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Employment Effect of Minimum Wages

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Definition: The effect of minimum wages on employment is a mature, continuously researched topic. This study discusses the core theoretical approaches on the relationship between the minimum wage and employment, which is reflected by the empirical results from the international literature. Moreover, it presents the findings of the most recent research and the results of meta-analyses of this issue. While the theoretical approaches and outcomes of empirical studies vary, the meta-analysis demonstrates the lack of a significant correlation between minimum wages and employment. In light of the latest developments and meta-regressions, the literature does not provide a clear and definite sign of the relationship, but the trend seems to be driven towards a negative direction of the impact for the more sensitive groups. Therefore, further light needs to be shed onto this issue.

Keywords: minimum wage; employment; theoretical approaches; empirical literature; meta-analysis



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1. Introduction to and Debate over Employment's Effect on Minimum Wages

The effect of labor market institutions and policies on the evolving pattern of unemployment in almost all countries globally has always been an important issue in economic history. The labor market characteristics and the unemployment rates between Europe and the USA, as well as among the European countries, are different. Many economists, such as Blanchard and Wolfers [1], suggest that these differences in unemployment across countries can be attributed to differences in labor market institutions and labor market regulations, which are designed to form the appropriate labor market policy.

More specifically, the minimum wage, the employment protection, the influence of the unions, the active and passive labor market policies, the unemployment benefits and the tax-benefit policies of the governments, can account for the variability of employment levels. Within this framework, this paper discusses the impact of minimum wages on employment.

The minimum wage is the lowest hourly, daily or monthly wage that employers are bound by law to pay their workers. Equivalently, it is the lowest wage at which employees can sell their labor. It is an important labor market institution which most countries all over the world (92% of the International Labour Organisation's member States) have already introduced [2]. The opinions on the minimum wage legislation are usually expressed by contradictory empirical results. One side is in favor of minimum wage, whereas the opposing view considers that minimum wage has several disadvantages for economies.

More specifically, the main arguments in favor of minimum wage are as follows: It improves the living standard of the poorest and most vulnerable groups of society since it can raise family incomes at the bottom of the income distribution, thus, lowering poverty [3]. Moreover, it enhances active demand by moving resources from higher to lower incomes, which are known to have a higher propensity to consume than the highest incomes [4]. Furthermore, it increases incentives to take on jobs [5] and encourages the activation of the economically inactive population by becoming work-enticing in terms of being able to secure a living ("making work pay") [6].

On the other hand, minimum wage increases fail to stimulate growth and can have a negative impact on vulnerable workers during recessions [7]. In addition, it is a hindrance for firms which attempt to reduce the wage costs during trade or economic downturns,

consequently generating various business inefficiencies [8]. Neumark [9] suggests that among other potential downsides, a higher minimum wage may discourage firms from employing low-wage, low-skill workers that minimum wages are intended to help, and that targeted tax credits can do a better job of reaching the poor than minimum wages do.

The minimum wage is an essential labor market tool which alleviates circumstances towards the smooth and balanced functioning of the labor market. Among the labor market policies which can correct imbalances and help the entire society, employment protection, unions, active and passive labor market policies, unemployment benefits and tax benefit policies are also considered to be significant institutions.

Many social policy economists, such as Nickel [10] and Blanchard and Wolfers [1], have suggested that the differences in the labor market institutions and policies which have been designed to assist and regulate the labor market properly can explain the differences in unemployment across countries. Within this framework, this study explored the impact of minimum wages on employment.

In the literature related to the employment effects of minimum wages, since the beginning of the research field, there has been an intense controversy regarding its impact on the level of employment and unemployment. Until the early 1990s, the majority of empirical studies agreed that the minimum wage had a negative effect on employment, relying mainly on the neoclassical approach, according to which, the minimum wage causes unemployment. However, since 1992, when a top labor economics journal (the *Industrial and Labor Relations Review*) organized a Special Issue entitled “New Minimum Wage Research: A Symposium” [11], new results have begun to emerge.

In particular, Card and Krueger’s studies overturned the old economic orthodoxy about the minimum wage. David Card was awarded the Nobel Prize in 2021, and Alan Krueger would have been awarded it as well if he had not passed away. Card and Krueger challenged the conventional wisdom in labor economics, providing evidence that the increase in minimum wages is not necessarily accompanied by a decrease in the employment level.

Initially, Card [12], in a case study of California using data from the time period 1987–1989, found that the increase in the minimum wage in California in 1988 did not lead to a decline in teenage employment or job losses in the retail trade. In another study of the same year, Card [13] investigated the impact of the increase in the federal minimum wage in April 1990 on teenagers’ employment and did not find evidence of a disemployment effect on teenagers.

A few years later, Card and Krueger [14] compared the evolution of employment in the fast-food industry of New Jersey, which raised its minimum wage in 1992, with the growth in employment of Pennsylvania, a neighboring state which did not raise it. They concluded that the employment effects of the minimum wage increase ranged from non-existent to marginally positive. This study accelerated the already renewed interest of researchers in the employment effect of minimum wages and was a point of reference for a large series of related empirical studies.

Neumark and Wascher were one of the greatest opponents of Card and Krueger’s results and directly challenged their conclusions. Neumark and Wascher [15,16] used the payroll statements of the fast-food chains in the US (instead of data from interviews, as Card and Krueger did), comparing the states of New Jersey and Pennsylvania, and found that an increase in the minimum wage resulted in a decrease in jobs for unskilled workers.

In 2008, Neumark and Wascher published their book entitled *Minimum Wages*, where they analyzed over 300 studies on the minimum wage which had been conducted in various countries all over the world since the beginning of the 1990s [17]. According to the authors, the majority of the studies had revealed the negative employment effect of minimum wages.

Within this framework of contradictory empirical results, it has to be highlighted that the dominant point of view in the related literature was that minimum wage had a negative effect on employment. This was the situation until 2009, when another breakpoint

publication on this issue arose. This was the article by Doucouliagos and Stanley [18] published in the prestigious *British Journal of Industrial Relations*.

In their review of 64 studies on the effects of the minimum wage on teenage employment in the USA, Doucouliagos and Stanley [18] found that the empirical literature was contaminated by publication selection bias. Once this publication selection was corrected, the average impact was close to zero, and the average elasticity of the meta-analysis was found to be around -0.01 .

Since then, more voices began to appear in the foreground which argued that the increase in the minimum wage does not cause any negative impact on employment. The International Labor Organization (ILO) supports the institution of the minimum wage. Specifically, 90% of ILO member states have set one or more minimum wages through collective bargaining or through statutory interventions [19].

Moreover, the International Monetary Fund (IMF) considers that the minimum wage, as well as employment protection legislation and collective bargaining, helps to achieve low unemployment and growth [20]. In addition, the Organization for Economic Co-operation and Development (OECD) is in favor of minimum wage; however, in recent analyses, it has been recommended that minimum wages should increase at a lower rate than the average wage in order to create better chances for low-wage workers [21].

This study aimed to fill in a gap in the literature by offering a comprehensive analysis of the extant literature on the employment effects of minimum wages, identifying the theoretical approaches and presenting the most recent results of the empirical research, as well as the meta-analyses that have been conducted on this issue.

2. Theoretical Considerations and Approaches

The effect of the minimum wage on employment is one of the key issues in labor economics that has been largely explored in the relevant literature, wherein a wealth of varied and conflicting empirical results has emerged. In this context, various theoretical approaches have been developed that either try to present the theoretical expectations of the relationship, or explain the variation and diversification in the results. In summary, these theoretical approaches can be categorized as follows: (a) the Neoclassical approach, (b) monopsony models, (c) the Keynesian approach, (d) the efficiency wage theory and (e) search-and-matching models.

2.1. The Neoclassical Approach

The “orthodox” Neoclassical approach considers the minimum wage as an element that distorts the balanced function of the labor market by increasing the initially low wages beyond the equilibrium point E . According to a simple labor market supply and demand model, the intersection of the labor supply curve and the labor demand curve determines the number of people employed (E^*) and the equilibrium wage (W^*) so that unemployment is zero (Figure 1). Establishing a minimum wage (higher than W^*) means that, based on the labor demand curve D , employers will hire E_{MW} workers at that wage, which is less than the E^* they would hire if the wage were W^* . Thus, the higher the minimum wage is set above the equilibrium price (market price), the more unemployment it causes and, consequently, the greater the losses in employment ($E_S - E_{MW}$).

2.2. Monopsony Model

The Neoclassical perception of the negative impact of minimum wages on employment is not always accepted, even by economists who move within the broader framework of the Neoclassical model. Some economists have disputed the basic assumptions of the above labor market model, as well as its logical basis [22,23]. If, in contrast to the assumption of perfect competition, we consider the assumption of monopsony, where employers collectively have greater power and relative control in the market, in which the employers collude with each other and exploit the imperfect information and other personal weaknesses of low wages, we are led to a different point of wage–employment equilibrium.

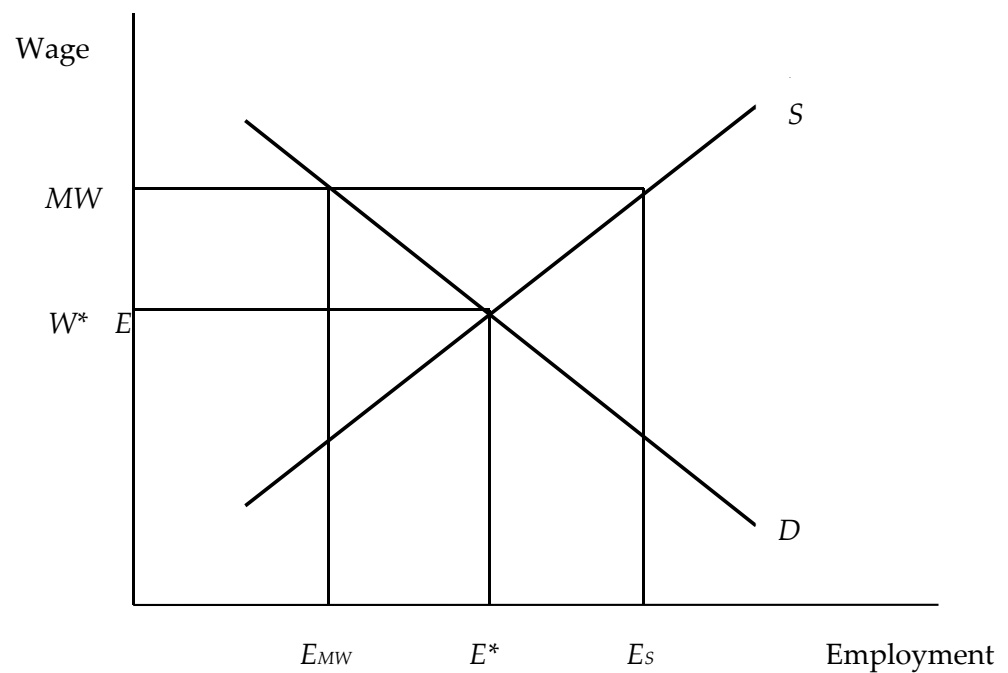


Figure 1. The employment effect of minimum wages in the Neoclassical model.

In such a monopsony situation, in the absence of a minimum wage, not only the equilibrium wage but also the number of employees would be lower than what would prevail in conditions of perfect competition (see Figure 2). The monopsonist sets the wage at the point where the marginal cost of labor (MC_E) equals the marginal revenue of the product (VMP_E). At this wage (W^{MP}), the number of workers employed is E_{MP} , which is less than that in the case of the competitive level E^* . Therefore, in a monopsony labor market, there is underemployment. In that sense, if the government imposes a wage floor of W' , the firm can hire up to E' workers, which implies that the imposition of a minimum wage on a monopsonistic market can increase employment.

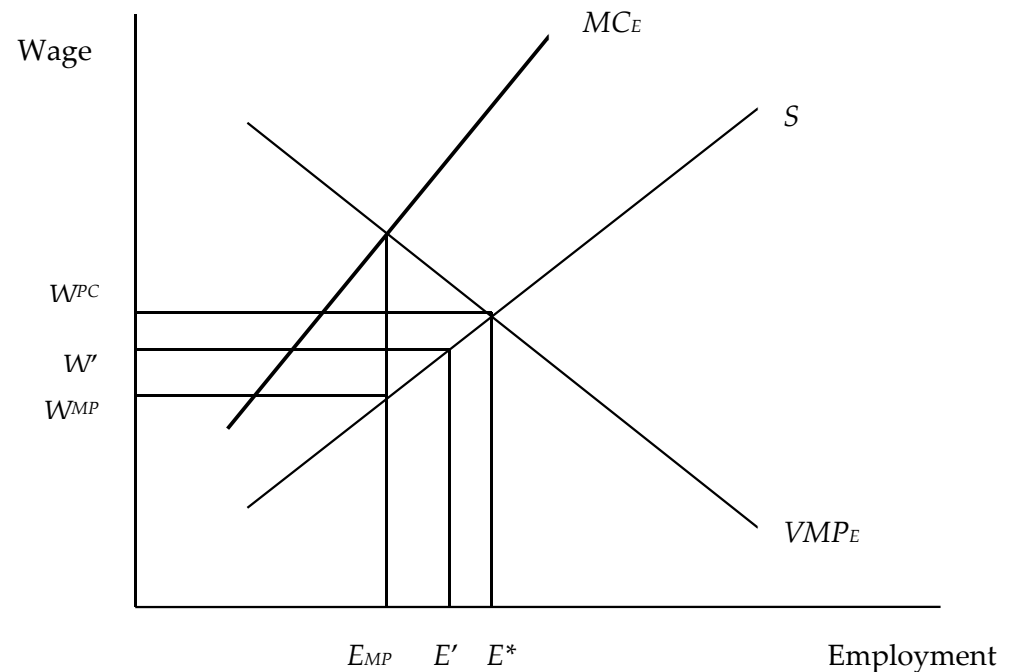


Figure 2. The employment effect of minimum wages in the monopsonistic market.

2.3. Keynesian Approach

According to the Keynesian approach, the consequences of an increase in the level of minimum wage cannot a priori determine the direction of the impact on employment. As is the case with commodity prices, an increase in wages will increase the labor costs and is expected to cause an increase in product prices, while a decrease in wages is expected to result in a decrease in prices. International competition cannot affect this result (the increase in prices) in the short term, but only in the long term. In any case, there is no direct connection between the change in wages and the change in employment [24]. In a nutshell, the point is that the Keynesian approach assumes that the introduction of a minimum wage is expected to exert some upward pressure on the price of products, while its effect on employment is unspecified in advance.

2.4. Efficiency Wage

The efficiency wage theory is another approach which can explain why minimum wages do not have negative effects on employment. The main idea was initially addressed by Akerlof in 1982, who suggested that higher wages can lead to higher productivity and efficiency by workers, which could possibly compensate for the higher labor costs that a minimum wage may cause [25,26].

In this direction, there is also the study by Shapiro and Stiglitz [27], who assumed that there are two levels of work intensity: a low level at which employees produce no product, and a high level of labor intensity at which they normally produce product. Employers, in order to force the employees to work at a high level of intensity, use the threat of dismissal. Given employers' limited ability to distinguish workers who are not working at high intensity, employers have an interest in raising wages to a level that makes it unprofitable for the employee to choose low-intensity work, and thus, face the increased risk of dismissal.

Rebitzer and Taylor [28] also showed that the imposition of a minimum wage slightly above the level of the equilibrium wage can raise the possible cost of dismissal for an employee so the company can devote fewer resources to monitoring the work effort and devote this amount of money and resources to the recruitment of additional workers.

In other words, in the efficiency wage model, a minimum wage above the equilibrium wage increases the employment level. Therefore, an increase in the minimum wage above the point and level shaped by a competitive market leads to an increase in both wages and employment, similar to the case of monopsony.

2.5. Search-and-Matching Models

In these models, minimum wage increases can affect the search and matching effort of job seekers. The employment effect of such an increase in the minimum wage depends mainly on endogenous responses to such search efforts [29–31]. Concisely, we would say that in these models, the increased minimum wage causes an increase in the hiring cost. However, this increased cost can be offset by the supply side, as those who enter the labor force and search for a potential job do it more willingly and more intensely, resulting in better job matches and increases in employment.

It may be the case that workers may not be very well informed about the potential work possibilities they have and they choose jobs which they know will be available. As a consequence, a firm which offers increased wages attracts new workers more easily, while firms which offer lower salaries lose their staff. In this way, a minimum wage can lead to an increase in the level of employment because it increases the probability that some workers will receive a wage offer that exceeds their reservation wage and because it induces firms already paying above the minimum to raise their wage offers as well.

3. Empirical Literature and the Most Recent Research

For decades, the vast majority of economists considered that the minimum wage had a negative impact on employment and, until the early 1990s, the Neoclassical model prevailed

in the minimum wage–employment relationship. Characteristically, Brown [32] concluded that time-series studies showed systematically that a 10% change in the minimum wage led to a reduction in the youth employment rate by 1 to 3%. This result seems to agree with the predictions of the competing model regarding the labor market.

This was the case until 1992, when the influential studies by Card and Krueger became a point of reference for a large series of related empirical studies in the New Minimum Wage Research period that followed, as we discussed in the previous section. However, Card and Krueger’s studies in the 1990s were based on a single case of an increase in the minimum wage, thus, being exposed to the possibility of random error in the measurement. By the term random error, we mean that Card and Krueger measured the employment effect of a single minimum wage increase once, but this measurement may have been incorrect because of the intrusion of some unspecified factor that altered various aspects with respect to the relationship of the measurement. Therefore, repeating the measurement is important to avoid this kind of problem.

Neumark and Wascher directly challenged Card and Krueger’s conclusions with their own empirical study [16]. They examined payroll data (instead of data from interviews, as in the case of Card and Krueger) from the fast-food industry in the US, and compared the states of New Jersey and Pennsylvania, as did Card and Krueger. Their findings pointed to a decrease in jobs for unskilled workers from an increase in the minimum wage.

Ropponen [33] attempted to reconcile the results of Card and Krueger with those of Neumark and Wascher. Her conclusion was that the main reason for the divergence in the results of the two opposing sides of the leading labor economists was that they refer to different types of businesses. Thus, the minimum wage appeared to have small positive effects on employment when it came to small restaurants (as explored by Card and Krueger) and negative effects when it came to large fast-food chains (as investigated by Neumark and Wascher).

In the New Minimum Wage area, contradictory empirical results have been generated and an extensive body of the literature was developed which was oriented towards either the adoption of the findings on the side of Card and Krueger, or on the side of Neumark and Wascher. For instance, Dube et al. [34] provided opposing results to those of Neumark and Wascher. They used Card and Krueger’s approach of comparing employment in states that raised the minimum wage and states that did not raise it, but increased the number of cases to 1361 counties within the USA and extended the observation period to 20 years (1990–2009). Their study found no effect on employment from raising the wage. Additionally, Hirsh et al. [35] investigated 81 fast-food restaurants in Georgia and Alabama, and did not find a significant negative impact on employment. Dube [36] shed further light on this issue and stated that in order to evaluate the impact of a minimum wage increase on employment, we should weigh the employment metrics before and after raising the minimum wage on the basis of general employment trends. Therefore, studies which relate the increase in the minimum wage in some states of the USA with declines in employment should consider that the employment trend (in northern states) was already declining even before the minimum wage increase. Addison et al. [37] investigated employment in low-wage subsectors of retail trade, comparing pairs of counties across the US that did and did not raise the minimum wage. Their study confirmed the findings of Dube et al. [34], which showed that if we take the different existing county employment trends prior to the minimum wage increase into account, there is no negative effect of the minimum wage increase on employment.

There are also studies which provided opposite results to those of Card and Krueger. For instance, Sabia et al. [38] examined successive increases in New York’s minimum wage for the time period 2004–2007 compared with the neighboring states Pennsylvania, Ohio and New Hampshire, where the minimum wage remained unchanged over the same period. They found that raising the minimum wage had a significant negative effect on the employment of unskilled young people. Meer and West [39] also found a negative effect of the minimum wage on employment, but clarified that this was a medium-term impact.

Another aspect to be mentioned is that the results of Neumark and Wascher have mainly been supported with respect to the group of young people. A study by the OECD [40] found a significant decrease in the employment of young people as a consequence of a high minimum wage. Specifically, a higher minimum wage than the median increases the unemployment of young people by 0.4–1.2%, depending on the reference country. Similar results emerged from a study by the European Commission [41], where a 1% increase in the minimum wage caused a decrease of 0.15–0.2% in youth employment. However, we must mention that there are also studies, for instance that of Allegretto et al. [42], which concluded that the minimum wage does not reduce youth employment.

In general, we would say that the literature on the effect of minimum wages on employment in the New Minimum Wage area has provided various and contradictory empirical results. Research on this issue is not only large but is also growing. In Table 1, we attempt to present the most recent evidence in order to investigate the latest trends, the direction of the relationship and the magnitude of the impact.

Table 1. Most recent empirical research on the employment effect of minimum wages.

Author(s)	Year	Country	Data Period	Group/Sector Related	Result(s)
Andriopoulou and Karakitsios [43]	2022	Greece	2004–2019	Micro-level data from the Greek Labor Force Survey (LFS)	Real minimum wages are estimated to have either a statistically insignificant or a very small impact on unemployment entries and exits.
Asravor and Sackey [44]	2022	Ghana	1991–2018	Several sectors	The daily minimum wage negatively affects sectoral employment, with the agricultural employment being the worst affected.
Dustmann et al. [45]	2022	Germany	2014–2016	Nationwide impact of the introduction of the minimum wage in Germany	The minimum wage did not lower employment.
Gregory and Zierahn [46]	2022	Germany	1994–2008	Highly skilled workers	Negative employment effects for highly skilled workers who are further up the wage distribution hierarchy.
Jha et al. [47]	2022	USA	1990–2016	US restaurant industry	Results using county pairs showed a non-significant long-term effect of minimum wages, while by using pairs from multi-state commuting zones, the study found large and significant negative effects of minimum wages in the medium and long term.
Roupakias [48]	2022	Greece	2016–2020	Region–industry cells, employment data from the Greek Labor Force Survey	There is some evidence that an increase in the minimum wage intensity is correlated with a higher level of female employment.

Table 1. Cont.

Author(s)	Year	Country	Data Period	Group/Sector Related	Result(s)
van der Westhuizen [49]	2022	New Zealand	2001–2002	Teenagers	The 2001 minimum wage reform had small and positive effects on the employment of teenagers.
Bailey et al. [50]	2021	USA	1959–1973	Population	The 1966 Fair Labor Standards Act (FLSA) reduced aggregate employment only modestly. Disemployment effects were significantly greater among African American men.
Campos-Vazquez and Esquivel [51]	2021	Mexico	2017–2021	Private sector	The study found no significant effect on employment.
Chen [52]	2021	China	2014–2016	Low-skilled workers	A 10% increase in the minimum wage increased the probability of unemployment by 0.51 percentage points, but the result was statistically insignificant.
Chorna [53]	2021	Poland	2008–2009	Firm level	Sharp increases in the minimum wage decreased employment.
Drucker et al. [54]	2021	Israel	2003–2010	Business owners and workers	The minimum wage increase had a negative impact on employment.
Godoy and Reich [55]	2021	USA	2005–2017	Low-wage counties	The study did not detect adverse effects on employment, weekly hours or annual weeks worked. In addition, it found negative employment effects among women, Black and/or Hispanic people.
Kabatek [56]	2021	Netherlands	2006–2012	Youth aged 15 to 23	The results showed a statistically significant increase in the incidence of job separations prior to the discontinuity. The aggregate job separation probability increased by 0.6 to 1.5% in the three months closest to the workers' birthdays, compared with the rest of the year.
Katzkowicz et al. [57]	2021	Uruguay	2006–2016	Formal–informal sector mobility for women in the domestic work sector	The analysis showed a decline in employment in the domestic sector as well as a significant effect on formal–informal sector mobility, with negative impacts on formal employment.
Kawaguchi and Mori [58]	2021	Japan	2002–2017	Population	The minimum wage hike decreased the job flows of prime-age men and women.

Table 1. Cont.

Author(s)	Year	Country	Data Period	Group/Sector Related	Result(s)
Mansoor and O'Neill [59]	2021	India	1999–2012	Data from the National Sample Survey Office (NSSO) with administrative data from the Report on the Working of the Minimum Wages Act 1948	Minimum wages have a positive effect on wages, without a corresponding effect on employment.
Paun et al. [60]	2021	22 EU countries	1999–2016	EU panel data analysis	The results suggested a negative impact of the minimum wage on total employment and on sensitive categories (youth, female workers and the elderly).
Vadean and Allan [61]	2021	England	2015–2016	Care Sector	Although the employment effect was rather elusive, the study found that for care homes, this can be partially explained by a negative effect on total weekly hours. They also found positive but short-term effects on employment without guaranteed working hours (i.e., zero-hour contracts) for both residential and domiciliary care.
Wye and Bahri [62]	2021	China	2004–2015	31 Chinese provinces	The employment effect of a minimum wage depended on the minimum wage level, foreign direct investment, per capita gross domestic product and labor productivity.
Derenoncourt et al. [63]	2021	Brazil	1999–2009	PNAD data, focusing on the federal minimum wage in Brazil	The study does not find evidence of significant disemployment effects.

Table 1 suggests that the most recently published empirical literature does not provide a clear and definite sign of the relationship. The studies that have been conducted during the last period of time have once again produced contradictory empirical results. Within this framework, a meta-analysis using the most recent studies as a meta-sample is highly necessary to identify the sources of heterogeneity between the studies and could possibly clarify the presence of publication bias in favor of positive or negative estimates. Once this potential bias can be corrected, a meta-regression analysis would generate the genuine true effect of minimum wages on employment. In the next section, we report the previous meta-analyses that have been conducted on this issue.

4. What the Meta-Analyses Show

Card and Krueger's [64] first meta-analysis conducted on the employment effect of minimum wages considered the USA and used 15 empirical studies published between 1970–1992 as a meta-sample. Their study provided evidence of publication bias in favor of studies that produced a statistically significant negative employment effect. Many years later, Neumark and Wascher [65], in an extensive review of the literature on minimum

wages, concluded that among the studies which they deemed to be more reliable, 85% highlighted the negative impact of minimum wages on employment.

However, Doucouliagos and Stanley [18], in a review of 64 impact studies on the effect of the minimum wage on teenage employment in the USA, found that the average impact was close to zero. The minimum wage elasticity was close to zero (-0.01).

Leonard et al. [66] analyzed 16 studies regarding the minimum wage increase in the United Kingdom. After estimating 236 minimum wage elasticities and 710 coefficients, they found no impact of minimum wages on employment overall, with some exceptions in some sectors, mainly with respect to the home care sector.

Nataraj et al. [67] examined 17 studies concerning 15 low-income countries and found an ambiguous employment effect of minimum wages. Moreover, Chletsos and Giotis [68], using a meta-sample of 77 empirical studies of 18 developed and developing countries, found no effect on overall employment, though the result was more negative for youth but was not always statistically significant. In another study, Giotis and Chletsos [69], having used a meta-sample of 45 empirical studies published in academic journals during 2010–2014, found evidence of publication selection bias in favor of studies which produced negative results; however, once this had been corrected, only a small negative effect remained.

Hafner et al. [70] investigated the impact of the minimum wage increase from GBP 6.50 to GBP 7.20 per hour in April 2016 in the UK for those aged over 25 years old. They found that increases in the UK national minimum wage since 1999 had no negative employment impact, apart from on part-time employees, who appeared to face some negative employment effects compared with other groups. The same happened to young employees during the 2008 recession.

Broecke et al. [71], using a meta-sample of studies conducted in 14 emerging economies (Argentina, Brazil, Chile, China, Colombia, India, Indonesia, Mexico, Poland, the Philippines, the Russian Federation, South Africa, Thailand and Turkey), investigated the impact of minimum wages on employment and found that minimum wages had only a minimal effect. However, minimum wages were related to negative employment effects for young people and low-skilled workers.

Gautié and Laroche [72] examined the employment effect of minimum wages using data from studies conducted for France, a country where the minimum wage is an important institution and labor market policy. The authors discovered that a 1% increase in the real minimum wage decreased the future employment probability of a worker currently employed at the minimum wage by 1.4%.

Martínez and Martínez [73] conducted an impressive meta-analysis of 588 articles on minimum wage studies from 1900 to 2020 which pointed to the negative effect of minimum wages on employment. Their study also found evidence of the existence of publication bias in favor of studies which found negative employment effects of minimum wages for developed countries.

Closing this section, we refer to the study by Neumark and Shirley [74], who examined evidence on subnational minimum wage variations within the United States since the early 1990s. Their study concluded that there is a dominant prevalence of works which provide negative estimates in the related research and that the negative impact is stronger for younger people, especially teens and young adults, and the less educated as well.

Ultimately, we suggest that, at first, the meta-analyses pointed to an insignificant effect of minimum wages on employment, with a few exceptions. In light of the latest developments and meta-regressions, the literature does not provide a clear and definite sign of the relationship, but the trend seems to be driven towards a negative direction of the impact for the more sensitive groups. Therefore, further light needs to be shed on this issue.

5. Conclusions

The body of literature on the employment effect of minimum wages is not only large but is also growing. This study attempted to further elaborate on this issue by comprehensively providing the related theoretical approaches and the most recent empirical research. While the dominant point of view was that minimum wages affected employment negatively, the studies by Card and Krueger in the 1990s and by Doucouliagos and Stanley in 2009, which demonstrated zero or very small negative impacts, generated further research with contradictory empirical results. Moreover, the study revealed the results of the meta-analyses that have been conducted, which indicated that the minimum wage does not have disemployment effects. In light of the latest developments and meta-regressions, the literature does not provide a clear and definite sign of the relationship, but the trend seems to be driven towards a negative direction of the impact for the more sensitive groups. Consequently, further light needs to be shed onto this issue.

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