



# Minimum Wage Heterogeneity: Inflation-Indexing and Local Wages

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Discussant:

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# Summary

Paper investigates whether (a) indexing minimum wages to inflation and (b) differences in county-level wages lead to heterogeneous employment effects of minimum wage

Data come from Quarterly Census of Employment and Wages (QCEW). Time period: 1990 (QI)—2012 (QIII). Analysis focuses on restaurant industry

Two econometric strategies:

- ❖ Linear regression with county and quarter fixed effects
- ❖ Border-county-pair (matched county) approach

Main findings:

- ❖ Magnitude of disemployment effect of inflation-indexed  $w_{\min}$  is twice that of unindexed  $w_{\min}$
- ❖ Employment in low-wage counties is twice as sensitive to  $w_{\min}$  compared to employment in high-wage counties

# Evaluation

Paper is well written and accessible; contains a well executed empirical analysis

**Novelty:** paper contributes to our understanding of heterogeneous effects of  $w_{\min}$  across policy design and geography. Empirical analysis of inflation-indexed  $w_{\min}$  policy is new:

- How exactly inflation-indexing is accounted for is discussed only on p. 10. **Suggestion:** briefly explain empirical approach early in paper

Estimated effects of  $w_{\min}$  are intuitive. But paper is **very light on theory** to provide comprehensive explanation:

- **Suggestion:** expand theoretical discussion of  $w_{\min}$  effects

# Comments

Few variables included in  $X_{it}$  → perhaps include more. E.g., county-level measures of educational attainment

Descriptive analysis of demographic/socioeconomic differences between low-wage and high-wage counties is needed

Discussion on pp. 12-13 (involving leads/lags of  $MW$ ) is hard to follow. It doesn't offer a way to formally test for exogeneity of  $w_{\min}$ . This section needs improvement

Some estimates were overlooked. Consider Table 4. Since estimate on *Inflation-Indexed MW* dummy is  $+0.844^{***}$ , what is employment effect of switching to inflation-indexing? Is effect's direction intuitive?

# Minor Issues (I)

Swap Table 1 and Table 2 so that they appear in same order they are referenced in paper

Bottom of p. 9: clarify that you use *nominal* county-quarter minimum wage

Analyses of effects of  $w_{\min}$  on earnings are not paper's focus. Do they belong in main body of paper? Appendix?



P. 11: two states in different counties

P. 12: assumption to is  $\rightarrow$  assumption is to

Try to re-express Eqs. (5) and (6) in reader-friendly way

## Minor Issues (II)

Regarding discussion on p. 12: Shouldn't it be possible to test for presence of state-specific linear trends directly?

P. 15: increases increase → increases

Conclusion on p. 18 mentions differences in *mobility rates*. They don't seem to belong