

## **Should We Raise the Minimum Wage?**

If we raise the minimum wage, would that result in a loss of jobs? Probably yes, but probably not much. Would it help the working poor? Probably yes, but probably not much. So, should we raise the minimum wage? Probably yes, but probably not much.

First, the jobs. Economic orthodoxy says a higher minimum wage will result in fewer minimum wage jobs. But the evidence is mixed – some published studies find a job loss, some don't. There's also evidence of publication bias, suggesting studies that find a job loss are more likely to be published. The most reasonable interpretation of all this is that there is a job loss, but it's small.

Which makes sense. There are two possible ways a higher minimum wage could destroy jobs. One is through technology: workers get too expensive, and are replaced by machines. But minimum wage jobs are mostly in either food service, or personal care, neither of which are easily mechanized.

The other is through decreased product demand. Raising the minimum wage to \$9.00 would increase it 20%. If half of the cost of producing fast food is minimum wage labor, that would raise the price of fast food about 10%. If burger prices were 10% higher, would you cut back your burger consumption? Probably some (and would that be a bad thing?), but probably not much. So fast food jobs would only decrease a little.

On the other hand, day care workers and home health aids are often paid minimum wage. Raising the minimum wage 20% would increase the cost of their services by pretty much 20%. Would people be less likely to purchase day care and home health care at those higher rates? Probably. So there could easily be either fewer jobs in these services, or fewer work hours per worker, or both.

Would raising the minimum wage help the working poor? The workers who didn't lose their jobs would be earning 20% more, so they'd be better off. Some workers would work fewer hours, but if they're making 20% more per hour, they might be better off too. And some jobs would disappear, leaving the workers who would have gotten those jobs worse off. But if the job losses are relatively small, probably no more than 5%, the net result would be that minimum wage workers as a group would be better off.

But not all minimum wage workers are working poor. Many are middle class teenagers, working part time at the burger joint while going to school. Raising their wages might lead them to save more for their future education. Or it might lead them to spend more on drugs and beer. They're teenagers, so they won't always make good choices. So whether raising the minimum wage for them is a good thing or a bad thing is anyone's guess.

Plus, a higher minimum wage will hurt some working poor who have above-minimum wage jobs. A higher minimum wage won't increase their earnings. But they'll have to pay 10% more for their burgers, and 20% more for their child care. Although much, maybe even most, of the benefits of a higher minimum wage go to the working poor, they'll also share somewhat in the costs of the minimum wage.

So, should we do it? Raising the minimum wage to \$9.00 would put it roughly at par with where it was from 1960 to 1980, after adjusting for inflation. It wouldn't be a radical increase, it would probably help low income families more than it would hurt them, and for most of us, the pain of having to pay a bit more for their services would be pretty moderate. But it would be no panacea. So yes, we should probably raise the minimum wage, but probably not too much.