

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

Effects of the Minimum Wage on Employment Dynamics

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The voluminous literature on minimum wages offers little consensus on the extent to which a wage floor impacts employment. We argue that the minimum wage will impact employment over time, through changes in growth rather than an immediate drop in relative employment levels. We conduct simulations showing that commonly used specifications in this literature, especially those that include state-specific time trends, will not accurately capture these effects. Using three separate state panels of administrative employment data, we find that the minimum wage reduces job growth over a period of several years. These effects are most pronounced for younger workers and in industries with a higher proportion of low-wage workers.

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