MEASURING THE EFFECTS OF A MINIMUM WAGE INCREASE ON EMPLOYMENT OUTCOMES USING REGRESSION DISCONTINUITY DESIGN

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ABSTRACT

This study aims to see if a minimum wage increase results in adverse employment outcomes, particularly in hours of work and probability of gaining/retaining employment using a household-level panel survey dataset. Regression discontinuity design (RDD) is employed, using the minimum wage as the forcing variable that determines whether a sample is assigned to either the treatment group (minimum wage worker) or control group (above minimum wage worker). The RDD graphs and the regressions seem to point, in general, to the negative effect of the minimum wage increase on hours of work not only for workers earning within the minimum wage but also for workers earning 50% above the minimum wage. Probability of gaining/retaining employment is lower for minimum wage workers and for workers earning 50% above the minimum wage.