARY 11, 2020

Eakinomics: Recent Minimum Wage Hikes

As Eakinomics noted [recently](#), there is a concerted effort to make sure that the administration gets no credit for improved economic performance. One part of that effort has been to argue that rising wages are not due to a stronger labor market but are instead the direct result of recent state-level increases in the minimum wage. Looking at differences between the 27 states that raised their minimum wage over the period 2014-2018 and the remainder that did not, AAF's Isabel Soto and I [examine](#) the impacts on wages and employment. Three major points fall out of the data.

First, there is some truth to claim that wages are rising because of the minimum wage hikes. If you look at the 10th percentile, the minimum wage appears to push up earnings growth by about 8 percentage points in those states that raised the minimum wage. This impact falls off quickly, however, as the impact is under 1 percentage point (0.7 percentage points) at the 25th percentile.

Second, it is an exaggeration to state that all wage growth is driven by raising the minimum wage. Wages rose across the distribution – from the 10th percentile to the 90th percentile – in both states that raised the minimum wage and states that did not. Indeed, it appears that wage growth is a bit stronger in states that raised their minimum wages; perhaps that is why they felt safe to do so.

Third, there is some risk in raising the minimum wage because, sure enough, it puts low-skill jobs at risk. Specifically, our analysis uses the retail sector and the leisure and hospitality sector as a proxy for low-skill, low-experience jobs. Raising the minimum wage inhibits job growth in the sectors, as growth was 0.5 percent less in those states that did raise the minimum wage than in those that did not.

It's pretty simple. A strong labor market is good for everyone. A higher minimum wage is good for the lucky ones that get or keep a job. And a higher minimum wage is not good news for those with the least skills.