

Minimum wage, labour costs, and product variety

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Abstract

Previous studies have assessed the employment and price response of firms to minimum wage increases. In this study, we investigate the impact of a minimum wage increase on restaurants' product offerings. We apply a unique panel data set of restaurant menus to a minimum wage increase in New York City at the beginning of 2018. Comparing similar restaurants in New York City and the neighbouring New Jersey suburbs in a matching difference-in-difference framework allows us to isolate the causal impact of the minimum wage increase. The data set includes information that allows us to identify not only the range of products offered by each restaurant but also the labour intensity of the dishes on each menu. Our results provide empirical evidence on the response of monopolistically competitive firms to a cost shock to a factor of production.

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