

# Are Minimum Wages Absorbed by Price Increases?

IRLE Colloquium Series

October, 7 2015

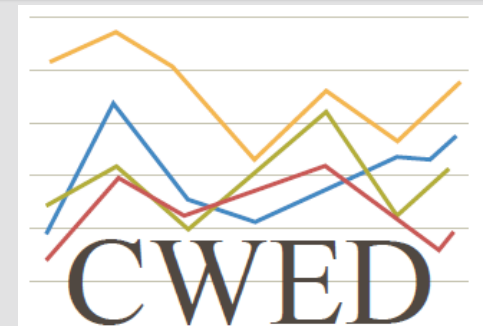
University of California, Berkeley

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Co-directors

Center on Wage & Employment Dynamics

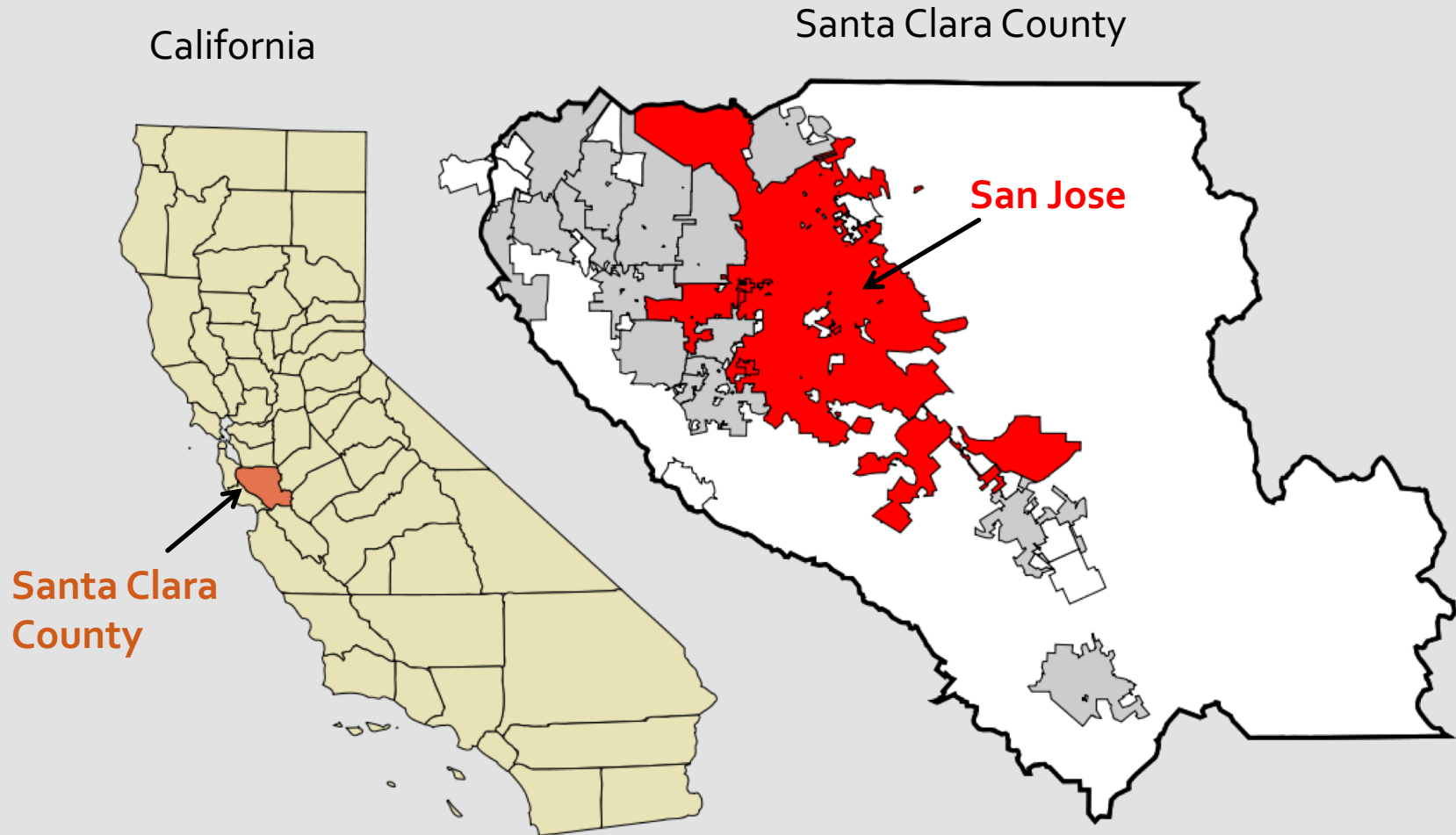
University of California, Berkeley



# San Jose Citywide MW

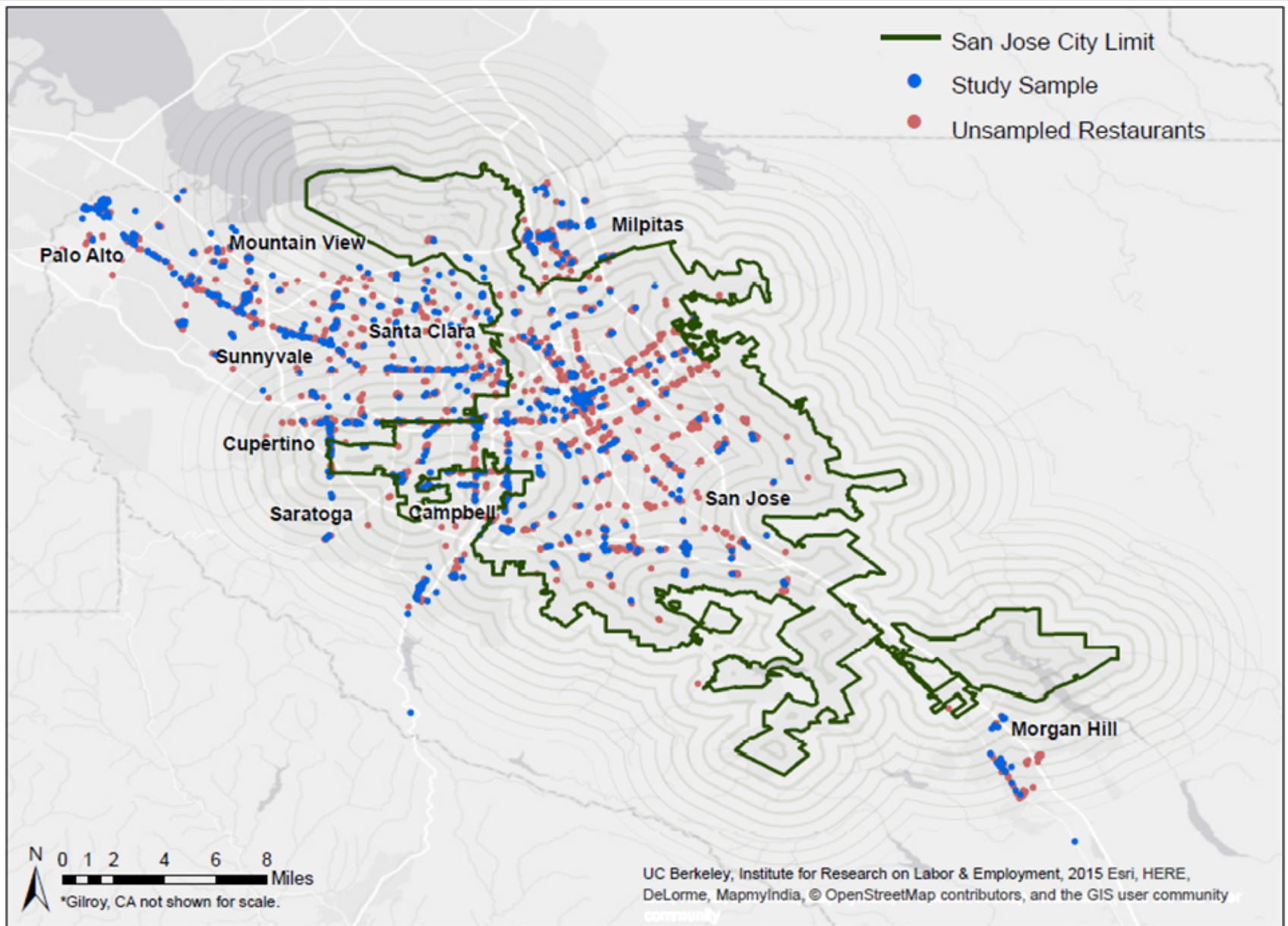
- Motivated by San Jose State University students
- November 2012, Ballot initiative passed by 59%
- March 2013 one step increase from \$8 to \$10
- Great opportunity for a quasi-local experiment
  - Study restaurant menu prices
  - Restaurants are heavy users of MW workers
  - San Jose location within a larger labor market
- Santa Clara County, Active Food Facilities (AFF)

# Study area

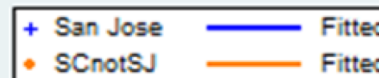
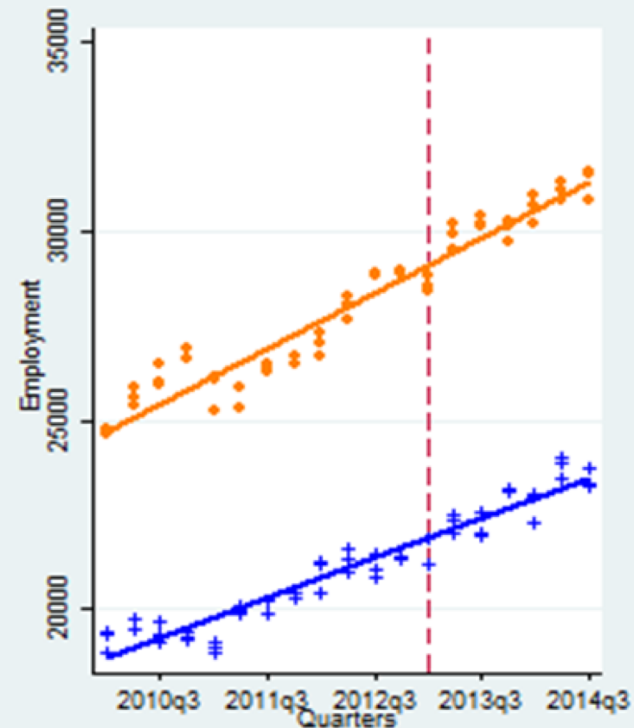
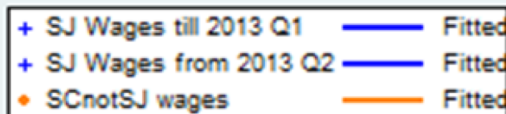
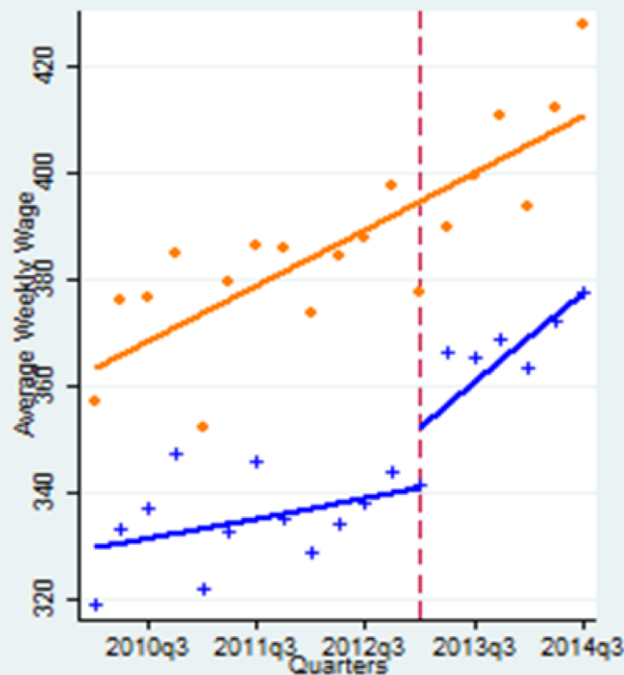


# Restaurant Menu Data

- Santa Clara County, Active Food Facilities (AFF)
  - Study restaurant menu prices
  - Restaurants are heavy users of MW workers
  - San Jose location within a larger labor market
- Increasing prevalence of on-line menus
- Attempted to obtain menus for all 3,285 restaurants
- Ended up with 884 pre- and post-menu pairs



# Wage & employment



	Elasticities (se)
<b>A. Overall</b>	0.057*** (0.016)
<b>B. Sector</b>	
Full-service	0.039** (0.019)
Limited-service	0.082*** (0.027)

# Results by Chain

	Elasticities (se)
<b>C. Chain analyses</b>	
<i>1. Indicator for chain using the whole sample</i>	
Chain (at least two locations)	0.098*** (0.030)
Non-chain	0.030* (0.016)
<i>2. Sample using only chains with outlets in both the treatment and control areas</i>	
Within chain effect	0.061** (0.027)



	Elasticities (se)
<b>D. Number of employees</b>	
1 to 7	0.076*** (0.024)
8 to 39	0.038** (0.020)
40 or more	0.007 (0.025)

# Summary

- Yes, MWs are absorbed into prices
  - Natural experiment and credible academic studies
- In SJ prices increased **XX** over all
  - YY for FS/LS?
  - Menu size?
- **ADD**
  - **ADD**

# THANK YOU!

Sylvia A. Allegretto  
and  
Michael Reich

