Minimum Wages and Health

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Mechanisms (short-run)

- Income effects
  - Health care: afford copays, better insurance
  - Stress: physiological, also via coping behaviors (smoking)
  - Nutrition: food insecurity ... versus obesity

- Time allocation: ambiguous, depends on employment

- Price effects
  - Food price increase – especially fast food?
Evidence from related research beyond minimum wage: Adults

- Identification challenging: health shocks have big effects on income (Smith)
- Conflicting results:

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Evidence from related research beyond minimum wage: Children

- Consumption of health goods appears more productive for kids
  - Nutrition critical in-utero and early life
  - Use of health care might be more beneficial for children

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Minimum wage evidence: Adults

- Literature slowly expanding – mixed results, but still few strong studies

Results:
- Benefits:
    - State-year DD, BRFSS 1984-2006
  - Improves mental health/financial stress (Reeves, 2017 Health Economics)
    - 1999 UK event study, panel compared to earners just above min wage
  - Improves self-reported health (Lenhart, 2017 JPAM)
    - Same UK design

- Adverse effects:
  - Worse self-reported health (Horn et al., 2016 NBER WP)
    - State-year DD, BRFSS 1993-2004
    - Weak result: $1 MinWage increase raises fair/poor health 1%, only among men. Multiple testing concerns.
  - Increase teen alcohol-related traffic deaths (Adams et al., 2012 REStat)
    - State-year DD, 1998-2006
    - Small effect size (100 deaths/year for 10% MinWage increase), could offset with beer tax
Meltzer and Chen (2011)

- Declining MinWage associated with increased BMI.

- Income effect?
  - Unlikely. Effects smaller at low incomes.

- Price effect:
  - MinWage labor accounts for ~1/3 of cost of fast food (much higher than for groceries)?

- Effect size:
  - Could explain 10% of 1968-2006 BMI increase (from 25 to 27).
  - $1 MinWage increase: lowers BMI .07 ... live 15 days longer?
  - At $100k/QALY: $50 billion/year welfare gain from longer life.
    - Compare to $200 billion/year wage transfer in this period. Thus adult obesity effects important to consider in social cost/benefit.
Minimum wage evidence: Children

- Literature slowly expanding. Effects positive, but still few strong studies

Results:
- Improved infant mortality, birthweight (Komro et al., 2016 AJPH)
- Improved prenatal care, maternal smoking, birthweight (Wehby et al., 2016 NBER WP)
Effect sizes: Smallish for $1 increase, but substantial if extrapolate to high MinWage

- Komro et al. (2016 AJPH)
  - $1 MinWage increase nationwide:
    - 2790 fewer low birthweight births (1-2% decrease) and 518 fewer postneonatal deaths (4% decrease).
      - Infant deaths averted swamp teen traffic death increase.
      - But at $10 million VSL, this $5 billion value is much lower than Meltzer and Chen’s estimated $50 billion adult obesity welfare gain.

- Wehby et al. (2016 NBER WP)
  - $1 MinWage increase:
    - 2% decrease low birthweight (similar to Komro), but analyzed only for those with <=HS education
    - ToT from $1,000 income increase (effect sizes similar to Hoynes et al. from EITC, assuming income is only pathway of MinWage effect):
      - 0.2 pp decrease low birthweight
      - 1 pp decrease in low prenatal care (<5 visits); 1 week earlier initiation
      - 1 percentage point decrease in prenatal smoking
Summary and Future Agenda

Summary:
- Based on related literature such as EITC, overall health benefits for children are more likely than for adults, at least for short-run effects
- Meltzer and Chen suggest adult obesity welfare effects are larger than infant estimates to date – but this is sensitive to controversial magnitude of obesity effects on mortality

Further studies needed:
- Better identification and specification testing, using labor econ state-of-art
- Replication studies
- More health outcomes and mechanisms
- Long-term lagged effects
- Recent, larger MinWage increases
  - New data with large N of families, focused on labor and health