

Business and Minimum Wage Research Summary

Holly Sklar, CEO, Business for a Fair Minimum Wage

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Selection of studies on the impact of wages on employment, turnover, productivity, prices, customer service, spending, health, safety, and more.

Polling/Opinion

Lydia DePillis, **Leaked documents show strong business support for raising the minimum wage**, Washington Post, April 4, 2016.

The survey commissioned by the Council of State Chambers “of 1,000 business executives across the country was conducted by LuntzGlobal, the firm run by Republican pollster Frank Luntz... (The slide deck is [here](#), and the full questionnaire is [here](#).) Among the most interesting findings: **80 percent** of respondents said they supported raising their state's minimum wage, while only eight percent opposed it.

‘That’s where it’s undeniable that they support the increase,’ LuntzGlobal managing director David Merritt told state chamber executives in a webinar describing the results, noting that it squares with other polling they’ve done. ‘And this is universal. If you’re fighting against a minimum wage increase, you’re fighting an uphill battle, because most Americans, even most Republicans, are okay with raising the minimum wage.’”

<https://www.washingtonpost.com/news/work/wp/2016/04/04/leaked-documents-show-strong-business-support-for-raising-the-minimum-wage/>

Also see, for example, Julia Rock and Andrew Perez, **McDonald’s, Other CEOs Tell Investors \$15 Minimum Wage Won’t Hurt Business**, Newsweek, April 5, 2021.

“Big restaurant chains are telling investors that a national minimum wage hike wouldn’t be a big deal – even as their corporate lobbying groups in Washington fight plans for a \$15 minimum wage.” In fact, California’s law raising the minimum wage to \$15 “has actually been good for the diner chain’s business, according to Denny’s chief financial officer, Robert Verostek.”

<https://www.newsweek.com/mcdonalds-other-ceos-tell-investors-15-minimum-wage-wont-hurt-business-1580978>

New York: Anika Dandekar and Evangel Penumaka, **New York Voters Want a Higher Minimum Wage**, Data for Progress, April 28, 2022.

“Among all likely voters in New York, 95 percent say the minimum wage should be at least \$15 in order to have a living wage, while 62 percent say the minimum wage should be at least \$20 to be a living wage. Sixty-two percent of Democrats, 66 percent of Independents, and 56 percent of Republicans believe a living wage in New York is at least \$20.” Moreover, 70 percent of voters agree that “increasing the minimum wage will help businesses attract and retain workers, improve productivity and customer service, increase consumer spending, and create a healthy economy.”

<https://www.dataforprogress.org/blog/2022/4/28/ny-min-wage>

Employment Impact

House/Senate Joint Economic Committee, **Criticisms of Minimum Wage Increases Lag Behind Latest Research**, March 2021.

https://www.jec.senate.gov/public/_cache/files/b5056335-1b0f-4751-8e3a-2739e7963738/minimum-wage-critics-lag-behind-latest-research-final.pdf

Doruk Cengiz, Arindrajit Dube, Attila S. Lindner and David Zentler-Munro, **Seeing Beyond the Trees: Using Machine Learning to Estimate the Impact of Minimum Wages on Labor Market Outcomes**, National Bureau of Economic Research, NBER Working Paper No. 28399, Jan. 2021.

“We assess the effect of the minimum wage on labor market outcomes such as employment, unemployment, and labor force participation for most workers affected by the policy... We find no indication that minimum wage has a negative effect on the unemployment rate, on the labor force participation, or on the labor market transitions. Furthermore, we detect no employment or participation responses even for sub-groups that are likely to have a high extensive margin labor supply elasticity—such as teens, older workers, or single mothers.”

<https://www.nber.org/papers/w28399>

Arindrajit Dube and Attila S. Lindner, **City Limits: What do Local-Area Minimum Wages Do?**, National Bureau of Economic Research, NBER Working Paper No. 27928, October 2020.

“Cities are increasingly setting their own minimum wages, and this trend has accelerated sharply in recent years. While in 2010 there were only three cities with their own minimum wages exceeding the state or federal standard, by 2020 there were 42. ... Early evidence suggests that the impact of the policy on wages and employment to date has been broadly similar to the evidence on state and federal-level minimum wage changes. Overall, city-level minimum wages seem to be able to tailor the policy to local economic environment without imposing substantial distortions in allocation of labor and businesses across locations.”

<http://www.nber.org/papers/w27928>

Anna Godøy and Michael Reich, **Are Minimum Wage Effects Greater in Low-Wage Areas?**, Institute for Research on Labor and Employment, September 2020. (Later in *Industrial Relations*).

“In this paper we examine minimum wage effects in low wage counties, where relative minimum wage ratios reach as high as .82, well beyond the state-based ratios in extant studies. ... We find positive wage effects, especially in high impact counties, but do not detect adverse effects on employment, weekly hours or annual weeks worked. We do not find negative employment effects among women, blacks and/or Hispanics. In high impact counties, we find substantial declines in household and child poverty.” (All the states in our sample experience one or more changes to the statutory minimum wage over the 2004-2017 period.)

<http://irle.berkeley.edu/files/2020/09/Are-Minimum-Wage-Effects-Greater-in-Low-Wage-Areas.pdf>

Elise Gould, **Low-wage workers saw the biggest wage growth in states that increased their minimum wage between 2018 and 2019**, Economic Policy Institute, March 4, 2020.

<https://www.epi.org/blog/low-wage-workers-saw-the-biggest-wage-growth-in-states-that-increased-minimum-wage-2018-2019/>

Jason Bram, Fatih Karahan and Brendan Moore, **Minimum Wage Impacts along the New York-Pennsylvania Border**, Liberty Street Economics, Federal Reserve Bank of New York, September 25, 2019.

“In this analysis, we look at counties along both sides of the New York-Pennsylvania border. Since the fourth quarter of 2009, workers in both New York and Pennsylvania have been subject to the federal minimum wage of \$7.25 per hour. Over the last five years, though, New York’s minimum wage has gone up. ... Specifically, we evaluate the effects on both employment and average weekly earnings in two industries with lots of lower-wage workers: retail trade and leisure & hospitality. ... As the minimum wage was raised to levels above \$10 per hour, leisure and hospitality employment in New York counties, if anything, *increased* relative to businesses over the Pennsylvania state line. ... Next, we look at retail trade, an industry in which employment has contracted along the New York-Pennsylvania border in recent years. ... We detect a pattern similar to that for leisure and

hospitality: there appears to be a positive divergence in average wages between the states but no discernible divergence in employment trends.”

<https://libertystreeteconomics.newyorkfed.org/2019/09/minimum-wage-impacts-along-the-new-york-pennsylvania-border.html>

Greg David, **NY Fed: Minimum wage hikes didn't kill jobs**, Crain's New York Business, September 25, 2019.

<https://www.craigslist.com/greg-david-new-york/ny-fed-minimum-wage-hikes-didnt-kill-jobs>

Doruk Cengiz, Arindrajit Dube, Attila Lindner and Ben Zipperer, **The Effect of Minimum Wages on Low-Wage Jobs**, The Quarterly Journal of Economics, August 2019.

“We estimate the effect of minimum wages on low-wage jobs using 138 prominent state-level minimum wage changes between 1979 and 2016 in the United States ... We find that the overall number of low-wage jobs remained essentially unchanged over the five years following the increase... We also find no evidence of disemployment when we consider higher levels of minimum wages.”

<https://academic.oup.com/qje/article/134/3/1405/5484905>

Richard Florida, **In Praise of a Higher Minimum Wage**, City Lab, April 25, 2019.

<https://www.citylab.com/equity/2019/04/minimum-wage-by-state-jobs-data-employment-economic-research/587992/>

Sylvia A. Allegretto, Anna Godoey, Carl Nadler and Michael Reich, **The New Wave of Local Minimum Wage Policies: Evidence from Six Cities**, September 6, 2018.

<https://irle.berkeley.edu/the-new-wave-of-local-minimum-wage-policies-evidence-from-six-cities/>

Jared Bernstein, **New evidence of the minimum wage doing what it's supposed to do: Help low-wage workers**, Washington Post, March 8, 2018.

https://www.washingtonpost.com/news/posteverything/wp/2018/03/08/new-evidence-of-the-minimum-wage-doing-what-its-supposed-to-do-help-low-wage-workers/?utm_term=.ad5694dc30a0

John Schmidt, **Why Does the Minimum Wage Have No Discernible Effect on Employment?**, Center for Economic and Policy Research, February 2013.

Spotlights two meta-studies analyzing the extensive research conducted since the early 1990s; they conclude that “the minimum wage has little or no discernible effect on the employment prospects of low-wage workers. The most likely reason for this outcome is that the cost shock of the minimum wage is small relative to most firms’ overall costs and only modest relative to the wages paid to low-wage workers.” The report explores varied means of adjustment by employers such as increased worker productivity and diminished wage gap between lower and higher paid employees, noting, “But, probably the most important channel of adjustment is through reductions in labor turnover, which yield significant cost savings to employers.”

<http://cepr.net/documents/publications/min-wage-2013-02.pdf>

Arindrajit Dube, T. William Lester and Michael Reich, **Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties**, Institute for Research on Labor and Employment, Univ. of CA, Berkeley, August 2008. Published by [The Review of Economics and Statistics, November 2010](#).

Compared all neighboring counties in the U.S. located on different sides of a state border with different minimum wage levels between 1990 and 2006 and found no adverse employment effects from higher minimum wages.

<http://irle.berkeley.edu/files/2010/Minimum-Wage-Effects-Across-State-Borders.pdf>

Business for a Fair Minimum Wage, *Business and Minimum Wage Research Summary*
businessforafairminimumwage.org

For additional earlier research see Holly Sklar, **Research Shows Minimum Wage Increases Do Not Cause Job Loss**, Business for a Fair Minimum Wage.

<https://www.businessforafairminimumwage.org/news/00135/research-shows-minimum-wage-increases-do-not-cause-job-loss>

Productivity and Other Benefits

Good overview of business benefits and related research: Justin Wolfers and Jan Zilinsky, **Higher Wages for Low-Income Workers Lead to Higher Productivity**, Peterson Institute for International Economics, January 13, 2015.

<https://piie.com/blogs/realtime-economic-issues-watch/higher-wages-low-income-workers-lead-higher-productivity?p=4700>

Holly Sklar and Alissa Barron-Menza, **Raising the Minimum Wage to \$15 Helps Small Business**, Business for a Fair Minimum Wage, February 24, 2021.

<https://www.businessforafairminimumwage.org/sites/default/files/BFMW%20Raising%20Min%20Wage%20Helps%20Small%20Business%20Feb%2024%202021.pdf>

Seema Jayachandran, **How a Raise for Workers Can Be a Win for Everybody**, New York Times, June 18, 2020.

<https://www.nytimes.com/2020/06/18/business/coronavirus-minimum-wage-increase.html>

Krista Ruffini, **Better workplace conditions for long-term eldercare staff are key to promoting resident safety amid the coronavirus pandemic**, Washington Center for Equitable Growth, June 4, 2020.

<https://equitablegrowth.org/wp-content/uploads/2020/06/060420-Long-term-care-ib.pdf>

<https://equitablegrowth.org/better-workplace-conditions-for-long-term-eldercare-staff-are-key-to-promoting-resident-safety-amid-the-coronavirus-pandemic/>

Krista Ruffini, **Worker earnings, service quality, and firm profitability: Evidence from nursing homes and minimum wage reforms**, Washington Center for Equitable Growth, June 2020.

<https://equitablegrowth.org/working-papers/worker-earnings-service-quality-and-firm-profitability-evidence-from-nursing-homes-and-minimum-wage-reforms/>

George Wehby, Robert Kaestner, Wei Lyu, Dhaval M. Dave, **Effects of the Minimum Wage on Child Health**, National Bureau of Economic Research, NBER Working Paper No. 26691, January 2020.

https://www.nber.org/papers/w26691?utm_campaign=ntwh&utm_medium=email&utm_source=ntwg11

John A Kaufman, Leslie K Salas-Hernández, Kelli A Komro, Melvin D Livingston, **Effects of increased minimum wages by unemployment rate on suicide in the USA**, Journal of Epidemiology and Community Health, January 2020.

<https://jech.bmj.com/content/74/3/219>

Katie Bach, Sarah Kalloch and Zeynep Ton, **The Financial Case for Good Retail Jobs**, Harvard Business Review, June 26, 2019.

<https://hbr.org/2019/06/the-financial-case-for-good-retail-jobs>

Retail’s Big Mistake: Slashing Payroll Cuts into Profits, Wharton’s Marshall Fisher, Santiago Gallino and Serguei Netessine discuss their research on the impact of staffing on retailers’ profits. Knowledge@Wharton, Wharton School, February 14, 2019.

“It is imperative for retail companies to recognize that employees are the most valuable asset on any sales floor, especially now. Increased competition from online shopping threatens the very existence of many physical stores, so top-shelf service can make the difference between a customer making a purchase or walking out in frustration.”

<https://knowledge.wharton.upenn.edu/article/retail-staffing-model/>

Marshall Fisher, Santiago Gallino, Serguei Netessine, **Retailers Are Squandering Their Most Potent Weapons**, Harvard Business Review, Jan-Feb 2019.

<https://hbr.org/2019/01/retailers-are-squandering-their-most-potent-weapons>

Kevin Rinz and John Voorheis, **The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data**, U.S. Census Bureau CARRA Working Paper Series Working Paper 2018-02, March 2018.

“We find that raising the minimum wage increases earnings growth at the bottom of the distribution, and those effects persist and indeed grow in magnitude over several years. This finding is robust to a variety of specifications, including alternatives commonly used in the literature on employment effects of the minimum wage.”

<https://www.census.gov/content/dam/Census/library/working-papers/2018/adrm/carra-wp-2018-02.pdf>

Obama White House Summary Report, Executive Office of the President, **Raising the Minimum Wage: A Progress Update**, October 2016.

https://obamawhitehouse.archives.gov/sites/default/files/minimum_wage/6_october_2016_min_wage_report-final.pdf

U.S. Department of Commerce, Economics and Statistics Administration, **Taking the High Road: New Data Show Higher Wages May Increase Productivity, Among Other Benefits**, ESA Issue Brief, August 4, 2015.

<https://www.commerce.gov/sites/default/files/migrated/reports/taking-the-high-road-new-data-show-higher-wages-may-increase-productivity-among-other-benefits.pdf>

Jody Heymann, Magda Barrera, Magda Barrera, **How businesses can profit from raising compensation at the bottom**, Ivey Business Journal, December 2010. Based on their book, *Profit at the Bottom of the Ladder: Creating Value by Investing in Your Workforce* (Harvard Business Press, 2010).

“Our findings very clearly demonstrate that investing in employees at the bottom can be an advantage both in times of economic growth and during a recession.”

<https://iveybusinessjournal.com/publication/how-businesses-can-profit-from-raising-compensation-at-the-bottom/>

Turnover

Annie Mueller, **The Cost of Hiring a New Employee**, Investopedia, Updated April 8, 2022.

“Not every new hire will require the same process, but even an \$8/hour employee can end up costing a company around \$3,500 in turnover costs, both direct and indirect.”

<https://www.investopedia.com/financial-edge/0711/the-cost-of-hiring-a-new-employee.aspx>

Matthew Castillon, data scientist at Gusto, **70% of workers are likely to quit at current \$7.25 federal minimum wage in ‘brutal’ turnover cycle**, September 25, 2019.

<https://www.cnn.com/2019/09/25/70percent-of-workers-are-likely-to-quit-at-current-federal-minimum-wage.html>

Adecco, **How Wages Impact Your Employee Turnover**, February 1, 2019.

“There’s plenty of research that shows the correlation between low wages and low productivity (and lack of employee engagement). ... It’s also worth noting that some lower-paying companies actually spend more than some higher-paying companies when it comes to workforce management. Why? Because the lower-paying companies have higher turnover costs in the form of job ads, onboarding, training and opportunity costs. Not to mention, poor culture and productivity issues. Our data below found that in addition to higher turnover the lower an organization paid, 50% of that turnover occurred within the first 45 days of a new hire starting a job. That’s very little time for an organization to see any ROI from their hires before losing them due to poor wages.”

<https://www.adeccousa.com/employers/resources/increasing-hourly-wages/>

Aspen Institute, **Cost of Turnover Tool: Make the business case to improve retention through upskilling and stability** March 2019.

https://assets.aspeninstitute.org/content/uploads/2019/01/Cost-of-Turnover-Tool.pdf?_ga=2.62762917.840328274.1556726946-247512978.1556726946

Policy Matters Ohio, **Leading the way: Greater Cleveland Food Bank raises wages**, January 22, 2019.

<https://www.policymattersohio.org/research-policy/fair-economy/work-wages/minimum-wage/leading-the-way-greater-cleveland-food-bank-raises-wages>

Amanda Gallea, **The Impact of Wages and Turnover on Security and Safety in Airports: A Review of the Literature**, UC Berkeley Labor Center, October 18, 2017.

<http://laborcenter.berkeley.edu/pdf/2017/SFO-literature-review.pdf>

Arindrajit Dube, T. William Lester and Michael Reich, **Minimum Wage Shocks, Employment Flows and Labor Market Frictions**, Institute for Research on Labor and Employment, October 2014 and Journal of Labor Economics, 2016.

<https://www.journals.uchicago.edu/doi/abs/10.1086/685449?journalCode=jole>

<http://irle.berkeley.edu/files/2013/Minimum-Wage-Shocks-Employment-Flows-and-Labor-Market-Frictions.pdf>

Heather Boushey and Sarah Jane Glynn, Center for American Progress, **There Are Significant Business Costs to Replacing Employees**, November 2012.

<https://cdn.americanprogress.org/wp-content/uploads/2012/11/16084443/CostofTurnover0815.pdf>

Prices

Daniel Cooper, María José Luengo-Prado and Jonathan A. Parker, **The Local Aggregate Effects of Minimum Wage Increases**, National Bureau of Economic Research, NBER Working Paper 25761, April 2019.

Finds that a 10 percent increase in the minimum wage leads to a cumulative 0.24 percent increase in prices. Analyzes the period 1999-2017, using variation in minimum wages across Metropolitan Statistical Areas (MSAs) and controlling for differences in business-cycle factors and long-run local economic trends.

<http://www.nber.org/papers/w25761>

Daniel MacDonald and Eric Nilsson, **Effects of Increasing the Minimum Wage on Prices: Analyzing the Incidence of Policy Design and Context**, Upjohn Institute for Employment Research Working Paper, June 2016.

The research uses updated methodology, with the benefit of being able to incorporate “rich variation in minimum wage policy of the last 10–15 years—including the rise of state and city-level minimum wage changes and the increased use of indexation—to investigate how the extent of price pass-through varies by policy context.”

“Our first main finding is that wage-price elasticities are notably lower than reported in previous work: we find prices grow by 0.36 percent for every 10 percent increase in the minimum wage, which is almost half of the previously accepted 0.7 percent. Second, we find that pass-through is primarily concentrated on the month that the minimum wage hike goes into effect, with no appreciable impact on the month before or after. ...”

https://research.upjohn.org/cgi/viewcontent.cgi?article=1278&context=up_workingpapers

Profits and Prices

Tom Perkins, **Revealed: top US corporations raising prices on Americans even as profits surge**, The Guardian, April 27, 2022.

“The analysis of Securities and Exchange Commission filings for 100 US corporations found net profits up by a median of 49%, and in one case by as much as 111,000%. Those increases came as companies saddled customers with higher prices and all but ten executed massive stock buyback programs or bumped dividends to enrich investors.” Meanwhile, US median wages increased 1.6% from Q1 2020 to Q1 2022. “The Guardian’s findings are in line with recent US Commerce Department data that shows corporate profits rose 35% during the last year and are at their [highest level](#) since 1950. Inflation, meanwhile, rose to 8.5% year over year in March.”

<https://www.theguardian.com/business/2022/apr/27/inflation-corporate-america-increased-prices-profits>

Molly Kinder, Katie Bach, and Laura Stateler, **Profits and the pandemic: As shareholder wealth soared, workers were left behind**, Brookings, April 21, 2022.

The 22 major companies studied “spent five times more on dividends and stock buybacks than on all additional pay for workers. Diverting some, or all, of that shareholder cash would have allowed companies to increase wages significantly. The 16 companies that repurchased nearly \$50 billion of their shares could have raised the annual pay of their median worker by an average of 40% if they had redirected that money to employees.”

<https://www.brookings.edu/research/profits-and-the-pandemic-as-shareholder-wealth-soared-workers-were-left-behind/>

https://www.brookings.edu/wp-content/uploads/2022/04/Pandemic_Profits_report.pdf

Paul Constant, **It’s not just inflation – corporate greed is also partially to blame for the rising prices you’re paying**, Business Insider, Feb 12, 2022.

<https://www.businessinsider.com/how-measure-inflation-raise-prices-corporate-profits-supply-chain-2022-2>

Josh Bivens, **U.S. workers have already been disempowered in the name of fighting inflation**, Economic Policy Institute, January 21, 2022.

Looks at the recent acceleration in prices and wages across 110 industries. “There is very little correlation to be seen. In sectors where inflation is high, like motor vehicle manufacturing, it’s generally not because wage growth is high. And in those sectors where labor scarcity has put

upward pressure on wages, like hotels and other accommodations, it has not led to atypically fast price growth. In short, price inflation remains a problem coming from outside the labor market.”
<https://www.epi.org/blog/u-s-workers-have-already-been-disempowered-in-the-name-of-fighting-inflation-policymakers-should-not-make-it-even-worse-by-raising-interest-rates-too-aggressively/>

Accident Rates

Christopher D. B. Burt, **Chapter 2: New Employee Accident Rates**, [New Employee Safety: Risk Factors and Management Strategies](#), Springer, 2015.

“At its broadest level, there are three different bodies of research that have addressed new employees’ occupational accident rate. All three literatures clearly show that an employee is more likely to have an accident at work in their initial period of employment in a job....”

See attached Chapter 2.

<https://www.springer.com/us/book/9783319186832>

Business Closings

Small Business Administration, **Small Business Facts: Why Do Business Close?** May 2018.

“Of the businesses with employees that closed in 2015, the top reasons for closing were low sales, the owner(s) retiring, and the owner(s) selling the business (Chart 2). With the next top reasons being opening another firm and illness/injury, it shows that many owners close for personal or health reasons not just business reasons. (“Other reasons” was also relatively high.)

https://www.sba.gov/sites/default/files/Small_Biz_Facts_Why_Do_Businesses_Close_May_2018_0.pdf

www.businessforafairminimumwage.org