

Does the UK Minimum Wage Reduce Employment? A Meta-Regression Analysis

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Summary

A systematic and comprehensive meta-analysis of the UK's minimum wage research literature finds no evidence of a practically meaningful adverse employment effect, overall. This general finding is robust to the research sample used and the meta-regression model employed. Descriptive statistics, simple meta-regression analysis (MRA), and more nuanced multiple MRAs of 710 partial correlation coefficients and 236 minimum-wage employment elasticities all confirm the absence of a practically significant adverse employment effect. Our results are consistent with a previous meta-analysis of the larger US minimum-wage research literature (Doucouliagos and Stanley, 2009). However, unlike the US minimum-wage research, there is no evidence of reporting bias (or publication bias) in the UK research literature.

There is one potentially important exception to this overall finding of the absence of an adverse employment effect. Our MRA discovers clear evidence that the employment effect is significantly more negative in the residential home care industry, and this might also be true for retail food. Perhaps, these differential employment effects may be large enough to suggest special treatment?

Of course, the full story of this area of research is more complex and nuanced than any simple overall summary. Our MRA identifies several research dimensions that affect the magnitude of the reported employment effect. Aside from the home care and food industries, the use of a relative measure of minimum wage (*Toughness*), and the inclusion of the unemployment rate in the employment equation have relatively large consequences for the employment effect. However, we have reason to believe that the effect of including the unemployment rate represents misspecification bias and/or the signal of selective reporting bias. There may also be several other important differential effects, including *WageCouncil*, but these effects are not as robust and have a smaller impact on the employment effect.

Lastly, what are the policy implications of this systematic review and meta-analysis of the minimum wage? Our meta-analysis implies that routine and modest rises in the minimum

have had no adverse effect on employment in the UK. Against this positive policy assessment, there is some indication that the residential home care industry should be treated differently to avoid small adverse effects. Perhaps, sector-specific minimum wage regulations, such as in the Wages Councils approach, is preferable to a single statutory minimum wage, and that possibly the UK legislators might bear this in mind when contemplating any reform to the national minimum wage?

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