

Macro Roundup Article

Headline: [The U.S. Low-Wage Structure: A McWage Comparison](#)

Article Link: <https://www.nber.org/papers/w32708>

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Tweet: Using cross-state data they collected on Big Macs earned Per Hour (BMPH) to compute likely wages in the absence of minimum wage laws, Orley Ashenfelter and Štěpán Jurajda find minimum wages had a much smaller influence post-pandemic than in 2016.

Summary: We collect 2016 to 2023 wage rates from 70-80% of U.S. McDonald's restaurants, covering U.S. counties with 97% of the U.S. population. McWages capture [nominal] labor costs in entry-level jobs, while the Big Macs (earned) Per Hour (BMPH) index measures the corresponding purchasing power of wages. Our latent McWage measure allows us to explore the structure and 'bite' of state minimum wages. We find that the Covid-19 pandemic resulted in a sharp break in the importance of minimum wages for low-skilled wage growth, as captured by McWages. Prior to the pandemic, cross-state wage differences were strongly related to minimum wages, as state minimum wage levels were rising in tandem with the state-specific latent McWage means. As a result, real wages of McDonald's workers were growing only in the roughly half of U.S. states that were raising state minimum wages. The pandemic-induced wage spike of 2021 nearly eliminated these geographic minimum wage related differences in wage growth between 2016 and 2023, and led to near-irrelevance of the federal minimum wage. Finally, our estimates offer a new, consistent measure of the 'bite' of state minimum wages, one that suggests limited cross-state variation in the minimum wage 'bite' prior to the pandemic, and a declining 'bite' in most states since the pandemic.

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Primary Topic: Wages/Income

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