

Research Brief
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Minimum Wage Effects Across State Borders *Estimates Using Contiguous Counties*

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[“Minimum Wage Effects Across State Borders,”](#) a new study by economists Arindrajit Dube, William Lester and Michael Reich published by the respected *Review of Economics and Statistics*, provides the most rigorous and sophisticated study to date of the effects of increases in the minimum wage on job growth in the United States. Taking advantage of the fact that a record number of states raised their minimum wages during the 1990s and 2000s – creating scores of differing minimum wage rates across the country – the study compares employment levels among every pair of neighboring U.S. counties that had differing minimum wage levels at any time between 1990 and 2006.

The study analyzes employment and earnings data from over 500 counties, rigorously controlling for other economic factors affecting local labor markets in order to isolate the effect of the higher minimum wage levels. After implementing these controls – controls that are far more extensive than those employed in past research by critics of the minimum wage – the study shows that higher minimum wages did not reduce employment. Together with a companion study, [“Do Minimum Wages Really Reduce Teen Employment?,”](#) published in *Industrial Relations* in April 2011, the study adds a comprehensive new round of evidence to a large and growing body of research spanning more than fifteen years that has found that increases in the minimum wage raise workers’ earnings without reducing employment.

By comparing employment levels in counties that are affected by minimum wage increases with those in adjacent counties with similar economic conditions but lower minimum wages, Dube and his colleagues are able to isolate and measure precisely the impact of wage increases on employment. The authors’ study builds on the research design first developed 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 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 sixteen year time horizon during which scores of minimum wage increases were implemented across dozens of states.

A key feature of the new study is that it controls for a more robust set of economic factors than previous research by minimum wage critics. The study shows these controls are essential for accurately assessing the impact of the minimum wage on employment. The studies by David

Neumark, William Washer, David Macpherson and others – analyses that are widely relied on by industry lobbyists that oppose minimum wage increases – have failed to control for regional economic changes within state economies and long-term trends in employment growth. As a consequence, those studies have wrongly attributed to the minimum wage job declines or slower than expected growth that, in reality, were the result of other economic changes taking place within state economies.

Here is what some of the nation’s most eminent labor economists have to say about the new study:

“This is one of the best and most convincing minimum wage papers in recent years.”

--**Lawrence Katz**, Professor of Economics at Harvard University; Editor of the *Quarterly Journal of Economics*.

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“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. 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.”

--**David Autor**, Professor of Economics at MIT; Editor of the *Journal of Economic Perspectives*

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“This paper boldly steps into the hornet’s nest of a literature on the employment effects of minimum wage laws. Since the seminal Card and Krueger paper in the 1994 American Economic Review, this literature has been a mess of conflicting findings. As a result the economics profession has been unable to provide a clear message on this vital question of public policy. The bottom line is that the paper has “fixed” this literature and affirmed Card and Krueger’s original finding that minimum wage laws do not appear to have adverse employment effects.”

--**Michael Greenstone**, Professor of Economics at MIT; Director of the Hamilton Project at the Brookings Institution.

Full study available at: <http://www.irl.berkeley.edu/workingpapers/157-07.pdf>

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