

## MAKING SENSE OF THE MINIMUM WAGE

### New analysis traces evolution of experts' views on effects on employment of minimum wage raises



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On November 7, voters in Arizona, Colorado, Missouri, Montana, Nevada, and Ohio will opt for or against ballot measures that would raise the minimum wage in their home states. The proposed raises range from \$1.00 to \$1.70 per hour, and all told, the voters' decision will personally affect the lives and incomes of over a million and a half of their fellow citizens in those six states.

With the contest for hearts, minds, and votes coming down to the wire, the fog is thickening, as voters are beset with contradictory claims that raising the minimum wage either (a) destroys jobs by the tens of thousands or (b) offers substantial benefits to low-wage workers with no negative effect on jobs.

A new report issued today by the Economic Policy Institute, "[Economic Effects of State Minimum Wage Increases](#)," clears a path through the fog for those seeking to make sense of the competing claims. The paper, by EPI economic analyst Liana Fox, examines the methods and findings of the major research that has been done on the effects of minimum wage raises.

Fox finds that much of the difference of opinion can be traced to the evolution of research methodology, and consequently of research findings, over time. She traces how, as new research methods have supplanted older, less reliable ones and new evidence has accumulated, economists' thinking on the minimum wage has changed. Where it was once accepted almost unquestioningly that raising the minimum wage was bad for jobs, better methods and the data derived from more experience have led many experts to conclude that any negative effects of a minimum wage raise are negligible, and are outweighed by the positive effects on those who experience the raise personally.

"Since the 1980s there has been a substantial change in economists' understanding of the connection between the minimum wage and jobs growth, with the real breakthrough in methods and analysis coming in the early 1990s," explained Fox. "As researchers have found more accurate ways to measure the effects and more states have raised their own minimum wages without the negative effects we were warned about, the old conventional wisdom has been replaced by broad support for the minimum wage as a positive economic tool."

Fox's findings are reinforced by leading economists, including five Nobel Prize winners and six past presidents of the American Economics Association, who recently signed a joint [statement](#) that raising the minimum wage "can significantly improve the lives of low-income workers and their families, without the adverse effects that critics have claimed." Among the more than 650 signatories are Nobelists Joseph Stiglitz (Columbia University), Robert Solow (MIT), Lawrence Klein (University of Pennsylvania), Kenneth Arrow (Stanford), and Clive Granger (UC/San Diego).

In fact, in a conference call with reporters on October 12 on this subject, Robert Solow explained that most economists today discount claims of employment harm that were once the conventional wisdom. In response to a reporter's question, he described the current claims of massive job loss due to minimum wage increases as "irresponsible."

*-More-*

Fox notes that the predictions of job losses that are being made today, primarily by a group funded predominantly by low-wage employers from the restaurant and other industries, simply recycle the methodologically dubious predictions from older studies.

While the immediate attention is on the potential benefits to workers in the six states with a minimum wage raise on the ballot, the new EPI paper also lays out the broader impact that a nationwide increase would have. If the federal minimum wage were increased to \$7.25 per hour, it notes that 14.9 million workers would receive a raise, 80% of whom are adults 20 or older, and that income would rise for parents of 7.3 million children. In addition, the families that would be affected by the raise rely on minimum wage earnings for over half of their total family earnings, and 46% of these families depend entirely on those minimum wage earnings.

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*Economic Effects of State Minimum Wage Increases* is available online here:

<http://www.epi.org/content.cfm/bp178>

*EPI works closely with state groups through the Economic Analysis and Research Network. These groups can provide a local perspective on the effects of raising the minimum wage. We have listed contacts in several states below. **The asterisk (\*) indicates a state that has raised the minimum wage above the federal level.***

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