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## Minimum Wages and Teen Employment: A Spatial Panel Approach

by Charlene M. Kalenkoski, Donald J. Lacombe

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### Abstract:

The authors employ spatial econometrics techniques and Annual Averages data from the U.S. Bureau of Labor Statistics for 1990-2004 to examine how changes in the minimum wage affect teen employment. Spatial econometrics techniques account for the fact that employment is correlated across states. Such correlation may exist if a change in the minimum wage in a state affects employment not only in its own state but also in other, neighboring states. The authors show that state minimum wages negatively affect teen employment to a larger degree than is found in studies that do not account for this correlation. Their results show a combined direct and indirect effect of minimum wages on teen employment to be -2.1% for a 10% increase in the real effective minimum wage. Ignoring spatial correlation underestimates the magnitude of the effect of minimum wages on teen employment.

**Text:** See [Discussion Paper No. 5933](#)



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