

What Does the Minimum Wage Do?

Paul Wolfson

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Dale Belman and Paul J. Wolfson

Background

- 700+ studies of the minimum wage since 1990
 - Most are statistical analyses of its effects

What Does the Minimum Wage Do?

- Attempts to make sense of this volume of research
- Focuses on the US
 - Includes studies in English on other developed countries
 - Statistical analyses that appeared after 2000
 - Still, 200+ studies to consider
- Addressed more to economists than policy makers

Arguments for & against the Minimum Wage

- FOR: help low wage/low income workers
- AGAINST
 - low wage workers will lose jobs
 - → MW hurts, not helps, low wage workers
- → most analyses consider employment response
- But some studies on other variables as well

What we found - 1

- Employment (E) and Hours (H)
 - many studies have serious statistical problems → conclusions unreliable
 - the remainder: little evidence of a decline in E or H
 - none for teenagers in the US
 - perhaps (or not) a small decline for US restaurant E
 - small decline in hours of employment in the UK
 - Our meta-analysis confirmed this conclusion

What we found - 2

- Wages
 - wages rise for the lowest paid 10% of workers
 - wages rise for perhaps the lowest paid 30% of women
- Last point is important
 - In the developed world, minimum wage is a policy with significantly gendered effects

What we found - 3

- Perhaps employers reduce costs elsewhere
 - training
 - no evidence that employers increase training
 - mixed evidence that training declines
 - fringe benefits
 - health insurance – mixed results
 - decline for lower paid workers at smaller firms
 - not for anyone at larger firms
 - pensions: no evidence of any effect

What we found - 4

- Prices rise slightly in effected sectors
- Profits: effect not clear
- Poverty and inequality
 - wage inequality declines, especially for women
 - effect on incomes of low income families little studied
 - most studies ask “Does the MW move people to above the poverty line?”
 - “No”, which is what one would expect (for several reasons)

What we found - 5

- More advanced study of the labor market
- Gross flows: hiring and separations (quits and firing)
 - the several studies that have considered this largely agree
 - hiring declines
 - separations decline, generally less than hiring
 - may explain the employment result
 - not clear why these effects occur

And Developing Countries?

- Betcherman (2013): *Labor Market Institutions: a Review*
 - written for the World Bank, focus on developing countries
 - includes a survey of the MW
 - similar results as above for employment, wages, inequality
 - Why?
 - lax enforcement
 - policies that are deliberately moderate to avoid effects
 - productivity improves, **likely** due to a mix of
 - substitution toward more skilled workers
 - more training, reorganization of production

Developing Countries and Productivity: a Hint

- Huang, Loungani and Wang (April 2014)
 - study of increased enforcement in China (2004-2007)
 - similar to increase in the minimum wage
 - low-wage/low profit firms reduce employment
 - high-wage/high profit firms increase employment

Announcement of Future Work

- Project for the International Labor Organization (ILO)
 - Starting later this year
 - Writing a survey on the minimum wage in developing countries
 - Developing a preferred framework for further analysis