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‘The economics of gender-specific minimum-wage legislation’

During the 1910s, twelve U.S. states passed and implemented the country's first minimum-wage laws. They covered only female employees, often in a subset of industries. We study the impact of this regulation using full-count Census data. Our identification strategy compares county-industry trends in county-pairs that straddle state borders. We find that female employment decreased by at least by 3.1% at the county-industry level. Across counties, we find that the own-wage elasticity of labor demand varies from around --1.6 to 0.8 as a function of the local cross-industry concentration. Affected female workers switch industries or drop out of the labor force. The latter channel is driven exclusively by married women; by making use of a newly constructed sample of linked women across Census waves, we document that part of the drop in industry-specific demand resulted in an exit from the labor force, while part of it led to a change in industry, with married women driving the former mechanism. We document a rise in male labor demand, and we investigate the channels of substitutions between men and women. Guided by a simple labor demand setting, we estimate the average elasticity of substitution between male and female labor, and show that the two inputs were, on average, gross substitutes. However, we find evidence that the margin of substitution is driven by the replacement of women in low-rank occupations with men in the middle- or high-rank occupations. Finally, we provide suggestive evidence of a long-run impact of gender-specific minimum-wage laws on female labor force participation, after the Fair Labor Standards Act.

While we have produced our evidence using historical data, our estimated parameters can be used in a comparative perspective to feed contemporary policy debates. The Raise the Wage Act of 2019 (HR582) proposes to raise the federal minimum wage gradually from $7.25 today to $15 by 2024. For example, Godøy and Reich (2019) estimated that such an increase will have no negative effect on employment. Even in Alabama and Mississippi, two of the lowest-wage states, the relative minimum wage—the ratio of the minimum wage to the state’s median wage—would rise to 0.77 and 0.85, respectively. In this paper, we analyze an unprecedented increase in minimum wages (the ratio of the minimum wage to median wage is between 90% and 103%) that may be comparable in size.