

Wages, Minimum Wages, and Price Pass-Through: The Case of McDonald's Restaurants

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Abstract

We use highly consistent national-coverage price and wage data to provide evidence on wage increases, labor-saving technology introduction, and price pass-through by a large low-wage employer facing minimum wage hikes. Based on 2016-2020 hourly wage rates of McDonald's Basic Crew and prices of the Big Mac sandwich collected simultaneously from almost all US McDonald's restaurants, we find that in about 25% of instances of minimum wage increases, restaurants display a tendency to keep constant their wage 'premium' above the increasing minimum wage. Higher minimum wages are not associated with faster adoption of touch-screen ordering, and there is near-full price pass-through of minimum wages, with little heterogeneity related to how binding minimum wage increases are for restaurants. Minimum wage hikes lead to increases in real wages (expressed in Big Macs an hour of Basic Crew work can buy) that are one fifth lower than the corresponding increases in nominal wages.

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