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This document summarizes:

Page, Marianne E., Spetz, Joanne and Millar, Jane. "Does the Minimum Wage Affect Welfare Caseloads?" *Journal of Policy Analysis and Management* No. 2 2005: 273-295.

In this study, Page, Spetz and Millar examine the impact of minimum wage on welfare caseloads. In studying minimum wages across different states and time frames, they conclude that a higher minimum wage leads to an increase in welfare dependency and, thus, an increase in welfare caseloads. Though there are many studies that look at the impact of minimum wage increases, this is one of the only that studies the effect of these increases on the number of welfare cases.

Although the goal of increased minimum wage rates is to improve families' economic status, often, high wages lead to lower employment levels and fewer job opportunities. Based on their study, the authors found that a 35 percent increase in the minimum wage in California led to a 3 to 7 percent increase in welfare cases. The rationale for this finding is that higher minimum wages reduce the job opportunities for low-skill workers, and, therefore, while the increase in the minimum wage can reduce dependence on welfare for some families, there is still a net increase in the number of families who become dependent.

These results are consistent with two employment theories. The first is the neo-classical theory, which states that if employment opportunities fall then low-skilled workers are more likely to rely on welfare. The second is the "crowd out" effect, which states that an increase in the minimum wage causes more workers to enter the job force. This in turn leads to more competition and potential welfare recipients get "crowded out." In order to combat these problems, the authors encourage policymakers to re-examine minimum wages and their effect on welfare dependency.