Many Channels of Adjustment to a Higher Minimum Wage: Evidence from Restaurant Reviews

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Abstract

Minimum wage changes may induce many responses by affected establishments other than, or instead of, changes in employment. Some of these channels are difficult to detect directly or simultaneously with conventional data and methods. Using natural language processing methods on millions of restaurant reviews, this paper examines the impacts of minimum wage changes on prices, friendliness, hygiene, portion sizes, and wait times. I find evidence of a rise in prices and improvements in staff friendliness with higher wages. While there is some weak evidence for deteriorating hygiene standards, there are no detectable impacts on portion sizes or wait times. Overall, these changes are associated with a small but significant drop in restaurant ratings.

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