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NEW STUDY FINDS MINIMUM WAGE INCREASES DID NOT LEAD TO JOB LOSS

Analysis of Hundreds of Counties Over 16-Year Period Shows Raising Wages Didn't Cost Jobs

WASHINGTON-- A new study in the *Review of Economics and Statistics* finds that minimum wage increases in the 1990s and early 2000s did not lead to job loss, adding to a decade and a half of research that has found that increases in the minimum wage raise workers' earnings without reducing employment. The new research comes as several states gear up to pass increases in their state minimum wages in 2011, joining the District of Columbia and fourteen states that have already raised their minimums above the federal level to keep pace with the rising cost of living across the U.S.

In the study, economists Arindrajit Dube of the University of Massachusetts, William Lester of the University of North Carolina, and Michael Reich of the University of California compare employment among every pair of neighboring U.S. counties that straddle a state border and had differing minimum wage levels at any time between 1990 and 2006. They analyze employment and earnings data of over 500 counties and find that minimum wage increases did not cost jobs.

"This is one of the best and most convincing minimum wage papers in recent years," said Lawrence Katz, Professor of Economics at Harvard University and editor of *Quarterly Journal of Economics*.

"This study is the capstone to a decade and a half of research that has found that increases in the minimum wage help low-wage workers make ends meet without costing them their jobs," said Christine Owens, executive director of the National Employment Law Project. "This research provides even greater incentive for state and national elected officials to act to raise the minimum wage."

By comparing employment in a county affected by a minimum wage increase to an adjacent county with similar economic conditions but a lower minimum wage, Dube and his colleagues are able to effectively isolate and measure the impact of the wage increase on employment. The authors build on the research design used by David Card and Alan Krueger in their landmark 1994 study that compared employment among fast-food restaurants on both sides of the Pennsylvania-New Jersey border before and shortly after New Jersey raised its minimum wage. In their new study, Dube, Lester and Reich apply this approach to county pairs across the entire country over a longer time horizon.

Another critical dimension of the new study, entitled "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," is that it controls for a more robust set of economic factors than previous research, and shows these controls are essential for accurately assessing the impact of the minimum wage on employment. Many of the nationwide studies that have claimed minimum wage increases lead to job loss -- including much of the work of David Neumark, whose analyses are widely relied on by industry lobbyists seeking to freeze the minimum wage -- have failed to control for regional economic shocks and long-term trends in employment growth. Therefore, these studies have wrongly attributed declines in employment caused by other economic conditions to increases in the minimum wage.

“The paper presents a fairly irrefutable case that state minimum wage laws do raise earnings in low wage jobs but do not reduce employment to any meaningful degree,” said David Autor, Professor of Economics at MIT and editor of the *Journal of Economic Perspectives*. “Beyond this substantive contribution, the paper presents careful and compelling reanalysis of earlier work in this literature, showing that it appears biased by spatial correlation in employment trends.”

Click here to download full study: <http://www.irle.berkeley.edu/workingpapers/157-07.pdf>

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The National Employment Law Project promotes policies and programs that create good jobs, strengthen upward mobility, enforce hard-won workers’ rights, and help unemployed workers regain their economic footing through improved benefits and services. Online at nelp.org.