CWED
Center on Wage and Employment Dynamics

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Institute for Research on Labor and Employment
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For immediate release

Debunking the myth that increasing the minimum wage destroys jobs

Study finds that minimum wage increases in the U.S. have no negative impact on teen employment.

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Berkeley – Many cities and some states are enacting or considering $15 minimum wages. Meanwhile, economists' debates about their impact have been heating up. Landmark research conducted at UC Berkeley's Center on Wage and Employment Dynamics (CWED) had greatly reduced concerns that past minimum wage increases had negative employment effects. But some economists still claim that substantial job losses will occur among low-skilled workers, such as teens.

New research from CWED, conducted jointly with the Washington Center on Equitable Growth and the University of Massachusetts, shows that minimum wage increases up to 2014 levels have had no detectable negative impact on teen employment. These results use new statistical methods and are relevant for the increases enacted and implemented in 2015 and 2016 in cities such as Oakland, San Francisco and Seattle and states such as California and New York.

The comprehensive report and policy brief, "Credible Research Designs for Minimum Wage Studies," confirm the serious flaws in earlier research claiming that increasing the minimum wage reduces employment opportunities for teens.

"Earlier studies wrongly assumed that the states with higher minimum wages are otherwise similar to the states with lower minimum wages," according to Professor Michael Reich, co-chair of the Center on Wage and Employment Dynamics.

Using state-level data to divide the country into states with high average minimum wages and low average minimum wages over the last thirty-five years, the researchers found that minimum wage policies are highly geographically concentrated. The report finds that employment trends in states with higher minimum wages differ from states with lower minimum wages, for reasons that are independent of the minimum wage.

"The research that shows large negative effects on teen employment is fundamentally flawed," said Dr. Sylvia Allegretto, co-author of the report. "That research overlooks teen employment declines that started several years before any minimum wages increases were enacted – meaning something else was going on."

Key Findings:

- Minimum wage policy is not random. The "high" minimum wage states have higher unionization rates, have seen smaller declines in unionization over the last thirty years, and tend to be Democratic-leaning. Importantly, they are geographically concentrated, with higher average minimum wage states situated along the Pacific Coast, the Northeast and in parts of the Midwest.
- Teen hourly wages are significantly raised by minimum wage increases.
- There was no discernable (statistically significant) impact on teen employment when comparisons included appropriate controls to ensure that similar states were compared.

Links

Policy Brief: "Credible Research Designs for Minimum Wage Studies" – August 2016
http://irle.berkeley.edu/cwed/briefs/2016-05.pdf

Working Paper: "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas and Wascher," – August 2016
http://www.irle.berkeley.edu/workingpapers/109-16.pdf

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