Session: Minimum Wage Effects on Employment, Prices, and Public Subsidies
Chair/Discussant: Mark Long, University of Washington
Paper Presenters: Sylvia Allegretto, University of California Berkeley
Ben Zipperer, Washington Center for Equitable Growth
Rachel West, Center for American Progress
Session Summary: Megan Troy, Northwestern University

This session presented research findings from different, and new, perspectives on the effects of increasing the minimum wage. While traditional studies have focused on the employment effects, these researchers have thought outside of the box to look at how costs are absorbed by firms, how SNAP enrollment would be affected, and how to best research these effects in innovative ways.

A recent study spearheaded by Sylvia Allegretto looked at how an increase in minimum wage in the city of San Jose affected restaurant pricing, as compared to the surrounding areas in Santa Clara County. She found that there was a relatively small increase in prices (0.5%) with the increase in minimum wage. She did note that this study generally excluded fast-food restaurants like McDonalds because the study only included those with online menu availability. While it has limitations, this research does show that minimum wage can be increased (which can pull people out of poverty) while not significantly affecting employment rates.

Ben Zipperer presented research that challenged the traditional research on minimum wage effects by Neumark, Salas, and Wascher. His findings found that when comparing effects of minimum wage increases, we have to look at similar areas (generally nearby counties) and the employment paths in those areas. The existing studies, he finds, are very sensitive to controls- calling for further research. His work has been used as the basis for larger-scale studies, such as the effect of raising the minimum wage on SNAP enrollment and expenditures. Rachel West of the Center for American Progress presented research from 2014 on the causal effect of minimum wage on public assistance spending (specifically, SNAP). The CAP research posits: with a high level of poverty among working families, would raising the minimum wage change enrollment in a means-tested benefit program?

The CAP study noted that working a full-time minimum wage job (at the federal minimum wage level) would only life a single adult out of poverty, but not a family. This study looked at both the Harking-Miller bill, which would raise the federal minimum wage to $10.10/hour and the newer Murray-Scott bill, which would raise the minimum wage to $12.00/hour by 2020. At $10.10/hour, SNAP enrollment would decrease by 8% and would cut expenditures by $4.6 billion/year. The increase to $12.00 hour would decrease expenditures by $5.3 billion. What this shows is that families who are able to make more via an increase in the minimum wage are better off, and we see an overall savings in expenditures. The common thread throughout these studies is that regardless of how minimum wage is studied, there seem to be positive effects for both the economy and workers with some level of increase in the minimum wage.