

Economists' new research shows positive effects of minimum-wage increases

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(PhysOrg.com) -- As various states consider minimum wage increases, and with Democratic Presidential nominee Barack Obama proposing that the minimum wage be increased and indexed to adjust for cost-of-living increases, researchers at the University of California, Berkeley's Institute for Research on Labor and Employment (IRLE) have found that such increases do benefit the lowest-paid workers and do not have negative effects on their employment.

Institute director Michael Reich, a UC Berkeley economist, has authored two new reports on the topic.

"Do Minimum Wages Really Reduce Teen Employment?," a study completed last month by Reich and campus labor economists Sylvia Allegretto and Arindrajit Dube, used data from the government's Current Population Survey from 1990 through 2007 to analyze minimum-wage impacts on teenagers, who represent about one-fourth of all minimum-wage workers. The study controlled for state, regional, and local economic conditions, as well as for individual characteristics. It found no significant teen employment loss due to minimum-wage increases. While it revealed a very small loss of work hours among teens, the loss of hours was offset by the minimum-wage pay increase.

The other study, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," by Dube, T. William Lester and Reich, compared all neighboring U.S. counties across state borders with different minimum-wage levels between 1990 and 2006. The exhaustive

study carefully controlled for local economic conditions, an important advance over previous studies. It also controlled for county size, population, and geographic region. The study found no adverse employment effects in counties with a higher minimum wage.

The researchers say their findings may be due to the fact that a higher minimum wage attracts more workers and reduces a firm 's vacancy rate; in addition, decreased turnover increases productivity and reduces the cost of expanding employment, they say.

"It appears that minimum-wage increases are not job killers — they are job-vacancy killers," Reich says.

The [full text](#) of the new studies, as well as other minimum-wage research from the institute, can be found on the IRLE website.

Provided by UC Berkeley

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