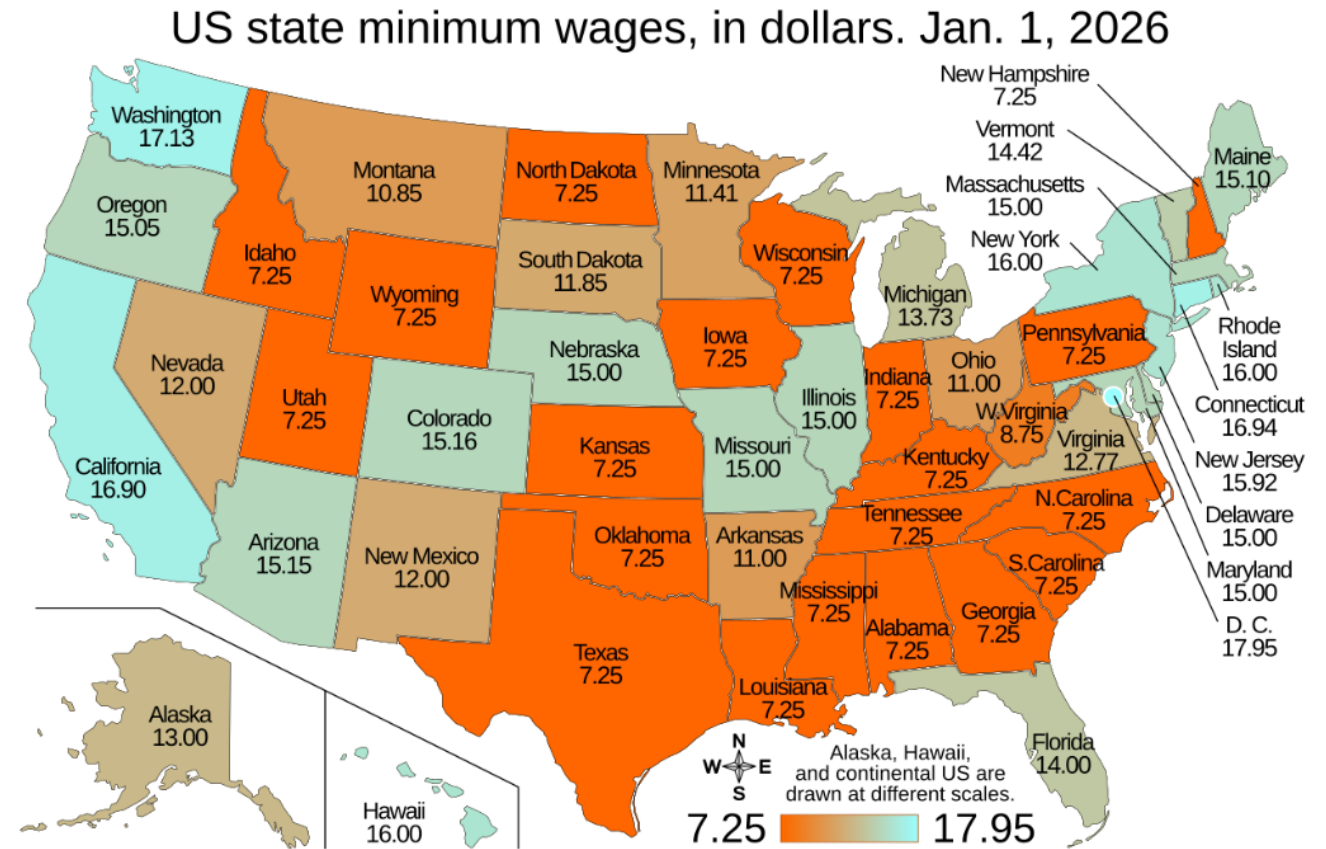


# Minimum Wages, Prices, and Employment: Evidence from California and Beyond

Jeffrey Clemens  
UCSD Economics Roundtable  
5/15/2026

# Minimum Wage Policy Landscape

- The federal minimum wage has rarely been less economically relevant.
  - Stuck at \$7.25 since July 2009.
- But state and local minimum wage policy is in some ways more economically significant than ever.



Source Data: <https://www.dol.gov/agencies/whd/minimum-wage/state>

Image Source: [https://en.wikipedia.org/wiki/List\\_of\\_U.S.\\_states\\_by\\_minimum\\_wage](https://en.wikipedia.org/wiki/List_of_U.S._states_by_minimum_wage)

# Minimum Wage Policy Landscape

- In recent years there has been substantial activity at the sub-state level.
  - Nearly 70 localities have their own minimum wage laws.
- There has also been renewed interest in sector-specific minimum wages:
  - New York has a minimum wage for App-based delivery workers.
  - New York has enacted fast food and hospitality sector-wide minimum wages.
  - California enacted a \$20 fast food minimum wage in September 2023 (implemented in April 2024).
  - Los Angeles City Council instructed its Chief Legislative Analysis to study a \$32.35 minimum wage for work on residential construction of developments “with ten or more residential units and under 85 feet in height.”
  - San Diego’s hospitality sector minimum wage will rise to \$25 by July 1, 2030.

# How Should We Think About the Minimum Wage?

- The minimum wage's goal is to enhance the living standards of low-wage workers.
- This is a fundamentally redistributive goal, so we need to understand what households realize the benefits and who bears the cost.
- Public debate over minimum wages focuses primarily on the question of whether it destroys jobs.
  - But there's much more to the question of who bears the cost, and whether it is an effective policy instrument, than this.

# How Should We Think About the Minimum Wage?

- Who benefits from a minimum wage increase?
  - Low-wage workers
- Who might bear the cost of a minimum wage increase?
  - Owners of firms? (Reduced profits)
  - Consumers of the goods produced by firms that employ minimum wage workers? (price pass-through)
  - Workers themselves? (offsets through reductions in fringe benefits or changes in other job attributes)
  - Workers who cease to be employed? (the employment effects that capture attention in public debate)

# How Should We Think About the Minimum Wage?

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# How Well Targeted Is the Minimum Wage?

- To what extent does targeting low-wage workers target needy households?
  - Recent evidence from the NBER version of Burkhauser, Nichols, and Sabia (Forthcoming, RESTAT)

Table 13B. Wage Distribution of All Workers by Income-to-Needs Ratio of Their Households, 2019-2020 March CPS

Income-to-Needs Ratio	Hourly Wage Categories <sup>a</sup>							Percent of All Workers	Percent of Workers Earning More than \$6.99 and Less Than \$11.00	Percent of Workers Earning More than \$6.99 and Less Than \$15.00
	\$0.01 to \$6.99	\$7.00 to \$7.24	\$7.25 to \$10.99	\$11.00 to \$14.99	\$15.00 to \$19.99	\$20.00 and over	Total			
Less than 1.00	5.43	0.00	31.02	29.47	19.30	14.78	100.00	3.62	8.76	5.89
1.00 to 1.24	2.75	0.29	20.37	39.02	23.74	13.83	100.00	2.19	4.02	3.99
1.25 to 1.49	3.92	0.15	22.87	33.81	21.58	17.68	100.00	2.55	5.65	4.73
1.50 to 1.99	2.71	0.15	18.72	33.42	24.71	20.29	100.00	6.39	12.07	11.25
2.00 to 2.99	1.67	0.21	12.72	27.33	27.69	30.37	100.00	14.52	19.20	20.52
3.00 or above	1.19	0.12	6.13	13.40	18.16	61.00	100.00	70.73	50.31	53.63
Whole Category Share <sup>b</sup>	1.54	0.13	9.04	17.80	20.03	51.45	100.00	100.00	100.00	100.00

- When we redistribute through the tax code we can target much more effectively.

# How Should We Think About the Minimum Wage?

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# Who Bears the Cost? (Firm Owners?)

- The **best-case** scenario for the minimum wage is that it is paid for entirely by **firm owners**.
  - In what sense is this the best case? Firm owners are the highest-income stakeholders who might bear the cost.
- How plausible is this best case?
  - The minimum wage is “paid for” through lower profits if firms fail to react.
  - This is **unlikely** because firms respond to incentives: “when we shoot at a duck, we expect the duck will move.” –Former Senator Russell Long.
  - Evidence suggests that small and less productive food service and retail firms go out of business after minimum wage increases, so owners of these firms bear some of the cost (Dustmann et al, QJE 2022; Rao and Risch, QJE 2026).

# Who Bears the Cost? (Firm Owners?)

- Implications of cost falling on **firm owners**:
  - The hardest hit firms tend to be small firms and firms in Leisure and Hospitality.
  - Owners of low wage firms are reasonably well off, but are not typically among the richest (Drucker, Mazarov, and Neumark, 2019).
  - This is less progressive than paying for a wage subsidy with a tax on high earners.

Firms with high fraction minimum wage workers

Firms with low fraction minimum wage workers

**Table 8**  
Income Percentiles of Business Owners and Workers, Individual and Family, by FMW, 2005.

FMW	(1) Business owners' income percentile	(2) Workers' income percentile	(3) Business owners' family income percentile	(4) Workers' family income percentile
0	88	77	71	57
<10%	94	77	82	57
10-20%	87	60	72	44
20-30%	85	54	69	40
30-40%	81	48	63	37
40-50%	79	44	60	35
50-60%	80	38	61	31
60-70%	78	38	56	30
70-80%	78	38	57	28
80-90%	79	34	53	25
90-100%	74	36	48	24
Total	87	68	68	49

Note: Individual figures represent approximate rank of column (5) in Tables 9 and 10. Family income figures represent approximate rank of column (10) in Table 9. Family income represents combined income of both married spouses in 2005. Annual owner or worker earnings below 6,000 NIS were omitted from calculation, as these can reflect small components of income that are not labor income from the main job. The rank was calculated based on the family income distribution including both owners' and workers' families.

# Summary So Far

- So far, we have not allowed for any responsiveness of firms to the incentives they face.
- Even absent firm responses, the targeting properties of the minimum wage are quite a bit worse than redistributing through the tax code:
  - The owners of firms that disproportionately employ minimum wage workers tend more towards upper-middle-income than rich.
  - The minimum wage workers themselves are surprisingly spread across the earnings distribution because they are often the second or third highest earner in their households.

# How Should We Think About the Minimum Wage?

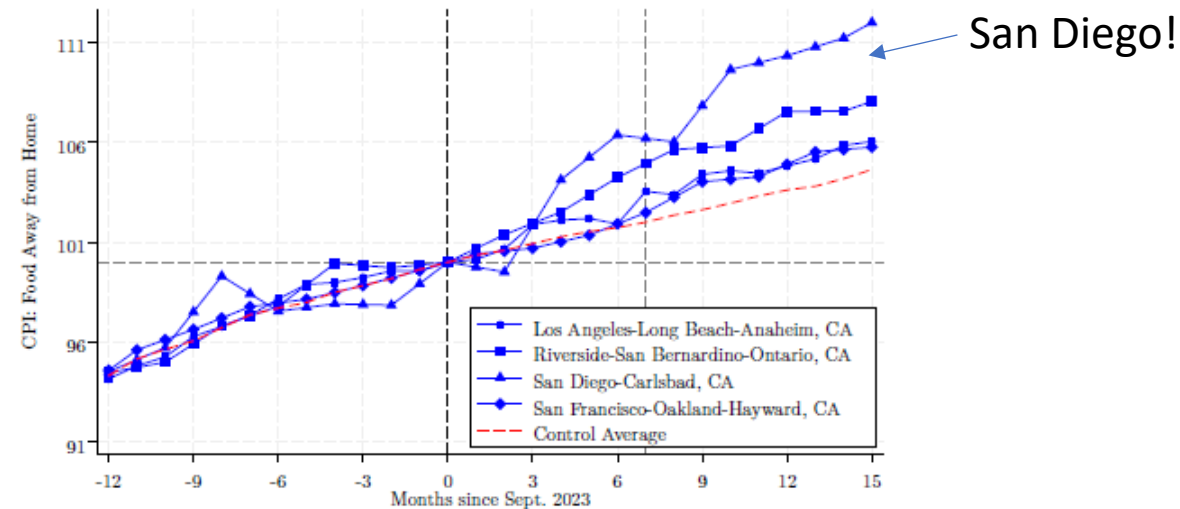
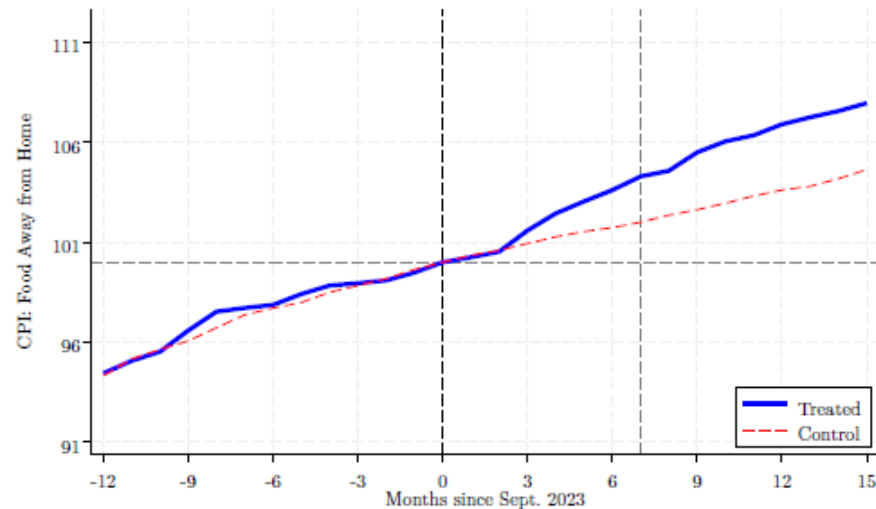
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# Price Increases From the \$20 Fast Food Minimum Wage

- A more plausible outcome is that firms **raise prices** in response to the minimum wage, which passes the cost to their **consumers**.
- There is widespread agreement that minimum wage increases lead to price increases. (“Price Pass Through”)
- Evidence from the California Fast Food minimum wage and elsewhere.

# Price Increases From the \$20 Fast Food Minimum Wage

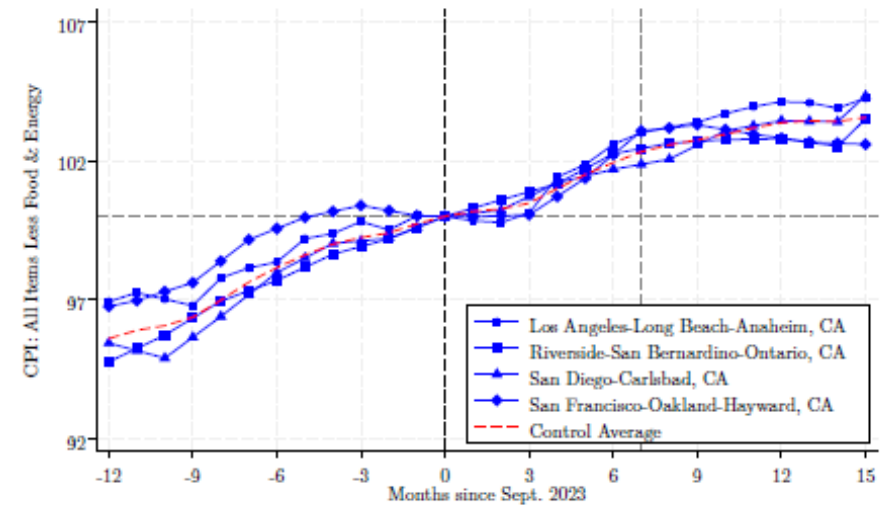
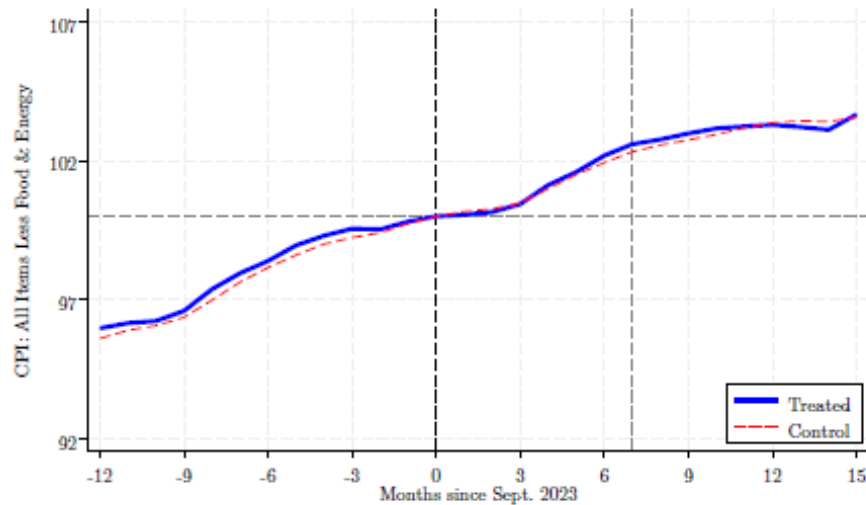
- Metro-Area Consumer Price Indices allow us to compare “Food Away From Home” Prices in 4 California metros relative to 17 large metros elsewhere



- CA prices move on a similar trend and then diverge after AB 1228 passes.
- The average differential rise is 3%.

# Price Increases From the \$20 Fast Food Minimum Wage

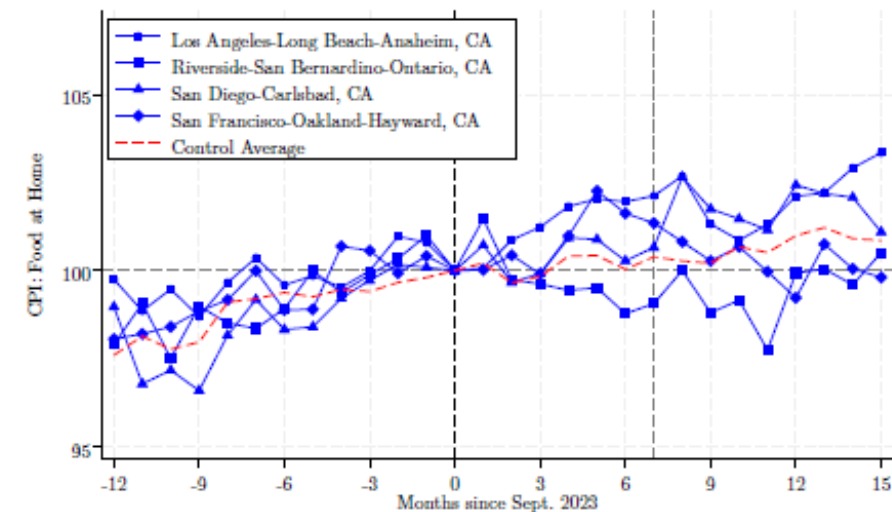
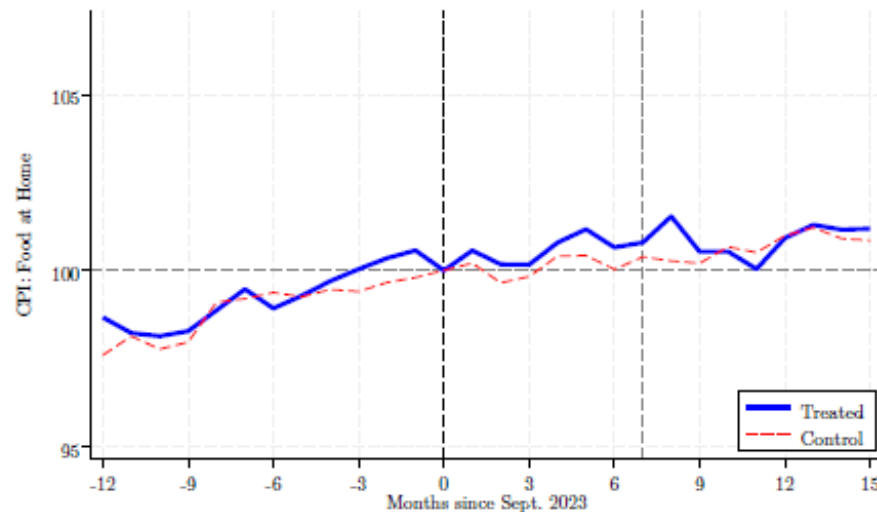
- Was California hit by other forces that led more broadly to increases in prices?



- No evidence from the broader basket of goods that excludes food and energy.

# Price Increases From the \$20 Fast Food Minimum Wage

- Was California hit by other forces that led more broadly to increases in prices?



- Even the more narrowly relevant “Food at Home” series moves in parallel.

# Additional Evidence on Price Increases

- Evidence from California and a broader range of settings is consistent

A \$20 Minimum Wage: Effects on Wages, Employment and Prices\*

DENIS SOSINSKIY  
University of California, Berkeley

MICHAEL REICH  
University of California, Berkeley

September 2025

## Who Pays for the Minimum Wage?

Peter Harasztsosi

Attila Lindner

AMERICAN ECONOMIC REVIEW  
VOL. 109, NO. 8, AUGUST 2019  
(pp. 2693–2727)

*75 percent of the minimum wage increase was paid by consumers and 25 percent by firm owners; that firms responded to the minimum wage by substituting labor with capital; and that disemployment effects were greater in industries where passing the wage costs to consumers is more difficult. We estimate a model with monopolistic*

Employers passed about 63 percent of the higher wage costs to consumers

September 08 2022

### The Pass-Through of Minimum Wages into U.S. Retail Prices: Evidence from Supermarket Scanner Data

Tobias Renkin, Claire Montialoux, Michael Siegenthaler

> Author and Article Information

*The Review of Economics and Statistics* (2022) 104 (5): 890–908.

[https://doi.org/10.1162/rest\\_a\\_00981](https://doi.org/10.1162/rest_a_00981) Article history

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#### Abstract

This paper estimates the pass-through of minimum wage increases into the prices of U.S. grocery and drug stores. We use high-frequency scanner data and leverage a large number of state-level increases in minimum wages between 2001 and 2012. We find that a 10% minimum wage hike translates into a 0.36% increase in the prices of grocery products. This magnitude is consistent with a full pass-through of cost increases into consumer prices. We show that price adjustments occur

September 28 2021

### Minimum Wage and Real Wage Inequality: Evidence from Pass-Through to Retail Prices

Justin H. Leung

> Author and Article Information

*The Review of Economics and Statistics* (2021) 103 (4): 754–769.

[https://doi.org/10.1162/rest\\_a\\_00915](https://doi.org/10.1162/rest_a_00915) Article history

Cite Permissions Share Views

#### Abstract

This paper considers the impact of the minimum wage on both labor and product markets using detailed store-level scanner data. I provide empirical evidence that a 10% increase in the minimum wage raises grocery store prices by 0.6% to 0.8% and suggest that the minimum wage not only raises

February 01 2001

### Price Pass-Through and the Minimum Wage

Daniel Aaronson

> Author and Article Information

*The Review of Economics and Statistics* (2001) 83 (1): 158–169.

<https://doi.org/10.1162/003465301750160126> Article history

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#### Abstract

This paper tests a textbook consequence of competitive markets: that an industry-wide increase in the price of labor is passed on to consumers through an increase in prices. Using several data sources on restaurant prices, I explore the price impact of minimum-wage hikes in Canada and the United States. Particular attention is paid to the timing of these price responses to gauge the 'stickiness' of minimum-wage cost shocks. I find that restaurant prices generally rise with changes in the wage bill and that this response is concentrated in the quarter surrounding the month during which the legislation is enacted.

# Who Bears the Cost? (Consumers?)

- **Implication:** It's like a transfer financed by a **sales tax** skewed against goods and services produced by low-wage workers (MaCurdy, JPE 2015).
  - This is more regressive than using income taxes to finance a wage subsidy.

TABLE 4  
MINIMUM WAGE COSTS PAID BY VARIOUS FAMILY TYPES

Consumer Group	Percent All Families (1)	Percent Minimum Wage Costs (2)	Average Annual Cost per Family (\$) (3)	Cost as Percentage of Annual Family Expenditure (4)
A. Income quintile:				
Lowest income quintile	20.0	9.3	74	.59
2nd income quintile	20.0	10.9	86	.50
Middle income quintile	20.0	14.4	114	.51
4th income quintile	20.0	19.5	154	.54
Highest income quintile	20.0	31.7	250	.58

The burden is spread proportionately across the income distribution

# How Should We Think About the Minimum Wage?

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# Can Firms Shift Minimum Wage Costs Back to Workers?

- **Category 1: Reductions in Fringe Benefits**
  - Straightforward logic: Compensation includes fringe benefits as well as wages. When regulation increases wage costs, firms might pull back on benefits.
    - There is evidence in the opposite direction (benefit mandates reduce wage costs).
    - But evidence that minimum wage increases results in lower benefits suggests modest effects.
- **Category 2: Productive Disamenities**
  - Definition: Things that make a job less pleasant (reduce worker welfare) but that enhance hourly output.
    - Examples: Pace of work; employer-driven schedule changes (call-ups and shift cuts)
  - Recent evidence on these margins is strong

# Evidence on Reductions in Fringe Benefits

- Several recent papers suggest that health insurance benefits become less generous (loss of coverage and higher deductibles).
- May offset around 10 percent of the cost of the wage increases.

## The Minimum Wage, Fringe Benefits, and Worker Welfare

Jeffrey Clemens, Lisa B. Kahn & Jonathan Meer

insurance. Effects are largest among workers in very low-paying occupations, for whom coverage declines offset 9 percent of the wage gains associated with minimum wage hikes. We find

### Do minimum wage laws affect employer-sponsored insurance provision?

Mark K. Meiselbach<sup>a,\*</sup>, Jean M. Abraham<sup>b</sup>

<sup>a</sup> Department of Health Policy and Management, Johns Hopkins Bloomberg School of Public Health, Baltimore, MD, United States of America  
<sup>b</sup> Division of Health Policy and Management, University of Minnesota School of Public Health, Minneapolis, MN, United States of America

#### ARTICLE INFO

Keywords:  
Health insurance  
Employer-sponsored insurance  
Minimum wages  
Private insurance  
Plan benefit design

#### ABSTRACT

Employers may respond to minimum wage increases by adjusting their health benefits. We examine the impact of state minimum wage increases on employer health benefit offerings using the 2002–2020 Medical Expenditure Panel Survey – Insurance/Employer Component data. Our primary regression specifications are difference-in-differences models that estimate the relationship between within-state changes in employer-sponsored insurance and minimum wage laws over time. We find that a \$1 increase in minimum wages is associated with a 0.92 percentage point (p.p.) decrease in the percentage of employers offering health insurance, largely driven by small employers and employers with a greater share of low-wage employees. A \$1 increase is also associated with a 1.83 p.p. increase in the prevalence of plans with a deductible requirement, but we do not find consistent evidence that other benefit characteristics are affected. We find no consequent change in uninsurance, likely explained by an increase in Medicaid enrollment.

### The Effect of the Minimum Wage on Employer-Sponsored Insurance for Low-Income Workers and Dependents

Michael S. Dworsky, Christine Eibner, Xiaoyu Nie, and Jeffrey B. Wenger

PDF PDF PLUS Abstract Full Text Supplemental Material

#### Abstract

Economic theory suggests that a binding minimum wage increase may reduce the generosity of employer-sponsored insurance (ESI) or other fringe benefits, yet previous empirical studies reach conflicting conclusions about the existence of a trade-off between minimum wages and ESI. We study whether recent state and federal minimum wage increases affect the level or the source of health insurance coverage for low-income families using the 2005–16 Current Population Survey. Our research design uses state and year fixed effects to isolate within-state minimum wage changes while controlling for Medicaid eligibility and other changes in health policy related to implementation of the Affordable Care Act. Because dependent coverage might also be affected by minimum wage hikes, we examine ESI coverage for both low-wage workers and their dependents. We find robust evidence that minimum wage increases lead to reductions in ESI coverage in families below 300 percent of the federal poverty level, with a nominal \$1 increase in the minimum wage reducing the probability of ESI coverage by 0.99 percentage points. Reductions in coverage were observed both for workers and for their dependents.

# Evidence on Scheduling

- Scheduling is one of the more intuitive margins of adjustment once you think about it.
  - Hourly output rises if workers are sent home when not needed and called up when needed.
  - But that reduction in flexibility may increase workers' childcare costs or disrupt their social lives.
- Data on employer-driven schedule adjustments is hard to come by, but there is a job market paper on this topic this year from Hannah Farkas.

## The Economic Incidence of Schedule Unpredictability in Hourly Work

Hannah Farkas \*  
Columbia University

*Please click here for the most recent version.*

December 15, 2025

onto workers through unpredictable scheduling. I then leverage the fact that most hourly service workers earn at or near the minimum wage to examine the tradeoff between schedule predictability and wages. Following large exogenous minimum wage increases, schedule unpredictability increases by 20% per week and schedules become even more responsive to weather shocks. This highlights how some of the welfare gains workers realize from a minimum wage may be offset by increased schedule unpredictability.

# Evidence on the Pace of Work

- A pair of recent papers (Ku, JOLE 2022; Coviello et al, JPE 2022) have found that minimum wage workers produce more by exerting greater effort following minimum wage increases.
- Working more productively is good, but exerting more effort is costly.
  - The cost of greater effort erodes some of the welfare gain from the increase in wages.

## Minimum Wage and Individual Worker Productivity: Evidence from a Large US Retailer

Decio Coviello, Erika Deserranno, and Nicola Persico



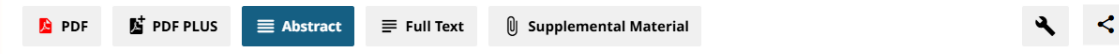
### Abstract

We study workers who are employed by a large US retailer, work in many store locations, and are paid based on performance. By means of a border-discontinuity analysis, we document that workers become more productive and are terminated less often after a minimum wage increase. These effects are stronger among workers whose pay is more often supported by the minimum wage. However, when workers are monitored less intensely, the minimum wage depresses productivity. We interpret these findings through an efficiency wage model. After a minimum wage increase, profits decrease, and a calibration exercise suggests that worker welfare increases.



## Does Minimum Wage Increase Labor Productivity? Evidence from Piece Rate Workers

Hyejin Ku



### Abstract

I examine worker effort as a potential margin of adjustment to a minimum wage hike using unique data on piece rate workers who perform a homogenous task and whose individual output is rigorously recorded. By employing a difference-in-differences strategy that exploits the increase in Florida's minimum wage from \$6.79 to \$7.21 on January 1, 2009, and worker location on the pre-2009 productivity distribution, I provide evidence consistent with incumbent workers' positive effort responses.

# An Implication of More Intensive Effort

- A recent paper finds that minimum wage increases come with increases in workplace injury rates.
- Effects are largest for injuries related to cumulative physical strain, pointing to a tangible cost of the increase in work intensity.
- The authors estimate that “the increase in injury risk offsets 19% of the welfare improvement... of higher wages”

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## Minimum Wages and Workplace Injuries

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[Michael Davies](#), *University of California, Berkeley*

[R. Jisung Park](#), *University of Pennsylvania*

[Anna Stansbury](#), *Massachusetts Institute of Technology*

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### Series

Upjohn Institute working paper ; 26-428

### Abstract

How do minimum wage changes affect workplace amenities? Using the universe of claims from California, the US' largest workers' compensation system, over 2000-2019, we exploit geographic variation in state- and city-level minimum wages and local occupation-level variation in exposure to minimum wage changes to estimate whether minimum wage increases affect the rate of workplace injuries. We find a large adverse effect of raising minimum wages on injuries. A 10% increase in the minimum wage increases the injury rate by 7.2% in an occupation-metro area labor market which is fully exposed to the minimum wage increase. Our results imply an elasticity of workplace injury rates to minimum-wage-induced wage changes of 2.2. We find particularly large effects on injuries relating to cumulative physical strain, suggesting that employers may respond to minimum wage increases by intensifying the pace of work, which in turn increases injury risk. A back-of-the-envelope calculation suggests that the increase in injury risk offsets 19% of the welfare improvement workers see as a result of higher wages.

# Non-Employment Margins Taken in Total

- So far, we have focused on non-employment margins along which costs can be distributed:
  - Reduced firm profits; price pass-through to consumers; workers themselves.
- Research on these margins has started to blossom.
- In any given setting each margin may on average be small, but the overall implications appear substantial.
  - 10+% health benefit offset, other benefits, 19% welfare offset from injuries, other effort costs, lost schedule control....

## **How Do Firms Respond to Minimum Wage Increases? Understanding the Relevance of Non-employment Margins**

Jeffrey Clemens

JOURNAL OF ECONOMIC PERSPECTIVES  
VOL. 35, NO. 1, WINTER 2021  
(pp. 51–72)

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# Evidence on the Minimum Wage's Employment Effects

- Evidence is mixed, and even summaries of the literature are contentious.

## INDUSTRIAL A JOURNAL OF ECONOMY AND SOCIETY RELATIONS

ORIGINAL ARTICLE

### Myth or measurement: What does the new minimum wage research say about minimum wages and job loss in the United States?

[David Neumark](#)  [Peter Shirley](#)

First published: 25 April 2022 | <https://doi.org/10.1111/irel.12306> | [VIEW METRICS](#)

### Abstract

The disagreement among studies on the employment effects of minimum wages in the United States is well known. Less well known, and more puzzling, is the absence of agreement on what the research literature says—that is, how economists summarize the body of evidence on the employment effects of minimum wages. Summaries range from “it is now well established that higher minimum wages do not reduce employment,” to “the evidence is very mixed with effects centered on zero so there is no basis for a strong conclusion one way or the other,” to “most evidence points to adverse employment effects.” We explore the question of what conclusions can be drawn from the literature,

# Evidence from my own research

- My own research finds the minimum wage increases DO reduce employment when they are very strongly binding...
  - Like during the Great Recession,
  - Or when increase exceeded several dollars during the 2010s expansion
- but NOT when increases are moderately binding



The minimum wage and the Great Recession: Evidence of effects on the employment and income trajectories of low-skilled workers<sup>☆</sup>

Jeffrey Clemens<sup>a,\*</sup>, Michael Wither<sup>b</sup>

<sup>a</sup>University of California at San Diego, Economics Department, 9508 Gilman Drive #0508, La Jolla, CA 92093-0508, USA

<sup>b</sup>Powerlytics, USA



The Heterogeneous Effects of Large and Small Minimum Wage Changes: Evidence Using a Partially Pre-Committed Analysis Plan

Jeffrey Clemens and Michael Strain



# Some Have Found Null Effects across a Range of Settings

- There is strong evidence that the typical, small historical minimum wage increase in the United States have small-to-no effect on employment.
- These authors contend further that high as well as moderate minimum wages have no effect on employment.



## The Effect of Minimum Wages on Low-Wage Jobs

Get access >

Doruk Cengiz, Arindrajit Dube, Attila Lindner, Ben Zipperer

*The Quarterly Journal of Economics*, Volume 134, Issue 3, August 2019, Pages 1405–1454,

<https://doi.org/10.1093/qje/qjz014>

Published: 02 May 2019

## Seeing beyond the Trees: Using Machine Learning to Estimate the Impact of Minimum Wages on Labor Market Outcomes

Doruk Cengiz, Arindrajit Dube, Attila Lindner, and David Zentler-Munro



# Others Have Found Large Effects of Large Increases

- Other evidence supports the view that large increases tend to have large effects on employment and hours.
  - Evidence from Seattle's large minimum wage increase.
  - Evidence from the evolution of Germany's minimum wage

## Minimum-Wage Increases and Low-Wage Employment: Evidence from Seattle

Ekaterina Jardim

Mark C. Long

Robert Plotnick

Emma van Inwegen

Jacob Vigdor

Hilary Wething




## American Economic Journal: Economic Policy

ISSN 1945-7731 (Print) | ISSN 1945-774X (Online)

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY  
VOL. 14, NO. 2, MAY 2022  
(pp. 263–314)



The devil is in the details: Heterogeneous effects of the German minimum wage on working hours and minijobs<sup>☆</sup>

Mario Bossler<sup>a</sup>, Ying Liang<sup>b</sup>, Thorsten Schank<sup>b,\*</sup> 

<sup>a</sup> TH Nuremberg Georg Simon Ohm (TH Nuremberg) and Institute for Employment Research (IAB), TH Nuremberg, Kesslerplatz 12, 90489, Nuremberg, Germany  
<sup>b</sup> Johannes Gutenberg-University Mainz (JGU Mainz), JGU Mainz, Jakob-Welder-Weg 4, 55128, Mainz, Germany

## A B S T R A C T

Germany introduced a national minimum wage in 2015. While prior studies find limited effects on overall employment, we go into detail and examine its impact on working hours and minijobs. The minimum wage significantly reduces inequality in hourly and monthly wages. While average working hours remain stable, minijobbers experience notable cuts in working hours, which can be explained by the institutional context shaping the effects of the minimum wage. Employment in regular jobs remains unaffected, but minijobs decline, driven by transitions into both regular jobs and non-employment. The latter implies an employment elasticity of  $-0.16$  for minijob employment. **Following the first major minimum wage increase in 2022, we reveal a reduction in working hours that is not limited to minijobs, corresponding to an employment volume elasticity of  $-0.38$ .**

# Some Research Finds Strong Substitution Patterns

- Even in settings where overall effects on employment are small or zero, evidence points to substitution away from the least skilled workers.
  - Evidence from job vacancy postings during the 2010s (Clemens, Kahn, and Meer, JOLE 2021)
  - Evidence from a randomized experiment in a large online labor market (Horton, AER 2025)

## Price Floors and Employer Preferences: Evidence from a Minimum Wage Experiment

John J. Horton

AMERICAN ECONOMIC REVIEW  
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### Abstract

Firms posting job openings in an online labor market were randomly assigned minimum hourly wages. When facing a minimum wage, fewer firms hired, but those they did hire paid higher wages. Hours-worked fell substantially. **Treated firms shifted to hiring more productive workers.** Using the platform's imposition of a market-wide minimum wage after the experiment, I find that many of the experimental results also hold in equilibrium, including the substitution towards more productive workers. However, there was also a large reduction in the number of jobs posted for which the minimum wage would likely bind.



## Dropouts Need Not Apply? The Minimum Wage and Skill Upgrading

Jeffrey Clemens, Lisa B. Kahn, and Jonathan Meer



PDF



PDF PLUS



Abstract



Full Text



Supplemental Material



# Small Firms Struggle Following Minimum Wage Increases

- Even when having small-to-no effect on employment, the evidence suggests that small firms struggle and that workers are reallocated to large corporations.

JOURNAL ARTICLE

## Reallocation Effects of the Minimum Wage\*

Christian Dustmann, Attila Lindner, Uta Schönberg, Matthias Umkehrer, Philipp vom Berge

*The Quarterly Journal of Economics*, Volume 137, Issue 1, February 2022, Pages 267–328, <https://doi.org/10.1093/qje/qjab028>

Published: 20 August 2021 [Article history](#) ▼

not lower employment. It also led to the reallocation of low-wage workers from smaller to larger, from lower- to higher-paying, and from less to more productive

JOURNAL ARTICLE

## Who's Afraid of the Minimum Wage? Measuring the Impacts on Independent Businesses Using Matched U.S. Tax Returns\*

Nirupama L Rao, Max Risch

*The Quarterly Journal of Economics*, Volume 141, Issue 1, February 2026, Pages 373–427, <https://doi.org/10.1093/qje/qjaf053>

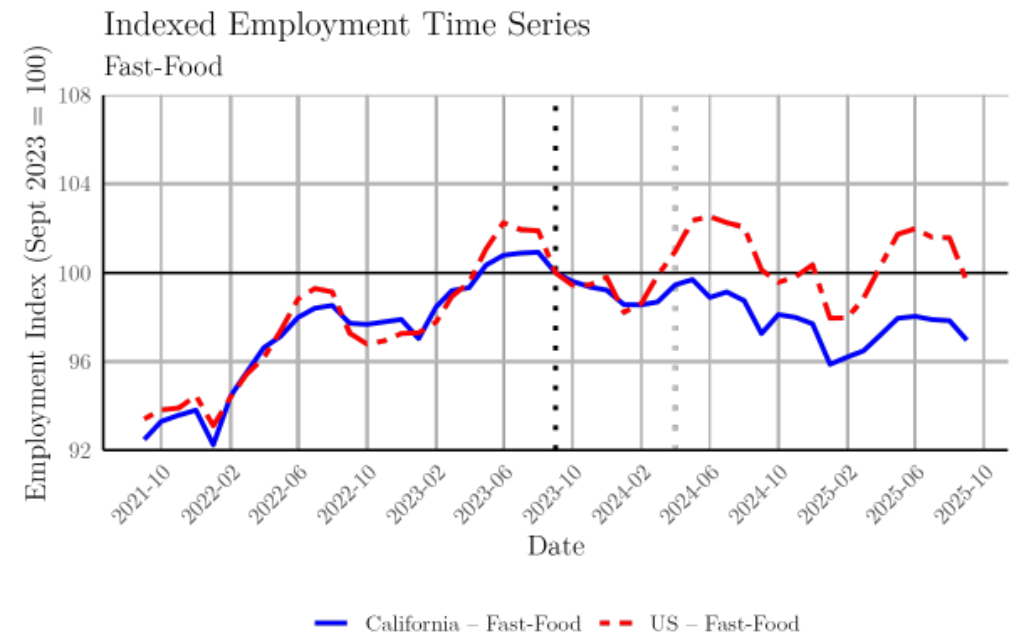
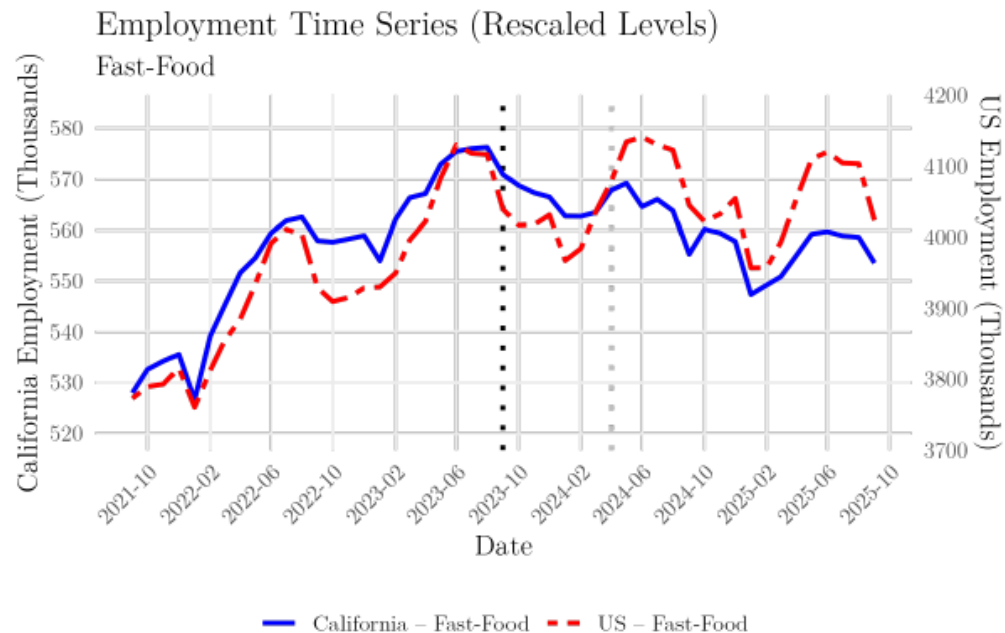
Published: 10 December 2025 [Article history](#) ▼

Higher wage floors, however, forestall entry, particularly for less productive firms, reducing the number of independent firms operating in these industries by roughly 2%. Yet these industries do not shrink; instead, incumbent responses and

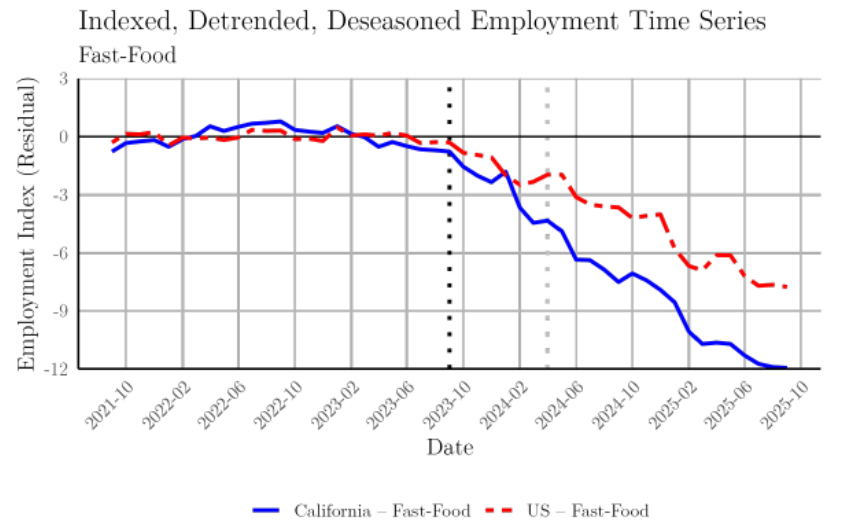
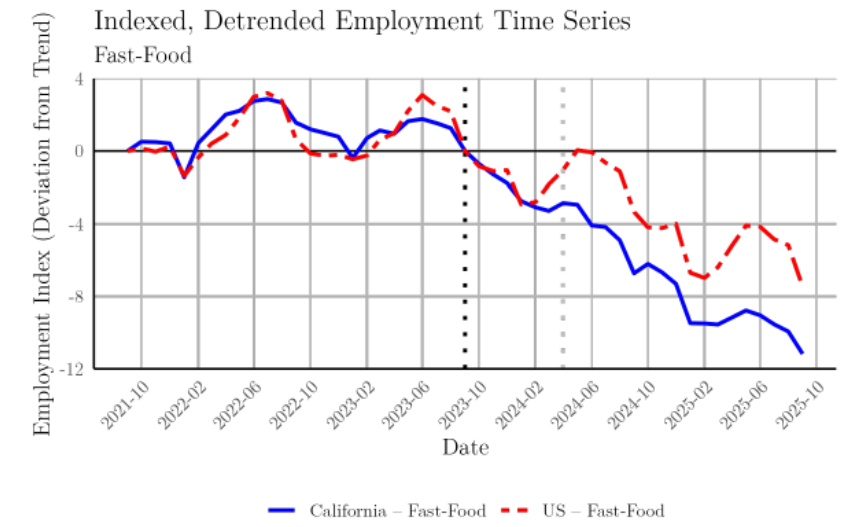
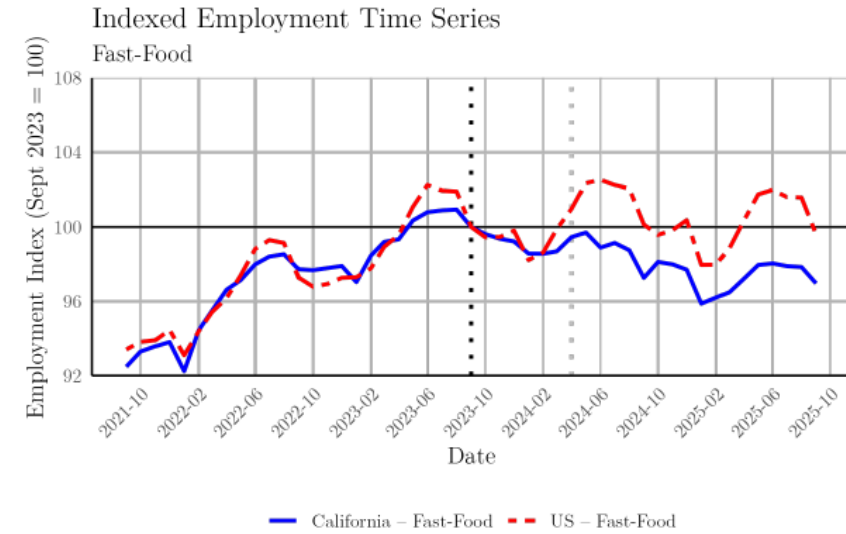
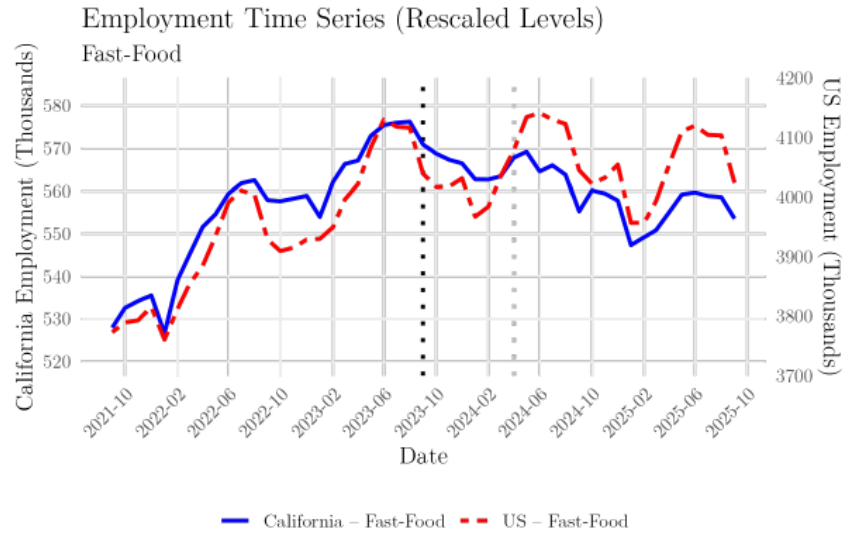
indicate that minimum wage increases boost retention and that worker reallocation from independent firms toward corporations buffers disemployment impacts from reduced hiring at independent firms.

# Employment Effects of the \$20 Fast Food Minimum Wage

- My reading of the data on California's \$20 fast food minimum wage:
  - Limited-Service Restaurant employment in California fell by roughly 3 percent relative to Limited-Service Restaurant employment elsewhere around the U.S.
  - Data come from the comprehensive Quarterly Census of Earnings and Wages.

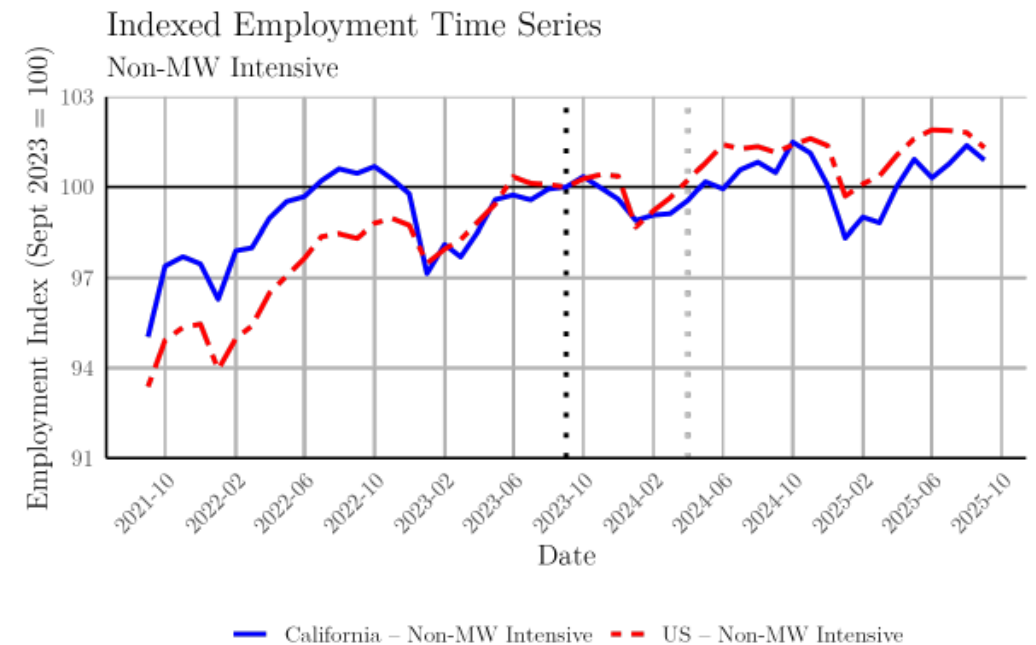
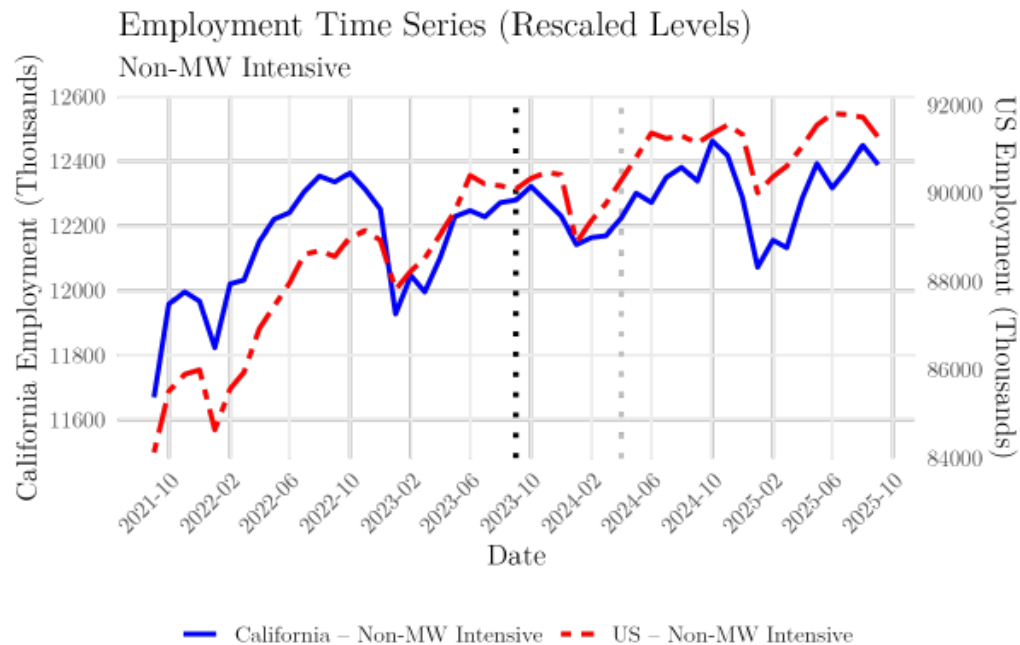


# Detrending and Seasonally Adjusting Has Little Impact



# Did Other Industries Show Signs of a Struggling Economy?

- California's non-minimum-wage intensive industries exhibit a large decline in early 2023, but do not move in ways that suggest exposure to California-specific shocks that would bias the fast-food analysis.



# Disagreement Over CA's \$20 Fast Food Minimum

- A working paper released earlier this month arrives at a very different conclusion.

Labor Market Effects of California's \$20 Fast-Food Minimum Wage

Arindrajit Dube

NBER Working Paper No. 35171

May 2026

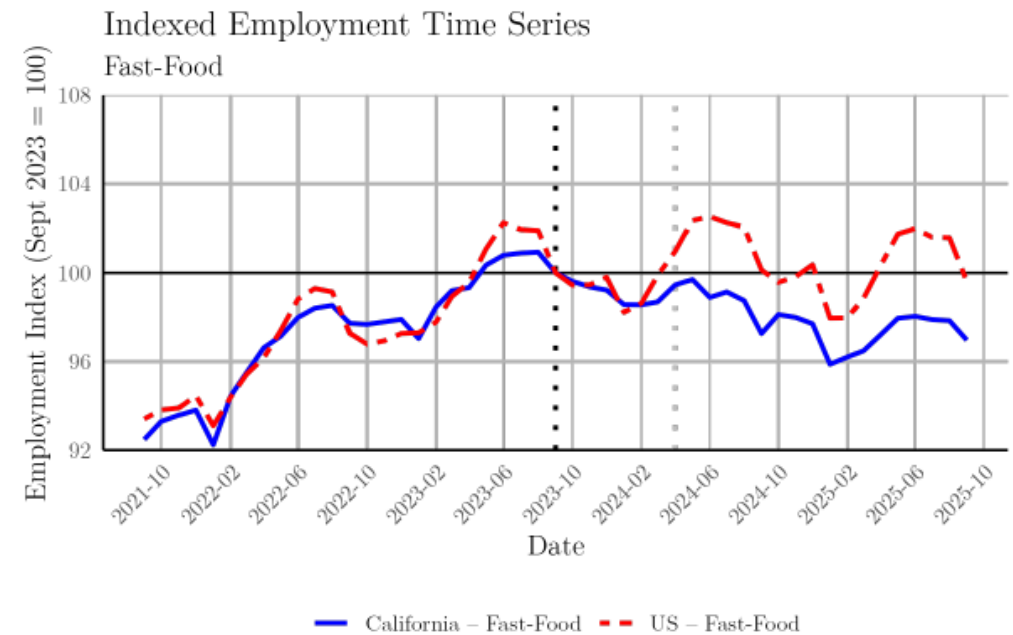
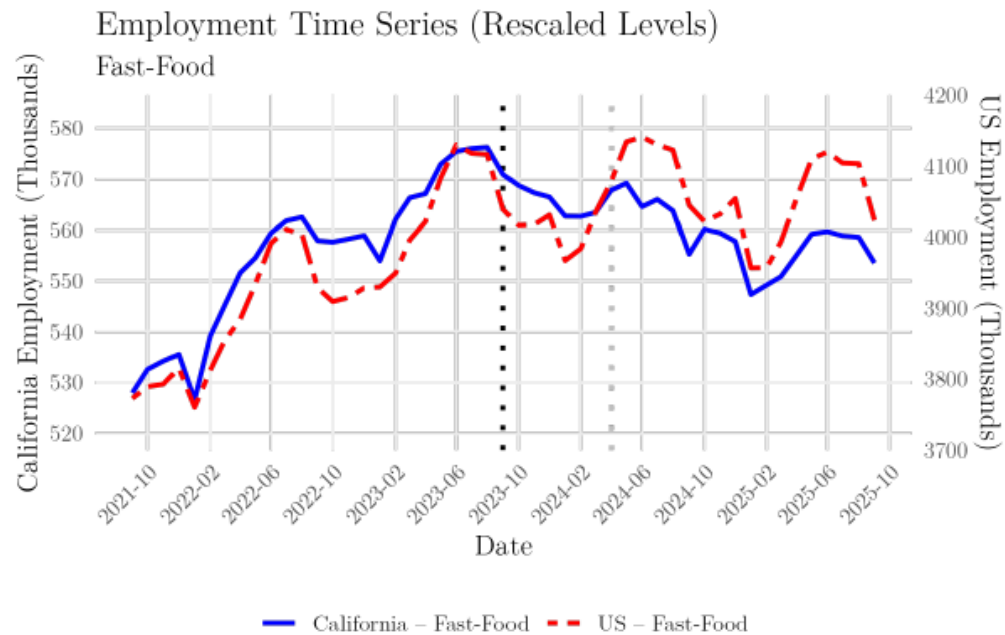
JEL No. J0, J20, J80, J88

decline, so total fast-food earnings rose. California's \$20 fast-food minimum wage—set at a level many predicted would produce large job losses—raised pay for low-wage workers with modest to no employment costs.

- This paper argues that the control group needs to be reweighted to better match California's trend in the lead-up to AB-1228's enactment

# Is there an argument for reweighting the control group?

- Is this justified?



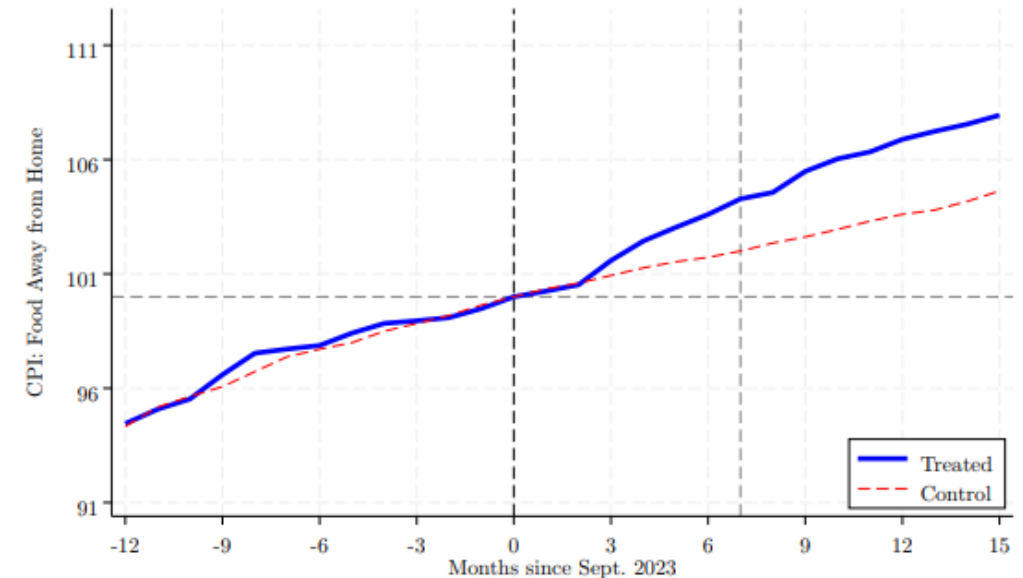
- This new paper’s control group is “a weighted combination of Idaho (61%), Utah (22%), Pennsylvania (7%), Texas (7%), and Georgia (4%).”
- Readers can decide for themselves how best to read the evidence.

# Returning to the Big Picture.

- Employment and price effects are linked in two ways.
  - Price increases impact product demand.
  - Scope for price increases can mediate the size of employment declines.

# Employment and Price Effects Are Linked in Two Ways.

- First, demand for goods and services slopes down. When a cost shock leads prices to rise, industries scale back.
- Existing evidence on the restaurant sector implies that a 4% increase in prices tends to lead demand to fall by around 3%.
- This is almost exactly the relative magnitude of the effects my research has estimated for the \$20 fast food minimum wage's impacts on prices and employment.
  - It is difficult to rationalize how a wage increase could lead prices to go up substantially without demand for labor going down.



# Employment and Price Effects Are Linked in Two Ways.

- Second, whether firms have scope for increasing their prices at all can mediate the magnitude of employment effects.
- Two high quality papers have shown recently that large minimum wage increases have larger effects on employment in industries where firms compete globally than in industries where they compete locally (Harasztosi and Lindner, AER 2019; Link, JPUBEC 2024).
  - Haircuts and restaurants vs. manufactured goods and tourism.
- This raises a point of concern as we consider the implications of the \$25 minimum wage scheduled for San Diego's hotel sector, which competes with tourist destinations around the world.

# Conclusion

- The minimum wage is a fascinating topic to study.
- Even if costs are borne entirely by firm owners or consumers, it redistributes far less effectively than using the tax code to target wage subsidies, as with the Earned Income Tax Credit.
- Substantial costs are likely pushed back onto the workers themselves through changes in benefits, work intensity, and job loss.
- We should be nervous about the prospects for high minimum wages in sectors like San Diego's hotel sector that compete on global markets.