

Higher minimum wages may make bad restaurants close

The Economist

2017.4.29

US Minimum wage

- US: Since July 24, 2009, the federal government has mandated a nationwide minimum wage of \$7.25 per hour.
- As of January 2017, there were 29 states with a minimum wage higher than the federal minimum.
- 2021.1, 台灣每小時基本工資為 160 元; 以匯率 28 元計算, 等於 5.7 美元

Minimum wage

- 18 states and 22 cities and counties raised their minimum wages at the start of 2017.
- A new working paper by Luca and Luca on minimum wage.
- Traditionally, scholars have focused on whether or not minimum wages reduce employment. But the paper asked something else: does it force firms out of business?

The restaurant industry in Bay area

- Bay area contains 15 of the 41 cities and counties that have changed their minimum wages since 2012.
- The analysis relies on data from Yelp.

- A restaurant has, on average, a one-in-250 chance of closing in any given month.
- Whether or not the odds change when the minimum wage rises seems to depend on the **quality of the eatery**—or at least, on its Yelp rating.

- Restaurants with a five-star score are barely affected; but less impressive joints are suddenly more likely to close.
- Restaurants with a middling rating are about 14% more likely to shut down when the minimum wage goes up by a dollar.
- Pay floors somehow force up the quality of restaurants.

- If those scholars who say that overall restaurant employment is unaffected by higher minimum wages are right, the implication is that pay floors somehow force up the quality of restaurants.
- In other words, a laid-off waiter will be able to find a new job somewhere serving better grub (food).

- If those scholars are wrong, however, then the new paper supports what sceptics have said all along: that higher minimum wages, by threatening the viability of some firms, dent employment opportunities for the low-skilled.