Determinants of Social and Economic Well-Being in the United States: Minimum Wage, Cost of Living, and Welfare Generosity

In this study, I explore the effects of local minimum wages in a sample of US cities and counties on three poverty-related variables: unemployment, food insecurity, and jail admissions. The analysis is split into two sections. The first, which is similar to prior minimum wage studies, measures the relationships between the minimum wage, in nominal dollars, and each of the dependent variables. The second section incorporates differences in local costs of living among the sampled cities and counties to see if the relative purchasing power of the minimum wages, or the gap between the minimum wage and cost of living, affects their associated outcomes. Many earlier studies have accounted for cost of living only by adjusting the minimum wages for inflation, but this method simply captures growth in the price level from a specified base year rather than differences in cost of living across locations in a given year. Using stepwise fixed effects regression analyses, I find that the nominal minimum wage is positively associated with unemployment and negatively associated with food insecurity and jail admissions in the most complete models. The gap between the minimum wage and cost of living has a positive relationship with unemployment and no significant relationship with food insecurity or jail admissions in the most complete models. I also find that an additional independent variable — “welfare generosity” — is another powerful determinant of well-being in several of the models.